Jaguar Land Rover Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

Registered number: 01672070

For the year ended 31 March 2020

Directors

T. Y. H. Bolloré
F. Brautigam
H. Kirner
A. J. Mardell
G. A. McPherson
D. Owen
N. M. Rogers
H. B. B. Sorensen
D. M. Williams

Company secretaries

A. J. Beaton
K. J. Benjamin
A. L. Rees-Browne

Registered office

Abbey Road
Whitley
Coventry
CV3 4LF
United Kingdom

Auditor

KPMG LLP
Statutory Auditor
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

CONTENTS

STRATEGIC REPORT

The directors present their strategic report for Jaguar Land Rover Limited ('the company') for the year ended 31 March 2020.

Principal activity

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

Review of business and future developments

Fiscal 2020 performance and product portfolio

The company has seen a decrease in its turnover to £19,849 million (2019: £20,870 million). Loss before tax has improved to a loss of £(708) million (2019: £(3,872) million).

Principal products for 2020 were:

- XE
- XJ
- XF
- F-PACE
- F-TYPE
- E-PACE
- I-PACE
- Discovery
- Discovery Sport
- Range Rover
- Range Rover Sport
- Range Rover Evoque
- Range Rover Velar
- Defender

Key performance indicators

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

KPI	Commentary	2020	2019
Turnover	Decrease due to lower wholesales in all markets except North America caused in part by the COVID-19 pandemic.	£19,849 million	£20,870 million
Loss before tax	Decrease in loss before tax primarily driven by exceptional £3.1 billion write down and £136 million exceptional charge in relation to redundancy in the prior year compared to £108 million and £29 million in the current year respectively.	£(708) million	£(3,872) million
Net assets	Increase in net assets is primarily attributed to an improvement to the company's defined benefit pension obligations, which are in a net asset position at 31 March 2020, and higher PPE and intangible assets partially offset by higher borrowings.	£5,522 million	£5,151 million
Headcount (average)	Decrease in the number of employees due to restructuring program initiated in Q4 FY19.	33,084 Employees	38,199 Employees

STRATEGIC REPORT (CONTINUED)

Review of business and future developments (continued)

Our Products and Innovation

Jaguar Land Rover is proud to be the UK's largest automotive manufacturer, respected across the world for our outstanding, award-winning products and innovative, customer-focused technologies.

We relentlessly innovate to create exciting and inherently diverse products with a compelling combination of British design and engineering integrity.

This year, Jaguar refreshed its sport saloon XE, with an enhanced exterior, an all-new luxurious interior and the introduction of new intuitive technology: wireless device charging, embedded Apple Car Play and Spotify app and the first-in-segment ClearSight interior rear view mirror, feeding images of the road behind to a high-definition screen.

Our iconic sports car, the Jaguar F-TYPE, has also been refreshed, receiving overwhelmingly positive customer and media feedback.

In November 2019, the groundbreaking Jaguar I-PACE added the coveted Golden Steering Wheel to its vast collection of prestigious awards.

For Land Rover, we go above and beyond when it comes to capability and innovation. In September 2019, we launched our new Defender to critical acclaim. It is, of course, our most capable and durable Land Rover ever, simply unstoppable. Yet, it is also relevant for the digital age, with the latest advances in connectivity, including the world's first dual-modem, dual eSIM design, Software-Over-The-Air (SOTA) for all key functional and infotainment systems, offering Clear Sight Ground View, our innovative "Invisible" bonnet as well as efficient drivetrains, with mild-hybrid and, soon, plug-in hybrid technology.

Plug-in hybrid technology is already available on both the Range Rover and Range Rover Sport. Now, courtesy of our new Premium Transverse Architecture (PTA), we have expanded our electrified Land Rover vehicle line-up with our latest 1.5 litre three-cylinder plug-in hybrid system offering emissions from only 32g/km and an all-electric range of up to 66km. This technology is now available for both the all-new Range Rover Evoque and comprehensively updated Land Rover Discovery Sport.

The unprecedented disruptions caused by the COVID-19 outbreak inevitably impacted sales and profitability in the fourth quarter. Despite the many headwinds, sales of our all-electric Jaguar I-PACE and our all-new Range Rover Evoque increased year-on-year. In addition, we sold more of our halo Special Vehicle products than ever before. We have reacted quickly and decisively to the pandemic, with an accelerated focus on improving cash flow and strengthening liquidity to pave the way for long-term EBIT margin improvement. Charge+, the next phase of our transformation programme, is already ahead of schedule.

Investing in Mobility

Through collaboration and continuous investment into R&D, we are leading the transition to connected seamless integrated mobility. This year we celebrated the official opening of two world-class facilities, our Advanced Product Creation Centre in Gaydon and the National Automotive Innovation Centre in Warwick, one of Europe's largest automotive R&D hubs. Both embody the spirit of collaboration and creativity to tackle society's greatest mobility challenges.

We are already leading the way with Project Vector, a physical representation of our "Destination Zero" ambition to make our societies safer and healthier and our environment cleaner. Unveiled in February 2020, Vector is an advanced, autonomy-ready electric vehicle designed to meet the needs of both public and private mobility systems.

Streamlined energy and carbon reporting

Jaguar Land Rover's Destination Zero mission for zero emissions, zero accidents and zero congestion is built on the solid foundations of a long-standing commitment to the environment and society.

Our vision is a world of sustainable, smart mobility: our responsible future. Today's industrial revolution is driven by waste reduction, decarbonisation, improving air quality, increasing automation and advancing technology. We will use resources responsibly to help build a better society and a cleaner environment – and in doing so, drive sustainable, profitable growth.

STRATEGIC REPORT (CONTINUED)

Streamlined energy and carbon reporting (continued)

A landmark on Jaguar Land Rover's Destination Zero journey is achieving and maintaining Carbon Neutral status. The culmination of a long-term environmental management plan launched in 2009, Jaguar Land Rover was certified on 31 January 2020 as achieving Carbon Neutral operations for the second consecutive year by the Carbon Trust. This official recognition confirmed that business operations met the internationally recognised PAS 2060 standard between April 2018 and March 2019 across Jaguar Land Rover vehicle manufacturing assembly operations, engine manufacturing and product development sites in the UK.

In line with the UK Government's Streamlined Energy & Carbon Reporting (SECR) framework, the table below shows Jaguar Land Rover's UK operational energy and carbon footprint, for the company's manufacturing volume for the Fiscal year 2020. The CO_2e is calculated with a location based approach using UK average grid intensity conversion factors (2019). However, Jaguar Land Rover continues to purchase 100% renewable REGO (Renewable Energy Guarantee of Origin)-backed zero carbon electricity for all core UK operations.

UK Operations 2019/20	
Energy consumption used to calculate emissions: kWh	1,274,998,136
Emissions from combustion of gas tCO_2e (Scope 1)	135,999
Emissions from combustion of fuel (Scope 1)	10,734
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	2,640
Emissions from purchased electricity (Scope 2 location-based)	123,568
Total gross CO_2e based on above	272,941
Intensity ratio: tCO_2e/£m	11.87

Data is compiled for UK locations in accordance with GHG protocols for finance control.

In addition to this investment in renewable energy, energy saving projects such as solar panels and LED lighting have made consistent reductions in actual consumption. In September 2019, for instance, Jaguar Land Rover unveiled world-leading new facilities at its Gaydon site in Warwickshire, creating one of the UK's most sustainable non-domestic buildings and the country's largest automotive creation and development centre.

The Gaydon site forms an integral part of Jaguar Land Rover's Destination Zero mission, and up to 20% of the energy to run the Gaydon Triangle comes from 2,800m² of photovoltaic solar panels on the roof. The remainder of the site's electricity is derived from 100% renewable sources. The same glazing technology as the Eden Project was used to bring natural light into the building wherever possible and make it more energy efficient. Collectively, such enhancements contribute to a drastic reduction in energy consumption.

In the UK, Jaguar Land Rover's operating CO_2 emissions are down 71% versus a baseline taken in 2007, and this includes the purchase of REGO-backed electricity. Furthermore, the average amount of energy used to build one of our vehicles has reduced by 33% since 2007.

As part of our Destination Zero strategy we are evaluating our wider carbon footprint. From 2020 every new Jaguar Land Rover model line will be electrified, giving our customers even more choice. We will introduce a portfolio of electrified products across our model range, embracing fully electric, plug-in hybrid and mild hybrid vehicles as well as continuing to offer the latest diesel and petrol engines.

Please visit our website for further information on how we are electrifying our product portfolio driving towards a zero carbon world.

STRATEGIC REPORT

Challenges and opportunities

In the long term, geopolitical, technological and regulatory changes pose significant challenges for the automotive industry. These still require substantial levels of investment, whilst the outbreak of COVID-19 has significantly impacted the business more recently. The disruption caused by the virus is rapidly changing the world and our way of life, giving rise to new opportunities, most notably in relation to autonomous driving, vehicle connectivity, electrification and shared mobility solutions (ACES).

Challenges

COVID-19: The outbreak of COVID-19 has significantly impacted our financial results in the year ended 31 March 2020. The company enacted temporary plant shutdowns in the first quarter of the year ended 31 March 2021 with the restart of production at most of our plants from mid-May and through June 2020. Our dealer network has also been impacted by the lockdowns put in place but almost all of our dealerships are now open (fully or partially). Our supply chain has inevitably been disrupted by COVID-19, however, our supply base operations are gradually returning and are supporting the restart of our own operations. Our people are our business and their safety and well-being has been paramount during this crisis, with many of our employees furloughed under the UK government's job retention scheme as a result of the temporary plant shutdowns. Gradually, our employees are beginning to return to our sites and we have initiated health and safety protocols following government guidelines to ensure our operations can restart safely.

Trade relations: Any barriers that pose a threat to frictionless trade and the free movement of parts and labour will likely have an adverse effect on our business operations. The UK formally exited the EU on 31 January 2020 with a transition period to facilitate an orderly withdrawal ending on 31 December 2020. However, uncertainty remains over the future terms of trade that may not be concluded by the end of the transition period, exacerbated by the disruption caused by COVID-19.

Regulatory environment: Continued tightening of emissions regulation drives up manufacturing costs, causes consumer uncertainty and adds additional cost in the form of increased tax applied to non-compliant vehicles, for instance, the move to the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) in Europe during 2018. Despite significant improvements in fuel economy, reduction in $CO2$ and NOx emissions, the demand for diesel vehicles has declined. This is largely as a result of government policy and tighter regulations, several countries having pledged to bring forward their strategies to phase out the sale of internal combustion engine vehicles altogether.

We continue to expand electrified powertrain options across our model range by offering full battery electric, plug-in hybrid and mild-hybrids on all of our new and refreshed vehicles, as well as continuing to refine our latest technologically advanced diesel and petrol Ingenium engines to ensure compliance with emissions regulations.

Mass adoption of electric vehicles (EVs): Widespread consumer acceptance and take up of EVs is growing at pace, but much still depends on the deployment of adequate charging infrastructure. Practical access to private charging points and a reduction in the total ownership cost of EVs are still major factors in mainstream adoption. As EV sales rise, the relative costs should fall as scale efficiencies are realised in the industry. Fossil fuels remain the primary source of electric power generation. Until there is a more substantial shift to decarbonise the energy production process, including significant substitution into renewable energy sources, achieving true low emissions mobility will be more difficult.

Opportunities

New and refreshed models: We continue to launch new and refreshed products as part of our long-term growth strategy.

During the year, sales of the all-new Range Rover Evoque increased significantly. Sales of the refreshed Land Rover Discovery Sport also began and the refreshed Jaguar F-TYPE was launched. The all-new Land Rover Defender was revealed at the Frankfurt Motor Show in September 2019 and production began at our plant in Slovakia in January 2020. We also continue to update our existing model range with industry leading design and technology, including the latest infotainment systems and full battery electric and hybrid propulsion.

STRATEGIC REPORT (CONTINUED)

Challenges and opportunities (continued)

Electrification: We plan to offer electrified options on all of our new and refreshed models from this year onwards. Plugin hybrid variants of the Range Rover Evoque, Land Rover Discovery Sport and the new Defender are due to go on sale later this year, following the success of the Jaguar I-PACE. In support of our electrification strategy, the manufacture of next-generation Electric Drive Units (EDUs), developed in partnership with BMW, will begin at our Engine Manufacturing Centre in Wolverhampton later this year. The start of operations at our Battery Assembly Centre in Hams Hall, North Warwickshire, will also be a significant step forward.

Autonomous, connected and shared mobility: We continue to introduce new driver assistance technologies into our vehicles and are developing more advanced self-driving technologies in response to legal frameworks permitting higher degrees of automation.

The new Defender, for instance, is the first model to showcase our most advanced in-car technology to date: the Pivi Pro infotainment system. This groundbreaking system features a more intuitive interface and Software-Over-The-Air (SOTA) updates, ensuring ultimate connectivity and enabling customers to benefit from the latest software, wherever they are in the world.

Scalability and flexibility: Jaguar Land Rover's family of Ingenium petrol and diesel engines are based around a modular, flexible and scalable all-aluminium design with a choice of three-, four-, and six-cylinder engines that also support mild and plug-in hybrid propulsion technology. We will begin the roll-out of our next-generation Modular Longitudinal Architecture (MLA) across our product portfolio in the coming year. This flexibility and scalability supports the transformation of our business with more streamlined engineering and manufacturing processes and increased commonality across our model range, with the aim of improving quality, reducing cost and increasing operational efficiency.

Collaboration: The technological and regulatory changes in the automotive industry require continued significant investment. Automotive companies are facing escalating costs at a time of consumer uncertainty, when adoption and acceptance of electrified vehicles is slowly growing, but barriers still remain. In this challenging environment, wider collaboration is essential to share financial and operational risks, which is why we are working with pioneering organisations such as Waymo to develop and pilot self-driving technologies, and with BMW to develop next-generation Electric Drive Units to power our future battery electric vehicles.

Principal risks and uncertainties

The COVID-19 global pandemic has had a significant impact on our financial performance and business operations with social distancing measures and enforced lockdowns by governments across all of our key regions. As a result our retailer network and sales have been significantly impacted. We enacted temporary plant closures in the UK and Europe from the end of March with similar shutdowns in our supply base. We have since restarted production in most of our plants from mid-May. However, we do expect a considerable impact on our financial performance in the quarter ended 30 June 2021. The health and wellbeing of our employees is our first priority with many of our employees furloughed under the UK government's job retention scheme. We have developed robust protocol and guidelines to support a safe return to work for our employees adopting strict social distancing measures across our business to protect and reassure our workforce as they return to work.

The principal risks and uncertainties of the Jaguar Land Rover group, of which the company is part, are included in the Jaguar Land Rover Automotive plc Annual Report for the year ended 31 March 2020. The principal risks and uncertainties are considered at a group level and are considered to be similar to those of the company. Within the context of the wider Jaguar Land Rover group, the principal risks and uncertainties facing the company include, but are not limited to, the following:

Credit risk

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

Liquidity risk

The company maintains receivable based financing that is designed to ensure the company has sufficient available funds for operations. Lower consumer demand for vehicles and a tightening of conditions in the credit markets, may adversely affect both consumer demand and the cost and availability of finance to the company.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

Interest rate cash flow risk

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

Currency risk

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

Financial risk management

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

Statement of Corporate Governance Arrangement

For the year ended 31 March 2020, under the Companies (Miscellaneous Reporting) Regulations 2018, the company has applied the Wates Corporate Governance Principles for Large Private Companies ('Wates Principles') (published by the Financial Reporting Council ('FRC') in December 2018 and are available on the FRC website). The new corporate governance reporting requirements under the Regulations apply to companies reporting for financial years beginning on or after 1 January 2019. The company has applied the Wates principles as an appropriate framework when making a disclosure regarding corporate governance arrangements. The company's reporting against the Wates principles has been included below. The company remains committed to ensuring effective governance is in place to deliver its core values, as this is the foundation on which it manages and controls its business and provides the platform for sustainable profitability.

Section 172 Companies Act 2006

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the company to not only demonstrate how the Board makes decisions for the long term success of the company and its stakeholders, but also having regard to how the Board ensures the company complies with the requirements of Section 172 (1)(a) to (f) of the Companies Act 2016.

The Jaguar Land Rover Board provides supervision and guidance to our management, particularly with respect to corporate governance, business strategies and growth plans. It also considers the identification of risks and their mitigation strategies, entry into new businesses, product launches, demand fulfilment and capital expenditure requirements, as well as the review of our business plans and targets.

Examples of actions taken by the Board are: Reviewing and making decisions concerning operational planning associated with the latest five-year business plan of Jaguar Land Rover, evaluating the performance against budget and forecast and reviewing and approving potential investments. The Board is also responsible for overseeing the implementation of appropriate risk assessment processes and controls to identify, manage and mitigate the principal risks to the company. This includes the review, approval and communication of the risk management policy and framework.

Our reporting against the Wates Principles for Jaguar Land Rover Automotive plc has been included below in these financial statements as the Directors of Jaguar Land Rover Limited consider the key decisions made are consistent with those included within Jaguar Land Rover Automotive plc accounts.

The details on how Section 172 of the Companies Act 2006 has been addressed is summarised as follows:

a) The likely consequences of any decision in the long term

The Board annually approves the five-year business plan and monitors its implementation throughout the year. External factors are also considered such as economic, political and ongoing challenges within the market as a part of the five-year business plan to ensure both financial and operating strategy is set at sustainable levels to achieving the long term success of the company. To further enhance and support the long term strategy, the company entered into debt funding arrangements during the financial year.

