

# Jaguar Land Rover Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS

Registered number: 01672070

For the year ended 31 March 2021

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COMPANIES HOUSE

## **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  
N. Blenkinsop  
N. P. Collins  
Professor G. G. McGovern  
Q. Pan  
F. A. Dossa

## **Company secretaries**

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

## **Registered office**

Abbey Road  
Whitley  
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United Kingdom

## **Auditor**

KPMG LLP  
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## **CONTENTS**

STRATEGIC REPORT	4
DIRECTORS' REPORT	13
DIRECTORS' RESPONSIBILITIES STATEMENT	16
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAGUAR LAND ROVER LIMITED	17
INCOME STATEMENT	22
STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE	22
BALANCE SHEET	23
STATEMENT OF CHANGES IN EQUITY	24
NOTES TO THE FINANCIAL STATEMENTS	25

## STRATEGIC REPORT

The directors present their strategic report for Jaguar Land Rover Limited ('the company') for the year ended 31 March 2021.

### 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 2021 performance and product portfolio

The company has seen a decrease in its turnover to £16,473 million (2020: £19,849 million). Loss before tax has worsened to a loss of £1,753 million (2020: £708 million).

Principal products for 2021 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	2021	2020
Turnover	Decrease due to lower wholesales in all markets except China caused in part by the COVID-19 pandemic.	£16,473 million	£19,849 million
Loss before tax	Increase in loss before tax is primarily driven by exceptional charge in the year of £1.2 billion relating to tangible and intangible asset write off and £300 million relating to restructuring following JLR Reimagine programme.	£1,753 million	£708 million
Net assets	Decrease in net assets is primarily driven by Tangible and Intangible write off following Reimagine, increase in company's defined benefit pension obligation and increased borrowings, as at 31 March 2021.	£3,613 million	£5,522 million
Headcount (average)	Decrease in number of employees due to restructuring program in the year.	30,255 employees	33,084 employees

## **STRATEGIC REPORT (CONTINUED)**

### **Review of business and future developments (continued)**

Jaguar Land Rover is unique in the global automotive industry. We create peerless models, from an unrivalled understanding of modern luxury, a rich brand equity and spirit of Britishness. In February 2021, we announced our new global strategy, harnessing those ingredients today to reimagine our business, its brands and our customer experience for tomorrow.

#### **Modern luxury by design**

In Jaguar and Land Rover, we have distinct British brands steeped in a history of timeless designs that emotionally resonate with our customers; brand equity built over decades. This past year, we have marked the 50th anniversary of Range Rover and seen our iconic Land Rover Defender reborn in its 73rd year, with an all-new family of vehicles on sale in nearly 100 countries around the world.

Our Reimagine strategy will release the full potential of our brands, by leapfrogging forward in technology, placing quality and sustainability at the heart of everything we do. At the core of this is the rapid electrification of both Jaguar and Land Rover. Over the next five years, Land Rover will welcome six all-electric variants, with the first arriving in 2024. In this time, Jaguar will have undergone a complete renaissance, emerging as a pure electric luxury brand, from 2025. By the end of the decade, full-battery electric vehicle powertrains are expected to represent around 60% of total Jaguar Land Rover sales.

#### **Quality and efficiency**

To enable this accelerated shift in electrification, we will establish new benchmark standards in quality and efficiency for the luxury sector and central to this is our new architecture strategy. We will migrate from six different architectures today, to just three by the end of the decade.

#### **Technology within**

Beyond our vehicles, the other significant strategic pillar in Reimagine is a radical digital transformation of our business. Data is the backbone of every vehicle we create, the quality of our manufacturing, our supply chain and the support and services we provide to our customers.

And here, being part of the Tata Group offers significant advantages. Others have to rely solely on external partnerships and compromise, but we have frictionless access to some of the world's leading players in technology, software and clean energy that will allow us to lean forward with confidence and at speed.

Through this, we will accelerate the ingredients for modern luxury by design, including our Advanced Driver Assistance Systems, autonomous capability, connected services and Electric Vehicle infrastructure. At the heart of every vehicle, we create will be the next generation of our domain based electrical vehicle architecture – EVA continuum – developed with our colleagues at Tata Consultancy Services.

## **STRATEGIC REPORT (CONTINUED)**

### **Review of business and future developments (continued)**

#### **Refocus to a more agile operation**

Through Reimagine, we will also right-size, reorganise and repurpose our footprint to become a more agile business. We will retain all our core manufacturing plants, with a simple vision: to design new benchmark quality standards for the luxury sector.

We will rationalise sourcing and accelerate investments in local circular economy supply chains, by consolidating the number of platforms and models being produced per plant.

Solihull will become the manufacturing base for the flexible modular longitudinal architecture and the new Jaguar portfolio. Halewood will welcome the new electric modular architecture.

Castle Bromwich will continue to make our existing models to the end of their life. It will then be repurposed and benefit from our plans to realise efficiencies in our Midlands property portfolio. The value creation achieved by simplifying our manufacturing and our architecture strategy dramatically improves the utilisation of our facilities and our overall efficiency.

Beyond manufacturing, we are driving transformation through our recently launched Refocus programme, which brings together existing and additional activity from across our organisation, to deliver value and efficiencies.

Our engineering center at Gaydon will become the consolidated home to all our management functions, for frictionless cooperation and agile decision-making, while we substantially reduce and rationalise our other non-manufacturing infrastructure. Agility is not just based on size: flatter management structures will empower employees to create and deliver at speed and with clear purpose.

#### **A clear vision, towards 2039**

Through our Reimagine strategy, we will drive towards a net zero carbon position, by 2039. In doing so, we will reimagine the sustainability of luxury. We are exploring fuel-cell technology, to be ready for when the market matures, and active development of these powertrains is already underway. We will also create a new benchmark in environmental and social impact for the luxury sector, accelerating pioneering innovations in materiality, engineering, manufacturing, services and circular economy investments.

This will be focused in one team, working globally across the business, the brands and the customer experience. They will be empowered to build on existing initiatives, such as our championing of ultra-luxurious alternatives to leather, as well as investing in start-ups like blockchain technology firm, Circular, which enables us to source premium materials with greater transparency as to the provenance, welfare, and compliance of suppliers.

Together, these actions will contribute to our targets of zero tail pipe emissions by 2036 and to be a Net Zero Carbon business by 2039, including our supply chain, products and global operations.

#### **Structured to succeed**

With Reimagine, we will transform Jaguar Land Rover, with a value creation approach, delivering quality and profit-over-volume. We will become a more agile business, with a simplified manufacturing operation.

We will deliver a new benchmark in environmental, societal and community impact for a luxury business, creating the world's most desirable luxury vehicles, against a canvas of true sustainability. This will generate double-digit EBIT margins and positive cash-flow, with an ambition to achieve positive cash net-of-debt by 2025.

Ultimately, by reimagining the future of modern luxury, our will is to be one of the most profitable luxury manufacturers in the world.

## **STRATEGIC REPORT (CONTINUED)**

### **Review of business and future developments (continued)**

#### **Refocus**

Refocus brings together existing initiatives (Charge+, Accelerate and Ignite) with new activity, into one clear programme of priorities that will drive greater value creation. Our existing initiatives have already generated significant cash savings. Refocus will build quickly on these solid foundations, continuing the most successful aspects and reorganising them for faster results.

The Refocus programme consists of six separate pillars, supported by three cross-functional enablers.

#### **Six pillars of Refocus**

##### **Quality**

Quality is everything and we are committed to reducing our warranty costs further and improving service quality.

##### **Programme delivery and performance**

We will reduce our time to market in product development.

##### **Delivered cost per car**

We will build on the success of Ignite, expanding this to reduce cost per car in vehicle manufacturing, and logistics.

##### **End-to-end supply chain**

We will focus on ensuring we can give customers the right vehicle, at the right time, to the right quality.

##### **Customer and Market Performance**

We will grow profitable market share, by maximising opportunities in existing markets.

##### **China**

Paying specific attention to the potential for our business in China to increase profitable market share.

#### **Cross-functional enablers**

##### **Agile organization and culture**

Refocus is more than an efficiency programme: it will move us from a functional silo driven method of working, to a more agile organisation to generate more value. It will change the way we lead, and the way we are organised and structured.

##### **Digital transformation**

Powering Refocus will be a digital transformation. InDigital is the delivery engine behind Refocus. Its mission is to rapidly develop our digital capability, to drive efficiency and ultimately underpin the value creation of Refocus.

##### **Responsible spend**

Our new strategy will evolve our business model, to ensure we redefine Jaguar Land Rover, as a profit over volume business and realise its potential to generate sustainable, long-term value through operational excellence.

## STRATEGIC REPORT (CONTINUED)

### Review of business and future developments (continued)

#### Our environmental and social governance

Our Reimagine strategy will set a new benchmark in environmental and societal impact for the luxury sector, on our journey to becoming a net zero carbon business, by 2039.

#### Reducing vehicle emissions

We are accelerating the reduction in our tail pipe CO<sub>2</sub> emissions. In FY2020/21, we achieved a 15% improvement on our FY2019/20 performance.

We now offer hybrid electric vehicle technology across our vehicle portfolio, following the significant vehicle updates we announced at 21 model years. Twelve models currently have electrified options, including eight plug-in hybrids, eleven mild-hybrids, and our all-electric Jaguar I-PACE.

#### Sustainable Interior choices

Beyond our fundamental reimagining of an electric-first vehicle portfolio, we are dedicated to bringing forward sustainably sourced, ethical and recyclable interior choices for our customers, which offer the same luxurious, high-quality feel as traditional materials, but with a reduced environmental impact.

Through our pioneering work with Kvadrat, Europe's leading supplier of premium textiles, we are already offering recycled and plant-based material choices in the highest luxury specifications of our vehicles, as alternatives to traditional leathers.

Our research with Aquafil will see next-generation interiors use recycled ocean and landfill waste in ECONYL nylon fibres and carpets.

#### Streamlined energy and carbon reporting

##### Decarbonising our manufacturing

The decarbonisation of our global manufacturing is a fundamental part of our Reimagine strategy, building on our success to date.

Renewables: our facilities in the UK are all powered 100% by renewable electricity. We generate over 13 MW of solar electricity at our sites, globally.

Water: we have flood protection, rainwater balancing ponds and other water, land and conservation initiatives across our sites.

UK Operations	2020-21	2019-20
Energy consumption used to calculate emissions: kWh	1,032,109,520	1,274,998,136
Emissions from combustion of gas tCO <sub>2</sub> e (Scope 1)	105,102	135,999
Emissions from combustion of fuel (Scope 1)	8,770	10,734
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	369	2,640
Emissions from purchased electricity (Scope 2 location-based)	96,872	123,568
Total gross CO <sub>2</sub> e based on above	211,022	272,941
Intensity ratio: tCO <sub>2</sub> e/£m	10.69	11.87

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

#### Managing our resources

Our objectives to reduce carbon impact also require us to become more circular in our use of resources, and we are using innovative materials and circular economy principles in vehicle design, development, manufacture and use.



## **STRATEGIC REPORT (CONTINUED)**

### **Principal risks and uncertainties**

The COVID-19 pandemic continued to have a significant impact on our financial and business performance during FY20/21. In Q1, strict lockdowns were enacted across key regions, which impacted our retailer network and supply chain, and our own operations, forcing temporary plant closures in the UK, Europe and elsewhere. Since then, we have experienced a solid recovery in sales, most notably in China with year-on-year retail sales growth.

Although the global rollout of vaccines is encouraging and social distancing measures are generally being relaxed, there remains some uncertainty about the extent and speed of any recovery including any longer term impacts to our business.

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 2021. 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:

#### ***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.

#### ***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.

#### ***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.

## **STRATEGIC REPORT (CONTINUED)**

### **Statement of Corporate Governance Arrangement**

For the year ended 31 March 2021, 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.

