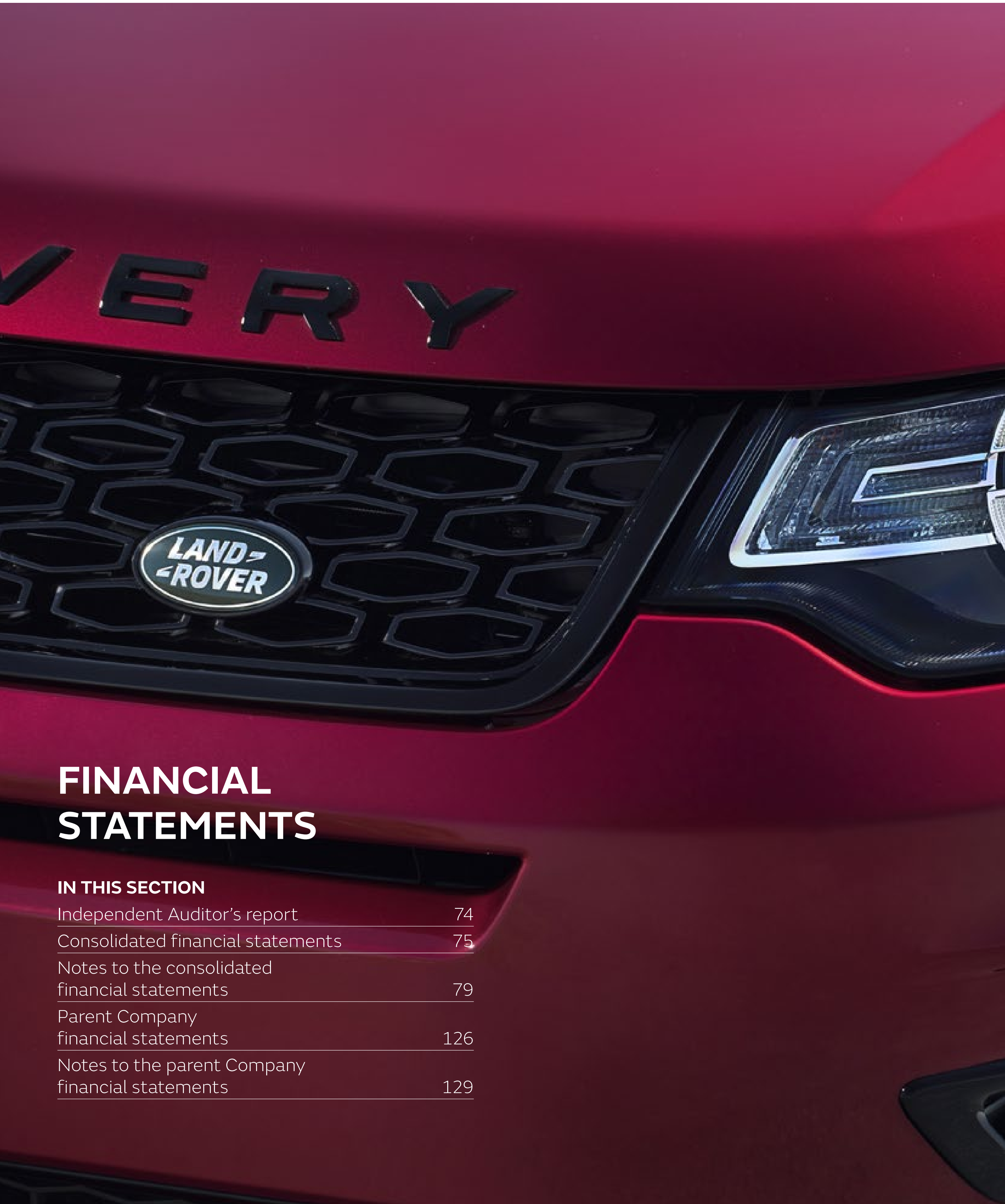
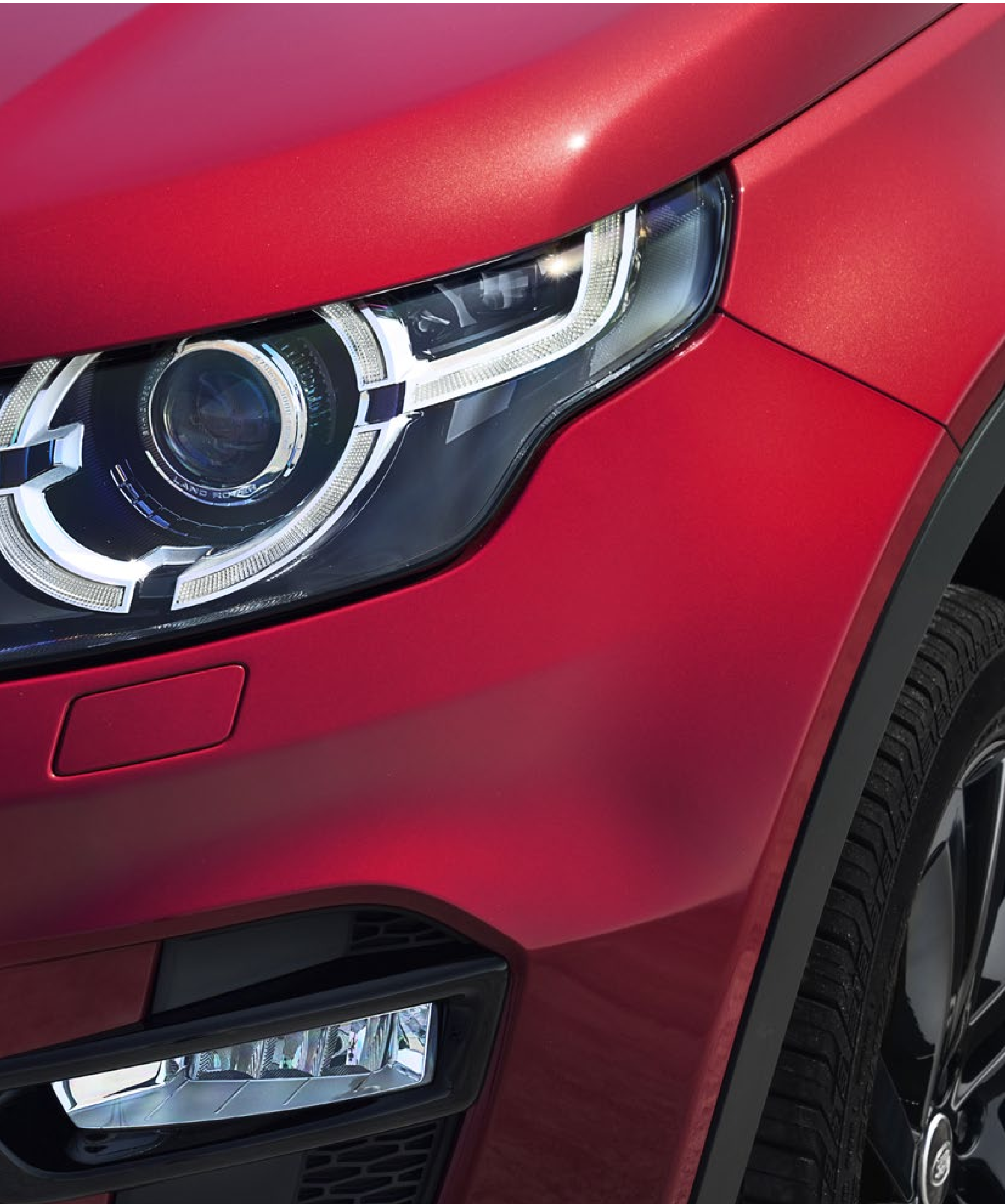


FINANCIAL STATEMENTS

IN THIS SECTION



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

We have audited the financial statements of Jaguar Land Rover Automotive plc for the year ended 31 March 2016 which comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 56. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2016 and of the Group's profit for the year then ended;
- The consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

SEPARATE OPINION IN RELATION TO IFRSS AS ISSUED BY THE IASB

As explained in note 2 to the consolidated financial statements, the Group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the consolidated financial statements comply with IFRSs as issued by the IASB.

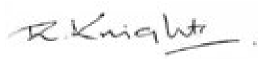
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic report and the Governance report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company 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.