STRATEGIC REPORT (CONTINUED)

Statement of Corporate Governance Arrangement (continued)

b) The interests of the company's employees

The Directors understand the importance of the company's employees to the long-term success of the business. The company regularly communicates to its employees through presentations, internal group-wide emails and newsletters. A pulse survey undertaken annually allows employees to provide feedback to further support the long term plans of the company. Learning and development continues to be an important area of support to employees through both training days and e-learning modules. Internal networks to support wellbeing have been created to provide and create communities to discuss and share support on mental health, general wellbeing and advice on the recent coronavirus outbreak. We proudly support the growing number of active diversity and inclusion employee-led networks such as JLR Pride, BAME, Gender Equality, Disability and a number of religious groups.

c) The need to foster the company's business relationships with suppliers, customers and others

The Directors understand the importance of the company's supply chain in delivering the long term plans of the company. The Global Sourcing Process (GSP) is used to identify partners with the right capability to support the company on new programmes. Advanced Product Quality Planning (APQP) practices are deployed with Suppliers to support the development of new products, and techniques and processes including a Supplier Risk Management (SRM) approach is used to assess their financial stability and ability to provide continuous supply. Our suppliers of production and non-production goods and services play an integral role in our business and help us to operate globally. The company has key objectives and principles which are set out clearly in the Global Supplier Management policy. In addition to ensuring ethical behaviour, sustainability and health and safety is considered critical to the success of our business relationships.

The Directors monitor the company's engagement with their customers through the use of various Customer Experience Insight tools which helps collate feedback from time of vehicle purchase onwards. This process is run internally and enables both the Company and Retailers globally to help improve customer engagement. Other regular customer feedback mechanisms exist through a variety of syndicated surveys to provide and offer external and independent feedback.

The Directors actively seek information on the interaction with stakeholders and employees to ensure that they have sufficient information to reach appropriate conclusions about the risks faced by the company and any appropriate action to be undertaken.

d) The impact of the company's operations on the community and environment

Further information on the company's initiatives and commitment to the environment and society through the Destination Zero mission can be found in the Strategic Report on pages 2 and 3.

e) The desirability of the company maintaining a reputation for high standards of business conduct

The Board is supportive of diversity in the workplace. Diversity management continues to form a core part of the company's business strategy. As part of our pledge to work even more closely with disabled people we have joined The Valuable 500, a global movement dedicated to ensuring disability inclusion in business. The Valuable 500 aims to unlock the true potential of people living with disabilities across the world. The Board has also approved the company's policies on anti-slavery and human trafficking and anti-bribery and corruption which can all be found on the Jaguar Land Rover Automotive plc website.

f) The need to act fairly as between members of the company

The Jaguar Land Rover Group is owned by Tata Motors Limited ("TML") and collectively are committed to continuing to build future growth through new models through a current difficult economic and social environment.

Wates principle 1 – purpose and leadership

The Board of Directors of the company rigorously challenges strategy, performance, responsibility and accountability so that every decision made is of the highest quality. The Board of Directors actively ensures through committee meetings of the Jaguar Land Rover Automotive plc Group and careful consideration of all economic, geopolitical and environmental factors that the appropriate strategy and decisions are made.

STRATEGIC REPORT (CONTINUED)

Statement of Corporate Governance Arrangement (continued)

Wates principle 2 – Board composition

The company continuously evaluate the balance of skills, experience, knowledge and independence of the Directors. The size and composition of the Board is considered to be appropriate with all members contributing to a wide variety of experience.

Wates principle 3 – Director responsibilities

Effective risk management is central to achieving the company's strategic objectives and is a core responsibility of the Board of Directors. The governance structure of the Jaguar Land Rover Automotive plc Group, of which the company is a subsidiary, ensures good governance is achieved through effective committees tacking core areas of focus for the Group and its subsidiaries on a regular basis. Details of the committees and governance structures of the Group are contained in the Jaguar Land Rover Automotive plc Annual Report for the year ended 31 March 2020.

Wates principle 4 – Opportunity and risk

The Board of directors have oversight of the identification and mitigation of risks for the company and in the context of the company as a subsidiary of the Jaguar Land Rover Automotive plc Group. The principal risks of the company are set out in the strategic report on pages 5 and 6.

Wates principle 5 - Remuneration

The Nominations and Remuneration Committee of the Jaguar Land Rover Automotive plc Group ensures that appropriate senior management is recruited to deliver on the Group's objectives. The Nominations and Remuneration Committee has clearly defined Terms of Reference and is responsible for remuneration strategy, recruitment and long term incentive plans for senior executives. The composition and role of the Remuneration Committee and policies are included in the Jaguar Land Rover Automotive plc Annual Report for the year ended 31 March 2020.

Wates principle 6 – Stakeholder relationship and engagement

The Jaguar Land Rover Automotive plc Board continues to promote accountability and transparency with all stakeholders and shareholders and effectively communicates the company's strategic direction. Interaction and communication with customers and suppliers are set out in the strategic report on page 7.

Maintaining strong relationships with shareholder and bond investors is crucial to achieving the company's aims.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:

K. J. Benjamin
Company Secretary
3 November 2020

Registered Address
Abbey Road
Whitley
Coventry
CV3 4LF
United Kingdom

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the company for the year ended 31 March 2020. Jaguar Land Rover Limited is a private company limited by shares.

Results and dividends

The income statement shows a loss after tax for the financial year of £(656) million (2019: £(3,464) million loss after tax).

The directors do not recommend payment of a dividend in respect of the financial results for the year ended 31 March 2020 (2019: £nil).

Directors

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

T. Y. H. Bolloré	(appointed 10 September 2020)
F. Brautigam	
K. D. M. Gregor	(resigned 1 June 2019)
I. J. Harnett	(resigned 31 July 2020)
H. Kirner	
A. J. Mardell	(appointed 1 June 2019)
G. A. McPherson	
D. Owen	(appointed 31 July 2020)
N. M. Rogers	
H. B. B. Sorensen	(appointed 26 July 2019)
Prof Sir R. D. Speth	(resigned 10 September 2020)
D. M. Williams	(appointed 31July 2020)

Directors' indemnities

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

Branches

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

Going concern

The directors have completed a going concern assessment for the company for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds through funding from its immediate parent company, Jaguar Land Rover Automotive PLC, to meet its liabilities as they fall due for that period.

The going concern assessment for the company is dependent on Jaguar Land Rover Automotive PLC not seeking repayment of the amounts currently due to the group, which at 31 March 2020 amounted to £6,305 million, and providing additional financial support during that period. Jaguar Land Rover Automotive plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The COVID-19 pandemic resulted in a Government imposed lockdown in March 2020 resulting in a sharp downturn in the automotive industry. Jaguar Land Rover Automotive PLC has adopted the going concern basis of preparation in its annual financial statements for the year ended 31 March 2020 and its interim financial statements for the quarter ended 30 September 2020. The Company directors have challenged these forecasts and concluded that Jaguar Land Rover Automotive PLC have both the ability and intent to provide financial support to the company, even in a severe but plausible downside scenario.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

DIRECTORS' REPORT (CONTINUED)

Business review and future developments

A business review and future developments impacting the company are disclosed in the strategic report on pages 1 to 8.

Financial instruments

The disclosures required in relation to the use of financial instruments by the company, together with details of the company's treasury policy and management are set out in note 34 to the financial statements on pages 72 to 84.

Research and development

The company has incurred £1,790 million (2019: £1,997 million) of research and development costs during the financial year. The company is committed to a continuing programme of major expenditure on research and development. Further information is included in the strategic report.

Employee engagement

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

The directors understand the importance of the company's employees to the long-term success of the business. During the year, Pulse Surveys to capture and monitor employee satisfaction along with monthly communications to update all employees on financial performance and business challenges experienced with the company are undertaken. Learning and development courses and internal network groups to support various interests has been encouraged. Details of how the Jaguar Land Rover Group involves its employees are contained in Our People section of the Jaguar Land Rover Automotive plc website.

Employee information

The average number of employees of the company is disclosed in note 6 to the financial statements.

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

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

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

Political involvement and contributions

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

Slavery and human trafficking statement

Pursuant to Section 54 of the Modern Slavery Act 2015, the company has published a Slavery and Human Trafficking Statement for the year ended 31 March 2020. The Statement sets out the steps that the company has taken to address the risk of slavery and human trafficking occurring within its own operations and its supply chains. This statement can be found on the company's corporate website.

DIRECTORS' REPORT (CONTINUED)

Events after the balance sheet date

Full details of significant events since the balance sheet date are disclosed in note 40 to the financial statements on page 90.

Independent auditor

In accordance with Section 487 of the Companies Act 2006, the company has elected to dispense with laying financial statements before the general meeting, holding annual general meetings and the annual appointment of the auditor. With such an election in force the company's auditor shall be deemed to be re-appointed for each succeeding financial year in accordance with Section 485 of the Act.

Statement of disclosure of information to auditor

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

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

The Directors' Report was approved by the Board of Directors and signed on its behalf by:

K. J. Benjamin
Company Secretary
3 November 2020

Registered Address
Abbey Road
Whitley
Coventry
CV3 4LF
United Kingdom

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Opinion

We have audited the financial statements of Jaguar Land Rover Limited ("the company") for the year ended 31 March 2020 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

***Gordon Docherty* (Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom
4 November 2020

INCOME STATEMENT

Year ended 31 March (£ millions)	Note	2020	2019
Revenue	**4**	**19,849**	**20,870**
Material and other cost of sales	5	(13,173)	(14,038)
Employee costs	6	(2,217)	(2,488)
Other expenses	9	(4,399)	(4,549)
Exceptional items	3	(137)	(3,242)
Engineering costs capitalised	10	1,369	1,576
Other income		122	112
Depreciation and amortisation		(1,824)	(2,099)
Foreign exchange loss and fair value adjustments		(198)	(65)
Finance income	11	106	176
Finance expense (net)	11	(206)	(125)
Loss before tax		**(708)**	**(3,872)**
Income tax credit	13	52	408
Loss for the year		**(656)**	**(3,464)**

All the activities of the company are from continuing operations.

The notes on pages 19 to 90 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

Year ended 31 March (£ millions)	Note	2020	2019
Loss for the year		**(656)**	**(3,464)**
Items that will not be reclassified subsequently to profit and loss:			
Remeasurement of defined benefit obligation	31	981	(268)
Gain/(loss) on effective cash flow hedges of inventory		75	(197)
Income tax related to items that will not be reclassified	18	(180)	74
		876	**(391)**
Items that may be reclassified subsequently to profit and loss:			
Gain on cash flow hedges (net)		229	93
Income tax related to items that may be reclassified	18	(42)	(18)
		187	**75**
Other comprehensive income/(expense) net of tax		**1,063**	**(316)**
Total comprehensive income/(expense) attributable to shareholder		**407**	**(3,780)**

The notes on pages 19 to 90 are an integral part of these financial statements.

BALANCE SHEET

As at 31 March (£ millions)	Note	2020	2019
Non-current assets			
Investments	14	1,140	1,079
Other financial assets	15	246	159
Property, plant & equipment	16	5,707	5,537
Intangible assets	17	6,016	5,440
Right-of-use assets	35	291	-
Pension asset	31	408	-
Deferred tax asset	18	-	69
Other non-current assets	22	21	83
Total non-current assets		**13,829**	**12,367**
Current assets			
Cash and cash equivalents	19	1,869	2,465
Short-term deposits and other investments		1,326	1,028
Trade receivables		1,118	2,168
Other financial assets	15	2,167	1,629
Inventories	21	1,984	1,818
Other current assets	22	309	360
Total current assets		**8,773**	**9,468**
Total assets		**22,602**	**21,835**
Current liabilities			
Accounts payable	23	4,738	5,413
Short-term borrowings	24	3,779	3,631
Other financial liabilities	25	957	925
Provisions	26	780	868
Other current liabilities	27	148	153
Total current liabilities		**10,402**	**10,990**
Non-current liabilities			
Long-term borrowings	24	4,818	3,599
Other financial liabilities	25	497	283
Provisions	26	1,140	1,008
Retirement benefit obligation	31	-	640
Other non-current liabilities	27	158	164
Deferred tax liabilities	18	65	-
Total non-current liabilities		**6,678**	**5,694**
Total liabilities		**17,080**	**16,684**
Equity attributable to shareholder			
Ordinary share capital	28	3,561	3,561
Other reserves	29	1,961	1,590
Equity attributable to shareholder		**5,522**	**5,151**
Total liabilities and equity		**22,602**	**21,835**

The notes on pages 19 to 90 are an integral part of these financial statements.
These financial statements were approved by the Board of Directors and authorised for issue on 3 November 2020. They were signed on its behalf by:

H. Kimer
Director
Company registered number: 01672070

STATEMENT OF CHANGES IN EQUITY

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
Balance at 1 April 2019	**3,561**	**1,590**	**5,151**
Adjustment on initial application of IFRS 16 (net of tax)	-	(9)	(9)
Adjusted balance at 1 April 2019	**3,561**	**1,581**	**5,142**
Loss for the year	-	(656)	(656)
Other comprehensive income for the year	-	1,063	1,063
Total comprehensive income	**-**	**407**	**407**
Amounts removed from hedge reserve and recognised in inventory	-	(33)	(33)
Income tax related to amounts removed from hedge reserve and recognised in inventory	-	6	6
Balance at 31 March 2020	**3,561**	**1,961**	**5,522**

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
Balance at 1 April 2018	**3,561**	**5,500**	**9,061**
Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	-	(31)	(31)
Adjusted balance at 1 April 2018	**3,561**	**5,469**	**9,030**
Loss for the year	-	(3,464)	(3,464)
Other comprehensive expense for the year	-	(316)	(316)
Total comprehensive expense	**-**	**(3,780)**	**(3,780)**
Amounts removed from hedge reserve and recognised in inventory	-	(122)	(122)
Income tax related to amounts removed from hedge reserve and recognised in inventory	-	23	23
Balance at 31 March 2019	**3,561**	**1,590**	**5,151**

The notes on pages 19 to 90 are an integral part of these financial statements.

CASH FLOW STATEMENT

Year ended 31 March (£ millions)	Note	2020	2019
Cash flows generated from operating activities			
Cash generated from operations	37	1,741	1,544
Income tax paid		(9)	(14)
Net cash generated from operating activities		**1,732**	**1,530**
Cash flows used in investing activities			
Investment in subsidiaries and equity accounted investments		(79)	(6)
Investment in other restricted deposits		(21)	(28)
Redemption of other restricted deposits		20	27
Movements in other restricted deposits		(1)	(1)
Investment in short-term deposits and other investments		(3,943)	(2,437)
Redemption of short-term deposits and other investments		3,659	3,491
Movements in short-term deposits and other investments		(284)	1,054
Purchases of property, plant and equipment		(1,161)	(1,236)
Proceeds from sale of property, plant and equipment		1	-
Net cash outflow relating to intangible asset expenditure		(1,502)	(1,777)
Finance income received		62	46
Dividends received		35	11
Net cash used in investing activities		**(2,929)**	**(1,909)**
Cash flow generated from financing activities			
Finance expenses and fees paid		(262)	(220)
Proceeds from issuance of short-term borrowings		1,850	2,179
Repayment of short-term borrowings		(1,785)	(1,840)
Proceeds from issuance of long-term borrowings		1,600	1,214
Repayment of long-term borrowings		(824)	(547)
Payments of lease obligations		(50)	(2)
Net cash generated from financing activities		**529**	**784**
Net (decrease)/increase in cash and cash equivalents		**(668)**	**405**
Cash and cash equivalents at beginning of year		2,465	2,087
Effect of foreign exchange on cash and cash equivalents		72	(27)
Cash and cash equivalents at end of year		**1,869**	**2,465**

The notes on pages 19 to 90 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 BACKGROUND AND OPERATIONS

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

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

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

2 ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

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

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

BASIS OF PREPARATION

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

GOING CONCERN

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have completed a going concern assessment for the Company for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds through funding from its intermediate parent company, Jaguar Land Rover Automotive PLC, to meet its liabilities as they fall due for that period.

The going concern assessment for the Company is dependent on Jaguar Land Rover Automotive PLC not seeking repayment of the amounts currently due, directly or indirectly, to the group and providing additional financial support during that period. See note 38 for the breakdown of liability positions with fellow group undertakings at 31 March 2020.