#### **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.

## **STRATEGIC REPORT (CONTINUED)**

### **Statement of Corporate Governance Arrangement (continued)**

#### **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 can be found in the Strategic Report on page 8.

#### **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.

#### **Wates principle 2 – Board composition**

The company regularly 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.

## **STRATEGIC REPORT (CONTINUED)**

### **Statement of Corporate Governance Arrangement (continued)**

#### **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 tackling 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 2021.

#### **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 page 9.

#### **Wates principle 5 - Remuneration**

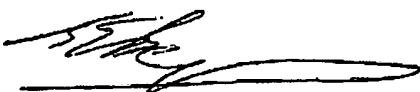
The Nominations and Remuneration Committee of the Jaguar Land Rover Automotive plc Group ensures that appropriate senior management is recruited to deliver on the Group's objectives. The Nominations and Remuneration Committee has clearly defined Terms of Reference and is responsible for remuneration 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 2021.

#### **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 11.

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  
25 June 2021

**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 2021. 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 £1,755 million (2020: £656 million).

No interim dividends were paid during the year (2020: £nil) and the directors do not recommend payment of a dividend in respect of the financial results for the year ended 31 March 2021 (2020: £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	
H. Kirner	
A. J. Mardell	
G. A. McPherson	
D. Owen	(appointed – 31 July 2020)
N. M. Rogers	
H. B. B. Sorensen	
D. M. Williams	(appointed – 31 July 2020)
N. Blenkinsop	(appointed – 22 March 2021)
N. P. Collins	(appointed – 22 March 2021)
Professor G. G. McGovern	(appointed – 22 March 2021)
Q. Pan	(appointed – 22 March 2021)
F. A. Dossa	(appointed – 7 June 2021)
I. Harnett	(resigned – 31 July 2020)
R. D. Speth	(resigned – 10 September 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 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 24 for the liability positions with fellow group undertakings at 31 March 2021.

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.

## **DIRECTORS' REPORT (CONTINUED)**

### **Going concern (continued)**

During the financial year and in response to the challenges arising from the ongoing COVID-19 pandemic, Jaguar Land Rover Limited has demonstrated its operational and financial resilience and ability to manage business risks successfully. It has therefore adopted the going concern basis of preparation in its annual financial statements for the year ended 31 March 2021. The company directors have challenged these forecasts and concluded that Jaguar Land Rover Automotive plc has both the ability and intent to provide financial support to the company, even in a severe but plausible downside scenario. Details pertaining to the going concern assessment performed for Jaguar Land Rover Automotive plc are disclosed in its annual report which is available from its registered office.

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.

### **Business review and future developments**

A business review and future developments impacting the company are disclosed in the strategic report on pages 4 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 33 to the financial statements on pages 79 to 82.

### **Research and development**

The company has incurred £1,216 million (2020 £1,790 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.

## **DIRECTORS' REPORT (CONTINUED)**

### **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 2021. 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.

### **Events after the balance sheet date**

Full details of significant events since the balance sheet date are disclosed in note 38 to the financial statements on page 86.

### **Independent auditor**

During the year ended 31 March 2021 KPMG LLP were re-appointed as the Company's auditor.

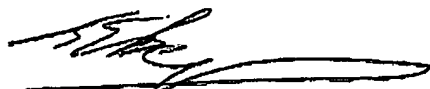
In accordance with Section 487 of the Companies Act 2006, the company has elected to dispense with laying financial statements before the general meeting, holding annual general meetings and the annual appointment of the auditor. With such an election in force the company's auditor shall be deemed to 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  
25 June 2021

**Registered Address**  
Abbey Road  
Whitley  
Coventry  
CV3 4LF  
United Kingdom

## **DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

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 and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2021 which comprise the Income Statement, Statement of Comprehensive Income and Expense, Balance Sheet, Statement of Changes in Equity 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis of 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 used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- the impact of coronavirus lockdowns and related potential economic damage on customer demand in key markets,
- the impact on the supply chain and consequent production capability from semiconductor shortages, coronavirus related supply shortages and supplier continuity risks.
- the inability to pay intercompany borrowings due for repayment within 12 months from the date of signing the financial statements.

Given the level of financial resources, and the risks inherent in the cash flows above, our evaluation of the Directors' going concern assessment was of particular significance in our audit.

We considered whether these risks could plausibly affect liquidity in the going concern period by assessing the Directors' sensitivities over the level of available financial resources indicated by the Company's financial forecasts, taking account of severe but plausible adverse effects that could arise from these risks individually and collectively.

Since the entity may need financial support from the group if these risks crystallise and is reliant on the group not seeking repayment of short-term borrowings, we assessed the risk that support would not be available. We inspected letters received by the directors indicating the group's intention to provide this support and not seek repayment of short-term borrowings, examined financial statements and group cash flow projections to assess its ability to provide this support over the period of the audited entity's going concern assessment, and assessed the business reasons why the group may or may not choose to provide this support.

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

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

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 above conclusions are not a guarantee that the Company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and certain senior managers as to the company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the company.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that new vehicle revenue is recognised in the incorrect period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as: determining whether the nature of the product engineering costs satisfy the criteria for capitalisation and when this capitalisation should commence; and estimating the value in use of property, plant and equipment and long-life intangible assets.

We also identified a fraud risk related to inappropriate capitalisation of development costs in response to the heightened sensitivity in the economic viability decision which result in development costs being capitalised before the required capitalisation criteria have been met. Furthermore, we have also identified a fraud risk related to impairment of long life assets in respond to the high level of judgement required to derive cashflow forecasts supporting asset valuations.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some Company-wide fraud risk management controls.

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

We also performed procedures including:

- Identifying journal entries to test and comparing the identified entries to supporting documentation. Examples of the criteria applied include those posted by senior finance management, those posted and approved by the same user, and those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.
- Assessing significant accounting estimates for bias.
- Assessing when revenue was recognised, particularly focusing on revenue recognised in the days before and after the year end date, and whether it was recognised in the correct year.
- Develop an estimate of the value in use (VIU) and examine whether the estimates are consistent with management's estimate.
- Identify programmes that have commenced capitalisation during the year and assess whether the decision to capitalise is supported by the net present value (NPV) outcome.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: product compliance, environmental (including emission targets), health and safety, anti-bribery and employment law (including GDPR) recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

### **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.

### **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 16, 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](http://www.frc.org.uk/auditorsresponsibilities).

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

### **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  
28 June 2021

## INCOME STATEMENT

Year ended 31 March (£ millions)	Note	2021	2020 restated*
Revenue	4	16,473	19,849
Material and other cost of sales**	5	(10,865)	(13,173)
Employee costs**	6	(1,985)	(2,228)
Other expenses**	8	(3,165)	(4,402)
Exceptional items	3	(1,494)	(137)
Engineering costs capitalised	9	727	1,369
Other income	10	333	197
Depreciation and amortisation		(1,902)	(1,885)
Foreign exchange gain/(loss) and fair value adjustments		333	(198)
Finance income	11	70	106
Finance expense	11	(278)	(206)
<b>Loss before tax</b>	<b>12</b>	<b>(1,753)</b>	<b>(708)</b>
Income tax (expense)/credit	13	(2)	52
<b>Loss for the year</b>		<b>(1,755)</b>	<b>(656)</b>

\*See note 2 for details of the restatement.

\*\*Material and other cost of sales, Employee costs and Other expenses exclude the exceptional items explained in note 3.

All the activities of the company are from continuing operations.

The notes on pages 25 to 86 are an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

Year ended 31 March (£ millions)	Note	2021	2020 restated*
<b>Loss for the year</b>		<b>(1,755)</b>	<b>(656)</b>
<b>Items that will not be reclassified subsequently to profit and loss:</b>			
Remeasurement of net defined benefit obligation	31	(751)	981
Income tax related to items that will not be reclassified	18	143	(167)
		<b>(608)</b>	<b>814</b>
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Gain on cash flow hedges (net)		544	304
Income tax related to items that may be reclassified	18	(103)	(55)
		<b>441</b>	<b>249</b>
<b>Other comprehensive (expense)/income net of tax</b>		<b>(167)</b>	<b>1,063</b>
<b>Total comprehensive (expense)/income attributable to shareholder</b>		<b>(1,922)</b>	<b>407</b>

\*See note 2 for details of the restatement.

The notes on pages 25 to 86 are an integral part of these financial statements.

## BALANCE SHEET

As at 31 March (£ millions)	Note	2021	2020 restated*
<b>Non-current assets</b>			
Investments	14	1,084	1,140
Other financial assets	15	323	246
Property, plant & equipment	16	5,472	5,722
Intangible assets	17	5,430	6,343
Right-of-use assets	34	289	291
Pension asset	31	-	408
Other non-current assets	22	33	21
<b>Total non-current assets</b>		<b>12,631</b>	<b>14,171</b>
<b>Current assets</b>			
Cash and cash equivalents	19	3,466	1,869
Short-term deposits and other investments		1,004	1,326
Trade receivables		1,908	1,118
Other financial assets	15	1,691	2,167
Inventories	21	1,784	1,984
Other current assets	22	325	309
<b>Total current assets</b>		<b>10,178</b>	<b>8,773</b>
<b>Total assets</b>		<b>22,809</b>	<b>22,944</b>
<b>Current liabilities</b>			
Accounts payable	23	4,995	4,738
Short-term borrowings	24	10,125	8,583
Other financial liabilities	25	701	957
Provisions	26	989	780
Other current liabilities	27	207	210
<b>Total current liabilities</b>		<b>17,017</b>	<b>15,268</b>
<b>Non-current liabilities</b>			
Long-term borrowings	24	14	14
Other financial liabilities	25	366	497
Provisions	26	1,054	1,140
Retirement benefit obligation	31	360	-
Other non-current liabilities	27	385	438
Deferred tax liabilities	18	-	65
<b>Total non-current liabilities</b>		<b>2,179</b>	<b>2,154</b>
<b>Total liabilities</b>		<b>19,196</b>	<b>17,422</b>
<b>Equity attributable to shareholder</b>			
Ordinary share capital	28	3,561	3,561
Other reserves	29	52	1,961
<b>Equity attributable to shareholder</b>		<b>3,613</b>	<b>5,522</b>
<b>Total liabilities and equity</b>		<b>22,809</b>	<b>22,944</b>

\*See note 2 for details of the restatement.

The notes on pages 25 to 86 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 25 June 2021. They were signed on its behalf by:



A. Mardell  
Director

Company registered number: 01672070

## STATEMENT OF CHANGES IN EQUITY

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
<b>Balance at 1 April 2020</b>	<b>3,561</b>	<b>1,961</b>	<b>5,522</b>
Loss for the year	-	(1,755)	(1,755)
Other comprehensive expense for the year	-	(167)	(167)
<b>Total comprehensive expense</b>	<b>-</b>	<b>(1,922)</b>	<b>(1,922)</b>
Amounts removed from hedge reserve and recognised in inventory	-	16	16
Income tax related to amounts removed from hedge reserve and recognised in inventory	-	(3)	(3)
<b>Balance at 31 March 2021</b>	<b>3,561</b>	<b>52</b>	<b>3,613</b>

(£ millions)	Ordinary Share Capital	Reserves	Total Equity
<b>Balance at 1 April 2019</b>	<b>3,561</b>	<b>1,590</b>	<b>5,151</b>
Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	-	(9)	(9)
<b>Adjusted balance at 1 April 2019</b>	<b>3,561</b>	<b>1,581</b>	<b>5,142</b>
Loss for the year	-	(656)	(656)
Other comprehensive income for the year	-	1,063	1,063
<b>Total comprehensive expense</b>	<b>-</b>	<b>407</b>	<b>407</b>
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
<b>Balance at 31 March 2020</b>	<b>3,561</b>	<b>1,961</b>	<b>5,522</b>

The notes on pages 25 to 86 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 by shares 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

The company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, in the year ended 31 March 2021 the company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. An explanation of how the transition to FRS 101 has affected the financial position and financial performance of the company is provided in note 39.