Richard Knights
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and
Statutory Auditor
Birmingham, UK

18 July 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH

	Note	2016 £m	2015 £m	2014 £m
Revenue	4	**22,208**	**21,866**	**19,386**
Material cost of sales excluding exceptional item		(13,146)	(13,185)	(11,904)
Exceptional item	3	(157)	–	–
Material and other cost of sales	5	(13,303)	(13,185)	(11,904)
Employee cost	6	(2,321)	(1,977)	(1,654)
Other expenses	9	(4,674)	(4,109)	(3,717)
Development costs capitalised	10	1,242	1,158	1,030
Other income		128	143	153
Depreciation and amortisation		(1,418)	(1,051)	(875)
Foreign exchange (loss)/gain		(317)	(138)	236
Finance income	11	38	48	38
Finance expense (net)	11	(90)	(135)	(185)
Share of profit/(loss) of equity accounted investments	14	64	(6)	(7)
Profit before tax	12	**1,557**	**2,614**	**2,501**
Income tax excluding tax on exceptional item		(293)	(576)	(622)
Tax on exceptional item	3	48	–	–
Income tax expense	13	(245)	(576)	(622)
Profit for the year		**1,312**	**2,038**	**1,879**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH

	Note	2016 £m	2015 £m	2014 £m
Profit for the year		**1,312**	**2,038**	**1,879**
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	31	489	(355)	(135)
Income tax related to items that will not be reclassified	13, 19	(113)	71	(4)
		376	**(284)**	**(139)**
Items that may be reclassified subsequently to profit or loss:				
(Loss)/gain on effective cash flow hedges	34	(169)	(1,768)	1,041
Cash flow hedges reclassified to 'Foreign exchange (loss)/gain' in profit or loss	34	224	(44)	(112)
Currency translation differences		(1)	21	–
Income tax related to items that may be reclassified	13, 19	(18)	363	(194)
		36	**(1,428)**	**735**
Other comprehensive income/(expense) net of tax		**412**	**(1,712)**	**596**
Total comprehensive income attributable to shareholders		**1,724**	**326**	**2,475**

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH

	Note	2016 £m	2015 £m	2014 £m
Non-current assets				
Investments	14	339	280	145
Other financial assets	15	185	49	473
Property, plant and equipment	16	5,175	4,474	3,184
Intangible assets	17	5,497	4,952	4,240
Other non-current assets	18	45	26	33
Deferred tax assets	19	354	372	284
Total non-current assets		**11,595**	**10,153**	**8,359**
Current assets				
Cash and cash equivalents	20	3,399	3,208	2,260
Short-term deposits		1,252	1,055	1,199
Trade receivables		1,078	1,112	831
Other financial assets	15	137	214	392
Inventories	22	2,685	2,416	2,174
Other current assets	18	411	396	355
Current tax assets		10	9	19
Total current assets		**8,972**	**8,410**	**7,230**
Total assets		**20,567**	**18,563**	**15,589**
Current liabilities				
Accounts payable	23	5,758	5,450	4,787
Short-term borrowings	24	116	156	167
Other financial liabilities	25	962	923	277
Provisions	26	555	485	395
Other current liabilities	27	427	374	395
Current tax liabilities		57	69	113
Total current liabilities		**7,875**	**7,457**	**6,134**
Non-current liabilities				
Long-term borrowings	24	2,373	2,381	1,843
Other financial liabilities	25	817	842	69
Provisions	26	733	639	582
Retirement benefit obligation	31	567	887	674
Other non-current liabilities	27	204	118	77
Deferred tax liabilities	19	384	199	346
Total non-current liabilities		**5,078**	**5,066**	**3,591**
Total liabilities		**12,953**	**12,523**	**9,725**
Equity attributable to shareholders				
Ordinary shares	28	1,501	1,501	1,501
Capital redemption reserve	28	167	167	167
Reserves	29	5,946	4,372	4,196
Equity attributable to shareholders		**7,614**	**6,040**	**5,864**
Total liabilities and equity		**20,567**	**18,563**	**15,589**

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 18 July 2016. They were signed on its behalf by:

Dr. Ralf Speth
Chief Executive Officer
Company registered number: 06477691

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £m	Capital redemption reserve £m	Other reserves £m	Total equity £m
Balance at 1 April 2015	**1,501**	**167**	**4,372**	**6,040**
Profit for the year	–	–	1,312	1,312
Other comprehensive income for the year	–	–	412	412
Total comprehensive income	**–**	**–**	**1,724**	**1,724**
Dividend paid	–	–	(150)	(150)
Balance at 31 March 2016	**1,501**	**167**	**5,946**	**7,614**
Balance at 1 April 2014	**1,501**	**167**	**4,196**	**5,864**
Profit for the year	–	–	2,038	2,038
Other comprehensive expense for the year	–	–	(1,712)	(1,712)
Total comprehensive income	**–**	**–**	**326**	**326**
Dividend paid	–	–	(150)	(150)
Balance at 31 March 2015	**1,501**	**167**	**4,372**	**6,040**
Balance at 1 April 2013	**1,501**	**167**	**1,871**	**3,539**
Profit for the year	–	–	1,879	1,879
Other comprehensive income for the year	–	–	596	596
Total comprehensive income	**–**	**–**	**2,475**	**2,475**
Dividend paid	–	–	(150)	(150)
Balance at 31 March 2014	**1,501**	**167**	**4,196**	**5,864**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH

	Note	2016 £m	2015 £m	2014 £m
Cash flows from operating activities				
Cash generated from operations	38	3,726	4,016	3,824
Income tax paid		(166)	(389)	(402)
Net cash generated from operating activities		**3,560**	**3,627**	**3,422**
Cash flows (used in)/from investing activities				
Investment in equity accounted investments		–	(124)	(92)
Investment in other restricted deposits		(30)	(12)	(13)
Redemption of other restricted deposits		27	19	146
Movements in other restricted deposits		(3)	7	133
Investment in short-term deposits		(4,147)	(2,807)	(2,729)
Redemption of short-term deposits		3,961	3,002	2,265
Movements in short-term deposits		(186)	195	(464)
Purchases of property, plant and equipment	38	(1,422)	(1,564)	(1,201)
Proceeds from sale of property, plant and equipment		–	3	4
Cash paid for intangible assets	38	(1,384)	(1,206)	(1,155)
Finance income received		40	48	39
Acquisition of subsidiary	36	(11)	–	–
Net cash used in investing activities		**(2,966)**	**(2,641)**	**(2,736)**
Cash flows (used in)/from financing activities				
Finance expenses and fees paid		(142)	(230)	(269)
Proceeds from issuance of short-term borrowings		551	592	526
Repayment of short-term borrowings		(599)	(623)	(683)
Proceeds from issuance of long-term borrowings		–	1,032	829
Repayment of long-term borrowings		(58)	(653)	(746)
Payments of lease obligations		(5)	(6)	(5)
Dividends paid		(150)	(150)	(150)
Net cash used in financing activities		**(403)**	**(38)**	**(498)**
Net increase in cash and cash equivalents*		**191**	**948**	**188**
Cash and cash equivalents at beginning of year	20	3,208	2,260	2,072
Cash and cash equivalents at end of year	**20**	**3,399**	**3,208**	**2,260**

* Included in 'Net increase in cash and cash equivalents' is an increase of £4 million (2015: increase of £52 million, 2014: decrease of £111 million) arising from the impact of foreign exchange rate changes on cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BACKGROUND AND OPERATIONS

Jaguar Land Rover Automotive PLC ('the Company') and its subsidiaries, (collectively referred to as 'the Group' or 'JLR'), designs, manufactures and sells a wide range of automotive vehicles. The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Abbey Road, Whitley, Coventry, CV3 4LF, United Kingdom.

The Company is a subsidiary of Tata Motors Limited, India and acts as an intermediate holding company for the Jaguar Land Rover business. The principal activity during the year was the design, development, manufacture and marketing of high-performance luxury saloons, specialist sports cars and four-wheel-drive off-road vehicles.

These consolidated financial statements have been prepared in Pound Sterling ('GBP') and rounded to the nearest million GBP (£ million) unless otherwise stated. Results for the year ended and as at 31 March 2014 have been disclosed solely for the information of the users.