Jaguar Land Rover Automotive PLC has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date where the entity has insufficient liquidity to make such payments, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The COVID 19 pandemic resulted in a Government imposed lockdown in March 2020 resulting in a sharp downturn in the automotive industry. Jaguar Land Rover Automotive PLC has adopted the going concern basis of preparation in its annual financial statements for the year ended 31 March 2020. The Company directors have challenged these forecasts and concluded that Jaguar Land Rover Automotive PLC have both the ability and intent to provide financial support to the company, even in a severe but plausible downside scenario.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES AND JUDGEMENTS

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

Impact of COVID-19

The company has exercised its judgment in evaluating the impact of COVID-19 on the financial statements in response to the rapidly developing environment during the pandemic. A number of areas have been identified as being relevant for consideration, and are discussed below as part of the company's assessment of accounting estimates and judgments, and where required, referenced further within the specific note:

- Revenue recognition, see note 2;
- Taxation, see note 13;
- Impairment of tangible and intangible fixed assets, see notes 16 and 17;
- Variable marketing expense, see note 2;
- Inventory valuation, see note 21;
- Product warranty, see note 26;
- Employee benefits, see note 31;
- Recoverability of receivables, see note 34;
- Hedging, see note 34;
- Capitalisation of product engineering costs, see note 2;

Judgements

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

Revenue recognition

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

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

In some instances, the company recognises revenue on a bill-and-hold basis where control of the vehicle has been transferred to the customer but physical possession is retained by the company (for example, within a vehicle holding compound) until a future point in time. Revenue is recognised on the meeting of bill-and-hold criteria, which are considered to be met as the reason for the bill-and-hold is substantive (as the customer requests JLR to retain possession, usually due to a lack of available space at their own premises), the vehicles are identifiable as separately belonging to the customer (on the basis that each vehicle has a unique Vehicle Identification Number), the vehicle must be ready for physical transfer to the customer (which it is, given that it is fully built and safety-checked off the manufacturing line) and the company does not have the ability to use the vehicle or direct it elsewhere.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Capitalisation of product engineering costs

The company undertakes significant levels of research and development activity, and for each vehicle programme a periodic review is undertaken. The company applies judgement in determining at what point in a vehicle programme's life cycle the recognition criteria under IAS 38 are satisfied and estimates the proportion of central overhead allocated. If a later point had been used then this would have had the impact of reducing the amounts capitalised as product engineering costs. If central overheads had not been allocated it would have reduced the amount capitalised by £117 million.

The company reviewed its methodology in line with the applicable accounting standards to ensure it continues to meet the criteria for capitalising such costs in an environment impacted by COVID-19 to assess that the incremental benefits expected continue to exceed the associated costs.

Deferred tax asset recognition

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

Estimates and assumptions

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

Significant estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year. Other estimates are those that may affect carrying amounts in the longer term.

Significant estimates

Impairment of intangible and tangible fixed assets

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

Retirement benefit obligation

The present value of the post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate, inflation and mortality assumptions. Any changes in these assumptions will impact upon the carrying amount of post-employment benefit obligations. Key assumptions and sensitivities for post-employment benefit obligations are disclosed in note 31.

Other estimates

Product warranties

The company provides product warranties on all new vehicle sales. Provisions are generally recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill (representing the company's constructive obligation to its customers when managing those warranty claims), as well as on possible recall campaigns. These assessments are based on experience of the frequency and extent of vehicle faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information. Refer to note 26.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

The company also has back-to-back contractual arrangements with its suppliers in the event that a vehicle fault is proven to be a supplier's fault. Estimates are made of the expected reimbursement claims based upon historical levels of recoveries by supplier, adjusted for inflation and applied to the population of vehicles under warranty at the balance sheet date. Supplier reimbursement claims are presented as separate assets in note 15.

The company notes that changes in the automotive environment regarding the increasing impact of battery electric vehicles presents its own significant challenges, particularly due to the lack of historical data available at this time to help inform estimates for future warranty claims, as well as any associated recoveries from suppliers due to such claims. The related provisions are therefore made with the company's best estimate at this time to settle such obligations in the future but will be required to be continually refined as sufficient, real-world data becomes available. Supplier recoveries are recognised only when the company considers there to be virtual certainty over the reimbursement, which also requires historical evidence to support.

Variable marketing expense

The company offers sales incentives in the form of variable marketing expense to customers, which vary depending on the timing and customer of any subsequent sale of the vehicle. This sales incentive is accounted for as a revenue reduction and is constrained to a level that is highly probable not to reverse the amount of revenue recognised when any associated uncertainty is subsequently resolved. The company estimates the expected sales incentive by market and considers uncertainties including competitor pricing, ageing of dealer stock and local market conditions. The constraint on variable consideration is estimated with reference to historical accuracy, the current position of market conditions and a future-looking assessment considering relevant geopolitical factors, including the impact of the global stock positions for both the company and its third party dealer network reflecting the pipeline of vehicle inventory for sale to end customers.

REVENUE RECOGNITION

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

As described in note 36, the Company operates with a single automotive reporting segment, principally generating revenue from the sales of vehicles, parts and accessories.

The sale of vehicles also can include additional services provided to the customer at the point of sale, for which the individual vehicle and services are accounted for as separate performance obligations, as they are considered separately identifiable. The contract transaction price is allocated among the identified performance obligations based on their stand-alone selling prices. Where the stand-alone selling price is not readily available and observable, it is estimated using an appropriate alternative approach.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Significant Revenue Areas	Nature, timing of satisfaction of performance obligations, and significant payment terms
Vehicles, parts, and accessories (and other goods)	The Company recognises revenue on the sale of vehicles, parts and accessories at the point of "wholesale", which is determined by the underlying terms and conditions of the contract with the customer as to when control transfers to them. The overall principle of control under IFRS 15 considers which party has the ability to direct the use of an asset and to obtain substantially all of the remaining economic benefits. Determining the transfer of control with regards to the sale of goods is driven by a consideration of a number of factors, including: • The point at which the risks and rewards of ownership pass to the customer; • The point at which the customer takes physical possession of the good or product; • The point at which the customer accepts the good or product; • The point at which the Company has a present right to payment for the sale of the good or product; and • The point at which legal title to the good or product transfers to the customer. In the vast majority of cases, the sale of the relevant good is recognised at the point of dispatch (at release to the carrier responsible for transportation to the customer) or the point of delivery to the customer, which coincides with the invoicing point. In some instances, revenue may be recognised on a bill-and-hold basis where vehicles, for example, are sold to the customer but are retained in the Company's possession at a vehicle holding compound on behalf of the customer ahead of being physically transferred to them at a future time. Such arrangements meet the criteria for bill-and-hold arrangements under IFRS 15 to ensure that the customer has obtained the ultimate control of the product when revenue is recognised. The reason for the bill-and-hold is substantive (as the customer requests JLR to retain possession, usually due to a lack of available space at their own premises), the vehicles are identifiable as separately belonging to the customer (on the basis that each vehicle has a unique Vehicle Identification Number), the vehicle must be ready for physical transfer to the customer (which it is, given that it is fully built and safety-checked off the manufacturing line) and the Company does not have the ability to use the vehicle or direct it elsewhere. The Company operates with a financing partner that provides wholesale financing arrangements to the retail network for vehicle sales, which enables cash settlement to occur immediately (usually within two working days) for purchases from the Company. For the sale of parts and accessories, the Company typically receives payment in line with the invoice payment terms stipulated and agreed with its customers, which are usually 30 days.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Significant Revenue Areas	Nature, timing of satisfaction of performance obligations, and significant payment terms
Sales incentives	In accordance with IFRS 15, the costs associated with providing sales support and incentives (variable marketing expense) are considered to be variable components of consideration, thus reducing the amount of revenue recognised by the Company. Under IFRS 15, the Company ensures that variable consideration is recognised to the extent of the amount to which it ultimately expects to be entitled. To meet this principle, the Company constrains its estimate of variable consideration to include amounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with such variability is subsequently resolved. The Company considers that the variable consideration received for contracts with multiple performance obligations is allocated to all such obligations only when applicable. In the vast majority of instances, the Company considers that variable components of consideration are allocated only to the relevant and applicable performance obligations. For example, with the sale of a vehicle, the cost of the incentive provided is allocated entirely to the vehicle as its purpose is to incentivise the sale of the vehicle.
Service arrangements	The Company's primary service arrangements relate to scheduled maintenance contracts and telematics services. As separately identifiable performance obligations, a standalone selling price is estimated using an appropriate method (i.e. using observable market prices or a suitable alternative method, for example, cost-plus margin), with revenue recognised in line with an appropriate cost pattern.
Warranty considerations as a service	Vehicles and parts sold by the Company include a standard warranty to guarantee the vehicle complies with agreed-upon specifications for a defined period of time. Where the warranty offering to the end customer exceeds the standard market expectation for similar products, or is considered to provide a service to the end customer in excess of simply providing assurance that the agreed-upon specification is met, the Company consider the additional warranty to constitute a service to the end customer and therefore a separate performance obligation. Revenue is only recognised in the period to which the warranty service relates, up to which point it is recognised as a contract liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Significant Revenue Areas	Nature, timing of satisfaction of performance obligations, and significant payment terms
Repurchase arrangements	Some contracts with customers include an option or obligation for the Company to repurchase the product sold (including repurchasing a product originally sold as part of an amended product). Such instances are common in the Company's arrangements with third-party fleet customers or in contract manufacturing arrangements that the Company is party to, for example. The Company does not recognise revenue on the original sale, as in such cases it is considered to retain ultimate control of that product. The related inventory therefore continues to be recognised on the Company's balance sheet and the consideration received from the customer is treated as a liability. Nuances in the accounting treatment occur depending on whether the contractual repurchase price is less than, more than or equal to the original sale price, and this ultimately results in the arrangement being treated as a lease or a financing arrangement. If considered to be a lease arrangement, where the repurchase price is lower than the original sale price, the difference between the proceeds received and the repurchase amount is recognised as income over the contractual term on a straight-line basis. Revenue recognised under such arrangements is outside of the scope of IFRS 15 and instead is recognised in line with IAS 17 Leases. Revenue is recognised only when the relevant good or product is sold by the Company with no repurchase obligation or option attached.
Non-cash consideration	In some instances, the Company engages in transactions that involve non-cash consideration, where a customer provides consideration in a form other than cash. This is most often demonstrated in marketing and sponsorship arrangements that the Company enters into, with an exchange of goods and/or services with its customers. Such non-cash consideration is measured at its fair value, which is determined by assessing the selling price value of the goods or services received as consideration. If this cannot be reasonably estimated, then the Company measures such consideration indirectly with reference to the standalone selling price of the goods or services promised to the customer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

COST RECOGNITION

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

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

Material and other cost of sales are reported in the income statement is presented net of the impact of the realised foreign exchange relating to derivative hedging cost exposures.

GOVERNMENT GRANTS AND INCENTIVES

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

Government grants are recognised in the income statement, either on a systematic basis when the company recognises, as expenses, the related costs that the grants are intended to compensate or, immediately, if the costs have already been incurred.

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

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

FOREIGN CURRENCY

The company has a functional and presentation currency of GBP.

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

EXCEPTIONAL ITEMS

Exceptional items are disclosed separately in the income statement to enhance the reader's understanding of the performance of the company by excluding items that would otherwise distort reporting of the company's performance due to their size or nature.

The following are included in the company's assessment of exceptional items:

• An impairment charge of £108 million for the year ended 31 March 2020 following an impairment exercise undertaken in accordance with IAS 36. Further details are given in note 17;

• Restructuring costs of £29 million during the year ended 31 March 2020 relating to the restructuring programme that commenced during the year ended 31 March 2019;

• An impairment charge of £3,089 million for the year ended 31 March 2019 following an impairment exercise undertaken in accordance with IAS 36. Further details are given in note 17;

• Restructuring costs of £136 million relating to a company restructuring programme announced and carried out during the year ended 31 March 2019; and

• A past service cost of £17 million following a High Court ruling in October 2018 that pension schemes are required to equalise male and female members' benefits for the inequalities within guaranteed minimum pension ('GMP') earned between 17 May 1990 and 5 April 1997. The company historically made no assumptions for GMP and therefore considered the change to be a plan amendment. Further details are given in note 31.

Further details of exceptional items are given in note 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the income statement, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity, whereby tax is also recognised outside profit or loss).

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost of acquisition or construction less accumulated depreciation less accumulated impairment, if any. Land is not depreciated.

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

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

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

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

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

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

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

INTANGIBLE ASSETS

Acquired intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (CONTINUED)

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

Class of intangible asset	Estimated amortisation period (years)
Software	2 to 8
Goodwill	Indefinite life
Intellectual property rights and other intangibles	3 to Indefinite

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

Capital work-in-progress includes capital advances. Intellectual property rights and other intangibles mainly consist of brand names, which are considered to have indefinite lives due to the longevity of the brands.

Internally generated intangible assets

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

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

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

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

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment loss, if any.

Amortisation is not recorded on product engineering in progress until development is complete.

IMPAIRMENT

Property, plant and equipment and other intangible assets

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

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

The estimated recoverable amount is the higher of value in use and fair value less costs of disposal. 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 (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

An annual impairment review for heritage assets is performed as the assets are held at cost and not depreciated and any impairment in the carrying value is recognised immediately in the income statement.

CASH AND CASH EQUIVALENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

INVENTORIES

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

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

PROVISIONS

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are held for product warranty, legal and product liabilities, other employee benefit obligations, restructuring and environmental risks as detailed in note 26 to the financial statements.

Supplier reimbursements are recognised as separate assets within other financial assets. See note 15.

LONG-TERM INCENTIVE PLAN ('LTIP')

The company operated a share-based payment LTIP arrangement for certain employees which made its final payment during the year ended 31 March 2019. The scheme provided a cash payment to the employee based on a specific number of phantom shares at grant date and the share price of Tata Motors Limited at the vesting date, subject to profitability and employment conditions. These were accounted for as cash-settled arrangements, whereby a liability was recognised at fair value at the date of grant, using a Black-Scholes model. At each balance sheet date until the liability is settled, the fair value of the liability was remeasured, with any changes in fair value recognised in the income statement.

EMPLOYEE BENEFITS

Pension plans

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

Contributions to the plans by the company take into consideration the results of actuarial valuations.

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

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

Defined benefit costs are split into four categories:

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

– Net interest cost;

– Administrative expenses; and

– Remeasurement.

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

Past service cost, including curtailment gains and losses, is generally recognised in the income statement in the period of plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability, adjusted for expected cash flows during the period. From FY20, at the point a past service cost is incurred re-measurement of the P&L cost is considered and will be re-calculated if there is a material change.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

The company presents these defined benefit costs within 'Employee costs" in the income statement (see note 6).

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

Actuarial gains and losses

Actuarial gains and losses relating to retirement benefit plans are recognised in other comprehensive income in the year in which they arise.

Measurement date

The measurement date of all retirement plans is 31 March.

FINANCIAL INSTRUMENTS

Recognition and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. Any gain or loss arising on derecognition is recognised in profit or loss. When a financial instrument is derecognised, the cumulative gain or loss in equity (if any) is transferred to the income statement unless it was an equity instrument electively held at fair value through other comprehensive income. In this case, any cumulative gain or loss in equity is transferred to retained earnings.

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

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

Initial measurement

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

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

Classification and measurement – financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets are classified into three categories:

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

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

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

Classification and measurement – financial liabilities

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

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

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

Embedded derivatives relating to prepayment options on senior notes are not considered as closely related and are separately accounted unless the exercise price of these options is approximately equal on each exercise date to either the amortised cost of the senior notes or the present value of the lost interest for the remaining term of the senior notes.

Impairment

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

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

The company adopts the simplified approach permitted in IFRS 9 to apply lifetime expected credit losses to trade receivables and contract assets. Where credit risk is deemed low at the reporting date or to have not increased significantly, credit losses for the next 12 months are calculated.

Credit risk has increased significantly when the probability of default has increased significantly. Such increases are relative and assessment may include external ratings (where available) or other information such as past due payments. Historic data and forward-looking information are both considered. Objective evidence for a significant increase in credit risk may include where payment is overdue by 90 or more days as well as other information about significant financial difficulties of the borrower.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Equity instruments

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

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

Determination of fair value

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

Hedge accounting

The company uses foreign currency forward contracts, foreign currency options and borrowings denominated in foreign currency to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The company designates these foreign currency forward contracts, foreign currency options and borrowings denominated in foreign currency in a cash flow hedging relationship by applying hedge accounting principles under IFRS 9.

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

Derivative contracts are stated at fair value on the balance sheet at each reporting date.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

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

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

LEASES

At inception of a contract, the company assesses whether a contract is, or contain 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 substation 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 recognises 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 comprises 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.

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 recognise 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. The comparative information for the year ending 31 March 2019 continues to be accounted for under the company's previous lease accounting policies under IAS 17 Leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

LEASES (continued)

Assets taken on finance lease

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

Assets taken on operating lease

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

NEW ACCOUNTING POLICY PRONOUNCEMENTS

(a) Standards, revisions and amendments to standards and interpretations significant to the company and applied for the first time in the year ending 31 March 2020

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

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

The company is applying the modified retrospective approach on transition under which the comparative financial statements will not be restated. The cumulative impact of the first-time application of IFRS 16 is recognised as an adjustment to opening equity as at 1 April 2019. The details of the changes in accounting policies are disclosed below.

The company has elected to use the following practical expedients at transition permitted by the Standard:

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

The impact of the first-time application of IFRS 16 as at 1 April 2019 is the recognition of right-of-use assets of £297 million and lease liabilities of £227 million. As at the date of initial application, there is a £9 million reduction in net assets (net of tax):

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

When measuring lease liability, the company discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 7.9%.

As at	(£ millions)
Financial obligations for operating leases at 31 March 2019	303
Application exemption for short-term leases	(9)
Application exemption for leases of low-value assets	(12)
Future lease commitments - contracts signed on or before 31 March 2019	(9)
Extension and termination options reasonably certain to be exercised	80
Variable lease payments based on an index or a rate	-
Gross lease liabilities for former operating leases at 1 April 2019	**353**
Discounting impact	(126)
Lease liabilities for former operating leases at 1 April 2019	**227**
Present value of finance lease liabilities as 31 March 2019	-
Total lease liabilities at 1 April 2019	**227**

The opening right-of-use asset by class of underlying assets is disclosed in Note 35.

(b) 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 2020

The following amendments and interpretations have been adopted by the company in the year ending 31 March 2020.