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, at the end of each reporting period as explained in the principal accounting policies set out below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
  - iii. Paragraph 79(a)(iv) of IAS 1;
  - iv. Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - v. Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B–D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134–136 (capital management disclosures).
- IAS 7, Statement of cash flows.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- The following paragraphs of IFRS 15 Revenue:
  - 113(a), 114 and 115 (disaggregated and total revenue from contracts with customers);
  - 118 (explanation of significant changes in contract assets and liabilities);
  - 119(a) – (c) (description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred)
  - 120 – 122 (aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised);
  - 123, 125 and 127(a) (significant judgements in determining the amount and timing of revenue recognition and the amount of capitalised costs to obtain or fulfil a contract); and
  - 124, 126 and 127(b) (methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations and determine amortisation of capitalised cost to obtain or fulfil a contract)

#### Other comprehensive income and expense change in presentation

The company has been presenting gains and losses on effective cash flow hedges of inventory in the statement of other comprehensive income and expense as "not to be reclassified to income statement". With wider industry practice emerging, clearer guidance now being available and with the present economic situation due to COVID-19, the company has changed the presentation of these effective cash flow hedges of inventory to "may be reclassified to income statement", from the year ended 31 March 2021 and accordingly reclassified the comparative amounts for the prior periods. The change in presentation is within the statement of other comprehensive income and expense and does not affect net income.

#### Prior year restatement of classification of non-current liabilities

The balance sheet and related notes have been restated in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for a restatement impacting prior years identified subsequent to the filing of the financial statements for the year ended 31 March 2020.

In the current year it was identified that certain loans payable to an intermediate parent company of the Company were previously disclosed incorrectly as non-current liabilities based on the intended settlement dates of the loans. However the terms of the loans are such that the Company does not have an unconditional right to defer payment for more than 12 months after the balance sheet date and therefore, in accordance with IAS 1, the loans should have been classified as current liabilities at 31 March 2020.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### BASIS OF PREPARATION (CONTINUED)

The impact of the restatement on components of the balance sheet as at 31 March 2020 is given below. There is no impact on the income statement or statement of changes in equity for the year ended 31 March 2020 as a result of this restatement; and there is no change to the intended repayment date of the loans.

As at 31 March (£ millions)	2020
<b>Impact on the balance sheet</b>	
Increase in short-term borrowings	4,806
Decrease in long-term borrowings	(4,806)
<b>Impact on total liabilities</b>	-
<b>Impact on net assets</b>	-

There is no impact in net assets reported as at 31 March 2020 or the opening reserves at 1 April 2019.

#### Changes arising due to the Company's transition from IFRS to FRS101

These are the first published financial statements of the company prepared in accordance Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). The financial statements were previously prepared under International Financial Reporting Standards, as adopted in the EU.

The impact of transition to FRS 101 to the prior year financial position and financial performance of the company is provided below.

Under, FRS 101 government grants related to assets cannot be deducted from the carrying amount of the asset therefore a transition adjustment has been posted to recognise government grants related to assets within deferred income in the balance sheet and credited to other income in the income statement over the estimated useful life of the related asset. Government grants related to expenses cannot be offset against the cost of related expense and therefore a transition adjustment has been posted to recognise these in other income in the income statement.

Comparative figures have been restated to reflect the adjustments made. The reconciliation on equity and profit and loss at the end of the comparative period reported under IFRS is given below:

#### RECONCILIATION OF CAPITAL AND RESERVES

Year ended 31 March (£ millions)	2020
<b>Capital and reserves as previously reported under IFRS</b>	5,522
Intangible assets	327
Property, plant and equipment	15
Other liabilities - current	(62)
Other liabilities – non-current	(280)
<b>Capital and reserves as reported under FRS 101</b>	5,522

#### RECONCILIATION OF PROFIT OR LOSS

Year ended 31 March (£ millions)	2020
<b>Total comprehensive income/(expense) as previously reported under IFRS</b>	407
Government grant – other income	75
Depreciation and amortisation	(61)
Other expenses	(3)
Employee costs	(11)
<b>Total comprehensive income/(expense) as reported under FRS 101</b>	407

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **2 ACCOUNTING POLICIES (CONTINUED)**

#### **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 24 for the liability positions with fellow group undertakings at 31 March 2021.

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.

During the financial year and in response to the challenges arising from the ongoing COVID-19 pandemic, Jaguar Land Rover Limited has demonstrated its operational and financial resilience and ability to manage business risks successfully. It has therefore adopted the going concern basis of preparation in its annual financial statements for the year ended 31 March 2021. The company directors have challenged these forecasts and concluded that Jaguar Land Rover Automotive plc has both the ability and intent to provide financial support to the company, even in a severe but plausible downside scenario. Details pertaining to the going concern assessment performed for Jaguar Land Rover Automotive plc are disclosed in its annual report which is available from its registered office.

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.

#### **USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with FRS 101 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:

- Income taxes, see note 2;
- Capitalisation of product engineering costs, see note 2;
- Inventory write-down, see note 21;
- Product warranty, see note 26;
- Lease payments, see note 2

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### Judgements

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

*Revenue recognition:* The company uses judgement to determine when control of its goods, primarily vehicles and parts, pass to the customer. This is assessed with reference to indicators of control, including the risks and rewards of ownership and legal title with reference to the underlying terms of the customer contract. Refer to 'Revenue recognition' in page 30 for further information.

*Assessment of cash-generating units:* The company has determined that there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty that generate specific cash inflows that are independent of the inflows generated by other assets or groups of assets. Refer to note 17 for further information.

*Exceptional items:* The company exercises judgement in determining the adjustments to apply to IFRS measurements in order to provide additional useful information on the underlying trends and in classifying items as exceptional items. Refer to note 3 for further information.

*Capitalisation of product engineering costs:* The company applies judgement in determining at what point in a vehicle programme's life cycle the recognition criteria under IAS 38 are satisfied. Refer to note 17 (internally generated intangible assets) for further information.

*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. The company has exercised judgement when considering the level of future taxable profits that will arise in order to support the recognition of assets related to deductible temporary differences and tax losses carried forward. Refer to note 13 (Income taxes) for further information.

*Corporate tax uncertainties:* Judgement has been exercised in assessing the potential 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### 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 and assumptions, including discount rate, inflation and mortality assumptions. Any changes in these assumptions will impact upon the carrying amount of post-employment benefit obligations. Refer to note 31 for details of these assumptions and sensitivities.

##### Other estimates

*Product warranties:* Refer to page 37 (warranty provisions) for further information.

*Variable marketing expense:* Refer to page 32 (sales incentives) for further information

*Uncertain tax provisions:* refer to page 34 (income taxes) for further information.

*Restructuring:* refer to page 67 (provisions) for further information.

#### 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 contract price, which is 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 35, 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 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)	<p data-bbox="437 472 1410 611">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.</p> <p data-bbox="437 629 1410 680">Determining the transfer of control with regards to the sale of goods is driven by a consideration of a number of factors, including:</p> <ul data-bbox="437 698 1410 869" style="list-style-type: none"> <li>• The point at which the risks and rewards of ownership pass to the customer;</li> <li>• The point at which the customer takes physical possession of the good or product;</li> <li>• The point at which the customer accepts the good or product;</li> <li>• The point at which the company has a present right to payment for the sale of the good or product; and</li> <li>• The point at which legal title to the good or product transfers to the customer.</li> </ul> <p data-bbox="437 887 1410 965">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.</p> <p data-bbox="437 983 1410 1308">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.</p> <p data-bbox="437 1326 1410 1464">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.</p>

## 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	<p>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.</p> <p>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.</p> <p>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, current market conditions and a prospective assessment considering relevant geopolitical factors, including global stock positions for both the company and its third party dealer network reflecting the pipeline of vehicle inventory for sale to end customers.</p> <p>Variable consideration received for contracts with multiple performance obligations is allocated to all such obligations only when applicable. 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 rather than support any additional obligations.</p>
Scheduled maintenance contracts	<p>Scheduled maintenance contracts sold with a vehicle provide the end customer with the benefit of bringing their vehicle to a dealership for the routine maintenance required to maintain compliance for warranty purposes.</p> <p>The majority of plans sold by the company are complimentary with the vehicle, thus payment is received at the same time as the proceeds from the vehicle sale, at which point the amount is recognised as a contract liability based on the stand-alone selling price, which is measured using a cost-plus approach.</p> <p>Revenue is recognised based on the expected performance of the services from the point of a vehicle being retailed to an end customer and aligned to the expected costs to fulfil those services based on historical information.</p>
Telematics	<p>Telematics features provide a service to the customer typically aligned to the warranty period of the vehicle, allowing a vehicle to connect and interact with end customer's mobile phone.</p> <p>The company typically receives payment relating to telematics features at the same time as the proceeds from the vehicle sale, at which point the amount is recognised as a contract liability based on the stand-alone selling price. For optional features, this is measured at the observable option price and for standard-fit features is measured using a cost-plus basis. The stand-alone selling price for telematics subscription renewals is measured at the renewal price offered to the customer.</p> <p>Revenue is recognised on a straight-line basis over the term of the service from the point of the vehicle being retailed to an end customer in line with the expected costs to fulfil those services.</p>



## 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
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 provides a service in excess of the assurance that the agreed-upon specification is met, the company considers this to constitute a service to the end customer and therefore a separate performance obligation. Revenue is recognised in the period to which the warranty service relates, up to which point it is recognised as a contract liability.
Repurchase arrangements	<p>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.</p> <p>The company does not recognise revenue on the original sale, as it retains ultimate control of that product. The related inventory therefore continues to be recognised on the company's balance sheet. The consideration received from the customer is treated as a liability. Nuances in the accounting treatment occur depend on whether the contractual repurchase price is less than, more than or equal to the original sale price, resulting in treatment as a lease or a financing arrangement.</p> <p>Revenue recognised under such arrangements is outside of the scope of IFRS 15 and instead is recognised in line with IFRS 16 Leases.</p> <p>Revenue is recognised only when the relevant good or product is sold by the company with no repurchase obligation or option attached.</p>
Returns obligations, refunds and similar obligations	Vehicle sales do not typically include allowances for returns or refunds, although in some markets there is legislative requirement for Jaguar Land Rover as an automotive manufacturer to repurchase or reacquire a vehicle if quality issues arise that have been remedied a number of times and where the owner no longer wishes to own the vehicle as a result.

#### 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.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **2 ACCOUNTING POLICIES (CONTINUED)**

#### **GOVERNMENT GRANTS AND INCENTIVES**

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

Government grants are recognised in the income statement, 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 recognised within deferred income in the balance sheet and credited to other income in the income statement over the estimated useful life of the related asset. 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 gain/(loss) 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 company considers qualitative and quantitative factors to determine whether a transaction or event is exceptional, including the expected size and frequency of the transaction or event, and any precedent for similar items in previous years.

Items that are considered exceptional may include the following:

- Costs associated with significant restructuring events;
- Impairments or reversals of impairments arising from an impairment assessment of the company's cash-generating unit in accordance with IAS 36;
- Defined benefit past service costs or credits arising from scheme amendments; and
- Costs associated with provisions and related reversals arising from a significant one-off event not in the normal course of business.

Further details of exceptional items are given in note 3.

#### **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 the 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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### INCOME TAXES (CONTINUED)

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.

Current and 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.

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the company will be required to settle that tax. Measurement is dependent on management's expectations of the outcome of decisions by tax authorities in the various tax jurisdictions in which the company operates. This is assessed on a case-by-case basis using in-house experts, professional firms and previous experience. Where no provision is required the exposure is disclosed as a contingent liability in note 32 unless the likelihood of an outflow of economic benefits is remote.

Judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

No additional current tax risks were identified as a result of COVID-19, with the company's compliance activity continuing to be operated in accordance with the applicable legislation.

#### 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 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.

An item of property, plant and equipment is derecognised on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from derecognition is included in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### 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.

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 life

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

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

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

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.

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 £80 million (2020: £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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### IMPAIRMENT (CONTINUED)

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 asset of cash-generating unit impaired in prior years is reviewed at each balance sheet date to determine whether there is any indication of a reversal of impairment loss recognised in prior years.

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

#### 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. When the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are held for product warranty, legal and product liabilities, environmental liabilities, other employee benefit obligations and restructuring as detailed in note 26 to the financial statements.

#### Warranty provisions

The company provides product warranties on all new vehicle sales. Provisions are generally recognised when vehicles are sold to dealers or when new warranty programmes 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.

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 within "Other financial assets" in note 15.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **2 ACCOUNTING POLICIES (CONTINUED)**

#### **PROVISIONS (CONTINUED)**

##### **Warranty provisions (continued)**

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.

#### **EMPLOYEE BENEFITS**

##### **Pension plans**

The company operates three defined benefit pension plans, these include two large and one smaller defined benefit plan in the UK. The UK defined benefit plans are administered by a separate trustee. The assets of the plans are held in separate trustee and overseen by the trustee administered funds. These plans were contracted out of the state second pension scheme until 5 April 2016. The plans provide benefits for members including a monthly pension after retirement based on salary and service as set out in the rules of each plan.

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 the year ending 31 March 2020, at the point a past service cost is incurred re-measurement of the income statement cost is considered and will be re-calculated if there is a material change.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### FINANCIAL INSTRUMENTS (CONTINUED)

##### 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 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 is determined to have increased significantly when the probability of default has increases. 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.

##### 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### FINANCIAL INSTRUMENTS (CONTINUED)

##### 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.

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.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2 ACCOUNTING POLICIES (CONTINUED)

#### LEASES (CONTINUED)

At inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The company 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, or changed, on or after 1 April 2019.

Lease payments include fixed payments, i.e. amounts expected to be payable by the company under residual value guarantee, the exercise price of a purchase option and lease payments in relation to lease extension option if the company is reasonably certain to exercise purchase or extension options and payment of penalties for terminating the lease if the lease term considered reflects that the company shall exercise termination option.

The Group applies the practical expedient to not assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic that meet the following conditions are lease modifications:

- The change in lease payments results in revised consideration that is substantially the same, or less than the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There no substantive change to other terms and conditions of the lease.

Changes to lease payments for such leases are accounted for as if they are not lease modifications.

#### NEW ACCOUNTING POLICY PRONOUNCEMENTS

**Standards, revisions and amendments to standards and interpretations not significant to the company and applied for the first time in the year ended 31 March 2021.**

The following amendments and interpretations have been adopted by the company in the year ending 31 March 2021.

- Amendments to references to the conceptual framework in IFRS standards.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material.
- 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.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3 EXCEPTIONAL ITEMS

The exceptional items recognised in the year ended 31 March 2021 comprise:

- Asset write-downs of £952 million in relation to models cancelled under the company's Reimagine strategy. See notes 16 and 17.
- Restructuring costs of £533 million comprising:
  - Costs of £509 million resulting from the company's Reimagine strategy comprising accruals to settle legal obligations on work performed to date and provisions for redundancies and other third party obligations. See note 26. Included within the restructuring costs is a defined benefit past service cost of £7 million. See note 31.
  - Costs of £24 million resulting from a separate redundancy programme during the year. See note 26.
- An update of £9 million to the past service cost recognised due to the requirement to equalise male and female members' benefits for the inequalities within guaranteed minimum pension ('GMP') earned between 17 May 1990 and 5 April 1997 based on new information. See note 31.

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

The tables below set out the exceptional items recorded in the years ended 31 March 2021 and 2020 and the impact on the income statement if these items were not disclosed separately as exceptional items.

Year ended 31 March 2021 (£ millions)	Note	Employee costs	Other expenses	Materials and other cost of sales
<b>Excluding exceptional items</b>		<b>1,985</b>	<b>3,165</b>	<b>10,865</b>
Restructuring costs - asset write downs		-	952	-
Restructuring costs – employee and third party obligations		87	252	194
Pension past service cost	31	9	-	-
<b>Including exceptional items</b>		<b>2,081</b>	<b>4,369</b>	<b>11,059</b>

Year ended 31 March 2020 (£ millions)	Note	Employee costs	Other expenses
<b>Excluding exceptional items restated*</b>		<b>2,228</b>	<b>4,402</b>
Impairment	16,17	-	108
Restructuring costs		32	(3)
<b>Including exceptional items</b>		<b>2,260</b>	<b>4,507</b>

\*See note 2 for details of the restatement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 REVENUE

The company's revenues are summarised as follows:

Year ended 31 March (£ millions)	2021	2020
Revenue recognised for sales of goods	15,317	19,261
Revenue recognised for services transferred	285	287
Revenue - other	982	866
<b>Total revenue from contracts with customers</b>	<b>16,584</b>	<b>20,414</b>
Realised revenue hedges	(111)	(565)
<b>Total revenue</b>	<b>16,473</b>	<b>19,849</b>

"Revenue – other" includes sales of goods other than vehicles, parts and accessories.

#### 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 2021 (£ millions)	UK	US	China	Rest of Europe	Rest of World	Total Revenue
Revenue recognised for sales of goods	2,223	4,049	2,828	4,019	2,198	15,317
Revenue recognised for services transferred	120	161	-	-	4	285
Revenue - other	617	-	341	-	24	982
<b>Total revenue from contracts with customers</b>	<b>2,960</b>	<b>4,210</b>	<b>3,169</b>	<b>4,019</b>	<b>2,226</b>	<b>16,584</b>
Realised revenue hedges	-	(97)	(75)	-	61	(111)
<b>Total revenue</b>	<b>2,960</b>	<b>4,113</b>	<b>3,094</b>	<b>4,019</b>	<b>2,287</b>	<b>16,473</b>

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
<b>Total revenue from contracts with customers</b>	<b>3,434</b>	<b>5,297</b>	<b>2,707</b>	<b>5,736</b>	<b>3,240</b>	<b>20,414</b>
Realised revenue hedges	-	(370)	(166)	-	(29)	(565)
<b>Total revenue</b>	<b>3,434</b>	<b>4,927</b>	<b>2,541</b>	<b>5,736</b>	<b>3,211</b>	<b>19,849</b>

#### Contract liabilities

Year ended 31 March (£ millions)	2021	2020
Ongoing service obligations	244	273
Liabilities for advances received	16	18
<b>Total contract liabilities</b>	<b>260</b>	<b>291</b>

Revenue that is expected to be recognised within five years related to performance obligations that are unsatisfied (or partially unsatisfied) amounted to £260 million at 31 March 2021 (2020: £291 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 REVENUE (CONTINUED)

'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.

### 5 MATERIAL AND OTHER COST OF SALES

Year ended 31 March (£ millions)	2021	2020
Changes in inventories of finished goods and work-in-progress	226	(187)
Purchase of products for sale	864	1,039
Raw materials and consumables used	9,776	12,361
Realised purchase hedges	(1)	(40)
<b>Total material and other cost of sales</b>	<b>10,865</b>	<b>13,173</b>

### 6 EMPLOYEE NUMBERS AND COSTS

Year ended 31 March (£ millions)	2021	2020 restated*
Wages and salaries - employee costs	1,464	1,589
Wages and salaries - agency costs	70	154
<b>Total wages and salaries</b>	<b>1,534</b>	<b>1,743</b>
Social security costs and benefits	224	246
Pension costs	227	239
<b>Total employee costs</b>	<b>1,985</b>	<b>2,228</b>

\*See note 2 for details of the restatement.

Average employee numbers for the year ended 31 March 2021	Non-agency	Agency	Total
Manufacturing	14,941	749	15,690
Research and development	7,505	548	8,053
Other	6,277	235	6,512
<b>Total employee numbers</b>	<b>28,723</b>	<b>1,532</b>	<b>30,255</b>

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
<b>Total employee numbers</b>	<b>29,870</b>	<b>3,214</b>	<b>33,084</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7 DIRECTORS' EMOLUMENTS

Year ended 31 March (£)	2021	2020
Directors' emoluments	9,234,089	7,777,730
Increase of long-term incentive scheme amounts receivable	1,396,762	2,621,363
Post-employment benefits	1,286,989	430,442
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 £1,769,774 (2020: £4,099,544), together with a cash allowance in lieu of pension benefits of £1,162,000 (2020: £349,442). During the year, the value of LTIP awards accrued has increased by £253,135 (2020: increase of £803,472), which will become payable in future periods.

Eleven of the Directors are direct employees of JLR Holdings Ltd. All emoluments are paid by other Group Companies.

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

Year ended 31 March (number)	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Defined contribution scheme	1	1

### 8 OTHER EXPENSES

Year ended 31 March (£ millions)	2021	2020 restated*
Stores, spare parts and tools	84	108
Freight cost	459	545
Works, operations and other costs	1,767	2,457
Repairs	16	29
Power and fuel	62	76
Rent, rates and other taxes	-	1
Insurance	17	20
Write-down of investments	60	6
Write-down of intangible assets	40	-
Product warranty	507	901
Publicity	153	259
<b>Total other expenses</b>	<b>3,165</b>	<b>4,402</b>

\*See note 2 for details of the restatement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9 ENGINEERING COSTS CAPITALISED

Year ended 31 March (£ millions)	2021	2020
Total research and development costs incurred	1,216	1,790
Research and development expensed	(489)	(421)
<b>Engineering costs capitalised</b>	<b>727</b>	<b>1,369</b>
Interest capitalised	89	105
<b>Total internally developed intangible additions</b>	<b>816</b>	<b>1,474</b>

Engineering costs capitalised of £727 million (2020: £1,369 million) comprises £345 million (2020: £471 million) included in 'Employee costs' and £382 million (2020: £898 million) included in 'Other expenses' in the income statement.

During the year ended 31 March 2021, £87 million (2020: £102 million) was recognised as a Research and Development Expenditure Credit ('RDEC') incentive on qualifying expenditure.

### 10 OTHER INCOME

Year ended 31 March (£ millions)	2021	2020 restated*
Grant income	274	131
Commissions	11	12
Other	48	54
<b>Total other income</b>	<b>333</b>	<b>197</b>

\*See note 2 for details of the restatement.

Grant income for the year ending 31 March 2021 includes £180 million (2020: £10 million) recognised in relation to employees placed on furlough under the UK Coronavirus Job Retention Scheme.

### 11 FINANCE INCOME AND EXPENSE

Year ended 31 March (£ millions)	2021	2020
Finance income	19	63
Dividends received	51	43
<b>Total finance income</b>	<b>70</b>	<b>106</b>
Total interest on financial liabilities measured at amortised cost	(371)	(297)
Interest income on derivatives designated as a fair value hedge of financial liabilities	7	3
Unwind of discount on provisions	(12)	(25)
Interest capitalised	98	113
<b>Total interest expense</b>	<b>(278)</b>	<b>(206)</b>

The capitalisation rate used to calculate borrowing costs eligible for capitalisation was 4.3 per cent (2020: 4.2 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)	2021	2020 restated*
Foreign exchange loss and fair value adjustments on loans	12	160
Foreign exchange loss/(gain) on economic hedges of loans	143	(29)
Foreign exchange gain on derivatives	(14)	(15)
Foreign exchange (gain)/loss on balance sheet, cash and deposits revaluation	(398)	202
Unrealised (gain)/loss on commodities	(137)	78
Depreciation of right-of-use assets	57	56
Depreciation of property, plant and equipment	825	882
Amortisation of intangible assets (excluding internally generated development costs)	82	99
Amortisation of internally generated development costs	938	848
Expenses related to short-term leases	6	11
Expenses related to low-value assets, excluding short-term leases of low-value assets	5	5
Loss on disposal of property, plant and equipment and software	1	16
Auditor remuneration	4	5

\*See note 2 for details of the restatement.