2 ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

These consolidated and parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (referred to as 'IFRS') and IFRS Interpretation Committee ('IFRS IC') interpretations as adopted by the European Union ('EU') and the requirements of the United Kingdom Companies Act 2006 applicable to companies reporting under IFRS. In addition, these consolidated financial statements also comply with IFRS as adopted by the International Accounting Standards Board ('IASB') as no differences exist between IFRS as adopted by the EU applied by the Group and IFRS issued by the IASB.

The Company has taken advantage of section 408 of the Companies Act 2006 and, therefore, the separate financial statements of the Company do not include the income statement or the statement of comprehensive income of the Company on a stand-alone basis.

BASIS OF PREPARATION

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

GOING CONCERN

The directors have considered the financial position of the Group at 31 March 2016 (net assets of £7,614 million (2015: £6,040 million, 2014: £5,864 million)) and the projected cash flows and financial performance of the Group for at least 12 months from the date of approval of these financial statements as well as planned cost and cash improvement actions, and believe that the plan for sustained profitability remains on course.

The directors have taken actions to ensure that appropriate long-term cash resources are in place at the date of signing the accounts to fund Group operations. The directors have reviewed the financial covenants linked to the borrowings in place and believe these will not be breached at any point and that all debt repayments will be met.

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

BASIS OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements include Jaguar Land Rover Automotive plc and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over the investee, is exposed or has rights to variable return from its involvement with the investee and has the ability to use its power to affect its returns. In assessing control, potential voting rights that currently are exercisable are taken into account. All subsidiaries of the Group given in note 42 to the parent Company financial statements are included in the consolidated financial statements.

Intercompany transactions and balances including unrealised profits are eliminated in full on consolidation.

ASSOCIATES AND JOINT VENTURES (EQUITY ACCOUNTED INVESTMENTS)

Associates are those entities in which the Group has significant influence, but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee and is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for decisions about the relevant activities of the entity, being those activities that significantly affect the entity's returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 ACCOUNTING POLICIES (CONTINUED)

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

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

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

(i) Note 16 – Property, plant and equipment – the Group applies judgement in determining the estimate useful life of assets.

(ii) Note 17 – Intangible assets – management applies significant judgement in establishing the applicable criteria for capitalisation of appropriate product development costs and impairment of indefinite life intangible assets. The key judgements in the impairment assessment include the determination of cash-generating units, value of cash flows and appropriateness of discount rates.

(iii) Note 19 – Deferred tax – management applies judgement in establishing the timing of the recognition of deferred tax assets relating to historic losses, assessing the recoverability of those assets and estimating taxes ultimately payable on remittance of overseas earnings.

(iv) Note 26 – Provision for product warranty – it is necessary for the Group to assess the provision for anticipated lifetime warranty and campaign costs. The valuation of warranty and campaign provisions requires a significant amount of judgement and the requirement to form appropriate assumptions around expected future costs.

(v) Note 31 – Retirement benefit obligation – it is necessary for actuarial assumptions to be made, including discount and mortality rates and the long-term rate of return upon scheme assets. The Group engages a qualified actuary to assist with determining the assumptions to be made when evaluating these liabilities.

(vi) Note 34 – Financial instruments – the Group enters into complex financial instruments and therefore appropriate accounting for these requires judgement around the valuations.

REVENUE RECOGNITION

Revenue comprises the amounts invoiced to customers outside the Group and is measured at fair value of the consideration received or receivable, net of discounts, sales incentives, customer bonuses and rebates granted, which can be identified at the point of sale. Revenue is presented net of excise duty where applicable and other indirect taxes.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer and the amount of revenue can be reliable measured with it being probable that future economic benefits will flow to the Group. The transfer of the significant risks and rewards is defined in the underlying agreements with the customer.

No sale is recognised where, following disposal of significant risks and rewards, the Group retains a significant financial interest. The Group's interest in these items is retained in inventory, with a creditor being recognised for the contracted buy-back price. Income under such agreements, measured as the difference between the initial sale price and the buyback price, is recognised on a straight-line basis over the term of the agreement. The corresponding costs are recognised over the term of the agreement based on the difference between the item's cost, including estimated costs of resale, and the expected net realisable value.

If a sale includes an agreement for subsequent servicing or maintenance, the fair value of that service is deferred and recognised as income over the relevant service period in proportion with the expected cost pattern of the agreement.

2 ACCOUNTING POLICIES (CONTINUED)

COST RECOGNITION

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

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

GOVERNMENT GRANTS AND INCENTIVES

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

Government grants are recognised in the consolidated income statement on a systematic basis when the Group recognises, as expenses, the related costs that the grants are intended to compensate.

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

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

FOREIGN CURRENCY

The Company has a functional currency of GBP. The presentation currency of the consolidated financial statements is GBP.

The functional currency of the UK and non-UK selling operations is GBP being the primary economic environment that influences these operations. This is on the basis that management control is in the UK and that GBP is the currency that primarily determines sales prices and is the main currency for the retention of operating income. The functional currency of the Chery Jaguar Land Rover Automotive Co. Ltd., the Group's principal joint venture, is Chinese Yuan ('CNY'). The functional currency of Jaguar Land Rover Slovakia s.r.o is Euro.

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 consolidated income statement as 'Foreign exchange (loss)/gain'.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (non-GBP functional currency) are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

INCOME TAXES

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the consolidated income statement, except when related to items that are recognised outside of profit or loss (whether in other comprehensive income or directly in equity, whereby tax is also recognised outside of profit or loss), or where related to the initial accounting for a business combination. In the case of a business combination the tax effect is included in the accounting for the business combination.

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

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

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

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

EXCEPTIONAL ITEMS

Exceptional items by virtue of their nature, size or frequency are disclosed separately on the face of the consolidated income statement where this enhances understanding of the Group's performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

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

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	20 to 40
Plant and equipment	3 to 30
Computers	3 to 6
Vehicles	3 to 10
Furniture and fixtures	3 to 20

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

Depreciation is not recorded on assets under construction until construction and installation is complete and the asset is ready for its intended use. Assets under construction include capital prepayments.

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

Class of intangible asset	Estimated amortisation period (years)
Patents and technological know-how	2 to 12
Customer-related – dealer network	20
Software	2 to 8
Intellectual property rights and other intangibles	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.

Customer-related intangibles acquired in a business combination consist of dealer networks.

Intellectual property rights and other intangibles consist of brand names, which are considered to have indefinite lives due to the longevity of the brands.

2 ACCOUNTING POLICIES (CONTINUED)

INTERNALLY GENERATED INTANGIBLE ASSETS

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

Product development costs incurred on new vehicle platforms, engines, transmission and new products are recognised as intangible assets, when feasibility has been established, the Group has committed technical, financial and other resources to complete the development and it is probable that 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 development cost is amortised over a period of between two and ten years.

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

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

IMPAIRMENT

PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

At each balance sheet date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

An annual impairment review for heritage assets is performed and any impairment in the carrying value is recognised immediately in the consolidated income statement.

EQUITY ACCOUNTED INVESTMENTS: JOINT VENTURES AND ASSOCIATES

The requirements of IAS 39 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 ACCOUNTING POLICIES (CONTINUED)

PROVISIONS

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

LONG-TERM INCENTIVE PLAN (‘LTIP’)

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

LEASES

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

ASSETS TAKEN ON FINANCE LEASE

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

ASSETS TAKEN ON OPERATING LEASE

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

EMPLOYEE BENEFITS

PENSION PLANS

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

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

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

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

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

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

2 ACCOUNTING POLICIES (CONTINUED)

Defined benefit costs are split into three categories:

- Current service cost, past service cost and gains and losses on curtailments and settlements;
- Net interest cost; and
- Remeasurement.

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

A separate defined contribution plan is available to new employees of Jaguar Land Rover. Costs in respect of this plan are charged to the consolidated income statement as incurred.

POST-RETIREMENT MEDICARE SCHEME

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

ACTUARIAL GAINS AND LOSSES

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

MEASUREMENT DATE

The measurement date of all retirement plans is 31 March.

FINANCIAL INSTRUMENTS

CLASSIFICATION, INITIAL RECOGNITION AND MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified into categories: financial assets at fair value through profit or loss (which can either be held for trading or designated as fair value options), held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. No financial instruments have been designated as fair value through profit or loss using the fair value option or have been classified as held-to-maturity.