- IFRIC 23 Uncertainty over income tax treatments;
- Amendments to IFRS 9 Financial Instruments – Prepayment features with negative compensation;
- Amendments to IAS 19 Employee Benefits – Plan amendment, curtailment or settlement;
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term interests in associates and joint ventures; and
- Annual improvements to IFRS standards 2015-2017 cycle.

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

(c) 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 and endorsed by the EU, are not yet effective and have not yet been adopted by the company. These amendments are effective for annual reporting periods beginning on or after 1 January 2020.

- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Interest rate benchmark reform;
- Amendments to IFRS 3 Business Combinations – Definition of a business;
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material; and
- Amendments to references to the conceptual framework in IFRS standards.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

(d) Standards, revisions and amendments to standards and interpretations not yet endorsed by the EU and not yet adopted by the company

The following pronouncements, issued by the IASB, have not yet been endorsed by the EU, 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 IFRS 16 Leases – Covid-19-related rent concessions; and
- Annual improvements to IFRS standards 2018-2020 cycle.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 EXCEPTIONAL ITEMS

The exceptional item recognised in the year ended 31 March 2020 comprise:

• An impairment charge of £108 million for the year ended 31 March 2020 following an impairment exercise undertaken in accordance with IAS 36. Further details are given in note 17; and

• Restructuring costs of £29 million relating to the company restructuring programme that commenced during the year ended 31 March 2019. This included a past service pension cost of £4 million.

The exceptional items recognised in the year ended 31 March 2019 comprise:

• An impairment charge of £3,089 million for the year ended 31 March 2019 following an impairment exercise undertaken in accordance with IAS 36. Further details are given in note 17;

• Restructuring costs of £136 million relating to a company restructuring programme announced and carried out during the year ended 31 March 2019; and

• A past service cost of £17 million following a High Court ruling in October 2018 that pension schemes are required to equalise male and female members' benefits for the inequalities within guaranteed minimum pension ("GMP") earned between 17 May 1990 and 5 April 1997. The company historically made no assumptions for GMP and therefore considered the change to be a plan amendment. Further details are given in note 31.

The tables below set out the exceptional items recorded in the years ended 31 March 2020 and 2019 and the impact on the income statement if these items were not disclosed separately as exceptional items.

Year ended 31 March 2020 (£ millions)	Note	Employee costs	Other expenses
Excluding exceptional items		**2,217**	**4,399**
Impact of:			
Impairment	16, 17	-	108
Restructuring costs	26	32	(3)
Including exceptional items		**2,249**	**4,504**

Year ended 31 March 2019 (£ millions)	Note	Employee costs	Other expenses
Excluding exceptional items		**2,488**	**4,549**
Impact of:			
Impairment	16, 17	-	3,089
Restructuring costs		131	5
Pension past service cost	31	17	-
Including exceptional items		**2,636**	**7,643**

4 REVENUE

The company's revenues are summarised as follows:

Year ended 31 March (£ millions)	2020	2019
Revenue recognised for sales of goods	19,261	20,682
Revenue recognised for services transferred	287	102
Revenue - other	866	956
Total revenue from contracts with customers	**20,414**	**21,740**
Realised revenue hedges	(565)	(870)
Total revenue	**19,849**	**20,870**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 REVENUE (CONTINUED)

Revenue disaggregation

The following table presents the company's revenue, disaggregated by primary geographical market, timing of revenue recognition and major product categories. All revenue is generated from the company's single automotive operating segment.

Year ended 31 March 2020 (£ millions)	UK	US	China	Rest of Europe	Rest of World	Total Revenue
Revenue recognised for sales of goods	2,753	5,128	2,446	5,736	3,198	19,261
Revenue recognised for services transferred	95	169	22	-	1	287
Revenue - other	586	-	239	-	41	866
Total revenue from contracts with customers	**3,434**	**5,297**	**2,707**	**5,736**	**3,240**	**20,414**
Realised revenue hedges	-	(370)	(166)	-	(29)	(565)
Total revenue	**3,434**	**4,927**	**2,541**	**5,736**	**3,211**	**19,849**

Year ended 31 March 2019 (£ millions)	UK	US	China	Rest of Europe	Rest of World	Total Revenue
Revenue recognised for sales of goods	2,303	6,016	3,202	5,291	3,870	20,682
Revenue recognised for services transferred	22	-	80	-	-	102
Revenue - other	908	-	2	-	46	956
Total revenue from contracts with customers	**3,233**	**6,016**	**3,284**	**5,291**	**3,916**	**21,740**
Realised revenue hedges	-	(437)	(352)	-	(81)	(870)
Total revenue	**3,233**	**5,579**	**2,932**	**5,291**	**3,835**	**20,870**

Contract liabilities

Year ended 31 March (£ millions)	2020	2019
Ongoing service obligations	273	272
Liabilities for advances received	18	33
Total contract liabilities	**291**	**305**

Revenue that is expected to be recognised within five years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to £291 million at 31 March 2020 (2019: £305 million).

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

The company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have an original expected duration of one year or less. This is because revenue resulting from those sales will be recognised in a short-term period. The services included with the vehicle sale are to be recognised as revenues in subsequent years but represent an insignificant portion of expected revenues in comparison.

The movement in contract liabilities relates solely to revenue recognised from balances held at the beginning of the year of £157 million and increases due to cash received for performance obligations unsatisfied at the year end of £143 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 MATERIAL AND OTHER COST OF SALES

Year ended 31 March (£ millions)	2020	2019
Changes in inventories of finished goods and work-in-progress	(187)	(4)
Purchase of products for sale	1,039	1,039
Raw materials and consumables used	12,361	13,150
Realised purchase hedges	(40)	(147)
Total material and other cost of sales	**13,173**	**14,038**

6 EMPLOYEE NUMBERS AND COSTS

Year ended 31 March (£ millions)	2020	2019
Wages and salaries - employee costs	1,578	1,663
Wages and salaries - agency costs	154	270
Total wages and salaries	**1,732**	**1,933**
Social security costs and benefits	246	291
Pension costs	239	264
Total employee costs	**2,217**	**2,488**

Average employee numbers for the year ended 31 March 2020	Non-agency	Agency	Total
Manufacturing	16,121	1,212	17,333
Research and development	7,409	1,402	8,811
Other	6,340	600	6,940
Total employee numbers	**29,870**	**3,214**	**33,084**

Average employee numbers for the year ended 31 March 2019	Non-agency	Agency	Total
Manufacturing	17,768	1,848	19,616
Research and development	8,151	2,393	10,544
Other	7,020	1,019	8,039
Total employee numbers	**32,939**	**5,260**	**38,199**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 DIRECTORS' EMOLUMENTS

Year ended 31 March (£)	2020	2019
Directors' emoluments	7,777,730	7,380,795
Increase/(decrease) of long-term incentive scheme amounts receivable	2,621,363	(278,025)
Post-employment benefits	430,442	596,763
Compensation for loss of office	437,500	-

The aggregate of emoluments and amounts accrued under the bonus scheme and long-term incentive plan ("LTIP") of the highest-paid director was £4,099,544 (2019: £2,946,676), together with a cash allowance in lieu of pension benefits of £349,442 (2019: £520,763). During the year, the value of LTIP awards accrued has increased by £803,472 (2019: decrease of £98,010), which will become payable in future periods.

The highest paid director's emoluments is paid by Jaguar Land Rover Automotive plc, an intermediate parent, who makes recharges to the company.

Year ended 31 March (number)	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Defined contribution scheme	1	1

8 LONG-TERM INCENTIVE PLAN ('LTIP')

During the year ended 31 March 2016, the company issued the final share-based payment LTIP arrangement based on the share price of Tata Motors Limited. The final cash payment in respect of the share-based payment LTIP was made during the year ended 31 March 2019.

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

Comparative information

The information in this section gives details of the previous share-based payment LTIP arrangement that is reflected in the comparative information for the years ended 31 March 2019.

The scheme provided a cash payment to the employee based on a specific number of phantom shares at the grant date and the share price of Tata Motors Limited at the vesting date. The cash payment was dependent upon continued employment for the duration of the three-year vesting period.

Year ended 31 March (number)	2019
Outstanding at the beginning of the year	1,929,391
Vested in the year	(1,764,566)
Forfeited in the year	(164,825)
Outstanding at the end of the year	-

The weighted average share price of the phantom shares vested in the years ended 31 March 2019 was £3.20.

The weighted average remaining contractual life of the outstanding phantom shares as at 31 March 2019 was nil years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 LONG-TERM INCENTIVE PLAN ('LTIP') (CONTINUED)

No phantom shares were exercisable as at 31 March 2019.

During the year ended 31 March 2019, £1 million was recognised as a credit in "Employee costs" in relation to the share-based payment LTIP.

The fair value of the balance sheet liability in respect of phantom stock awards outstanding at 31 March 2019 was £nil.

The fair value of the awards was calculated using the Black-Scholes model at the grant date. The fair value was updated at each reporting date as the awards are accounted for as cash-settled under IFRS 2. No shares were exercisable as at 31 March 2019.

9 OTHER EXPENSES

Year ended 31 March (£ millions)	2020	2019
Stores, spare parts and tools	108	187
Freight cost	545	586
Works, operations and other costs	2,454	2,449
Repairs	29	28
Power and fuel	76	90
Rent, rates and other taxes	1	29
Insurance	20	23
Write-down of investments	6	-
Write-down of property, plant and equipment	-	18
Product warranty	901	792
Publicity	259	347
Total other expenses	**4,399**	**4,549**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RESEARCH AND DEVELOPMENT

Year ended 31 March (£ millions)	2020	2019
Total research and development costs incurred	1,790	1,997
Research and development expensed	(421)	(421)
Engineering costs capitalised	**1,369**	**1,576**
Interest capitalised	105	99
Research and development grants capitalised	(48)	(97)
Total internally developed intangible additions	**1,426**	**1,578**

Engineering costs capitalised of £1,369 million (2019: £1,576 million) comprises £471 million (2019: £672 million) included in 'Employee costs' and £898 million (2019: £904 million) included in 'Other expenses' in the income statement.

During the year ended 31 March 2020, £102 million (2019: £135 million) was recognised as a Research and Development Expenditure Credit ('RDEC') incentive on qualifying expenditure. During the year ended 31 March 2020, £47 million (2019: £91 million) of the RDEC – the proportion relating to capitalised product development expenditure and other intangible assets – has been offset against the cost of the respective assets. The remaining £55 million (2019: £44 million) of the RDEC has been recognised in 'Other income'.

11 FINANCE INCOME AND EXPENSE

Year ended 31 March (£ millions)	2020	2019
Finance income	63	47
Dividends received	43	129
Total finance income	**106**	**176**
Total interest on financial liabilities measured at amortised cost	(297)	(218)
Interest income on derivatives designated as a fair value hedge of financial liabilities	3	4
Unwind of discount on provisions	(25)	(21)
Interest capitalised	113	110
Total interest expense	**(206)**	**(125)**

The capitalisation rate used to calculate borrowing costs eligible for capitalisation was 4.2 per cent (2019: 4.1 per cent).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 LOSS BEFORE TAX

Expense/(income) included in loss before tax for the year are as follows:

Year ended 31 March (£ millions)	2020	2019
Foreign exchange loss and fair value adjustments on loans	160	91
Foreign exchange (gain)/loss on economic hedges of loans	(29)	18
Foreign exchange (gain)/loss on derivatives	(15)	31
Unrealised loss on commodities	78	34
Depreciation of right-of-use assets	56	-
Depreciation of property, plant and equipment	880	1,031
Amortisation of intangible assets (excluding internally generated development costs)	99	103
Amortisation of internally generated development costs	789	965
Operating lease rentals in respect of plant, property and equipment	-	58
Expenses related to short-term leases	11	-
Expenses related to low-value assets, excluding short-term leases of low-value assets	5	-
Loss on disposal of property, plant and equipment and software	16	58
Exceptional items	(137)	(3,242)
Auditor remuneration	5	4

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

Year ended 31 March (£ millions)	2020	2019
Fees payable to the company's auditor for the audit of the company's annual financial statements	3.5	3.2
Fees payable to the company's auditor for amounts incurred on behalf of other group companies	0.3	0.2
Fees payable to company's auditor for amounts incurred on behalf of other group companies in respect of the prior year	0.5	-
Total audit fees	**4.3**	**3.4**
Fees payable for audit related assurance services on behalf of other group companies*	0.8	0.8
Fees payable for other assurance services on behalf of other group companies*	0.3	0.1
Total non-audit fees	**1.1**	**0.9**
Total audit and related fees	**5.4**	**4.3**

*FY 19 comparative amounts have been restated to fully reflect non-audit services received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 TAXATION

Recognised in the income statement

Year ended 31 March (£ millions)	2020	2019
Current tax expense		
Current year	29	37
Adjustments for prior years	(1)	(1)
Current tax expense	**28**	**36**
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(135)	(486)
Adjustments for prior years	14	(4)
Rate changes	41	46
Deferred tax credit	**(80)**	**(444)**
Total income tax credit	**(52)**	**(408)**

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

Recognised in the statement of comprehensive income

Year ended 31 March (£ millions)	2020	2019
Deferred tax expense/(credit) on actuarial gains on retirement benefits	187	(51)
Deferred tax expense/(credit) on change in fair value of cash flow hedges	56	(20)
Deferred tax (credit)/expense on rate change	(21)	15
Total tax expense/(credit)	**222**	**(56)**

Reconciliation of effective tax rate

Year ended 31 March (£ millions)	2020	2019
Loss for the year	(656)	(3,464)
Total income tax credit	(52)	(408)
Loss before tax	**(708)**	**(3,872)**
Income tax expense using the tax rates applicable to individual entities: 19% (2019: 19%)	(135)	(736)
Non-deductible expenses	13	79
Non-taxable income	(11)	(48)
Changes in tax rate	41	46
Withholding taxes suffered	8	10
Unrecognised or written-down deferred tax assets	19	245
Prior period adjustments	13	(4)
Total income tax credit	**(52)**	**(408)**

Included within prior period adjustments for the year ended 31 March 2020 is £13 million expense (2019: £4 million credit) relating to revisions of prior year estimates of the company's tax position to bring them in line with the latest estimates and currently filed tax positions.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 TAXATION (CONTINUED)

Subsequently, a change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 per cent, rather than the previously enacted reduction to 17 per cent.

Accordingly, UK deferred tax has been provided at 19 per cent on assets (2019: 17.5 per cent) and 19 per cent on liabilities (2019: 17.3 per cent).

14 INVESTMENTS

Investments consist of the following:

As at 31 March (£ millions)	2020	2019
Unquoted equity investments	1,140	1,079

During the year ended 31 March 2020, the company increased its investment in Chery Jaguar Land Rover Automotive Company Ltd. by £33 million (2019: £nil). The company also invested £35 million in Jaguar Land Rover Italia SpA, a further £5 million in Jaguar Land Rover Colombia SAS and £6 million in Cloudcar Inc.

During the year ended 31 March 2019, the company invested £2 million for 100 per cent of the share capital of Jaguar Land Rover Classic Deutschland GmbH,100 per cent of the share capital of Jaguar Land Rover Hungary KFT and 100 per cent of the share capital of Jaguar Land Rover Classic USA LLC. The company also invested an additional £261 million in Jaguar Land Rover Slovakia s.r.o and £6 million in CloudCar Inc.