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

Year ended 31 March (£ millions)	2021	2020
Fees payable to the company's auditor for the audit of the company's annual financial statements	2.7	3.5
Fees payable to the company's auditor for amounts incurred on behalf of other group companies	0.3	0.3
Fees payable to company's auditor for amounts incurred on behalf of other group companies in respect of the prior year	-	0.5
<b>Total audit fees</b>	<b>3.0</b>	<b>4.3</b>
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	0.4	0.3
<b>Total non-audit fees</b>	<b>1.2</b>	<b>1.1</b>
<b>Total audit and related fees</b>	<b>4.2</b>	<b>5.4</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13 TAXATION

#### Recognised in the income statement

Year ended 31 March (£ millions)	2021	2020
<b>Current tax expense</b>		
Current year	30	29
Adjustments for prior years	-	(1)
<b>Current tax expense</b>	<b>30</b>	<b>28</b>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	(24)	(135)
Adjustments for prior years	(4)	14
Rate changes	-	41
<b>Deferred tax credit</b>	<b>(28)</b>	<b>(80)</b>
<b>Total income tax expense/(credit)</b>	<b>2</b>	<b>(52)</b>

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)	2021	2020
Deferred tax (credit)/expense on actuarial gains on retirement benefits	(143)	187
Deferred tax expense on change in fair value of cash flow hedges	103	56
Deferred tax (credit) on rate change	-	(21)
<b>Total tax (credit)/expense</b>	<b>(40)</b>	<b>222</b>

#### Reconciliation of effective tax rate

Year ended 31 March (£ millions)	2021	2020
Loss for the year	(1,755)	(656)
Total income tax credit	2	(52)
<b>Loss before tax</b>	<b>(1,753)</b>	<b>(708)</b>
Income tax expense using the tax rates applicable to individual entities: 19% (2020: 19%)	(333)	(135)
Non-deductible expenses	65	13
Non-taxable income	(11)	(11)
Changes in tax rate	-	41
Withholding taxes suffered	14	8
Unrecognised or written-down deferred tax assets	271	19
Prior period adjustments	(4)	13
<b>Total income tax expense/(credit)</b>	<b>2</b>	<b>(52)</b>

Included within prior period adjustments for the year ended 31 March 2021 is £4 million credit (2020: £13 million expense) relating to revisions of prior year estimates of the company's tax position to bring them in line with the latest estimates and currently filed tax positions.

Included within "Non-deductible expenses" is a charge of £45 million relating to the accounting write-down of assets not qualifying for tax relief. The charge of £271 million in relation to "Unrecognised or written-down deferred tax assets" arises as a result of the inability to fully recognise UK deferred tax assets arising in the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13 TAXATION (CONTINUED)

The UK Finance Act 2016 was enacted during the year ended 31 March 2017, which included provisions for a reduction in the UK corporation tax rate to 17 per cent with effect from 1 April 2020. Subsequently a change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted for IFRS purposes 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. A further change to the main UK corporation tax rate from 19 to 25 percent with effect from 1 April 2023 was announced in the Budget on 3 March 2021 and was substantively enacted on 24 May 2021. As no net deferred tax has been recognised at 31 March 2021 there would have been £nil impact had the rate change been substantively enacted at 31 March 2021.

Accordingly, UK deferred tax has been provided at a rate of 19 per cent on assets (2020: 19 per cent, 2019: 17.6 per cent) and 19 per cent on liabilities (2020: 19 per cent, 2019: 17.4 per cent), recognising the applicable tax rate at the point when the timing difference is expected to reverse.

### 14 INVESTMENTS

Investments consist of the following:

As at 31 March (£ millions)	2021	2020
Unquoted equity investments	1,084	1,140

As at 31 March (£ millions)	2021	2020
Opening balance	1,140	1,079
(Decrease)/Increase in unquoted equity investments	(56)	61
Closing balance	1,084	1,140

During the year ended 31 March 2021, the company invested £3 million in Bowler Motors Limited and £1 million in Jaguar Land Rover Switzerland Ltd. An impairment charge of £60 million was recognised in relation to investment in Jaguar e Land Rover Brasil Indústria e Comércio de Veículos LTDA. (See further details on impairment review below)

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 2.332, Torre I - 10º andar- Moema 04028-002, São Paulo, SP, Brazil
Jaguar Land Rover (South Africa) (Pty) Limited	South Africa	Simon Vermooten Road, Silverton, Pretoria 0184, South Africa
Jaguar Land Rover Australia Pty Limited	Australia	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	Campus Kronberg 7, 61476, Kronberg im Taunus, Germany

## 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 Espana SL	Spain	Torre Picasso, Plaza Pablo Ruiz Picasso, 1 – Planta 42, 28020 Madrid, Spain
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	3-13 Toranomom 4-chome, Minato-ku, Tokyo, Japan, 45
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	PO 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	Rua. Do Pólo Sul Nº2 -3ºB- 3, Parque das Nações, 1990- 273, Lisboa, Portugal
Jaguar Land Rover (Ningbo) Trading Co., Ltd.	China	Office Building 12, No.1 Meishan Salt, Beilun District, Ningbo, Zhejiang Province, China
Jaguar Land Rover (South Africa) Holdings Limited	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, 048946
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
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
Jaguar Land Rover Colombia SAS	Colombia	CL 67735 OFE, 1204 Bogotan, Cundinamarca 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 LK Shields Solicitors 39/40 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
Jaguar Land Rover Hungary KFT	Hungary	Regus Capital Square, Váci ut 76, 1133, Budapest, 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
Spark44 GmbH (50.5% indirect shareholding)	Germany	Querstrasse 7, 60322 Frankfurt am Main, Germany
Spark44 LLC (50.5% indirect shareholding)	USA	292 Madison Ave, 3rd Floor New York, NY 10017
Spark44 Shanghai Limited (50.5% indirect shareholding)	China	6401&6501, 4F&5F Block 6. No .436 Ju Men Road 200023 Huangpu District Shanghai China
Spark44 DMCC (50.5% indirect shareholding)	UAE	Unit No: 1401/04, Swiss Tower, Plot No: JLT-PH2-Y3A, Jumeirah Lakes Towers, Dubai, UAE
Spark44 Demand Creation Partners India Limited (50.5% indirect shareholding)	India	Unit No. 604, 6th Floor, Sterling Centre, Dr. Annie Besant Road, Worli, Mumbai-18, Maharashtra , India
Spark44 Singapore Pte Ltd (50.5% indirect shareholding)	Singapore	138 Market Street #36-01/02 CapitaGreen, Singapore 048946
Spark44 Comunicacions SL (50.5% indirect shareholding)	Spain	Prim 19, 4th floor, 28004 Madrid, Spain
Spark44 S.r.l (50.5% indirect shareholding)	Italy	Via Marcella, 4/6- 00153 Rome, Italy
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	10 Alcorn Avenue, Suite 205 Toronto, ON M4V 34, Canada
Spark44 South Africa Pty Limited (50.5% indirect shareholding)	South Africa	21 Forssman Close, Kyalami, Johannesburg, 1684, 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

## 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 2021:

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 Company 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
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 V Limited	15.00%	England & Wales	Manufacture and development of electrified vehicle technology	The Priory Barn Priory Road, Wolston, Coventry, United Kingdom, CV8 3FX
Jaguar Land Rover Switzerland	30.00%	Switzerland	Vehicle sales and distribution	Emil Frey Strasse, 5745 Stafenwill

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

During the year ended 31 March 2021, the company received no dividends from Chery Jaguar Land Rover Automotive Company Ltd. (2020: £33 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.

### IMPAIRMENT REVIEW

In response to the reduction in sales volumes during the year across the group in which Jaguar Land Rover Limited is a subsidiary; and as a result of the carrying value of the Company's investment in Jaguar e Land Rover Brasil Indústria e Comércio de Veículos LTDA ('JLR Brazil') exceeding the net assets of that subsidiary, an impairment review assessment has been performed on the carrying value of JLR Brazil at 31 March 2021.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENTS (CONTINUED)

The recoverable value was determined using the value in use ('VIU') approach outlined in IAS 36 and was determined to be lower than the carrying value of the investment by £60 million. This has resulted in an impairment charge of £60 million being recognised in 'other expenses' in the year ended 31 March 2021.

The key (unobservable) assumptions used to determine the VIU were as follows:

As at 31 March (£ millions)	2021
Volume growth rate	10.3% for initial 5 years and 1.6% in terminal value
Variable profit margin	3.3%

The growth rates used in the VIU calculation were assessed with reference to the latest Jaguar Land Rover Automotive plc Group ('the Group') business plan that includes a five-year cash flow forecast and contains growth rates that are primarily a function of the Group's Cycle Plan assumptions; and external data for the Brazilian market, including OECD forecast long-term growth rates. The cash flows for the year ended 31 March 2026 were extrapolated into perpetuity using a long-term growth rate as stated above.

The variable profit margin has been assumed constant and is based on the average variable profit margin reported in JLR Brazil statutory financial statements for the years ended 31 March 2019, 2020 and 2021.

#### Sensitivity to key assumptions

The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an increase to the aggregate impairment loss recognised as at 31 March 2021 as stated.

Change in assumption	Increase in impairment (£ million)
Decrease in volume growth rate by 1 ppt	10
Decrease in variable profit margin by 1 ppt	28

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15 OTHER FINANCIAL ASSETS

As at 31 March (£ millions)	2021	2020
<b>Non-current</b>		
Warranty reimbursement and other receivables	73	102
Restricted cash	1	1
Derivative financial instruments	249	142
Other	-	1
<b>Total non-current other financial assets</b>	<b>323</b>	<b>246</b>
<b>Current</b>		
Warranty reimbursement and other receivables	70	87
Restricted cash	9	9
Derivative financial instruments	281	241
Accrued income	27	14
Amounts owed by group undertakings	1,270	1,807
Other	34	9
<b>Total current other financial assets</b>	<b>1,691</b>	<b>2,167</b>

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	Heritage vehicles	Under construction	Total
<b>Cost</b>								
Balance at 1 April 2020 restated*	1,887	8,980	8	145	86	53	729	11,888
Additions	-	-	-	1	1	-	827	829
Transfers	25	580	-	-	-	-	(605)	-
Disposals	(5)	(15)	(1)	(1)	(1)	(4)	-	(27)
Impairment - asset write-downs	-	-	-	-	-	-	(237)	(237)
<b>Balance at 31 March 2021</b>	<b>1,907</b>	<b>9,545</b>	<b>7</b>	<b>145</b>	<b>86</b>	<b>49</b>	<b>714</b>	<b>12,453</b>
<b>Depreciation and impairment</b>								
Balance at 1 April 2020 restated*	339	5,670	4	70	52	31	-	6,166
Depreciation charge for the year	81	726	2	12	4	-	-	825
Disposals	-	(14)	-	(1)	(1)	-	-	(16)
Impairment - asset write-downs	4	2	-	-	-	-	-	6
<b>Balance at 31 March 2021</b>	<b>424</b>	<b>6,384</b>	<b>6</b>	<b>81</b>	<b>55</b>	<b>31</b>	<b>-</b>	<b>6,981</b>
<b>Net Book Value</b>								
At 1 April 2020 restated*	1,548	3,310	4	75	34	22	729	5,722
<b>At 31 March 2021</b>	<b>1,483</b>	<b>3,161</b>	<b>1</b>	<b>64</b>	<b>31</b>	<b>18</b>	<b>714</b>	<b>5,472</b>

\*See note 2 for details of the restatement.