Financial instruments are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and financial liabilities at fair value through profit or loss – held for trading: Derivatives, including embedded derivatives separated from the host contract, are classified into this category. Financial assets and liabilities are measured at fair value with changes in fair value recognised in the consolidated income statement with the exception of those derivatives which are designated as cash flow hedging instruments and for which hedge accounting is applied.

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

Available-for-sale financial assets: Available-for-sale financial assets are those non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other financial assets categories. Subsequently, these are measured at fair value and changes therein are recognised in other comprehensive income, net of applicable deferred income taxes, and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. The Group does not hold any available-for-sale financial assets.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost.

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 the amortised cost of the Senior Notes.

EQUITY INSTRUMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 ACCOUNTING POLICIES (CONTINUED)

OTHER FINANCIAL LIABILITIES

These are measured at amortised cost using the effective interest method.

DETERMINATION OF FAIR VALUE

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

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

When a financial instrument is derecognised, the cumulative gain or loss in equity (if any) is transferred to the consolidated income statement.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset, other than those at fair value through profit or loss, or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

Equity investments: A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit and loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

HEDGE ACCOUNTING

The Group uses foreign currency forward contracts and options to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Group designates these forward contracts and options in a cash flow hedging relationships by applying hedge accounting principles under IAS 39.

These forward contracts and options are stated at fair value on the consolidated balance sheet at each reporting date. Changes in the fair value of these forward contracts and options that are designated and effective as hedges of future cash flows are recognised in other comprehensive income (net of tax), and any ineffective portion is recognised immediately in the consolidated income statement. Amounts accumulated in other comprehensive income are reclassified to the consolidated income statement in the periods in which the forecasted transactions affect profit or loss.

For options, the time value is not a designated component of the hedge, and therefore all changes in fair value related to the time value of the instrument are recognised immediately in the consolidated income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. For forecast transactions, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained there until the forecast transaction affects profit or loss.

If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is immediately transferred to the consolidated income statement.

2 ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS

IN THE CURRENT YEAR, THE GROUP ADOPTED THE FOLLOWING STANDARDS, REVISIONS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS:

IAS 19 Employee Benefits was amended in November 2013 to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The amendment did not have a material impact on the consolidated financial statements.

THE FOLLOWING PRONOUNCEMENTS, ISSUED BY THE IASB AND ENDORSED BY THE EU, ARE NOT YET EFFECTIVE AND HAVE NOT YET BEEN ADOPTED BY THE GROUP. THE GROUP IS EVALUATING THE IMPACT OF THESE PRONOUNCEMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS:

IAS 16 Property, Plant and Equipment has been amended to prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortising intangible assets. The amendment is effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the consolidated financial statements.

IFRS 11 Joint Arrangements addresses how a joint operator should account for the interest in a joint operation in which the activity of the joint operation constitutes a business. The amendment is effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendment does not have any impact on the consolidated financial statements.

IAS 16 Property, Plant and Equipment has been amended to include ‘bearer plants’ whilst the produce growing on bearer plants remains within the scope of IAS 41. The amendment is effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendment does not have any impact on the consolidated financial statements.

IAS 1 Presentation of Financial Statements has been amended to support preparers in exercising their judgement in presenting their financial reports. This includes clarification that all information should have materiality considerations applied and additional examples on expected presentation of the financial statements. The amendment does not have any impact on the consolidated financial statements based upon the current disclosures given.

IAS 27 Separate Financial Statements has been amended to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. This amendment does not have any impact on the consolidated financial statements.

In addition, as part of the IASB’s Annual Improvements, a number of minor amendments have been made to standards in the 2012–2014 cycles. These amendments are effective for annual periods beginning on or after 1 July 2016, with early application permitted. These amendments do not have a material impact on the consolidated financial statements.

THE FOLLOWING PRONOUNCEMENTS, ISSUED BY THE IASB, HAVE NOT YET BEEN ENDORSED BY THE EU, ARE NOT YET EFFECTIVE AND HAVE NOT YET BEEN ADOPTED BY THE GROUP. THE GROUP IS EVALUATING THE IMPACT OF THESE PRONOUNCEMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS:

IFRS 10 and IAS 28 have been amended to clarify the treatment of the transfer of assets or sale of equity from an investor to its associate or joint venture. The mandatory effective date for these amendments has been deferred indefinitely by the IASB. These amendments are not expected to have a material impact on the consolidated financial statements.

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. This standard is effective for annual periods beginning on or after January 2016 subject to EU endorsement. The amendment does not have any impact the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15 and expects it to have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and the hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for the risk management process. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 9 and expects it to have a significant impact on the consolidated financial statements.

The amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) relate to investment entities. The amendment is effective for annual periods beginning on or after 1 January 2016 and earlier application is permitted subject to EU endorsement. JLR, its subsidiaries and its parent do not meet the definition of an 'investment entity' and therefore the amendment is not applicable.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the adoption of IFRS 15. The Group is assessing the impact of IFRS 16 and expects it to have a significant impact on the consolidated financial statements.

IAS 12 Income taxes has been amended to clarify the treatment of deferred tax on debt held at fair value and clarify details on recognition of deferred tax assets. The amendment is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. These amendments do not have any impact on the consolidated financial statements.

IAS 7 has been amended to require additional disclosure to help users evaluate changes in borrowings. The amendment is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement. The Group expects to include a net debt reconciliation within its disclosures following the adoption of this standard.

3 EXCEPTIONAL ITEM

The exceptional item of £157 million for the year ended 31 March 2016 relates to the full financial year impact of the explosion at the port of Tianjin (China) in August 2015. A provision of £245 million against the carrying value of inventory (finished goods) was recorded in the second quarter ended 30 September 2015, based on the Group's assessment of the physical condition of the vehicles involved. Subsequent to that, insurance proceeds of £55 million have been received, together with the conclusion of further assessments of the condition of the remaining vehicles, which had led to a reversal of £33 million of the initial provision.

The process for finalising ongoing insurance claims may take some months to conclude, so further insurance and other potential recoveries will only be recognised in future periods when received or confirmed as receivable.

Due to the size of the provision recorded, the charge together with the associated tax impact has been disclosed as an exceptional item. Any future recoveries will similarly be recognised as a reversal of that charge through exceptional items.

4 REVENUE

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Sale of goods	22,208	21,866	19,386
Total revenues	**22,208**	**21,866**	**19,386**

5 MATERIAL AND OTHER COST OF SALES

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Changes in inventories of finished goods and work-in-progress	(257)	(236)	(356)
Purchase of products for sale	876	864	715
Raw materials and consumables	12,684	12,557	11,545
Total material and other cost of sales	**13,303**	**13,185**	**11,904**

6 EMPLOYEE NUMBERS AND COSTS

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Wages and salaries	1,738	1,500	1,230
Social security costs and benefits	274	240	192
Pension costs	309	237	232
Total employee costs	**2,321**	**1,977**	**1,654**

Average employee numbers year ended 31 March 2016	Non-agency	Agency	Total
Manufacturing	17,235	3,140	20,375
Research and development	6,060	3,115	9,175
Other	6,494	961	7,455
Total employee numbers	**29,789**	**7,216**	**37,005**

Average employee numbers year ended 31 March 2015	Non-agency	Agency	Total
Manufacturing	14,504	3,688	18,192
Research and development	5,185	2,716	7,901
Other	5,213	821	6,034
Total employee numbers	**24,902**	**7,225**	**32,127**

Average employee numbers year ended 31 March 2014	Non-agency	Agency	Total
Manufacturing	13,890	1,670	15,560
Research and development	4,307	1,916	6,223
Other	4,914	1,256	6,170
Total employee numbers	**23,111**	**4,842**	**27,953**

7 DIRECTORS' EMOLUMENTS

Year ended 31 March	**2016 £**	2015 £	2014 £
Directors' emoluments	4,597,415	4,401,059	3,059,210

The aggregate of emoluments and amounts receivable under the long-term incentive plan ('LTIP') of the highest paid director was £3,709,433 (2015: £2,824,297, 2014: £2,433,578). In addition, for the highest paid director, pension benefits of £786,351 (2015: £1,475,732, 2014: £524,000) have accrued in the year. During the year, the highest paid director received £197,782 of LTIP awards (2015: no LTIP awards, 2014: no LTIP awards).