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

Name of company	Principal place of business and country of incorporation	Registered office address
Jaguar e Land Rover Brasil Indústria e Comércio de Veículos LTDA	Brazil	Avenida Ibirapuera 2332, Torre I - 10° andar- Moema 04028-002, São Paulo-SP-Brazil
Jaguar Land Rover (South Africa) (Pty) Ltd	South Africa	28 Victoria Link, Route 21 Corporate Park, Nellmapius Drive, Irene X30, Centurion, Tshwane, Gauteng, South Africa
Jaguar Land Rover Australia Pty Limited	Australia	Level 1, 189 O'Riordon Street, Mascot, 2020, NSW, Australia
Jaguar Land Rover Austria GmbH	Austria	Siezenheimer Strasse 39a, 5020 Salzburg Austria
Jaguar Land Rover Belux N.V.	Belgium	Generaal Lemanstraat 47, 2018 Antwerpen, Belgium
Jaguar Land Rover Canada, ULC	Canada	75 Courtneypark Drive West, Unit 3 Mississauga, ON L5W 0E3, Canada
Jaguar Land Rover Deutschland GmbH	Germany	Am Kronberger Hang 2a, 65824 Schwalbach/Ts, Germany
Jaguar Land Rover Espana SL	Spain	Torre Picasso, Plaza Pablo Ruiz Picasso, 1 – Planta 42, 28020 Madrid, Spain

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENTS (CONTINUED)

Name of company	Principal place of business and country of incorporation	Registered office address
Jaguar Land Rover France SAS	France	Z.A. Kleber – Batiment Ellington, 165 Boulevard de Valmy, 92706 Colombes, Cedex, France
Jaguar Land Rover India Limited	India	Nanavati Mahalaya, 3rd floor, 18, Homi Mody Street, Mumbai, Maharashtra, India 400001
Jaguar Land Rover Italia SpA	Italy	Via Alessandro Marchetti, 105 - 00148, Roma, Italy
Jaguar Land Rover Japan Limited	Japan	Garden City Shinagawa Gotenyama Bldg. 9F, 6-7-29 Kita-Shinagawa, Shinagawa-ku, Tokyo 141-0001, Japan
Jaguar Land Rover Korea Co. Ltd.	Korea	25F West Mirae Asset Center 1 Building 67 Suha-dong, Jung-gu Seoul 100-210, Korea
Jaguar Land Rover Nederland BV	Holland	P.O Box 40, Stationsweg 8, 4153 RD Beesd, Netherlands
Jaguar Land Rover North America, LLC	USA	100 Jaguar Land Rover Way, Mahwah, NJ 07495, USA
Jaguar Land Rover Portugal Veiculos e Pecas, Lda	Portugal	Edificio Escritorios do Tejo, Rua do Polo Sul, Lote 1.10.1.1 – 3.° B-3, Parish of Santa Maria dos Olivais, Municipality of Lisboa, Portugal
Jaguar Land Rover (South Africa) Holdings Ltd	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
JLR Nominee Company Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Land Rover Ireland Limited	Ireland	c/o LK Shields Solicitors 39/40 Upper Mount Street Dublin 2, Ireland
Daimler Transport Vehicles Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Jaguar Cars South Africa (Pty) Ltd	South Africa	Simon Vermooten Road, Silverton, Pretoria 0184 South Africa
Jaguar Cars Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Land Rover Exports Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
S. S. Cars Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
The Daimler Motor Company Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
The Lanchester Motor Company Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENTS (CONTINUED)

Name of company	Principal place of business and country of incorporation	Registered office address
Jaguar Land Rover Pension Trustees Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Jaguar Land Rover Slovakia s.r.o.	Slovakia	Vysoka 2/B, 811 06 Bratislava, Slovakia
Jaguar Land Rover Singapore Pte. Ltd	Singapore	138 Market Street, CapitaGreen, Singapore
Jaguar Racing Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
InMotion Ventures Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Lenny Insurance Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
InMotion Ventures 2 Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
InMotion Ventures 3 Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
InMotion Ventures 4 Limited	England and Wales	Abbey Road, Whitley, Coventry, CV3 4LF, England
Jaguar Land Rover Colombia SAS	Colombia	CL 67735 OFE, 1204 Bogotan, Cundinamarka 1 3192 900 Colombia
Jaguar Land Rover México, S.A.P.I. de C.V.	Mexico	Av. Javier Barros Sierra No.540 Piso 7 Oficina 703, Col. Santa Fe la Fe Del., Alvaro Obregón, México, D.F. C.P. 01210
Jaguar Land Rover Servicios México, S.A. de C.V.	Mexico	Av. Javier Barros Sierra No.540 Piso 7 Oficina 703, Col. Santa Fe la Fe Del., Alvaro Obregón, México, D.F. C.P. 01210
Jaguar Land Rover Taiwan Company Ltd	Taiwan	12F, No. 40, Sec. 1, Chengde Road, Datong Dist., Taipei City 103, Taiwan (R.O.C.)
Jaguar Land Rover Ireland (Services) Limited	Ireland	c/o 40 Upper Mount Street, Dublin 2, Ireland
Jaguar Land Rover Classic USA LLC	USA	251 Little Falls Drive, Wilmington, Delaware, USA
Jaguar Land Rover Classic Deutschland GmbH	Germany	Ringstraße 38, 45219 Essen, Germany
Hungary Jaguar Land Rover Hungary KFT	Hungary	1062 Budapest, Andrássy út 100, Hungary
Jaguar Land Rover Ventures Limited	England and Wales	Abbey Road, Whitley ,Coventry, CV3 4LF England
Bowler Motors Limited	England and Wales	Abbey Road, Whitley ,Coventry, CV3 4LF England

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENTS (CONTINUED)

Name of company	Principal place of business and country of incorporation	Registered office address
Spark44 (JV) Ltd. (50.5% direct shareholder)	England and Wales	Abbey Road, Whitley ,Coventry, CV3 4LF England
Spark44 Limited (50.5% indirect shareholding)	England and Wales	The White Collar Factory, 1 Old Street Yard, London EC1Y 8AF England
Spark44 Pty Ltd (50.5% indirect shareholding)	Australia	Level 5, 65 Berry Street, North Sydney , NSW 2060, Australia
Spark44 GmbH (50.5% indirect shareholding)	Germany	Querstr. 7, 60322 Frankfurt am Main, Germany
Spark44 LLC (50.5% indirect shareholding)	USA	5870 W. Jefferson Blvd, Studio H,Los Angeles, CA 90016, USA
Spark44 Limited (50.5% indirect shareholding)	China	Rooms 6401,6402,6501,6502, No.436 Ju Men Road, Huang Pu District, Shanghai
Spark44 DMCC (50.5% indirect shareholding)	UAE	Unit No. 1401 &1404, Swiss Tower, Plot No: JLT-PH2-Y3A Jumeirah Lakes Towers, Dubai, UAE
Spark44 Demand Creation Partners Pte Ltd (50.5% indirect shareholding)	India	Block A, Level 1, Shiv Sagar Estate, Dr. Annie Besent Road, Worli,Mumbai – 400018
Spark44 Singapore Pte Ltd (50.5% indirect shareholding)	Singapore	138 Market Street 36-01/02 CapitaGreen, Singapore 048946
Spark44 Communicacions S.L. (50.5% indirect shareholding)	Spain	Prim 19, 4th floor, 28004 Madrid
Spark44 s.r.l (50.5% indirect shareholding)	Italy	Via Marcella, 4/6- 00153 Rome
Spark44 Seoul Limited (50.5% indirect shareholding)	South Korea	F12, 11 Cheonggyecheon-ro, Jongno-gu, Seoul, Korea
Spark44 Japan K. K. (50.5% indirect shareholding)	Japan	2-23-1-806, Akasaka, Minato-ku, Tokyo, 153-0042, Japan
Spark44 Canada Inc (50.5% indirect shareholding)	Canada	1059 Spadina Road, Toronto, ON MSN 2M7, Canada
Spark44 South Africa (Pty) Limited (50.5% indirect shareholding)	South Africa	21 Forssman Close, Barbeque Downs, Kyalami, South Africa
Spark44 Taiwan Limited (50.5% indirect shareholding)	Taiwan	18F., No.460, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Spark44 Colombia S.A.S (50.5% indirect shareholding)	Colombia	Cl 72 # 10 07 oficina 401, Bogota, Colombia
Spark44 Shanghai (50.5% indirect shareholding)	China	6401&6501, 4F&5F Block, 6.No .436 Ju Men Road, 200023 Huangpu District, Shanghai China

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENTS (CONTINUED)

The company has the following investments in joint ventures, associates and trade investments at 31 March 2020:

Name of investment	Proportion of voting rights	Principal place of business and country of incorporation	Principal activity	Registered office address
Chery Jaguar Land Rover Automotive Co. Ltd.	25.00%	China	Manufacture and assembly of vehicles	Room 1102, Binjiang, International Plaza, No 88 Tonggang Road, Changshu Economic and Technical, Development Zone, Suzhou City, Jiangsu Province, China
Jaguar Cars Finance Limited	49.90%	England & Wales	Non-trading	280 Bishopsgate, London, EC2M 4RB, England
Synaptiv Limited	33.30%	England & Wales	Business and domestic software development	84 Kirkland Avenue, Ilford, Essex, England, IG5 0TN
CloudCar Inc.	33.30%	USA	Automotive software development	2191 E Bayshore Rd 200, Palo Alto, CA 94303, USA
Driveclubservice Pte. Limited	25.08%	Singapore	Holding company and mobility application owner/licensor	22 Sin Ming Lane, #06-76, Midview City, Singapore 573969
Driveclub Limited	25.83%	Hong Kong	Vehicle leasing	Unit A, 9/F, D2 Place ONE, 9 Cheung Yee Street, Lai Chi Kok, Kowloon, Hong Kong
ARC Vehicle Limited	29.20%	England & Wales	Manufacture and development of electrified vehicle	The Priory Barn Priory Road, Wolston, Coventry, United Kingdom, CV8 3FX
Trading investments				
Jaguar Land Rover Schweiz AG	10.00%	Switzerland	Sale of automotive vehicles and parts	Badenerstrasse 600, 8048 Zurich, Switzerland

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

Chery Jaguar Land Rover Automotive Co. Ltd. is a limited liability company whose legal form confirms separation between the parties to the joint arrangement. There is no contractual arrangement or any other facts or circumstances that indicate that the parties to the joint control of the arrangement have rights to the assets or obligations for the liabilities relating to the arrangement. Accordingly, Chery Jaguar Land Rover Automotive Co. Ltd. is classified as a joint venture. Chery Jaguar Land Rover Automotive Co. Ltd is not publicly listed.

During the year ended 31 March 2020, a dividend of £33 million was received from Chery Jaguar Land Rover Automotive Co. Ltd. (2019: £11 million).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 OTHER FINANCIAL ASSETS

As at 31 March (£ millions)	2020	2019
Non-current		
Warranty reimbursement and other receivables	102	104
Restricted cash	1	1
Derivative financial instruments	142	54
Other	1	-
Total non-current other financial assets	**246**	**159**
Current		
Warranty reimbursement and other receivables	87	88
Restricted cash	9	9
Derivative financial instruments	241	133
Accrued income	14	44
Amounts owed by group undertakings	1,807	1,348
Other	9	7
Total current other financial assets	**2,167**	**1,629**

Amounts owed by group undertakings are repayable on demand

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT

(£ millions)	Land and buildings	Plant and equipment	Vehicles	Computers	Fixtures & fittings	Leased assets	Heritage vehicles	Under construction	Total
Cost									
Balance at 1 April 2018	**1,374**	**7,690**	**3**	**101**	**74**	**8**	**51**	**838**	**10,139**
Additions	-	-	-	32	7	-	3	1,295	1,337
Transfers	291	1,162	-	-	-	-	-	(1,453)	-
Disposals	(1)	(525)	-	(7)	(1)	-	-	-	(534)
Impairment	-	-	-	-	-	-	-	(143)	(143)
Balance at 31 March 2019	**1,664**	**8,327**	**3**	**126**	**80**	**8**	**54**	**537**	**10,799**
Adjustment on the initial application of IFRS 16	-	-	-	-	-	(8)	-	-	(8)
Adjusted opening balance	**1,664**	**8,327**	**3**	**126**	**80**	**-**	**54**	**537**	**10,791**
Additions	-	-	5	21	6	-	-	1,082	1,114
Transfers	216	655	-	-	-	-	-	(871)	-
Disposals	-	(19)	-	(2)	-	-	(1)	(11)	(33)
Impairment	-	-	-	-	-	-	-	(8)	(8)
Balance at 31 March 2020	**1,880**	**8,963**	**8**	**145**	**86**	**-**	**53**	**729**	**11,864**
Depreciation and impairment									
Balance at 1 April 2018	**195**	**3,475**	**1**	**33**	**32**	**4**	**13**	**-**	**3,753**
Depreciation charge for the year	64	947	1	13	6	-	-	-	1,031
Disposals	(1)	(479)	-	(5)	-	-	-	-	(485)
Asset write-downs	-	-	-	-	-	-	18	-	18
Impairment	-	917	-	18	9	1	-	-	945
Balance at 31 March 2019	**258**	**4,860**	**2**	**59**	**47**	**5**	**31**	**-**	**5,262**
Adjustment on the initial application of IFRS 16	-	-	-	-	-	(5)	-	-	(5)
Adjusted opening balance	**258**	**4,860**	**2**	**59**	**47**	**-**	**31**	**-**	**5,257**
Depreciation charge for the year	81	781	2	11	5	-	-	-	880
Disposals	-	(15)	-	(1)	-	-	-	-	(16)
Impairment	-	35	-	1	-	-	-	-	36
Balance at 31 March 2020	**339**	**5,661**	**4**	**70**	**52**	**-**	**31**	**-**	**6,157**
Net Book Value									
At 1 April 2018	1,179	4,215	2	68	42	4	38	838	6,386
At 31 March 2019	1,406	3,467	1	67	33	3	23	537	5,537
At 31 March 2020	**1,541**	**3,302**	**4**	**75**	**34**	**-**	**22**	**729**	**5,707**

As part of the company's review of the carrying value of property, plant and equipment, £nil (2019: £18 million) of heritage vehicles and assets under construction have been written down, and this has been recognised as an expense within 'Other expenses'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 INTANGIBLE ASSETS

(£ millions)	Goodwill	Software	Intellectual property rights and other intangibles	Product development in progress	Capitalised product development	Total
Cost						
Balance at 1 April 2018	**382**	**618**	**416**	**2,059**	**6,816**	**10,291**
Additions - externally purchased	-	77	3	-	-	80
Additions - internally developed	-	-	-	1,579	-	1,579
Capitalised product development - internally developed	-	-	-	(1,084)	1,084	-
Disposals	-	(31)	-	-	(844)	(875)
Impairment	-	-	-	(562)	-	(562)
Balance at 31 March 2019	**382**	**664**	**419**	**1,992**	**7,056**	**10,513**
Additions - externally purchased	-	104	-	-	-	104
Additions - internally developed	-	-	-	1,424	-	1,424
Capitalised product development - internally developed	-	-	-	(1,069)	1,069	-
Disposals	-	(1)	-	-	(345)	(346)
Impairment	-	-	-	(25)	-	(25)
Balance at 31 March 2020	**382**	**767**	**419**	**2,322**	**7,780**	**11,670**
Amortisation and impairment						
Balance at 1 April 2018	-	**264**	**2**	-	**3,166**	**3,432**
Amortisation for the year	-	100	3	-	965	1,068
Disposals	-	(23)	-	-	(843)	(866)
Impairment	382	66	88	-	903	1,439
Balance at 31 March 2019	**382**	**407**	**93**	-	**4,191**	**5,073**
Amortisation for the year	-	96	3	-	789	888
Disposals	-	(1)	-	-	(345)	(346)
Impairment	-	3	3	-	33	39
Balance at 31 March 2020	**382**	**505**	**99**	-	**4,668**	**5,654**
Net Book Value						
At 1 April 2018	382	354	414	2,059	3,650	6,859
At 31 March 2019	-	257	326	1,992	2,865	5,440
At 31 March 2020	-	**262**	**320**	**2,322**	**3,112**	**6,016**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTING

The intellectual property rights of the company are deemed to have an indefinite useful life on the basis of the expected longevity of the brand names. The assets of Jaguar Land Rover Limited are considered for the risk of impairment annually and the recoverable amounts of indefinite life assets, comprising intellectual property rights and goodwill, and intangible assets not yet available for use have been measured in accordance with IAS 36.

The directors are of the view the assets of the company represent a single Cash Generating Unit ("CGU").

In response to the annual requirement of IAS 36, and the economic impact of COVID-19, management performed an impairment assessment on the assets of the company as at 31 March 2020.

The recoverable value of £8,463 million was determined using the value in use ("VIU") approach outlined in IAS 36. The recoverable amount was lower than the carrying value of the CGU, and this resulted in an impairment charge of £108 million (2019: £3,089 million) being recognised in the financial statements of Jaguar Land Rover Limited as at 31 March 2020. The impairment loss has been allocated on a pro-rated basis. This has resulted in £44 million allocated against tangible assets and £64 million allocated against intangible assets.

The company considered it appropriate to undertake the impairment assessment with reference to the latest business plan that was in effect as at the reporting date. This plan has been updated to reflect management's best estimate of the impact of all relevant adjusting post balance sheet events, with consideration given to those arising due to the economic impact of COVID-19. The business plan includes a five-year cash flow forecast and contains growth rates that are primarily a function of the Cycle Plan assumptions, historic performance and management's expectation of future market developments through to 2024/25. In forecasting the future cash flows management have given due consideration to the risks that have arisen due to the current economic uncertainty.

The company has assessed the impact of COVID-19 and updated the cash flow forecast to reflect the latest Cycle Plan changes, including investment spend and new vehicle volume forecast. Additionally, the company has assessed the potential risk of a more severe impact due to COVID-19 on volume in the short-term.

The potential impact of this reasonably possible outcome of a short-term volume reduction and slower recovery has been included in the VIU calculations through an adjustment in the discount rate.

The directors' approach and key assumptions used to determine the CGU VIU were as follows:

Growth rate applied beyond approved forecast period - calculated based on the weighted average long-term GDP forecasts based on the Jaguar Land Rover Automotive plc's geographical sales footprint;

Discount rate - the discount rate is calculated with reference to a weighted average cost of capital (WACC) calculated by reference to an industry peer group. Inputs include risk-free rate, equity risk premium and risk adjustments based on company-specific risk factors including risks associated with uncertainty in relation to the short-term impact of COVID-19, Brexit and possible US tariffs;

Forecast vehicles volumes – the 5-year volumes have been validated against industry standard external data for market segment and geography and adjusted to reflect historical experience and latest Cycle Plan assumptions;

Terminal value variable profit – the 5-year variable profit forecasts are comprised of revenue, variable marketing, warranty costs, material costs and other variable costs. These values have been validated against historical performance rather than internal targets and adjusted for execution risk by further constraining cash flow estimates. The business has a range of vehicles and models at different stages in their product lifecycle. This variability drives different contribution levels for each product throughout the assessment period. When considering the cash flows to model into perpetuity, it is therefore necessary to derive a steady-state variable profit value based on the 5-year volume set and associated implied variable profit levels

Terminal value selling general and administrative (SG&A) expenses – SG&A expenses comprise a combination of fixed and variable costs and are subject to ambitious current business plans. For the 5-year cash flow forecasts the ambition has been constrained by adjusting cashflows to reflect historical levels i.e. not including all of management's planned actions for continued cost control. The terminal value assumption is held at similar levels to the 5-year forecast period;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 INTANGIBLE ASSETS (CONTINUED)

Terminal value capital expenditure – the 5-year cash flows timing and amount are prepared based on the latest Cycle Plan. The terminal value has been derived based the directors best estimate of a maintenance levels of capital expenditure which has been derived from depreciation and amortisation expectations and longer-term trends which are included in the VIU calculation. Expenditure on new models is excluded as "expansionary capital" unless expenditure is committed and substantively incurred as at the reporting date.