Included in the cost of tangible fixed assets is £9 million (2020: £7 million) in respect of capitalised finance costs.

Asset-write downs for the year ending 31 March 2021 include £243 million (2020: £44 million) in relation to company's Reimagine strategy. The write-down expense has been recognised in 'exceptional items' in the income statement.

## 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
<b>Cost</b>						
Balance at 1 April 2020 restated*	382	767	419	2,463	8,149	12,180
Additions – externally purchased	-	70	-	-	-	70
Additions – internally developed	-	-	-	827	-	827
Capitalised product development – internally developed	-	-	-	(1,403)	1,403	-
Impairment - asset write-downs	-	-	-	(790)	-	(790)
<b>Balance at 31 March 2021</b>	<b>382</b>	<b>837</b>	<b>419</b>	<b>1,097</b>	<b>9,552</b>	<b>12,287</b>
<b>Amortisation and impairment</b>						
Balance at 1 April 2020 restated*	382	505	99	-	4,851	5,837
Amortisation for the year	-	79	3	-	938	1,020
<b>Balance at 31 March 2021</b>	<b>382</b>	<b>584</b>	<b>102</b>	<b>-</b>	<b>5,789</b>	<b>6,857</b>
<b>Net Book Value</b>						
At 1 April 2020 restated*	-	262	320	2,463	3,298	6,343
<b>At 31 March 2021</b>	<b>-</b>	<b>253</b>	<b>317</b>	<b>1,097</b>	<b>3,763</b>	<b>5,430</b>

\*See note 2 for details of the restatement.

Asset write-downs for the year ending 31 March 2021 include £750 million (2020: £64 million) in relation to the company's Reimagine strategy. The reimagine related write-down expense has been recognised in 'exceptional items' in the income statement.

## 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 impact of Reimagine (see page 5), management performed an impairment assessment on the assets of the company as at 31 March 2021.

For the current year assessment, the recoverable value was determined using the value in use ("VIU") approach outlined in IAS 36. No impairment was identified as the CGU recoverable amount, exceeded its carrying amount by £2 billion. The impairment loss recorded in the previous years were not reversed because the underlying reasons for the increased headroom (including the unwind of the discount rate and the impact of depreciation and amortization of impaired assets) do not support this.

The company has considered it appropriate to undertake the impairment assessment with reference to the latest business plan that was in effect as at the reporting date. The business plan includes a five-year cash flow forecast and contains growth rates that are primarily a function of the Cycle Plan assumptions, historical performance and management's expectation of future market developments through to 2025/26. In forecasting the future cash flows management have given due consideration to recent cost performance, with cost savings in line with the launch of our Refocus programme. Additionally, management has considered the opportunities and risks that have risen due to the current economic uncertainty, including the launch of the Reimagine strategy and the near term supply chain challenges related to global chip shortages (for further information see risk section on page 27 in the Jaguar Land Rover Automotive plc annual report for the year ended 31 March 2021).

The company used a long term growth rate of 1.9% (2020: 1.9%) to extrapolate cash flow projections beyond the period covered by the business plan and allocated a proportion for cash generated attributable to fellow Jaguar Land Rover Automotive plc Group entities at 21.1% (2020:18.7%). The company has used a pre-tax discount rate of 11.1% (2020:11.8%).

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

**Terminal value variable profit** – due to the importance of product mix to the business' cash flow the directors consider variable profit to be a key assumption. Whilst years 1 to 5 of the business plan is largely driven from the existing portfolio, management's Reimagine strategy results in a change in product portfolio in the outer years of the business plan. When considering the cash flows to model into perpetuity, it is therefore necessary to derive a steady-state variable profit value based on this change, the business plan volume set and associated implied variable profit levels.

**Terminal value capital expenditure** – the 5-year cash flows timing and amount are based on the latest Cycle Plan. The terminal value has been derived based on the directors best estimate of a maintenance level of capital expenditure which has been derived from depreciation and amortisation expectations and funding requirements in responses to longer-term industry trends which are anticipated in the VIU calculation.

#### Sensitivity to 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17 INTANGIBLE ASSETS (CONTINUED)

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

As at 31 March	2021	2020
Terminal value variable profit (%GVR)	21.4%	19.7%
Terminal value capital expenditures (%GVR)	8.9%	9.1%

Long term growth rate, discount rate and cash attributable to fellow JLRA plc Group entities were not considered key assumptions in the year ended in 31 March 2021 as they are not driving significant changes to the recoverable amount when flexed under reasonably possible outcomes.

The table below shows the amount by which the value assigned to the key assumptions must change for the recoverable amount of the CGU to be equal to its carrying amount under reasonably possible outcomes:

As at 31 March 2021	Revised assumption	% change in assumption
Terminal value variable profit (%GVR)	20.2%	(5.6)%
Terminal value capital expenditures (%GVR)	10.1%	13.5%

For the year ended 31 March 2020, the recoverable amount of the CGU was equal to its carrying amount, therefore the above disclosure is not applicable.

#### Disclosures for the year ended 31 March 2020

In the impairment assessment performed by Management as at 31 March 2020, the recoverable value was determined based on value in use ("VIU"). The recoverable amount was lower than the carrying value of the CGU, and this resulted in an exceptional impairment charge of £108 million being recognised within in the year ended 31 March 2020.

The impairment loss of £108 million has been allocated on a prorated basis. This has resulted in £44 million allocated against tangible assets and £64 million allocated against intangible assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18 DEFERRED TAX ASSETS AND LIABILITIES

(£ millions)	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassified from other equity reserves	Closing balance
<b>Year ended 31 March 2021</b>					
<b>Deferred tax assets</b>					
Property, plant & equipment	654	101	-	-	755
Derivative financial instruments	70	12	(103)	(3)	(24)
Compensated absence and retirement benefits	1	(74)	143	-	70
Tax loss	208	(135)	-	-	73
Research and development expenditure credit	142	(118)	-	-	24
<b>Total deferred tax asset</b>	<b>1,075</b>	<b>(214)</b>	<b>40</b>	<b>(3)</b>	<b>898</b>
<b>Deferred tax liabilities</b>					
Intangible assets	(1,057)	104	-	-	(953)
Provisions, allowances for doubtful receivables	(6)	61	-	-	(55)
Compensated absence and retirement benefits	(77)	77	-	-	-
<b>Total deferred tax liability</b>	<b>(1,140)</b>	<b>242</b>	<b>-</b>	<b>-</b>	<b>(898)</b>
<b>Net deferred tax asset/(liability)</b>	<b>(65)</b>	<b>28</b>	<b>40</b>	<b>(3)</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(£ 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
<b>Year ended 31 March 2020</b>							
<b>Deferred tax assets</b>							
Property, plant & equipment	512	-	512	142	-	-	654
Derivative financial instruments	134	-	134	(15)	(55)	6	70
Compensated absences and retirement benefits	116	-	116	52	(167)	-	1
Tax loss	53	-	53	155	-	-	208
Research and development expenditure credit	123	-	123	19	-	-	142
<b>Total deferred tax asset</b>	<b>938</b>	<b>-</b>	<b>938</b>	<b>353</b>	<b>(222)</b>	<b>6</b>	<b>1,075</b>
<b>Deferred tax liabilities</b>							
Intangible assets	(864)	-	(864)	(193)	-	-	(1,057)
Provision, allowances for doubtful receivables	(5)	2	(3)	(3)	-	-	(6)
Provisions, allowances for doubtful receivables	-	-	-	(77)	-	-	(77)
<b>Total deferred tax liability</b>	<b>(869)</b>	<b>2</b>	<b>(867)</b>	<b>(273)</b>	<b>-</b>	<b>-</b>	<b>(1,140)</b>
<b>Net deferred tax (liability)/asset</b>	<b>69</b>	<b>2</b>	<b>71</b>	<b>80</b>	<b>(222)</b>	<b>6</b>	<b>(65)</b>

At 31 March 2021, the company had unused tax losses and other temporary differences amounting to £2,278 million (2020: £1,429 million) for which no deferred tax asset has been provided. As at 31 March 2021 £ nil (2020: £nil) of those tax losses are subject to expiry in future periods. All deferred tax assets and deferred tax liabilities at 31 March 2021 and 31 March 2020 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)	2021	2020
Cash and cash equivalents	3,466	1,869

### 20 ALLOWANCES FOR TRADE AND OTHER RECEIVABLES

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

Year ended 31 March (£ millions)	2021	2020
At beginning of year	6	7
Charged during the year	3	8
Utilised during the year	(1)	(3)
Unused amounts reversed	(6)	(6)
At end of year	2	6

### 21 INVENTORIES

As at 31 March (£ millions)	2021	2020
Raw materials and consumables	96	87
Work in progress	364	384
Finished goods	1,308	1,514
Inventory basis adjustment	16	(1)
<b>Total inventories</b>	<b>1,784</b>	<b>1,984</b>

Inventories of finished goods include £338 million (2020: £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 £12,867 million (2020: £15,280 million).

During the year, the company recorded an inventory write-down expense of £38 million (2020: £23 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)	2021	2020
<b>Non-current assets</b>		
Prepaid expenses	21	6
Other	12	15
<b>Total non-current other assets</b>	<b>33</b>	<b>21</b>
<b>Current assets</b>		
Recoverable VAT	117	112
Prepaid expenses	82	85
Research and development credit	103	85
Other	23	27
<b>Total current other assets</b>	<b>325</b>	<b>309</b>

### 23 ACCOUNTS PAYABLE

As at 31 March (£ millions)	2021	2020
Trade payables	3,950	3,462
Liabilities for expenses	417	544
Capital creditors	493	621
Liabilities to employees	135	111
<b>Total accounts payable</b>	<b>4,995</b>	<b>4,738</b>

### 24 INTEREST BEARING LOANS AND BORROWINGS

As at 31 March (£ millions)	2021	2020 restated*
<b>Short-term borrowings</b>		
Loans	10,125	8,583
<b>Short-term borrowings</b>	<b>10,125</b>	<b>8,583</b>
<b>Long-term borrowings</b>		
Loans	14	14
<b>Long-term borrowings</b>	<b>14</b>	<b>14</b>
Lease obligations	236	231
<b>Total borrowings</b>	<b>10,375</b>	<b>8,828</b>

\* See note 2 for details of the restatement.

Included within short-term borrowings are amounts due to parent and subsidiary undertakings of £10,015 million (2020 (restated): £8,483 million). The borrowings are subject to fixed or variable interest rates and certain borrowings are repayable on demand.

Included within short-term borrowings are amounts due to Jaguar Land Rover Automotive plc ('JLRapl'), an intermediate parent undertaking, of £5,483 million (2020: £5,183 million) for which the timing of expected repayments, including interest payments, matches the repayment terms of corresponding loans issued by third parties and held by JLRapl.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

The expected timing of cash outflows (including interest payments) in relation to these borrowings with JLRAPlc is set out below:

As at 31 March (£ millions)	2021	2020
<b>Expected cash outflow</b>		
1 year or less	798	660
2nd and 3rd years	2,134	2,035
4th and 5th years	2,326	2,141
More than 5 years	1,377	1,435
<b>Total expected cash flows</b>	<b>6,635</b>	<b>6,271</b>

In addition to the above, the amount of long-term loans contractually repayable after more than five years is £6 million (2020: £6 million).

#### 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. During the year ended 31 March 2021, the company has increased this facility to £110 million. The facility is secured by a floating charge over inactive own-use (OUVs) vehicles.

#### Receivables facility

During the year ended 31 March 2021, the company extended its factored receivables facility to a \$500 million facility ending March 2023. Under the terms of the facility, the company de-recognises factored receivables in accordance with IFRS 9 as there are no recourse arrangements.