No directors received any LTIP cash payments during the years ended 31 March 2016, 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8 LONG-TERM INCENTIVE PLAN ('LTIP')

The Group operates a LTIP arrangement for certain employees. The scheme provides a cash payment to the employee based on a specific number of phantom shares at grant date and the share price of Tata Motors Limited at the vesting date. The cash payment is dependent upon continued employment for the duration of the three year vesting period. The cash payment has no exercise price and therefore the weighted average exercise price in all cases is £nil.

Year ended 31 March	**2016**	2015	2014
Outstanding at the beginning of the year	5,637,242	5,353,559	4,217,801
Granted during the year	2,317,710	2,315,618	1,956,741
Vested in the year	(1,690,151)	(1,654,917)	(778,599)
Forfeited in the year	(231,944)	(377,018)	(42,384)
Outstanding at the end of the year	**6,032,857**	**5,637,242**	**5,353,559**

The weighted average share price of the 1,690,151 phantom stock awards vested in the year was £5.84 (2015: £5.89, 2014: £4.45).

The weighted average remaining contractual life of the outstanding awards is 1.4 years (2015: 1.3 years, 2014: 1.3 years).

The amount charged in the year in relation to the long-term incentive plan was £3 million (2015: £16 million, 2014: £11 million).

The fair value of the balance sheet liability in respect of phantom stock awards outstanding at the year-end was £16 million (2015: £23 million, 2014: £17 million).

The fair value of the awards was calculated using a Black-Scholes model at the grant date. The fair value is updated at each reporting date as the awards are accounted for as cash-settled under IFRS 2 Share-based Payment. The inputs into the model are based on the Tata Motors Limited historic data and the risk-free rate is calculated on government bond rates. The inputs used are:

As at 31 March	**2016**	2015	2014
Risk-free rate (%)	0.51	0.49	0.91
Dividend yield (%)	0.00	0.39	0.49
Weighted average fair value per phantom share	£4.12	£6.14	£4.95

9 OTHER EXPENSES

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Stores, spare parts and tools	150	123	114
Freight cost	858	673	610
Works, operations and other costs	2,065	1,808	1,538
Repairs	42	37	17
Power and fuel	61	57	62
Rent, rates and other taxes	50	57	41
Insurance	26	20	19
Write-down of intangible assets	28	–	–
Warranty	583	543	541
Publicity	811	791	775
Total other expenses	**4,674**	**4,109**	**3,717**

Included within warranty expenses for the year ended 31 March 2016 is a charge of £67 million (2015, 2014: £nil) for a passenger airbag campaign (see note 41).

10 RESEARCH AND DEVELOPMENT

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Total research and development costs incurred	1,560	1,411	1,266
Research and development expensed	(318)	(253)	(236)
Development costs capitalised	**1,242**	**1,158**	**1,030**
Interest capitalised	73	114	102
Research and development expenditure credit	(88)	(69)	(45)
Total internally developed intangible additions	**1,227**	**1,203**	**1,087**

During the year ended 31 March 2014 legislation was enacted to allow UK companies to elect for the Research and Development Expenditure Credit (RDEC) on qualifying expenditure incurred since 1 April 2013, instead of the previous super-deduction rules. In the year ended 31 March 2016, as a result of this election, £66 million (2015: £66 million, 2014: £45 million) of the RDEC, the proportion relating to capitalised product development expenditure, has been offset against the cost of the respective assets. The remaining £38 million (2015: £30 million, 2014: £18 million) of the RDEC has been recognised as other income.

11 FINANCE INCOME AND EXPENSE

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Finance income	38	48	38
Total finance income	**38**	**48**	**38**
Total interest expense on financial liabilities measured at amortised cost	(143)	(234)	(257)
Unwind of discount on provisions	(21)	(17)	6
Interest capitalised	74	116	113
Total interest expense	**(90)**	**(135)**	**(138)**
Embedded derivative value	–	–	(47)
Total finance expense (net)	**(90)**	**(135)**	**(185)**

The capitalisation rate used to calculate borrowing costs eligible for capitalisation was 4.6 per cent (2015: 5.8 per cent, 2014: 7.2 per cent).

During the year ended 31 March 2016, the Group repaid one tranche of debt (see note 24) and as a result a redemption premium of £2 million was incurred.

During the year ended 31 March 2015, the Group repaid two tranches of debt (see note 24) and as a result a redemption premium of £77 million was incurred.

During the year ended 31 March 2014, the Group repaid two tranches of debt (see note 24) and as a result a redemption premium of £56 million was incurred and the fair value of the embedded derivatives was expensed in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12 PROFIT BEFORE TAX

Expense/(income) included in profit before tax for the year are the following:

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Foreign exchange loss/(gain) on loans	54	178	(87)
Foreign exchange (gain)/loss on derivatives	(86)	166	(57)
Unrealised loss on commodities	59	30	7
Depreciation of property, plant and equipment	634	461	386
Amortisation of intangible assets (excluding internally generated development costs)	88	64	44
Amortisation of internally generated development costs	696	526	445
Operating lease rentals in respect of plant, property and equipment	57	48	42
Loss on disposal of property, plant, equipment and software	13	7	4
Auditor remuneration (see below)	5	4	4

During the year ended 31 March 2016, £101 million (2015: £132 million, 2014: £91 million) was received by a foreign subsidiary as an indirect tax incentive that requires the subsidiary to meet certain criteria relating to vehicle efficiency and investment in engineering and research and development. The incentive is provided as a partial offset to the higher sales taxes payable following implementation of new legislation in the year ended 31 March 2014. During the year ended 31 March 2016, £101 million (2015: £132 million, 2014: £88 million) has been recognised in revenue and £nil (2015: £nil, 2014: £3 million) has been deferred to offset against capital expenditure, when incurred.

During the year ended 31 March 2016, £62 million (2015: £54 million, 2014: £71 million) was received by a foreign subsidiary as an incentive for continuing trading in that country for the foreseeable future. As the receipt has no ongoing financial or operating conditions attached, the amount has been recognised as 'Other Income'.

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

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Fees payable to the Company's auditor and its associates for the audit of the parent Company and consolidated financial statements	0.1	0.1	0.1
Fees payable to the Company's auditor and its associates for other services:			
– audit of the Company's subsidiaries	3.5	3.3	2.9
Total audit fees	**3.6**	**3.4**	**3.0**
Audit related assurance services	1.8	0.3	0.3
Other assurance services	0.1	0.7	0.5
Total non-audit fees	**1.9**	**1.0**	**0.8**
Total audit and related fees	**5.5**	**4.4**	**3.8**

Fees payable to Deloitte LLP and their associates for non-audit services to the Group are not required to be disclosed separately as these fees are disclosed on a consolidated basis.

13 TAXATION

RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Current tax expense			
Current year	180	350	348
Adjustments for prior years	(7)	15	9
Current tax expense	**173**	**365**	**357**
Deferred tax expense/(credit)			
Origination and reversal of temporary differences	163	294	330
Adjustments for prior years	(29)	(83)	(11)
Rate changes	(62)	–	(54)
Deferred tax expense	**72**	**211**	**265**
Total income tax expense	**245**	**576**	**622**

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

RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Deferred tax expense/(credit) on actuarial gains on retirement benefits	97	(71)	(31)
Deferred tax expense/(credit) on change in fair value of cash flow hedges	11	(363)	214
Deferred tax expense on rate changes	23	–	15
	131	**(434)**	**198**
Total tax expense	**376**	**142**	**820**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13 TAXATION (CONTINUED)

RECONCILIATION OF EFFECTIVE TAX RATE

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Profit for the year	1,312	2,038	1,879
Total income tax expense	245	576	622
Profit before tax	**1,557**	**2,614**	**2,501**
Income tax expense using the tax rates applicable to individual entities of 20.9% (2015: 22.7%, 2014: 23.6%)	325	593	590
Impact of UK Patent Box claims	(29)	–	–
Non-deductible expenses	35	28	15
Unrecognised tax assets	12	–	–
Differences between current and deferred tax rates applicable	–	(18)	–
Changes in tax rates	(62)	–	(54)
Overseas unremitted earnings	13	40	71
Share of (profit)/loss of equity accounted investments	(13)	1	2
Over provided in prior years	(36)	(68)	(2)
Total income tax expense	**245**	**576**	**622**

Included within ‘Over provided in prior years’ for the year ended 31 March 2016 is £45 million relating to enhanced deductions under the UK Patent Box regime in respect of Fiscal 2014 and 2015.