Cash generated attributable to fellow JLRAplc Group entities – JLRL makes sales to its subsidiary companies and fellow group undertakings in accordance with the JLRAplc Group's transfer pricing policy. For the purposes of assessing the recoverable amount of the CGU, cash flows are adjusted to reflect market prices rather than internal transfer prices. The proportion of the free cash flow that would be generated by fellow JLRAplc Group entities using market rate prices is deducted from the total cash generated by the CGU.

In the year ending 31 March 2019 an impairment loss was recorded and therefore the recoverable amount of the CGU was equal to its carrying amount.

Key assumptions

The key assumptions that impact the value in use are those that (i) involve a significant amount of judgement and estimation and (ii) drive significant changes to the recoverable amount when flexed under reasonably possible outcomes. As a significant portion of the recoverable amount lies in the VIU terminal value, management have focused disclosures on reasonably possible changes that impact the terminal value.

Given the inherent uncertainty about how risk may arise, and the interaction of volumes and cost management, management consider a net impact on terminal period cash flows to be the best means of indicating the sensitivity of the model to such changes in the terminal period.

The value of key assumptions used to calculate the recoverable amount are as follows:

As at 31 March	2020	2019
Growth rate applied beyond approved forecast period	1.9%	1.9%
Post-tax discount rate	10.4%	9.7%
Terminal value variable profit (%GVR)	19.7%	22.6%
Terminal value capital expenditures (%GVR)	9.1%	11.0%
Cash generated attributable to fellow JLRAplc Group entities	18.7%	n/a

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an increase to the aggregate group impairment loss recognised as at 31 March 2020 (although it should be noted that these sensitivities do not take account of potential mitigating actions). This would increase the impairment loss allocated to assets of the company accordingly.

	£m
Decrease in growth rate applied beyond approved forecast period by 0.5%	468
Increase in post-tax discount rate by 0.5%	580
Decrease in terminal value variable profit by 1%	533
Increase in terminal value capital expenditures by 1%	172
Increase in assumed % of cash generated attributable to fellow JLRAplc Group entities	104

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 INTANGIBLE ASSETS (CONTINUED)

Disclosures for the year ended 31 March 2019

In the impairment assessment performed by Management as at 31 March 2019, the recoverable value was determined based on value in use ("VIU"), which was marginally higher than the fair value less cost of disposal ("FVLCD") of the relevant assets of the CGU. The recoverable amount was lower than the carrying value of the CGU, and this resulted in an exceptional impairment charge of £3,089 million being recognised within in the year ended 31 March 2019.

The impairment loss of £3,089 million has been allocated initially against goodwill of £382 million and thereafter the residual amount has been allocated on a prorated basis. This has resulted in £1,088 million allocated against tangible assets and £2,001 million allocated against intangible assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 DEFERRED TAX ASSETS AND LIABILITIES

(£ millions)	Opening balance	Adjustment on initial application of IFRS 16	Adjusted opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassified from other equity reserves	Closing balance
Year ended 31 March 2020							
Deferred tax assets							
Property, plant & equipment	512	-	512	142	-	-	654
Derivative financial instruments	134	-	134	(15)	(55)	6	70
Compensated absence and retirement benefits	116	-	116	52	(167)	-	1
Tax loss	53	-	53	155	-	-	208
Research and development expenditure credit	123	-	123	19	-	-	142
Total deferred tax asset	**938**	**-**	**938**	**353**	**(222)**	**6**	**1,075**
Deferred tax liabilities							
Intangible assets	(864)	-	(864)	(193)	-	-	(1,057
Provisions, allowances for doubtful receivables	(5)	2	(3)	(3)	-	-	(6
Compensated absence and retirement benefits	-	-	-	(77)	-	-	(77
Total deferred tax liability	**(869)**	**2**	**(867)**	**(273)**	**-**	**-**	**(1,140**
Net deferred tax asset/(liability)	**69**	**2**	**71**	**80**	**(222)**	**6**	**(65**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 DEFERRED TAX ASSETS AND LIABILITIES

(£ millions)	Opening balance	Adjustment on initial application of IFRS 9	Adjusted opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassified from other equity reserves	Closing balance
Year ended 31 March 2019							
Deferred tax assets							
Property, plant & equipment	6	-	6	506	-	-	512
Derivative financial instruments	80	6	86	6	19	23	134
Compensated absences and retirement benefits	85	-	85	(6)	37	-	116
Tax loss	345	-	345	(292)	-	-	53
Research and development expenditure credit	97	-	97	26	-	-	123
Total deferred tax asset	**613**	**6**	**619**	**240**	**56**	**23**	**938**
Deferred tax liabilities							
Intangible assets	(1,072)	-	(1,072)	208	-	-	(864)
Provisions, allowances for doubtful receivables	(1)	-	(1)	(4)	-	-	(5)
Total deferred tax liability	**(1,073)**	**-**	**(1,073)**	**204**	**-**	**-**	**(869)**
Net deferred tax (liability)/asset	**(460)**	**6**	**(454)**	**444**	**56**	**23**	**69**

At 31 March 2020, the company had unused tax losses and other temporary differences amounting to £1,429 million (2019: £1,441 million) for which no deferred tax asset has been provided. As at 31 March 2020 £nil (2019: £nil) of those tax losses are subject to expiry in future periods. All deferred tax assets and deferred tax liabilities at 31 March 2020 and 31 March 2019 are presented as non-current.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

As at 31 March (£ millions)	2020	2019
Cash and cash equivalents	1,869	2,465

20 ALLOWANCES FOR TRADE AND OTHER RECEIVABLES

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

Year ended 31 March (£ millions)	2020	2019
At beginning of year	7	47
Charged during the year	8	3
Utilised during the year	(3)	(40)
Unused amounts reversed	(6)	-
Foreign currency translation	-	(3)
At end of year	**6**	**7**

21 INVENTORIES

As at 31 March (£ millions)	2020	2019
Raw materials and consumables	87	115
Work in progress	384	363
Finished goods	1,514	1,348
Inventory basis adjustment	(1)	(8)
Total inventories	**1,984**	**1,818**

Inventories of finished goods include £370 million (2019: £370 million), relating to vehicles sold to rental car companies, fleet customers and others with guaranteed repurchase arrangements.

The cost of inventories (including cost of purchased products) recognised as an expense during the year amounted to £15,280 million (2019: £15,996 million).

During the year, the company recorded an inventory write-down expense of £23 million (2019: £52 million). The write-down is included in 'Material and other cost of sales'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 OTHER ASSETS

As at 31 March (£ millions)	2020	2019
Non-current assets		
Prepaid expenses	6	83
Other	15	-
Total non-current other assets	**21**	**83**
Current assets		
Recoverable VAT	112	156
Prepaid expenses	85	86
Research and development credit	85	113
Other	27	5
Total current other assets	**309**	**360**

23 ACCOUNTS PAYABLE

As at 31 March (£ millions)	2020	2019
Trade payables	3,462	4,130
Liabilities for expenses	544	483
Capital creditors	621	708
Liabilities to employees	111	92
Total accounts payable	**4,738**	**5,413**

24 INTEREST BEARING LOANS AND BORROWINGS

As at 31 March (£ millions)	2020	2019
Short-term borrowings		
Loans	3,779	3,631
Short-term borrowings	**3,779**	**3,631**
Long-term borrowings		
Loans	4,818	3,599
Long-term borrowings	**4,818**	**3,599**
Lease obligations	231	-
Total borrowings	**8,828**	**7,230**

Included within short-term borrowings are amounts due to parent and subsidiary undertakings of £3,679 million (2019: £3,517 million) and included within long-term borrowings are amounts due to parent and subsidiary undertakings of £4,804 million (2019: £3,599 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

The contractual cash flows of interest bearing debt and borrowings as of 31 March 2020 and 31 March 2019 are set out below, including estimated interest payments and assuming the debt will be repaid at the maturity date.

As at 31 March (£ millions)	2020	2019
Due in		
1 year or less	4,117	4,588
2nd and 3rd years	2,039	1,011
4th and 5th years	2,145	1,696
More than 5 years	1,441	1,559
Total contractual cash flows	**9,742**	**8,854**

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

Fleet financing facility
During the year ended 31 March 2020, the company entered into a secured revolving loan facility letter dated 25 October 2019 with Black Horse Limited, with an aggregate principal amount of £100 million. The facility is secured by a floating charge over inactive own-use (OUVs) vehicles.

25 OTHER FINANCIAL LIABILITIES

As at 31 March (£ millions)	2020	2019
Current		
Interest accrued	62	35
Derivative financial instruments	453	523
Liability for vehicles sold under a repurchase arrangement	397	363
Lease obligations	45	-
Other	-	4
Total current other financial liabilities	**957**	**925**
Non-current		
Derivative financial instruments	310	281
Lease obligations	186	-
Other	1	2
Total non-current other financial liabilities	**497**	**283**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 PROVISIONS

As at 31 March (£ millions)	2020	2019
Current		
Product warranty	650	610
Legal and product liability	105	136
Provisions for environmental liability	6	14
Other employee benefits obligations	7	13
Restructuring	12	95
Total current provisions	**780**	**868**
Non-current		
Product warranty	1,057	950
Legal and product liability	54	43
Provisions for environmental liability	17	15
Other employee benefits obligations	12	-
Total non-current provisions	**1,140**	**1,008**

Year ended 31 March 2020 (£ millions)	Product warranty	Legal and product liability	Environmental liability	Other employee benefits obligations	Restructuring	Total
Opening balance	1,560	179	29	13	95	1,876
Provision made during the year	898	135	14	40	32	1,119
Provision used during the year	(776)	(86)	(12)	(33)	(114)	(1,021)
Unused amount released in the year	-	(70)	(8)	(1)	(1)	(80)
Impact of unwind of discounting	25	-	-	-	-	25
Foreign currency translation	-	1	-	-	-	1
Closing balance	**1,707**	**159**	**23**	**19**	**12**	**1,920**

PRODUCT WARRANTY PROVISION

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

LEGAL AND PRODUCT LIABILITY PROVISION

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

ENVIRONMENTAL LIABILITY PROVISION

This provision relates to various environmental remediation costs such as asbestos removal and land clean up. The timing of when these costs will be incurred is not known with certainty.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 PROVISIONS (CONTINUED)

OTHER EMPLOYEE BENEFITS OBLIGATIONS

This provision relates to the LTIP scheme for certain employees (see note 8) and other amounts payable to employees.

RESTRUCTURING

This provision relates to amounts payable to employees under the company restructuring programme announced and carried out during the years ended 31 March 2020 and 31 March 2019 (see note 3).

27 OTHER LIABILITIES

As at 31 March (£ millions)	2020	2019
Current		
Liabilities for advances received	18	33
Ongoing service obligations	115	109
VAT	10	5
Other	5	6
Total current other liabilities	**148**	**153**
Non-current		
Ongoing service obligations	158	163
Other	-	1
Total non-current other liabilities	**158**	**164**

28 CAPITAL AND RESERVES

As at 31 March (£ millions)	2020	2019
Allotted, called up and fully paid		
3,560,542,073 (2019: 3,560,542,073) ordinary shares of £1 each	3,561	3,561
Total ordinary share capital	**3,561**	**3,561**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OTHER RESERVES

The movement of other reserves is as follows:

(£ millions)	Hedging reserve	Cost of hedging reserve	Retained earnings	Total reserves
Balance as at 1 April 2019	(506)	(33)	2,129	1,590
Adjustment on initial application of IFRS 16 (net of tax)	-	-	(9)	(9)
Adjusted balance at 1 April 2019	**(506)**	**(33)**	**2,120**	**1,581**
Loss for the year	-	-	(656)	(656)
Remeasurement of defined benefit obligation	-	-	981	981
Loss on effective cash flow hedges	(334)	-	-	(334)
Gain/(loss) on effective cash flow hedges of inventory	82	(7)	-	75
Income tax related to items recognised in other comprehensive income	51	1	(167)	(115)
Cash flow hedges reclassified to foreign exchange in profit or loss	571	(8)	-	563
Income tax related to items reclassified to profit or loss	(109)	2	-	(107)
Amounts removed from hedge reserve and recognised in inventory	(48)	15	-	(33)
Income tax related to amounts removed from hedge reserve and recognised in inventory	9	(3)	-	6
Balance as at 31 March 2020	**(284)**	**(33)**	**2,278**	**1,961**

(£ millions)	Hedging reserve	Cost of hedging reserve	Retained earnings	Total reserves
Balance as at 1 April 2018	(282)	(46)	5,828	5,500
Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	(29)	2	(4)	(31)
Adjusted balance at 1 April 2018	**(311)**	**(44)**	**5,824**	**5,469**
Loss for the year	-	-	(3,464)	(3,464)
Remeasurement of defined benefit obligation	-	-	(268)	(268)
(Loss)/gain on effective cash flow hedges	(812)	24	-	(788)
Loss on effective cash flow hedges of inventory	(161)	(36)	-	(197)
Income tax related to items recognised in other comprehensive income	184	2	37	223
Cash flow hedges reclassified to foreign exchange in profit or loss	874	7	-	881
Income tax related to items reclassified to profit or loss	(166)	(1)	-	(167)
Amounts removed from hedge reserve and recognised in inventory	(141)	19	-	(122)
Income tax related to amounts removed from hedge reserve and recognised in inventory	27	(4)	-	23
Balance as at 31 March 2019	**(506)**	**(33)**	**2,129**	**1,590**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 DIVIDENDS

No dividends were paid in the year ended 31 March 2020 (2019: £nil).

31 EMPLOYEE BENEFITS

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

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

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

Asset volatility

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

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

As the schemes mature, the company intends to reduce the level of investment risk by investing more in assets for which expected income is a better match for the expected benefit outgo.

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the scheme's liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 EMPLOYEE BENEFITS (CONTINUED)

The following tables set out the disclosures pertaining to the retirement benefit amounts recognised in the financial statements prepared in accordance with IAS 19:

Change in present value of defined benefit obligation

Year ended 31 March (£ millions)	2020	2019
Defined benefit obligation beginning of the year	8,607	8,285
Current service cost	130	155
Past service cost	4	42
Interest expense	203	215
Actuarial losses/(gains) arising from:		
Changes in demographic assumptions	7	(49)
Changes in financial assumptions	(523)	541
Experience adjustments	(139)	32
Member contributions	1	1
Benefits paid	(543)	(615)
Defined benefit obligation at end of year	**7,747**	**8,607**

Change in fair value of plan assets

Year ended 31 March (£ millions)	2020	2019
Fair value of plan assets at beginning of the year	7,967	7,870
Interest income	190	207
Remeasurement gain on the return of plan assets, excluding amounts included in interest income	326	256
Administrative expenses	(16)	(13)
Employer contributions	230	261
Members contributions	1	1
Benefits paid	(543)	(615)
Fair value of plan assets at end of year	**8,155**	**7,967**

The actual return on plan assets for the year was £516 million (2019: £463 million).

Amounts recognised in the income statement consist of:

Year ended 31 March (£ millions)	2020	2019
Current service cost	130	155
Past service cost	4	42
Administrative expenses	16	13
Net interest cost (including onerous obligations)	13	8
Components of defined benefit cost recognised in the income statement	**163**	**218**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 EMPLOYEE BENEFITS (CONTINUED)

Amounts recognised in the statement of comprehensive income consist of:

Year ended 31 March (£ millions)	2020	2019
Actuarial (loss)/gain arising from:		
Changes in demographic assumptions	(7)	49
Changes in financial assumptions	523	(541)
Experience adjustments	139	(32)
Remeasurement gain/(loss) on the return of plan assets, excluding amounts included in interest income	326	256
Remeasurement gain/(loss) of defined benefit obligation	**981**	**(268)**

Amounts recognised in the balance sheet consist of:

As at 31 March (£ millions)	2020	2019
Present value of funded defined benefit obligations	(7,747)	(8,607)
Fair value of plan assets	8,155	7,967
Net retirement benefit obligation	**408**	**(640)**
Presented as non-current asset	408	-
Presented as non-current liability	-	(640)

The most recent valuations of the defined benefit schemes for accounting purposes were carried out at 31 March 2020 by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method. The asset valuations are taken from the asset custodian for each scheme together with the balance of the Trustee bank accounts.

Benefits accruing for active members of the schemes are revalued each year whilst in service in line with CPI inflation plus 0.5% per annum, but capped at 2.5% - this level of increase is referred to as "CARE revaluation". As at 31 March 2020, based on advice from our actuarial advisor, Mercer, the company modified its approach to deriving the CARE revaluation rate to better incorporate the interaction between inflation volatility and the level of the cap. The revised model is in line with the existing model used for increases to pensions in payment.

In addition, in order to reflect potential changes in future RPI (related to the Government's consultation on RPI Reform), the assumed difference between RPI and CPI inflation was reduced from 1% p.a. to 0.75% p.a.

The combined impact of the two inflation related changes noted above was to reduce the schemes' liability by £91 million.