### 25 OTHER FINANCIAL LIABILITIES

As at 31 March (£ millions)	2021	2020
<b>Current</b>		
Interest accrued	84	62
Derivative financial instruments	238	453
Liability for vehicles sold under a repurchase arrangement	338	397
Lease obligations	41	45
<b>Total current other financial liabilities</b>	<b>701</b>	<b>957</b>
<b>Non-current</b>		
Derivative financial instruments	169	310
Lease obligations	196	186
Other	1	1
<b>Total non-current other financial liabilities</b>	<b>366</b>	<b>497</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26 PROVISIONS

As at 31 March (£ millions)	2021	2020
<b>Current</b>		
Product warranty	567	650
Legal and product liability	151	105
Provisions for environmental liability	3	6
Other employee benefits obligations	10	7
Restructuring	258	12
<b>Total current provisions</b>	<b>989</b>	<b>780</b>
<b>Non-current</b>		
Product warranty	956	1,057
Legal and product liability	71	54
Provisions for environmental liability	22	17
Other employee benefits obligations	5	12
<b>Total non-current provisions</b>	<b>1,054</b>	<b>1,140</b>

Year ended 31 March 2021 (£ millions)	Product warranty	Legal and product liability	Environmental liability	Other employee benefits obligations	Restructuring	Total
Opening balance	1,707	159	23	19	12	1,920
Provision made during the year	601	181	4	8	290	1,084
Provision used during the year	(694)	(55)	(2)	(6)	-	(757)
Unused amount released in the year	(103)	(63)	-	(6)	(44)	(216)
Impact of unwind of discounting	12	-	-	-	-	12
<b>Closing balance</b>	<b>1,523</b>	<b>222</b>	<b>25</b>	<b>15</b>	<b>258</b>	<b>2,043</b>

#### Product warranty provision

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

The company considered the impact of the COVID-19 pandemic on its product warranty offerings and associated provisions, and determined that its existing methodology remained applicable for the year ended 31 March 2021.

#### 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 emissions and battery disposal regulations. The timing of outflows will vary as and when claims are received and settled, which is not known with certainty.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26 PROVISIONS (CONTINUED)

#### 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.

#### Other employee benefits obligations provision

This provision relates to the LTIP scheme for certain employees (see note 7) and other amounts payable to employees.

#### Restructuring provision

The restructuring provision includes amounts for third party obligations arising from company restructuring programmes. This includes amounts payable to employees following the announcement of the company's reimagine strategy in the year ending 31 March 2021 as well as other company restructuring programmes. Amounts are also included in relation to legal and constructive obligations made to third parties in connection with cancellations under the company's reimagine strategy.

The estimated liability for restructuring activities is recognised when the company has reason to believe there is a legal or constructive obligation arising from restructuring actions taken.

The amount provided at the reporting date is calculated based on currently available facts and certain estimates for third party obligations (see note 3, exceptional items). These estimates are established using historical experience based on the settlement costs for similar liabilities, with proxies being used where no direct comparison exists.

The amounts and timing of outflows will vary as and when restructuring obligations are progressed with third parties. However, management believe it highly likely this provision will be utilised within the next financial year, with the likely range of outcomes not being materially different to the amount recorded.

### 27 OTHER LIABILITIES

As at 31 March (£ millions)	2021	2020 restated*
<b>Current</b>		
Liabilities for advances received	16	18
Ongoing service obligations	99	115
VAT	19	10
Other	73	67
<b>Total current other liabilities</b>	<b>207</b>	<b>210</b>
<b>Non-current</b>		
Ongoing service obligations	145	158
Other	240	280
<b>Total non-current other liabilities</b>	<b>385</b>	<b>438</b>

\*See note 2 for details of the restatement.

Other includes deferred income related to grants of £62 million (2020: £61 million) in current other liabilities and £240 million (2020: £290 million) in non-current other liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28 CAPITAL AND RESERVES

As at 31 March (£ millions)	2021	2020
Allotted, called up and fully paid		
3,560,542,073 (2020: 3,560,542,073) ordinary shares of £1 each	3,561	3,561
<b>Total ordinary share capital</b>	<b>3,561</b>	<b>3,561</b>

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)
<b>Adjusted balance at 1 April 2019</b>	<b>(506)</b>	<b>(33)</b>	<b>2,120</b>	<b>1,581</b>
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
<b>Balance as at 31 March 2020</b>	<b>(284)</b>	<b>(33)</b>	<b>2,278</b>	<b>1,961</b>

(£ millions)	Hedging reserve	Cost of hedging reserve	Retained earnings	Total reserves
Balance as at 1 April 2020	(284)	(33)	2,278	1,961
Loss for the year	-	-	(1,755)	(1,755)
Remeasurement of defined benefit obligation	-	-	(751)	(751)
Gain on effective cash flow hedges	399	37	-	436
Income tax related to items recognised in other comprehensive income	(76)	(6)	143	61
Cash flow hedges reclassified to foreign exchange in profit or loss	115	(7)	-	108
Income tax related to items reclassified to profit or loss	(22)	1	-	(21)
Amounts removed from hedge reserve and recognised in inventory	5	11	-	16
Income tax related to amounts removed from hedge reserve and recognised in inventory	(1)	(2)	-	(3)
<b>Balance as at 31 March 2021</b>	<b>136</b>	<b>1</b>	<b>(85)</b>	<b>52</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30 DIVIDENDS

No dividends were paid in the year ended 31 March 2021 (2020: £nil).

### 31 EMPLOYEE BENEFITS

The company operates defined benefit pension 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 the schemes' assets underperform against these corporate bonds, this will create or increase a deficit. The defined benefit schemes hold a significant proportion of equity-type assets, which are expected to outperform corporate bonds in the long term although introducing volatility and risk in the short term.

The 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 schemes against high inflation). As noted above, the schemes hold a significant proportion of assets in index linked gilts, together with other inflation hedging instruments and also assets 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)	2021	2020
Defined benefit obligation beginning of the year	7,747	8,607
Current service cost	129	130
Past service cost	16	4
Interest expense	166	203
Actuarial losses/(gains) arising from:		
Changes in demographic assumptions	(21)	7
Changes in financial assumptions	867	(523)
Experience adjustments	(73)	(139)
Member contributions	1	1
Benefits paid	(441)	(543)
<b>Defined benefit obligation at end of year</b>	<b>8,391</b>	<b>7,747</b>

#### Change in present value of plan assets

Year ended 31 March (£ millions)	2021	2020
Fair value of plan assets at beginning of the year	8,155	7,967
Interest income	170	190
Remeasurement gain on the return of plan assets, excluding amounts included in interest income	22	326
Administrative expenses	(22)	(16)
Employer contributions	146	230
Members contributions	1	1
Benefits paid	(441)	(543)
<b>Fair value of plan assets at end of year</b>	<b>8,031</b>	<b>8,155</b>

The actual return on plan assets for the year was £192 million (2020: £516 million).

Amounts recognised in the income statement consist of:

Year ended 31 March (£ millions)	2021	2020
Current service cost	129	130
Past service cost	16	4
Administrative expenses	22	16
Net interest (income)/cost (including onerous obligations)	(4)	13
<b>Components of defined benefit cost recognised in the income statement</b>	<b>163</b>	<b>163</b>

## 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)	2021	2020
Actuarial (loss)/gain arising from:		
Changes in demographic assumptions	21	(7)
Changes in financial assumptions	(867)	523
Experience adjustments	73	139
Remeasurement gain on the return of plan assets, excluding amounts included in interest income	22	326
<b>Remeasurement (loss)/gain of defined benefit obligation</b>	<b>(751)</b>	<b>981</b>

Amounts recognised in the balance sheet consist of:

As at 31 March (£ millions)	2021	2020
Present value of funded defined benefit obligations	(8,391)	(7,747)
Fair value of plan assets	8,031	8,155
<b>Net retirement benefit (asset)/obligation</b>	<b>(360)</b>	<b>408</b>
Presented as non-current asset	-	408
Presented as non-current liability	(360)	-

The most recent valuations of the defined benefit schemes for accounting purposes were carried out at 31 March 2021 by a qualified independent actuary. This is based on membership data as at 31 March 2020 for the JPP & LRPS and 5 April 2018 for the smaller JEPP. 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.

In November 2020 the UK government announced that the calculation of RPI would be amended to mirror the calculation of CPIH from 2030 (following its consultation on RPI Reform).

As a result, the gap between RPI and CPI has been updated to reflect RPI reform by having a gap of 1% p.a. up to 2030 and no gap thereafter. In addition the inflation risk premium (IRP) has been updated from an IRP of 0.2% p.a. at all terms to an IRP of 0.3% p.a. up to 2030 and 0.5% post 2030, reflecting market conditions at the 31 March 2021 year end.

The impact of the changes to the IRP noted above was to reduce the pension liability by c. £250 million, thereby offsetting a proportion of the impact of higher market implied inflation at the 31 March 2021 year end.

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

Year ended 31 March (%)	2021	2020
Discount rate	2.1	2.4
Expected rate of increase in compensation level of covered employees	2.1	2.0
Inflation increase	3.1	2.6



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31 EMPLOYEE BENEFITS (CONTINUED)

For the valuation at 31 March 2021, the mortality assumptions used are the Self-Administered Pension Schemes ('SAPS') mortality base table, 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 2020, 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 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 2021 year end calculations there is an allowance for future improvements in line with the CMI (2020) projections and an allowance for long-term improvements of 1.25 per cent per annum and a smoothing parameter of 7.5 (2020: CMI (2019) 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)	2021	2020
Retiring today:		
Males	21.0	21.0
Females	23.3	23.2
Retiring in 20 years:		
Males	22.4	22.5
Females	25.2	25.2

A past service cost of £9 million has been recognised in the year ended 31 March 2021 following a further High Court ruling, published on 20 November 2020, that provided clarification on the obligations of pension plan trustees to equalise past transfer values allowing for the effect of unequal Guaranteed Minimum Pensions ('GMP') between 17 May 1990 and 5 April 1997 ("GMP equalisation"). The company had previously recognised a past service cost of £17 million in the year ended 31 March 2019, following the High Court ruling in 2018 in respect of GMP equalisation, and has retained this allowance at 31 March 2021 but adjusted for the passage of time and to reflect the estimated impact of changes in market conditions.

A further past service cost of £7 million was also recognised in the year ended 31 March 2021. This reflects benefit improvements for certain members as part of the company restructuring programme that commenced in the year ended 31 March 2021.

A past service cost of £4 million was recognised in the year ended 31 March 2020. This reflects benefit improvements for certain members as part of the company restructuring programme that commenced in the year ended 31 March 2019.