Included within the line ‘Over provided in prior years’ for March 2015 is a reversal of £62 million relating to withholding tax released as a result of changes in tax rates and laws expected to apply to the future repatriation of intercompany dividends.

The UK Finance Act 2015 was enacted during the year ended 31 March 2016 which included provisions for a reduction in the UK corporation tax rate from 20 per cent to 19 per cent with effect from 1 April 2017 and to 18 per cent with effect from 1 April 2020. Accordingly, UK deferred tax has been provided at a blended rate of 18.1 per cent (2015: 20 per cent, 2014: 20 per cent) in recognising the applicable tax rate at the point when the timing difference is expected to reverse.

A further change to the UK corporation tax rate was announced in the Chancellor’s Budget during the year ended 31 March 2016. The announcement included a reduction in the UK corporation tax rate to 17 per cent from 1 April 2020. As the change to 17 per cent had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

14 INVESTMENTS

Investments consist of the following:

As at 31 March	**2016 £m**	2015 £m	2014 £m
Equity accounted investments	339	280	145

The Group has the following investments at 31 March 2016:

Name of investment	Proportion of voting rights	Principal place of business and country of incorporation	Principal activity
Equity accounted investments			
Chery Jaguar Land Rover Automotive Co. Ltd.	50.0%	China	Manufacture and assembly of vehicles
Spark44 (JV) Limited	50.0%	England & Wales	Provision of advertising services
Jaguar Cars Finance Limited	49.9%	England & Wales	Non-trading
Trading investments			
Jaguar Land Rover Schweiz AG	10.0%	Switzerland	Sale of automotive vehicles and parts

Except for Spark44 (JV) Limited, the proportion of voting rights disclosed in the table above is the same as the interest in the ordinary share capital.

Chery Jaguar Land Rover Automotive Co. Ltd. is a limited liability company, whose legal form confirms separation between the parties to the joint arrangement. There is no contractual arrangement or any other facts or circumstances that indicate that the parties to the joint control of the arrangement have rights to the assets or obligations for the liabilities relating to the arrangement. Accordingly, Chery Jaguar Land Rover Automotive Co. Ltd. is classified as a joint venture.

During the year ended 31 March 2013, the Group invested a 50 percent stake in Chery Jaguar Land Rover Auto Sales Co. Ltd. (change of name from Suzhou Chery Jaguar Land Rover Trading Co. Ltd.) for £1 million and a 50 per cent stake in Chery Jaguar Land Rover Automotive Co. Ltd. for £70 million. During the year ended 31 March 2014, Chery Jaguar Land Rover Auto Sales Co. Ltd., previously a direct joint venture of the Group, was acquired in full by Chery Jaguar Land Rover Automotive Co. Ltd. Therefore, the results shown of Chery Jaguar Land Rover Automotive Co. Ltd. are the consolidated results for that entity, which includes the results of Chery Jaguar Land Rover Auto Sales Co. Ltd.

During the year ended 31 March 2015, the Group increased its investment in Chery Jaguar Land Rover Automotive Co. Ltd. by £124 million (2014: £92 million). No further increases to the investment were made during the year ended 31 March 2016.

The following table sets out the summarised financial information of the Group's individually material joint venture, Chery Jaguar Land Rover Automotive Co. Ltd.:

As at 31 March	**2016 £m**	2015 £m	2014 £m
Current assets	698	520	170
Current liabilities	(614)	(347)	(67)
Non-current assets	814	585	236
Non-current liabilities	(216)	(193)	(65)
Equity attributable to shareholders	**682**	**565**	**274**
Revenue	**1,106**	**158**	**–**
Profit/(loss) for the year	124	(13)	(16)
Total comprehensive income/(expense)	**124**	**(13)**	**(16)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14 INVESTMENTS (CONTINUED)

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

As at 31 March	2016 £m	2015 £m	2014 £m
Cash and cash equivalents	450	295	122
Other current assets	248	225	48
Current financial liabilities (excluding trade and other payables and provisions)	(35)	(56)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(216)	(193)	(65)
Depreciation and amortisation	(58)	(16)	(1)
Interest income	8	8	2
Interest expense	(10)	(3)	(1)
Income tax (expense)/credit	(44)	6	13

Spark44 (JV) Limited's total ordinary share capital is divided into A and B ordinary shares with each class having 50 per cent voting rights and interest in returns (of which the Group holds 100 per cent of the B shares).As a number of the A ordinary shares are held in trust, the Group has an interest in 58 per cent of the allotted ordinary share capital, but only 50 per cent of the voting rights and interest in returns. Therefore, Spark44 (JV) Limited is considered a joint venture.

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

The following table sets out the summarised financial information in aggregate for the share of investments in equity accounted investments that are not individually material:

As at 31 March	2016 £m	2015 £m	2014 £m
Group's share of profit for the year	2	1	1
Group's share of other comprehensive income	–	–	–
Group's share of total comprehensive income	**2**	**1**	**1**
Carrying amount of the Group's interest	**5**	**3**	**2**

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

As at 31 March	2016 £m	2015 £m	2014 £m
Net assets of material joint venture	**682**	**565**	**274**
Share of net assets of:			
Material joint venture	341	282	137
Individually immaterial joint ventures	5	3	2
Foreign exchange differences	–	–	6
Other	(7)	(5)	–
Carrying amount of the Group's interests in equity accounted investments	**339**	**280**	**145**

As at 31 March 2016, an adjustment of £7 million (2015: £5 million, 2014: £nil) has been made to derecognise profit that has not yet been realised on goods sold by the Group to Chery Jaguar Land Rover Automotive Co. Ltd.

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

As at 31 March	2016 £m	2015 £m	2014 £m
Profit/(loss) of material joint venture	**124**	**(13)**	**(16)**
Share of profit/(loss) of:			
Material joint venture	62	(7)	(8)
Individually immaterial joint ventures	2	1	1
Share of profit/(loss) of equity accounted investments	**64**	**(6)**	**(7)**
Currency translation differences	(3)	21	–
Share of total comprehensive income/(expense) of equity accounted investments	**61**	**15**	**(7)**

14 INVESTMENTS (CONTINUED)

The Group's share of capital commitments of its joint ventures at 31 March 2016 is £102 million (2015: £19 million, 2014: £116 million), purchase commitments of its joint ventures at 31 March 2016 is £36 million (2015, 2014: £nil) and commitments relating to the Group's interests in its joint ventures are disclosed in note 32. There are no contingent liabilities relating to the Group's interests in its joint ventures.

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

The Group has no additional rights or influence over Jaguar Land Rover Schweiz AG other than the voting rights attached to the ordinary share capital. During the year ended 31 March 2016 a dividend of £0.5 million (2015, 2014: £nil) was received from Jaguar Land Rover Schweiz AG. No dividend was received in the year ended 31 March 2016 (2015, 2014: no dividend) from any other trading investments or equity accounted investments. Trading investments are held at cost of £0.3 million (2015: £0.3 million, 2014: £0.3 million).

15 OTHER FINANCIAL ASSETS

As at 31 March	**2016 £m**	2015 £m	2014 £m
Non-current			
Restricted cash held as security	21	18	25
Derivative financial instruments	154	22	436
Other	10	9	12
Total non-current other financial assets	**185**	**49**	**473**
Current			
Advances and other receivables recoverable in cash	8	19	22
Derivative financial instruments	73	176	361
Accrued income	12	5	–
Other	44	14	9
Total current other financial assets	**137**	**214**	**392**

As at 31 March 2016, £nil (2015: £16 million, 2014: £23 million) of the non-current restricted cash is held as security in relation to vehicles ultimately sold on lease, pledged until the leases reach their respective conclusion.