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

Year ended 31 March (%)	2020	2019
Discount rate	2.4	2.4
Expected rate of increase in compensation level of covered employees	2.0	2.4
Inflation increase	2.6	3.2

Whilst salary inflation is no longer used in the calculation of the Projected Benefit Obligation or service cost the company's assumption for this, on average over the medium term, has reduced from CPI +0.5% to CPI as at 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 EMPLOYEE BENEFITS (CONTINUED)

For the valuation at 31 March 2020, the mortality assumptions used are the Self-Administered Pension Schemes (SAPS) mortality base table, in particular S2PxA tables ("Light" tables for members of the Jaguar Executive Pension Plan).

For the Jaguar Pension Plan, scaling factors of 111 per cent to 117 per cent have been used for male members and scaling factors of 101 per cent to 112 per cent have been used for female members.

For the Land Rover Pension Scheme, scaling factors of 107 per cent to 111 per cent have been used for male members and scaling factors of 101 per cent to 109 per cent have been used for female members.

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

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

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

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

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

For the 2020 year end calculations there is an allowance for future improvements in line with the CMI (2019) projections and an allowance for long-term improvements of 1.25 per cent per annum and a smoothing parameter of 7.5, (2019: CMI (2018) projections with 1.25 per cent per annum improvements and a smoothing parameter of 7.5).

The assumed life expectations on retirement at age 65 are:

Valuation at 31 March (years)	2020	2019
Retiring today:		
Males	21.0	21.0
Females	23.2	23.2
Retiring in 20 years:		
Males	22.5	22.4
Females	25.2	25.1

A past service cost of £4 million has been recognised in the year ended 31 March 2020. This reflects benefit improvements for certain members as part of the company restructuring programme.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 EMPLOYEE BENEFITS (CONTINUED)

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

Assumption	Change in assumption	Impact on scheme liabilities	Impact on service cost
Discount rate	Increase / decrease by 0.25%	Decrease/increase by c.£390 million	Decrease/increase by £7 million.
Inflation rate	Increase / decrease by 0.25%	Increase/decrease by c.£230 million	Increase/decrease by £3 million
Mortality	Increase / decrease by 1 year	Increase/decrease by c.£280 million	Increase/decrease by £4 million

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 EMPLOYEE BENEFITS (CONTINUED)

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

As at 31 March (£ millions)	2020 Quoted*	2020 Unquoted	2020 Total	2020 %	2019 Quoted*	2019 Unquoted	2019 Total	2019 %
Equity instruments								
Information technology	124	-	124	2%	79	-	79	1%
Energy	10	-	10	-%	34	-	34	-%
Manufacturing	70	-	70	1%	58	-	58	1%
Financials	45	-	45	1%	91	-	91	1%
Other	248	-	248	3%	251	-	251	3%
	497	**-**	**497**	**6%**	**513**	**-**	**513**	**6%**
Debt instruments								
Government	1,941	-	1,941	24%	2,504	-	2,504	32%
Corporate Bonds (investment grade)	1,243	347	1,590	19%	149	1,691	1,840	23%
Corporate bonds (Non investment grade)	-	749	749	9%	-	612	612	8%
	3,184	**1,096**	**4,280**	**52%**	**2,653**	**2,303**	**4,956**	**63%**
Property funds								
UK	-	272	272	3%	-	244	244	3%
Other	-	239	239	3%	-	229	229	3%
	-	**511**	**511**	**6%**	**-**	**473**	**473**	**6%**
Cash and cash equivalents	**677**	**-**	**677**	**8%**	**210**	**-**	**210**	**3%**
Other								
Hedge Funds	-	474	474	6%	-	309	309	4%
Private Markets	-	561	561	7%	4	335	339	4%
Alternatives	-	593	593	7%	15	808	823	10%
	-	**1,628**	**1,628**	**20%**	**19**	**1,452**	**1,471**	**18%**
Derivatives								
Foreign exchange contracts	-	(35)	(35)	-%	-	16	16	-
Interest rate and inflations	-	545	545	7%	-	328	328	4%
Equity protection derivatives	-	52	52	1%	-	-	-	-
	-	**562**	**562**	**8%**	**-**	**344**	**344**	**4%**
Total	**4,358**	**3,797**	**8,155**	**100%**	**3,395**	**4,572**	**7,967**	**100%**

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

As at 31 March 2020, the schemes held Gilt Repos. The net value of these transactions is included in the value of government bonds in the table above. The value of the funding obligation for the Repo transactions is £2,639 million at 31 March 2020 (2019: £1,528 million).

Due to the economic effects of actions taken in response to the COVID-19 disease there is a higher degree of uncertainty in the valuations placed on some of the "unquoted" assets including property assets. In some cases the additional uncertainty will be small, however some managers have reported material uncertainty in their valuations. The directors consider these valuations to be the best estimate of the valuation of these investments, but there is a higher degree of uncertainty compared to previous years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 EMPLOYEE BENEFITS (CONTINUED)

Private Equity holdings have been measured using the most recent valuations, adjusted for cash and currency movements between the last valuation date and 31 March 2020. The latest valuations for these assets precede the negative impact of the COVID-19 pandemic on financial markets. Given the movements in listed equity markets, the valuation of Private Equity holdings may vary significantly. The value of the Private Equity holdings included above is £342 million as at 31 March 2020.

Jaguar Land Rover contributes towards the UK defined benefit schemes. The 5 April 2018 statutory funding valuations were completed in December 2018. As a result of these valuations it is intended to eliminate the pension scheme funding deficits over the 10 years to 31 March 2028. There is currently no additional liability over the projected benefit obligation (based on current legal advice the company will not be required to recognise an additional obligation in the future), and no restrictions on the company's ability to realise any surplus in the scheme. The company has taken legal advice considering the documentation of the schemes and the regulatory environment. This confirmed the recoverability of any surplus in the schemes and the company has based its accounting judgement on this advice.

In line with the schedule of contributions agreed following the 2018 statutory funding valuations, the current ongoing company contribution rate for defined benefit accrual has reduced to c.21 per cent of pensionable salaries reflecting the 2017 benefit restructure.

Deficit contributions are paid in line with the schedule of contributions at a rate of £60 million per year until 31 March 2024 followed by £25 million per year until 31 March 2028, although as part of company's response to the COVID-19 disease the company has agreed to defer all of its contributions, payable for April, May and June 2020, until the year ending 31 March 2022. This agreement is reflected in an updated Schedule of Contributions dated 29 April 2020.

The average duration of the benefit obligations at 31 March 2020 is 19.0 years (2019: 19.0 years).

The expected net periodic pension cost for the year ended 31 March 2021 is expected to be £140 million. The company expects to pay £160 million to its defined benefit schemes, in total, for the year ended 31 March 2021 (allowing for the deferral).

DEFINED CONTRIBUTION SCHEMES

The company's contribution to defined contribution schemes for the year ended 31 March 2020 was £80 million (2019: £88 million).

32 COMMITMENTS AND CONTINGENCIES

In the normal course of business, 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 liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the company provides disclosure in its financial statements but does not record a liability unless the loss becomes probable. Such potential losses may be of an uncertain timing and/or amount.

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

LITIGATION AND PRODUCT RELATED MATTERS

The company is involved in legal proceedings, both as plaintiff and as defendant. There are claims and potential claims of £20 million (2019: £7 million) against the company which management has not recognised, as settlement is not considered probable. These claims and potential claims pertain to motor accident claims, consumer complaints, employment and dealership arrangements, replacement of parts of vehicles and/or compensation for deficiency in the services by the company or its dealers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

COMMITMENTS

The company has entered into various contracts with vendors and contractors for the acquisition of plant and machinery, equipment and various civil contracts of capital nature aggregating to £1,184 million (2019: £1,006 million) and £10 million (2019: £20 million) relating to the acquisition of intangible assets.

Commitments and contingencies also includes £186 million (2019: £211 million) relating to contractual claims and commitments. The timing of any outflow will vary as and when claims are received and settled, which is not known with certainty.

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

Inventory of £127 million (2019: £nil) and trade receivables with a carrying amount of £nil (2019: £114 million) and property, plant and equipment with a carrying amount of £nil (2019: £nil) and restricted cash with a carrying amount of £nil (2019: £nil) are pledged as collateral/security against the borrowings and commitments.

Commitments related to leases are set out in note 35.

Stipulated within the joint venture agreement for Chery Jaguar Land Rover Automotive Co. Ltd, and subsequently amended by a change to the Articles of Association of Chery Jaguar Land Rover Automotive Co. Ltd. is a commitment for the company to contribute a total of CNY 2,500 million of capital, of which CNY 1,738 million has been contributed as at 31 March 2020. The outstanding commitment of CNY 762 million translates to £87 million at the 31 March 2020 exchange rate. At 31 March 2019, the outstanding commitment was CNY 1,062 million (£122 million at period end exchange rates) restated to reflect an additional CNY 750 million that was committed during the year ended 31 March 2017.

Any litigations and claims against Jaguar Land Rover Limited are considered to be the responsibility of the company which settle these as appropriate. No amounts were recharged by the company for the years ended 31 March 2020 and 31 March 2019.

The company provides certain guarantees for financing and other arrangements where the likelihood of demand on the guarantee is deemed remote. The financing arrangements covered by such guarantees are explained below.

The company's intermediate parent, Jaguar Land Rover Automotive plc, has issued Senior Notes that are listed on the Luxembourg Stock Exchange multilateral trading facility ('EURO MTF') market. The company is a guarantor with Jaguar Land Rover Holdings Limited of certain of these Senior Notes. The tranches of Senior Notes outstanding at 31 March 2020 are as follows:

- £400 million Senior Notes due 2022 at a coupon of 5.000% per annum
- £400 million Senior Notes due 2023 at a coupon of 3.875% per annum
- €650 million Senior Notes due 2024 at a coupon of 2.200% per annum
- £300 million Senior Notes due 2021 at a coupon of 2.750% per annum
- $500 million Senior Notes due 2027 at a coupon of 4.500% per annum
- €500 million Senior Notes due 2026 at a coupon of 4.500% per annum
- €500 million Senior Notes due 2024 at a coupon of 5.875% per annum
- €500 million Senior Notes due 2026 at a coupon of 6.875% per annum

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The company is a guarantor with Jaguar Land Rover Holdings Limited, Jaguar Land Rover North America LLC, Land Rover Exports Limited and JLR Nominee Company Limited of $500 million Senior Notes due 2023 at a coupon of 5.625% per annum.

The company is a guarantor of a $1 billion syndicate loan with a coupon rate of LIBOR + 1.900 per cent per annum, issued in October 2018 and due in the following tranches:

- $200 million due October 2022
- $800 million due January 2025

In addition, the company is a guarantor with Jaguar Land Rover Holdings Limited of the £1,935 million revolving credit facility held by the intermediate parent company, Jaguar Land Rover Automotive plc. As at 31 March 2020 this facility was fully undrawn.

33 CAPITAL MANAGEMENT

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

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

The capital structure and funding requirements are regularly monitored by the Board of Directors to ensure sufficient liquidity is maintained by the company. All debt issuance and capital distributions are approved by the Board of Directors. In addition, the covenant related to the financing arrangements is regularly monitored and compliance is certified annually.

The following table summarises the capital of the company:

As at 31 March (£ millions)	2020	2019
Short-term debt	3,824	3,631
Long-term debt	5,004	3,599
Total debt*	**8,828**	**7,230**
Equity	5,522	5,151
Total capital	**14,350**	**12,381**

*Total debt includes lease obligations of £231 million (2019: £nil).

34 FINANCIAL INSTRUMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amount and fair value of each category of financial assets and liabilities as at 31 March 2020:

(£ millions)	Amortised cost and other financial liabilities	Fair value through profit and loss		Total carrying value	Total fair value
		Derivatives in hedging relationship	Derivatives other than in hedging relationship		
Cash and cash equivalents	1,869	-	-	1,869	1,869
Short-term deposits and other investments	1,326	-	-	1,326	1,326
Trade receivables	1,118	-	-	1,118	1,118
Other financial assets - current	1,926	88	153	2,167	2,167
Other financial assets - non-current	104	133	9	246	246
Total financial assets	**6,343**	**221**	**162**	**6,726**	**6,726**
Accounts payable	4,738	-	-	4,738	4,738
Short-term borrowings	3,779	-	-	3,779	3,763
Long-term borrowings*	4,818	-	-	4,818	3,859
Other financial liabilities - current	504	249	204	957	957
Other financial liabilities - non-current	187	262	48	497	497
Total financial liabilities	**14,026**	**511**	**252**	**14,789**	**13,814**

*Included in the long-term borrowings shown in other financial liabilities is £891 million that is designated as the hedged item in a fair value hedge relationship. Included within this figure is £45 million of fair value adjustments as a result of the hedge relationship.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

The following table shows the carrying amount and fair value of each category of financial assets and liabilities as at 31 March 2019:

(£ millions)	Amortised cost and other financial liabilities	Fair value through profit and loss: Derivatives in hedging relationship	Fair value through profit and loss: Derivatives other than in hedging relationship	Total carrying value	Total fair value
Cash and cash equivalents	2,465	-	-	2,465	2,465
Short-term deposits and other investments	1,028	-	-	1,028	1,028
Trade receivables	2,168	-	-	2,168	2,168
Other financial assets - current	1,496	102	31	1,629	1,629
Other financial assets - non-current	105	43	11	159	159
Total financial assets	**7,262**	**145**	**42**	**7,449**	**7,449**
Accounts payable	5,413	-	-	5,413	5,413
Short-term borrowings*	3,631	-	-	3,631	3,627
Long-term borrowings**	3,599	-	-	3,599	3,245
Other financial liabilities - current	402	426	97	925	925
Other financial liabilities - non-current	2	266	15	283	283
Total financial liabilities	**13,047**	**692**	**112**	**13,851**	**13,493**

*Included within short-term borrowings shown in other financial liabilities are foreign currency denominated borrowings totaling £768m designated as the hedging instrument in a cash flow hedge against forecast revenue.
**Included in the long-term borrowings shown in other financial liabilities is £813 million that is designated as the hedged item in a fair value hedge relationship. Included within this figure is £5 million of fair value adjustments as a result of the hedge relationship.

Offsetting

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

The following table discloses the amounts that have been offset in arriving at the balance sheet presentation and the amounts that are available for offset only under certain conditions as at 31 March 2020:

£ millions	Gross amount recognised	Gross amount of recognised set off in the balance sheet	Net amount presented in the balance sheet	Gross amount not offset in the balance sheet	Cash collateral (received) / pledged	Net amount after offsetting
Financial assets						
Derivative financial assets	383	-	383	(377)	-	6
Cash and cash equivalents	2,579	(710)	1,869	-	-	1,869
	2,962	**(710)**	**2,252**	**(377)**	**-**	**1,875**
Financial liabilities						
Derivative financial liabilities	763	-	763	(377)	-	386
Short-term borrowings	4,489	(710)	3,779	-	-	3,779
	5,252	**(710)**	**4,542**	**(377)**	**-**	**4,165**

The following table discloses the amounts that have been offset in arriving at the balance sheet presentation and the amounts that are available for offset only under certain conditions as at 31 March 2019:

£ millions	Gross amount recognised	Gross amount of recognised set off in the balance sheet	Net amount presented in the balance sheet	Gross amount not offset in the balance sheet	Cash collateral (received) / pledged	Net amount after offsetting
Financial assets						
Derivative financial assets	187	-	187	(187)	-	-
Cash and cash equivalents	2,893	(428)	2,465	-	-	2,465
	3,080	**(428)**	**2,652**	**(187)**	**-**	**2,465**
Financial liabilities						
Derivative financial liabilities	804	-	804	(187)	-	617
Short-term borrowings	4,059	(428)	3,631	-	-	3,631
	4,863	**(428)**	**4,435**	**(187)**	**-**	**4,248**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

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

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

Additionally, a credit valuation adjustment/debit value adjustment is taken on derivative financial assets and liabilities and is calculated by discounting the fair value gain or loss on the financial derivative using credit default swap ("CDS") prices quoted for the counterparty or Jaguar Land Rover respectively. CDS prices are obtained from Reuters.

Intercompany loans are held at amortised cost. The fair value for disclosure purposes is determined either using Level 1 valuation techniques, based on the closing price as at 31 March 2020 of equivalent bonds on the Luxembourg Stock Exchange multilateral trading facility (EURO MTF) market, or Level 2 valuation techniques.

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

Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the company could have realised in a sales transaction as of the respective dates. The estimated fair value amounts as at 31 March 2020 and 2019 have been measured as at the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT

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

Foreign currency exchange rate risk

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

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

Foreign exchange risk on future transactions is mitigated through the use of derivative contracts. In addition to the derivatives designated in hedging relationships as detailed in (C), the company enters into foreign currency contracts as economic hedges of recognised foreign currency debt.