The sensitivity analysis below is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the 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.£412 million	Decrease/increase by £7 million
Inflation rate	Increase / decrease by 0.25%	Increase/decrease by c.£228 million	Increase/decrease by £4 million
Mortality	Increase / decrease by 1 year	Increase/decrease by c.£299 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)	2021				2020			
	Quoted*	Unquoted	Total	%	Quoted*	Unquoted	Total	%
<b>Equity instruments</b>								
Information technology	133	-	133	2%	124	-	124	2%
Energy	11	-	11	-%	10	-	10	-%
Manufacturing	75	-	75	1%	70	-	70	1%
Financials	48	-	48	1%	45	-	45	1%
Other	266	-	266	3%	248	-	248	3%
	<b>533</b>	<b>-</b>	<b>533</b>	<b>7%</b>	<b>497</b>	<b>-</b>	<b>497</b>	<b>6%</b>
<b>Debt instruments</b>								
Government	1,708	-	1,708	21%	1,941	-	1,941	24%
Corporate Bonds (investment grade)	1,375	206	1,581	20%	1,243	347	1,590	19%
Corporate bonds (Non- investment grade)	94	965	1,059	13%	-	749	749	9%
	<b>3,177</b>	<b>1,171</b>	<b>4,348</b>	<b>54%</b>	<b>3,184</b>	<b>1,096</b>	<b>4,280</b>	<b>52%</b>
<b>Property funds</b>								
UK	-	303	303	4%	-	272	272	3%
Other	-	200	200	3%	-	239	239	3%
	<b>-</b>	<b>503</b>	<b>503</b>	<b>7%</b>	<b>-</b>	<b>511</b>	<b>511</b>	<b>6%</b>
<b>Cash and cash equivalents</b>	<b>265</b>	<b>-</b>	<b>265</b>	<b>3%</b>	<b>677</b>	<b>-</b>	<b>677</b>	<b>8%</b>
<b>Other</b>								
Hedge Funds	-	495	495	6%	-	474	474	6%
Private Markets	-	823	823	10%	-	561	561	7%
Alternatives	57	583	640	8%	-	593	593	7%
	<b>57</b>	<b>1,901</b>	<b>1,958</b>	<b>24%</b>	<b>-</b>	<b>1,628</b>	<b>1,628</b>	<b>20%</b>
<b>Derivatives</b>								
Foreign exchange contracts	-	15	15	-%	-	(35)	(35)	-%
Interest rate and inflation	-	361	361	5%	-	545	545	7%
Equity protection derivatives	-	48	48	-%	-	52	52	1%
	<b>-</b>	<b>424</b>	<b>424</b>	<b>5%</b>	<b>-</b>	<b>562</b>	<b>562</b>	<b>8%</b>
<b>Total</b>	<b>4,032</b>	<b>3,999</b>	<b>8,031</b>	<b>100%</b>	<b>4,358</b>	<b>3,797</b>	<b>8,155</b>	<b>100%</b>

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

As at 31 March 2021, 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 £2,057 million at 31 March 2021 (2020: £2,639 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31 EMPLOYEE BENEFITS (CONTINUED)

JLR assigns an accounting level (1,2 or 3) to asset holdings in order to reflect the level of judgement involved in the valuation of an asset. In assigning the level JLR balances consistency between asset holdings, consistency from year to year and manager / other assessments. JLR designates level 1 to custodian accounts, including funds, where managers hold largely liquid assets where an active market in the underlying asset exists, for example developed market equities, Gilts and other sovereign bonds together with investment grade corporate bonds.

Custodian accounts where underlying assets are regularly traded or where comparable assets have traded values are designated level 2, for example derivatives (including net value of swaps) and some property holdings. Assets which are not designated as level 1 or 2 are designated as level 3. Level 1 assets are reported as quoted, level 2 and 3 unquoted. Repo obligations are noted separately.

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 2021. Given the movements in listed equity markets, the valuation of Private Equity holdings may vary significantly. The value of the Private Equity holdings in the JLR Plans included above is £453 million as at 31 March 2021.

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. Whilst there is currently an 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. 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 and amended in April 2020, the current ongoing company contribution rate for defined benefit accrual is c.21 per cent of pensionable salaries.

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. Contributions previously due for April, May and June 2020 have been re-spread over the year ended 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 2021 is 19.0 years (2020: 19.0 years).

The expected net periodic pension cost for the year ended 31 March 2022 is expected to be £153 million. The company expects to pay £246 million to its defined benefit schemes, in total, for the year ended 31 March 2022.

#### DEFINED CONTRIBUTION SCHEMES

The company's contribution to defined contribution schemes for the year ended 31 March 2021 was £81 million (2020: £80 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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 £5 million (2020: £20 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.

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 equipment and various civil contracts of capital nature aggregating to £841 million (2020: £1,184 million) and £16 million (2020: £10 million) relating to the acquisition of intangible assets.

Commitments and contingencies also includes £267 million (2020: £186 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 £138 million (2020: £127 million) and restricted cash with a carrying amount of £13 million (2020: £nil) are pledged as collateral/security against the borrowings and commitments. Commitments related to leases are set out in note 34.

Stipulated within the joint venture agreement for Chery Jaguar Land Rover Automotive Company Ltd., and subsequently amended by a change to the Articles of Association of Chery Jaguar Land Rover Automotive Company 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 2021. The outstanding commitment of CNY 762 million translates to £85 million at the 31 March 2021 exchange rate. At 31 March 2020, the outstanding commitment was CNY 762 million (£87 million at 31 March 2020 exchange rate).

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 2021 and 31 March 2020.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 32 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 as at 31 March 2021 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
- \$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
- \$700 million Senior Notes due 2025 at a coupon of 7.750% per annum
- \$650 million Senior Notes due 2028 at a coupon of 5.875% per annum

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 with Jaguar Land Rover Holdings Limited, of a \$1 billion syndicate loan, issued in October 2018 and due in the following tranches:

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

The Company is a guarantor with Jaguar Land Rover Holdings Limited of the five-year amortising loan facility backed by a guarantee (80% of outstanding notional principal) from UK Export Finance. As at 31 March 2021, £448 million of the loan was outstanding.

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 2021 this facility was fully undrawn. In April 2021, £1,310 million of the revolving credit facility was extended to March 2024, which will be available when the current facility expires in July 2022, which the Company is also a guarantor of with Jaguar Land Rover Holdings Limited.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 33 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.

#### (A) FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amount and fair value of each financial assets and liabilities measured at fair value through profit or loss as at 31 March 2021:

(£ millions)	Fair value through profit and loss		Total fair value
	Derivatives in hedging relationship	Derivatives other than in hedging relationship	
Other financial assets - current	208	73	281
Other financial assets - non-current	207	42	249
<b>Total financial assets</b>	<b>415</b>	<b>115</b>	<b>530</b>
Other financial liabilities - current	171	67	238
Other financial liabilities - non-current	104	65	169
<b>Total financial liabilities</b>	<b>275</b>	<b>132</b>	<b>407</b>

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

(£ millions)	Fair value through profit and loss		Total fair value
	Derivatives in hedging relationship	Derivatives other than in hedging relationship	
Other financial assets - current	88	153	241
Other financial assets - non-current	133	9	142
<b>Total financial assets</b>	<b>221</b>	<b>162</b>	<b>383</b>
Other financial liabilities - current	249	204	453
Other financial liabilities - non-current	262	48	310
<b>Total financial liabilities</b>	<b>511</b>	<b>252</b>	<b>763</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 33 FINANCIAL INSTRUMENTS (CONTINUED)

#### (B) FINANCIAL RISK MANAGEMENT

##### Liquidity risk

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

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

The following are the undiscounted contractual maturities of financial liabilities measured at fair value through profit or loss, including estimated interest payments:

As at 31 March 2021 (£ millions)	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
<b>Financial liabilities</b>						
Derivative financial liabilities	407	461	255	115	91	-
<b>Total contractual maturities</b>	<b>407</b>	<b>461</b>	<b>255</b>	<b>115</b>	<b>91</b>	<b>-</b>

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
<b>Financial liabilities</b>						
Derivative financial liabilities	763	894	491	272	131	-
<b>Total contractual maturities</b>	<b>763</b>	<b>894</b>	<b>491</b>	<b>272</b>	<b>131</b>	<b>-</b>

##### Off-balance sheet financial arrangements

At the end of FY21, the company has sold £278 million of equivalent of receivables under its debt factoring facility, which was renewed during the year ended 31 March 2021 to a \$500 million facility expiring March 2023.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 33 FINANCIAL INSTRUMENTS (CONTINUED)

#### (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.

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	
	2021	2020	2021	2020
	%	%	%	%
<b>Cross-currency interest rate swaps</b>				
Less than one year	-	-	-	-
Between one and five years	-	-	-	-
More than five years	4,500	4,500	LIBOR + 3.235	LIBOR + 3.235

#### 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)

### 33 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)	
	2021	2020	2021 £m	2020 £m	2021 £m	2020 £m
<b>Outstanding contracts</b>						
<b>Cash flow hedges of foreign exchange risk on forecast transactions</b>						
<b>Derivative instruments</b>						
Sell – USD	0.7596	0.7229	2,833	1,766	136	(157)
Less than one year	0.7654	0.7649	3,096	5,098	172	(190)
Between one and five years						
Sell – Chinese Yuan	0.1098	0.1086	1,647	1,601	12	(59)
Less than one year	0.1098	0.1096	629	1,189	11	(20)
Between one and five years						
Buy – Euro	0.9069	0.9109	2,695	2,635	(136)	1
Less than one year	0.9010	0.9101	1,899	3,384	(81)	(17)
Between one and five years						
Other currencies			1,145	905	24	55
Less than one year			846	1,238	7	39
Between one and five years						
<b>Total cash flow hedges of foreign exchange risk on forecast transactions.</b>			<b>14,790</b>	<b>17,816</b>	<b>145</b>	<b>(348)</b>
<b>Hedges of foreign exchange risk on recognised debt</b>						
<b>Cross-currency interest rate swaps</b>						
USD						
More than 5 years	0.7592	0.7592	380	380	7	57
EUR						
More than 5 years	0.8912	0.8912	446	446	(14)	3
			<b>826</b>	<b>826</b>	<b>(7)</b>	<b>60</b>

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 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 2020	240	7	37	4	3	291
Closing balance at 31 March 2021	251	6	28	2	2	289
Depreciation charge for the year	33	7	14	2	1	57

Additions to the right-of-use assets during the year ended 31 March 2021 were £43 million.

£ 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.

#### Lease liabilities

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

As at 31 March (£ millions)	2021
Less than one year	57
One to five years	137
More than five years	162
<b>Total undiscounted lease liabilities as at 31 March</b>	<b>356</b>

The following amounts are included in the balance sheet as at 31 March 2021:

As at 31 March (£ millions)	2021
Current lease liabilities	41
Non-current lease liabilities	196
<b>Total lease liabilities</b>	<b>237</b>

The following amounts are recognised in the income statement for the year ended 31 March 2021:

Year ended 31 March (£ millions)	2021
Interest expense on lease liabilities	16
Expenses related to short-term leases	6
Expenses related to low-value assets, excluding short-term leases of low-value assets	5

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34 LEASES (CONTINUED)

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.

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)	2021	2020
Less than one year	3	3
One to five years	1	1
More than five years	9	9
<b>Total undiscounted lease payments to be received</b>	<b>13</b>	<b>13</b>

### 35 SEGMENT REPORTING

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

The company operates in the automotive segment. The automotive segment includes all activities relating to development, design, manufacture, assembly and sale of vehicles including financing thereof, as well as sale of related parts and accessories from which the company derives its revenues. The company has only one operating segment, so no separate segment report is given. The 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
<b>31 March 2021</b>						
Revenue	2,960	4,113	3,094	4,019	2,287	16,473
<b>31 March 2020</b>						
Revenue	3,434	4,927	2,541	5,736	3,211	19,849

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 36 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 Company has taken the available exemption available under paragraph 8(k) of FRS 101 in relation to the disclosure of the related party transactions with other wholly owned members of the Group and key management personnel compensation.

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 joint ventures of the company	With associates of the company	With joint ventures of Tata Sons Limited	With joint ventures and associates of immediate or ultimate parent
<b>31 March 2021</b>				
Sale of products	284	-	2	15
Purchase of products	-	-	-	18
Services received	-	1	113	63
Services rendered	83	-	-	1
Trade and other receivables	38	-	1	31
Accounts payable	-	-	12	26
<b>31 March 2020</b>				
Sale of products	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	-	-
Trade and other receivables	59	-	1	20
Accounts payable	-	-	9	22

### 37 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 38 SUBSEQUENT EVENTS

In April 2021, the company became a guarantor with Jaguar Land Rover Holdings for £1,310 million revolving credit facility expiring in March 2024. This facility will be available when the current facility expires in July 2022.