As at 31 March 2016, £19 million (2015: £nil, 2014: £nil) of the non-current restricted cash is held as a financial deposit in relation to ongoing legal cases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Vehicles £m	Computers £m	Fixtures & fittings £m	Leased assets £m	Heritage vehicles £m	Under construction £m	Total £m
Cost									
Balance at 1 April 2013	382	2,499	4	14	30	43	–	316	3,288
Additions	3	422	1	3	19	–	–	786	1,234
Transfers	152	245	–	–	–	–	–	(397)	–
Disposals	(3)	(17)	(1)	–	(1)	–	–	–	(22)
Reclassification from intangible assets	–	–	–	8	–	–	–	–	8
Balance at 31 March 2014	**534**	**3,149**	**4**	**25**	**48**	**43**	**–**	**705**	**4,508**
Additions	3	579	2	21	18	–	52	1,082	1,757
Transfers	277	733	–	–	–	–	–	(1,010)	–
Disposals	(10)	(50)	–	(2)	(1)	–	–	–	(63)
Balance at 31 March 2015	**804**	**4,411**	**6**	**44**	**65**	**43**	**52**	**777**	**6,202**
Additions	40	589	1	33	22	3	–	659	1,347
Transfers	218	707	–	–	–	–	–	(925)	–
Disposals	(2)	(46)	–	(1)	(3)	–	–	–	(52)
Balance at 31 March 2016	**1,060**	**5,661**	**7**	**76**	**84**	**46**	**52**	**511**	**7,497**
Depreciation									
Balance at 1 April 2013	56	859	1	4	13	20	–	–	953
Depreciation charge for the period	16	359	1	2	3	5	–	–	386
Disposals	(2)	(12)	(1)	–	(1)	–	–	–	(16)
Reclassification from intangible assets	–	–	–	1	–	–	–	–	1
Balance at 31 March 2014	**70**	**1,206**	**1**	**7**	**15**	**25**	**–**	**–**	**1,324**
Depreciation charge for the period	20	422	–	5	9	5	–	–	461
Disposals	(10)	(46)	–	–	(1)	–	–	–	(57)
Balance at 31 March 2015	**80**	**1,582**	**1**	**12**	**23**	**30**	**–**	**–**	**1,728**
Depreciation charge for the period	31	580	1	7	10	5	–	–	634
Disposals	(1)	(36)	–	–	(3)	–	–	–	(40)
Balance at 31 March 2016	**110**	**2,126**	**2**	**19**	**30**	**35**	**–**	**–**	**2,322**
Net book value									
At 31 March 2014	464	1,943	3	18	33	18	–	705	3,184
At 31 March 2015	724	2,829	5	32	42	13	52	777	4,474
At 31 March 2016	**950**	**3,535**	**5**	**57**	**54**	**11**	**52**	**511**	**5,175**

17 INTANGIBLE ASSETS

	Software £m	Patents and technological know-how £m	Customer-related £m	Intellectual property rights and other intangibles £m	Product development in progress £m	Capitalised product development £m	Total £m
Cost							
Balance at 1 April 2013	247	147	89	618	1,263	1,978	4,342
Other additions – externally purchased	127	–	–	–	–	–	127
Other additions – internally developed	–	–	–	–	1,087	–	1,087
Capitalised product development – internally developed	–	–	–	–	(583)	583	–
Disposals	(3)	–	–	–	–	(146)	(149)
Reclassification to tangible assets	(8)	–	–	–	–	–	(8)
Balance at 31 March 2014	**363**	**147**	**89**	**618**	**1,767**	**2,415**	**5,399**
Other additions – externally purchased	103	–	–	1	–	–	104
Other additions – internally developed	–	–	–	–	1,203	–	1,203
Capitalised product development – internally developed	–	–	–	–	(1,388)	1,388	–
Disposals	(8)	–	(28)	–	–	(159)	(195)
Balance at 31 March 2015	**458**	**147**	**61**	**619**	**1,582**	**3,644**	**6,511**
Other additions – externally purchased	131	–	–	–	–	–	131
Other additions – internally developed	–	–	–	–	1,227	–	1,227
Capitalised product development – internally developed	–	–	–	–	(1,242)	1,242	–
Disposals	(10)	–	–	–	–	(361)	(371)
Asset write-downs	–	–	–	–	(28)	–	(28)
Balance at 31 March 2016	**579**	**147**	**61**	**619**	**1,539**	**4,525**	**7,470**
Amortisation and impairment							
Balance at 1 April 2013	73	70	43	–	–	634	820
Amortisation for the year	26	15	3	–	–	445	489
Disposals	(3)	–	–	–	–	(146)	(149)
Reclassification to tangible assets	(1)	–	–	–	–	–	(1)
Balance at 31 March 2014	**95**	**85**	**46**	**–**	**–**	**933**	**1,159**
Amortisation for the year	47	14	3	–	–	526	590
Disposals	(3)	–	(28)	–	–	(159)	(190)
Balance at 31 March 2015	**139**	**99**	**21**	**–**	**–**	**1,300**	**1,559**
Amortisation for the year	71	14	3	–	–	696	784
Disposals	(9)	–	–	–	–	(361)	(370)
Balance at 31 March 2016	**201**	**113**	**24**	**–**	**–**	**1,635**	**1,973**
Net book value							
At 31 March 2014	268	62	43	618	1,767	1,482	4,240
At 31 March 2015	319	48	40	619	1,582	2,344	4,952
At 31 March 2016	**378**	**34**	**37**	**619**	**1,539**	**2,890**	**5,497**

Following a review of all product development in progress, £28 million of costs were identified as written down and these have been recognised as an expense within ‘Other expenses’ in the year ended 31 March 2016 (2015, 2014: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTING

The directors are of the view that the operations of the Group represent a single cash-generating unit. The intellectual property rights are deemed to have an indefinite useful life on the basis of the expected longevity of the brand names.

For the periods presented, the recoverable amount of the cash-generating unit has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

As at 31 March	**2016**	2015	2014
Period on which management approved forecasts are based	5 years	5 years	5 years
Growth rate applied beyond approved forecast period	2.1%	2.2%	0%
Pre-tax discount rate	11.2%	11.2%	10.9%

The growth rates used in the value in use calculation reflect those inherent within the Board's latest business plan which is primarily a function of the Group's cycle plan assumptions, past performance and management's expectation of future market developments, through to 2021/22. The cash flows are then extrapolated into perpetuity assuming a growth rate of 2.1 per cent (2015: 2.2 per cent, 2014: nil per cent).

No reasonably possible change in any of the key assumptions would cause the recoverable amount to be less than the carrying value of the assets of the cash-generating unit.

18 OTHER ASSETS

As at 31 March	**2016 £m**	2015 £m	2014 £m
Current			
Recoverable VAT	218	221	237
Prepaid expenses	111	106	70
Other	82	69	48
Total current other assets	**411**	**396**	**355**
Non-current			
Prepaid expenses	42	23	31
Other	3	3	2
Total non-current other assets	**45**	**26**	**33**

19 DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax asset and liability for the year ended 31 March 2016 are as follows:

	Opening balance £m	Recognised in profit or loss £m	Recognised in other comprehensive income £m	Foreign exchange £m	Closing balance £m
Deferred tax assets					
Property, plant & equipment	8	13	–	–	21
Provisions, allowances for doubtful receivables	227	(3)	–	–	224
Derivative financial instruments	261	(3)	(18)	–	240
Retirement benefits	187	36	(113)	–	110
Unrealised profit in inventory	146	(19)	–	–	127
Tax loss	220	(45)	–	–	175
Other	35	15	–	–	50
Total deferred tax asset	**1,084**	**(6)**	**(131)**	**–**	**947**
Deferred tax liabilities					
Property, plant & equipment	–	–	–	–	–
Intangible assets	852	94	–	–	946
Derivative financial instruments	–	–	–	–	–
Overseas unremitted earnings	59	(28)*	–	–	31
Total deferred tax liability	**911**	**66**	**–**	**–**	**977**
Presented as deferred tax asset**	372				354
Presented as deferred tax liability**	(199)				(384)

* Included within £28 million is a reversal of £39 million relating to withholding tax incurred on intercompany dividends paid in the year.

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

At 31 March 2016 the Group had unused tax losses and other temporary differences amounting to £76 million (2015: £nil, 2014: £nil) for which no deferred tax asset has been recognised based upon the forecast profitability of the companies in which the deferred tax assets arise. As at 31 March 2016 £6 million (2015: £nil, 2014: £nil) of those tax losses expire after eight years and the remaining balance is not expected to expire.

At 31 March 2016 the Group had temporary differences relating to undistributed profits of equity accounted investees amounting to £37 million (2015: £nil, 2014: £nil) for which no deferred tax liability has been recognised as it is not expected to reverse in the foreseeable future.