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

The following table sets forth information relating to foreign currency exposure as at 31 March 2020:

As at 31 March (£ millions)	US Dollar	Euro	Chinese Yuan	Others
Financial assets	779	2,577	373	241
Financial liabilities	(2,664)	(4,507)	(1,146)	(331)
Net exposure (liability)/asset	**(1,885)**	**(1,930)**	**(773)**	**(90)**
10% appreciation/depreciation of the currency would result in additional (loss)/gain:				
In the income statement	(189)/189	(193)/193	(77)/77	(9)/9

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

As at 31 March (£ millions)	US Dollar	Euro	Chinese Yuan	Others
Financial assets	2,640	1,910	104	455
Financial liabilities	(3,534)	(3,415)	(1,012)	(216)
Net exposure (liability)/asset	**(894)**	**(1,505)**	**(908)**	**239**
10% appreciation/depreciation of the currency would result in additional (loss)/gain:				
In other comprehensive income	(76)/76	-	-	n/a
In the income statement	(13)/13	(151)/151	(91)/91	n/a

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

Commodity price risk

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

The total fair value loss on commodities of £74 million (2019: £9 million gain) has been recognised in "Foreign exchange loss and fair value adjustments" in the income statement. The amounts reported do not reflect the purchasing benefits received by the company (which are included within "Material and other cost of sales").

A 10 per cent appreciation/depreciation of all commodity prices underlying such contracts would have resulted in a gain/loss of £49 million (2019: £53 million).

Interest rate risk

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

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

The company uses cross-currency interest rate swaps to convert some of its issued debt from foreign denominated fixed-rate debt to GBP floating-rate debt. The derivative instruments and the foreign currency fixed-rate debt are designated in fair value and cash flow hedging relationships. Further detail is given in section (C) below.

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

As of 31 March 2020 net financial liabilities of £5,039 million (2019: £3,619 million) were subject to the variable interest rate. An increase/decrease of 100 basis points in interest rates at the balance sheet date would result in an impact of £50 million (2019: £36 million) in the income statement and £nil (2019: £nil) in other comprehensive income.

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

Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 31 March 2020 (£ millions)	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
Financial liabilities						
Long-term borrowings	4,818	5,828	218	739	3,430	1,441
Short-term borrowings	3,779	3,789	3,789	-	-	-
Lease liabilities	231	346	59	79	52	156
Other financial liabilities	460	486	470	12	4	-
Accounts payable	4,738	4,738	4,738	-	-	-
Derivative financial liabilities	763	894	491	272	131	-
Total contractual maturities	**14,789**	**16,081**	**9,765**	**1,102**	**3,617**	**1,597**

As at 31 March 2019 (£ millions)	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
Financial liabilities						
Long-term borrowings	3,599	5,186	946	449	2,232	1,559
Short-term borrowings	3,631	3,631	3,631	-	-	-
Other financial liabilities	404	441	413	13	15	-
Accounts payable	5,413	5,413	5,413	-	-	-
Derivative financial liabilities	804	1,076	592	313	144	27
Total contractual maturities	**13,851**	**15,747**	**10,995**	**775**	**2,391**	**1,586**

Credit risk

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

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

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

To a lesser extent the company has an exposure to counterparties on trade receivables and other financial assets. The company seeks to mitigate credit risk on sales to third parties through the use of payment at the point of delivery, credit insurance and letters of credit from banks which meet internal rating criteria.

Financial assets

None of the company's cash equivalents, including term deposits with banks, are past due or impaired. Regarding other financial assets that are neither past due nor impaired, there were no indications as at 31 March 2020 or 31 March 2019 that defaults in payment obligations will occur.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 March (£ millions)	2020 Gross	2020 Impairment	2019 Gross	2019 Impairment
Not yet due	2,765	-	3,198	-
Overdue < 3 months	139	-	282	-
Overdue > 3 < 6 months	11	1	12	-
Overdue > 6 months	16	5	38	7
Total	**2,931**	**6**	**3,530**	**7**

Included within trade receivables is £nil (2019: £114 million) of receivables that are part of a debt factoring arrangement. These assets do not qualify for derecognition due to the recourse arrangements in place. The related liability of £nil (2019: £114 million) is in short-term borrowings. The asset and associated liability are classified in amortised cost and other financial liabilities respectively.

Off-balance sheet financial arrangements
At the end of FY20, the company has sold £392 million equivalent of receivables under a $700 million debt factoring facility signed in March 2019.

(C) DERIVATIVES AND HEDGE ACCOUNTING

The company's operations give rise to revenue, raw material purchases and borrowings in currencies other than the company's functional and presentation currency of GBP. The company forecasts these transactions over the medium term and enters into derivative contracts to mitigate the resulting foreign currency exchange risk, interest rate risk and commodity price risk. The company's risk management strategy allows for hedge accounting when the derivatives meet the hedge accounting criteria as set out in IFRS 9 as well as the company's risk management objectives.

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

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

A 10 per cent depreciation/appreciation in Sterling against the foreign currency underlying contracts within the company's derivative portfolio that are sensitive to changes in foreign exchange rates (including the impact to the fair value adjustment of foreign currency borrowings designated as the hedged item in a fair value hedge relationship) would have resulted in the approximate additional (loss)/gain shown in the following table:

As at 31 March (£ millions)	2020	2019
10% depreciation in Sterling against the foreign currency:		
In other comprehensive income	(547)	(273)
In the income statement	64	109
10% appreciation in Sterling against the foreign currency:		
In other comprehensive income	554	244
In the income statement	(36)	(75)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

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

Outstanding contracts	Foreign currency average interest rate		Reporting currency average interest rate	
	2020	2019	2020	2019
	%	%	%	%
Cross-currency interest rate swaps				
Less than one year	-	-	-	-
Between one and five years	-	-	-	-
More than five years	4.500	4.500	LIBOR + 3.235	LIBOR + 3.235

The following table shows the impact that would result from an increase/decrease of 100 basis points in interest rates at the balance sheet date:

As at 31 March (£ millions)	2020	2019
10% depreciation in interest rates:		
In the income statement	(7)	(5)
10% appreciation in interest rates:		
In the income statement	4	19

Cash flow hedges

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

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

It is anticipated that the hedged sales will take place over the next one to five years, at which time the amount deferred in equity will be reclassified to revenue in the income statement.

It is anticipated that the hedged purchases will take place over the next one to five years, at which time the amount deferred in equity will be included in the carrying amount of the raw materials. On sale of the finished product, the amount previously deferred in equity and subsequently recognised in inventory will be reclassified to 'material and other cost of sales' in the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 31 March	Average strike rate		Nominal amounts		Carrying value assets/(liabilities)	
Outstanding contracts	2020	2019	2020 £m	2019 £m	2020 £m	2019 £m
Cash flow hedges of foreign exchange risk on forecast transactions						
Derivative instruments						
Sell – USD	0.7229	0.6756	1,766	1,584	(157)	(187)
Less than one year	0.7649	0.6989	5,098	1,945	(190)	(114)
Between one and five years						
Sell – Chinese Yuan	0.1086	0.1054	1,601	2,132	(59)	(153)
Less than one year	0.1096	0.1075	1,189	1,299	(20)	(43)
Between one and five years						
Buy – Euro	0.9109	0.8823	2,635	3,609	1	14
Less than one year	0.9101	0.9192	3,384	4,030	(17)	(73)
Between one and five years						
Other currencies			905	1,800	55	2
Less than one year			1,238	882	39	11
Between one and five years						
			17,816	**17,281**	**(348)**	**(543)**
Debt instruments denominated in foreign currency						
USD						
Less than one year	-	0.7358	-	736	-	(768)
Between one and five years	-	-	-	-	-	-
			-	736	-	(768)
Total cash flow hedges of foreign exchange risk on forecast transactions.			**17,816**	**18,017**	**(348)**	**(1,311)**
Hedges of foreign exchange risk on recognised debt						
Cross-currency interest rate swaps						
USD						
More than 5 years	0.7592	0.7592	380	380	57	11
EUR						
More than 5 years	0.8912	0.8912	446	446	3	(15)
			826	**826**	**60**	**(4)**

The USD debt instrument used as a hedging instrument is shown in the less than one year category above as the instrument itself matures within one year. The amounts hedging revenue between one and five years are £nil (2019: £359 million).

The line items in the balance sheet that include the above derivative instruments are "Other financial assets" and "Other financial liabilities". The US denominated debt designated as a hedging instrument is included in "Borrowings".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

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

Year ended 31 March (£ millions)	2020	2019
Fair value gain/(loss) of foreign currency derivative contracts recognised in hedging reserves	254	(887)
Fair value gain/(loss) of foreign currency borrowings recognised in cash flow hedging reserve	7	(103)
Fair value (loss)/gain of derivatives hedging foreign currency borrowings recognised in hedging reserves	(2)	4
Gain/(loss) recognised in other comprehensive income in the year	**259**	**(986)**
Loss reclassified from cash flow hedging reserve and recognised in 'Revenue' in the income statement	(565)	(870)
Loss reclassified from of cash flow hedging reserve and recognised in 'Material and other cost of sales' in the income statement	-	-
(Loss)/gain reclassified from cash flow hedging reserve and recognised in 'Foreign exchange (loss)/gain and fair value adjustments' in the income statement on account of forecast transactions no longer expected to occur	-	(12)
Gain reclassified from cost of hedging reserve and recognised in 'Foreign exchange (loss)/gain and fair value adjustments' in the income statement on account of forecast transactions no longer expected to occur	2	1
Loss reclassified to profit and loss in the year	**(563)**	**(881)**
Net change in the hedged item used for assessing hedge effectiveness	172	(202)
Gain/(loss) on derivatives not hedge accounted, recognised in 'Foreign exchange (loss)/ gain and fair value adjustments' in the income statement	27	(18)

Fair value hedges

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of the cross-currency interest rate swaps included in "Derivatives in hedging relationship" in section (A) are as follows:

As at 31 March (£ millions)	2020	2019
Other financial assets – non-current	60	11
Total financial assets	**60**	**11**
Other financial liabilities – non-current	-	(15)
Total financial liabilities	**-**	**(15)**

The following amounts have been recognised in the income statement in the years ended 31 March 2020 and 2019:

During year ended 31 March (£ millions)	2020	2019
Net change in the hedged item used for assessing hedge effectiveness, taken to the income statement in "Foreign exchange loss and fair value adjustments"	(78)	(29)
Fair value changes in the derivative instruments used in assessing hedge effectiveness, taken to the income statement in "Foreign exchange loss and fair value adjustments"	61	22
Ineffectiveness recognised in the income statement in "Foreign exchange loss and fair value adjustments"	**(17)**	**(7)**

35 LEASES

Leases as a Lessee

The company leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the company is a lessee is presented below.

Right-of-use assets

£ millions	Land and buildings	Computers	Plant and equipment	Vehicles	Other	Total
Opening balance at 1 April 2019	240	12	42	-	3	297
Closing balance at 31 March 2020	240	7	37	4	3	291
Depreciation charge for the year	31	8	14	2	1	56

Additions to the right-of-use assets during the year ended 31 March 2020 were £46 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 LEASES (CONTINUED)

Lease liabilities

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

As at 31 March (£ millions)	2020
Less than one year	59
One to five years	131
More than five years	156
Total undiscounted lease liabilities as at 31 March	**346**

The following amounts are included in the Balance Sheet as at 31 March 2020:

As at 31 March (£ millions)	2020
Current lease liabilities	45
Non-current lease liabilities	186
Total lease liabilities	**231**

The following amounts are recognised in the income statement for the year ended 31 March 2020:

Year ended 31 March (£ millions)	2020
Interest expense on lease liabilities	17
Expenses related to short-term leases	11
Expenses related to low-value assets, excluding short-term leases of low-value assets	5

The following amounts are recognised in the statement of cash flow for the year ended 31 March 2020:

Year ended 31 March (£ millions)	2020
Cash payments for the principal portion of lease liabilities (within 'payments of lease obligations')	50
Cash payment for interest expense related to lease liabilities (within 'finance expenses and fees paid')	17
Total cash outflow for leases	**67**

Leases as a Lessee under IAS 17

Non-cancellable operating lease rentals are payable as follows:

As at 31 March (£ millions)	2019
Less than one year	67
Between one and five years	143
More than five years	93
Total lease payments	**303**

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

Lease as a lessor

The majority of the leases where the company is a lessor is in relation to vehicles. The company classified these as leases of operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 LEASES (CONTINUED)

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

As at 31 March (£ millions)	2020	2019
Less than one year	3	3
One to five years	1	1
More than five years	9	9
Total undiscounted lease payments to be received	**13**	**13**

36 SEGMENT REPORTING

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

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

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

(£ millions)	UK	US	China	Rest of Europe	Rest of World	Total
31 March 2020						
Revenue	3,434	4,927	2,541	5,736	3,211	19,849
31 March 2019						
Revenue	3,233	5,579	2,932	5,291	3,835	20,870

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF LOSS FOR THE YEAR TO CASH GENERATED FROM OPERATIONS

Year ended 31 March (£ millions)	2020	2019
Loss for the year	**(656)**	**(3,464)**
Adjustments for:		
Depreciation and amortisation	1,824	2,099
Write-down of tangible assets	-	18
Write-down of investments	18	-
Loss on sale of assets	16	58
Income tax credit	(52)	(408)
Foreign exchange and fair value loss on loans	160	91
Foreign exchange (gain)/loss on natural hedges of loans	(29)	18
Foreign exchange (gain)/loss on derivatives	(15)	31
Unrealised loss on commodities	78	34
Matured revenue hedges	81	43
Foreign exchange gain on short-term deposits	(14)	(71)
Foreign exchange (gain)/loss on cash and cash equivalents	(72)	27
Finance expense (net)	206	125
Finance income	(106)	(176)
Exceptional items	137	3,242
Cash flows generated from operating activities before changes in assets and liabilities	**1,576**	**1,667**
Trade receivables	1,008	100
Other financial assets	(95)	(182)
Other current assets	74	145
Inventories	(158)	(40)
Other non-current assets	(419)	(29)
Accounts payable	(587)	(244)
Other current liabilities	(6)	34
Other financial liabilities	27	(15)
Other non-current liabilities and retirement benefit obligations	330	(69)
Provisions	(9)	177
Cash generated from operations	**1,741**	**1,544**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(B) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

(£ millions)	Short-term borrowings	Long-term borrowings	Lease obligations	Total
Balance at 1 April 2018	**2,967**	**3,060**	**2**	**6,029**
Proceeds from issue of financing	2,179	1,214	-	3,393
Repayment of financing	(2,387)	-	(2)	(2,389)
Reclassification of long-term debt	768	(768)	-	-
Foreign exchange	109	15	-	124
Arrangement fees paid	-	(18)	-	(18)
Fee amortisation	1	7	-	8
Reclassification of long-term debt fees	(1)	1	-	-
Long-term borrowings revaluation in hedge reserve	-	103	-	103
Other non-cash movements in loans to subsidiaries	(5)	-	-	(5)
Fair value adjustment on loans	-	(15)	-	(15)
Balance at 31 March 2019	**3,631**	**3,599**	**-**	**7,230**
Adjustment on initial application of IFRS 16	-	-	227	227
Proceeds from issue of financing	1,850	1,600	-	3,450
Issue of new leases	-	-	51	51
Repayment of financing	(2,609)	-	(67)	(2,676)
Interest accrued	-	-	17	17
Reclassification of long-term debt	577	(577)	-	-
Foreign exchange	35	144	3	182
Arrangement fees paid	(1)	(8)	-	(9)
Fee amortisation	2	8	-	10
Reclassification of long-term debt fees	(1)	1	-	-
Long-term borrowings revaluation in hedge reserve	-	11	-	11
Other non-cash movements in loans to subsidiaries	295	-	-	295
Fair value adjustment on loans	-	40	-	40
Balance at 31 March 2020	**3,779**	**4,818**	**231**	**8,828**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 RELATED PARTY TRANSACTIONS

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

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

(£ millions)	With subsidiaries of the company	With joint ventures of the company	With associates of the company	With Tata Sons Limited and its subsidiaries and joint ventures	With immediate or ultimate parent and its subsidiaries, joint ventures and associates
31 March 2020					
Sale of products	12,399	217	-	2	54
Purchase of products	-	-	-	-	6
Services received	-	-	3	136	81
Services rendered	-	91	-	-	1
Dividends received	-	67	-	-	-
Investments in the year	-	67	6	-	-
Interest income	20	-	-	-	-
Interest expense	260	-	-	-	-
Trade and other receivables	608	59	-	1	20
Accounts payable	236	-	0	9	22
Loans receivable	1,807	-	-	-	-
Loans payable	8,501	-	-	-	-
31 March 2019					
Sale of products	13,701	305	-	3	76
Purchase of products	-	-	-	-	-
Services received	-	-	-	157	85
Services rendered	-	757	2	-	1
Interest income	18	-	-	-	-
Interest expense	208	-	-	-	-
Trade and other receivables	1,164	7	-	1	15
Accounts payable	176	-	-	35	17
Loans receivable	1,348	-	-	-	-
Loans payable	7,181	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Year ended 31 March (£ millions)	2020	2019
Short-term benefits	10	10
Post-employment benefits	1	1
Share-based payments	-	-
Other long-term employee benefits	3	-
Compensation for loss of office	1	-
Total compensation of key management personnel	**15**	**11**

Refer to note 31 for information on transactions with post-employment benefit plans.

39 ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

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

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

40 SUBSEQUENT EVENTS

In the first quarter of the year ended 31 March 2021, the company increased its fleet buyback facility by £63 million.

As a result of the COVID-19 pandemic, production at the company's factories was halted in March 2020. After the balance sheet date, the following factories have resumed production:

Solihull, UK – 18 May 2020

Castle Bromwich, UK – 10 August 2020

Engine Manufacturing Centre, UK – 18 May 2020

Nitra, Slovakia – 18 May 2020

Graz, Austria – 18 May 2020

Halewood, UK – 8 June 2020

In October 2020, the company became a guarantor of $700 million bond maturing in 2025.