All deferred tax assets and deferred tax liabilities at 31 March 2016, 31 March 2015 and 31 March 2014 are presented as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Significant components of deferred tax asset and liability for the year ended 31 March 2015 are as follows:

	Opening balance £m	Recognised in profit or loss £m	Recognised in other comprehensive income £m	Foreign exchange £m	Closing balance £m
Deferred tax assets					
Property, plant & equipment	74	(66)	–	–	8
Provisions, allowances for doubtful receivables	190	25	–	12	227
Derivative financial instruments	–	31	230	–	261
Retirement benefits	135	(19)	71	–	187
Unrealised profit in inventory	138	8	–	–	146
Tax loss	375	(155)	–	–	220
Other	15	20	–	–	35
Total deferred tax asset	**927**	**(156)**	**301**	**12**	**1,084**
Deferred tax liabilities					
Property, plant & equipment	2	(2)	–	–	–
Intangible assets	713	139	–	–	852
Derivative financial instruments	133	–	(133)	–	–
Overseas unremitted earnings	141	(82)*	–	–	59
Total deferred tax liability	**989**	**55**	**(133)**	**–**	**911**
Presented as deferred tax asset**	284				372
Presented as deferred tax liability**	(346)				(199)

* Included within £82 million is a reversal of £59 million relating to withholding tax incurred on intercompany dividends paid in the year, and £62 million relating to withholding tax released as a result of changes in tax rates and laws expected to apply to future repatriation of intercompany dividends.

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

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Significant components of deferred tax asset and liability for the year ended 31 March 2014 are as follows:

	Opening balance £m	Recognised in profit or loss £m	Recognised in other comprehensive income £m	Foreign exchange £m	Closing balance £m
Deferred tax assets					
Property, plant & equipment	145	(71)	–	–	74
Provisions, allowances for doubtful receivables	182	29	–	(21)	190
Derivative financial instruments	61	–	(61)	–	–
Retirement benefits	164	(25)	(4)	–	135
Unrealised profit in inventory	76	62	–	–	138
Tax loss	556	(181)	–	–	375
Other	2	13	–	–	15
Total deferred tax asset	**1,186**	**(173)**	**(65)**	**(21)**	**927**
Deferred tax liabilities					
Property, plant & equipment	2	–	–	–	2
Intangible assets	676	37	–	–	713
Derivative financial instruments	–	–	133	–	133
Overseas unremitted earnings	86	55*	–	–	141
Total deferred tax liability	**764**	**92**	**133**	**–**	**989**
Presented as deferred tax asset**	508				284
Presented as deferred tax liability**	(86)				(346)

* Included within £55 million is a reversal of £5 million relating to withholding tax incurred on intercompany dividends paid in the year.

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

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

As at 31 March	**2016 £m**	2015 £m	2014 £m
Cash and cash equivalents	3,399	3,208	2,260

Included within the cash and cash equivalents balance of £3,399 million (2015: £3,208 million, 2014: £2,260 million) are amounts of £12 million (2015: £nil, 2014: £nil) which are not considered to be available for use by the Group at the balance sheet date. £7 million (2015: £nil, 2014: £nil) relates to amounts held by solicitors to settle a capital commitment and £5 million (2015: £nil, 2014: £nil) relates to amounts that are required by local legislation to be held for use on specific marketing activities.

21 ALLOWANCES FOR TRADE AND OTHER RECEIVABLES

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

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
At beginning of year	11	8	10
Change in allowance during the year	49	3	(1)
Written off	–	–	(1)
At end of year	**60**	**11**	**8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 INVENTORIES

As at 31 March	2016 £m	2015 £m	2014 £m
Raw materials and consumables	92	80	75
Work-in-progress	379	298	211
Finished goods	2,214	2,038	1,888
Total inventories	**2,685**	**2,416**	**2,174**

Inventories of finished goods include £250 million (2015: £187 million, 2014: £174 million), relating to vehicles sold to rental car companies, fleet customers and others with guaranteed repurchase arrangements.

Cost of inventories (including cost of purchased products) recognised as an expense during the year amounted to £15,437 million (2015: £15,041 million, 2014: £13,421 million).

During the year, the Group recorded an inventory write-down expense of £230 million (2015: £40 million, 2014: £24 million). The write-down is included in material and other cost of sales. No previous write-downs have been reversed in any period.

23 ACCOUNTS PAYABLE

As at 31 March	2016 £m	2015 £m	2014 £m
Trade payables	3,899	3,483	3,154
Liabilities to employees	153	185	148
Liabilities for expenses	1,357	1,298	1,244
Capital creditors	349	484	241
Total accounts payable	**5,758**	**5,450**	**4,787**

24 INTEREST BEARING LOANS AND BORROWINGS

As at 31 March	2016 £m	2015 £m	2014 £m
Short-term borrowings			
Bank loans	116	156	167
Short-term borrowings	**116**	**156**	**167**
Long-term borrowings			
EURO MTF listed debt	2,373	2,381	1,843
Long-term borrowings	**2,373**	**2,381**	**1,843**
Finance lease obligations (see note 35)	11	13	18
Total debt	**2,500**	**2,550**	**2,028**

EURO MTF LISTED DEBT

The bonds are listed on the EURO MTF market, which is a listed market regulated by the Luxembourg Stock Exchange.

Details of the tranches of the bonds outstanding at 31 March 2016 are as follows:

- $84 million Senior Notes due 2021 at a coupon of 8.125 per cent per annum – issued May 2011;
- $500 million Senior Notes due 2023 at a coupon of 5.625 per cent per annum – issued January 2013;
- $700 million Senior Notes due 2018 at a coupon of 4.125 per cent per annum – issued December 2013;
- £400 million Senior Notes due 2022 at a coupon of 5.000 per cent per annum – issued January 2014;
- $500 million Senior Notes due 2019 at a coupon of 4.250 per cent per annum – issued October 2014;
- £400 million Senior Notes due 2023 at a coupon of 3.875 per cent per annum – issued February 2015;
- $500 million Senior Notes due 2020 at a coupon of 3.500 per cent per annum – issued March 2015.

In May 2016, the Group repaid early the remaining $84 million Senior Notes due 2021 for a redemption premium of £2 million.

24 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Details of the tranches of the bonds repaid in the year ended 31 March 2016 are as follows:

- £58 million Senior Notes due 2020 at a coupon of 8.250 per cent per annum – issued March 2012.

Details of the tranches of the bonds repaid in the year ended 31 March 2015 are as follows:

- $326 million Senior Notes due 2021 at a coupon of 8.125 per cent per annum – issued May 2011;
- £442 million Senior Notes due 2020 at a coupon of 8.250 per cent per annum – issued March 2012.

Details of the tranches of the bonds repaid in the year ended 31 March 2014 are as follows:

- £500 million Senior Notes due 2018 at a coupon of 8.125 per cent per annum – issued May 2011;
- $410 million Senior Notes due 2018 at a coupon of 7.75 per cent per annum – issued May 2011.

The contractual cash flows of interest bearing debt and borrowings (excluding finance leases) as of March 2016 are set out below, including estimated interest payments and assumes the debt will be repaid at the maturity date.

As at 31 March	**2016 £m**	2015 £m	2014 £m
Due in			
1 year or less	233	279	296
2nd and 3rd years	717	240	254
4th and 5th years	857	1,403	666
More than 5 years	1,292	1,336	1,666
Total contractual cash flows	**3,099**	**3,258**	**2,882**

UNDRAWN FACILITIES

As at 31 March 2016, the Group has a fully undrawn revolving credit facility of £1,870 million. This facility is available in full until 2020. As at 31 March 2015 and 2014 the Group had a fully undrawn revolving credit facility of £1,485 million and £1,290 million respectively in a facility split into three and five year tranches available until 2016 and 2018.

25 OTHER FINANCIAL LIABILITIES

As at 31 March	**2016 £m**	2015 £m	2014 £m
Current			
Finance lease obligations	5	4	5
Interest accrued	25	25	24
Derivative financial instruments	666	697	65
Liability for vehicles sold under a repurchase arrangement	266	197	183
Total current other financial liabilities	**962**	**923**	**277**
Non-current			
Finance lease obligations	6	9	13
Derivative financial instruments	809	832	55
Other payables	2	1	1
Total non-current other financial liabilities	**817**	**842**	**69**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26 PROVISIONS

As at 31 March	2016 £m	2015 £m	2014 £m
Current			
Product warranty	441	426	343
Legal and product liability	99	50	49
Provisions for residual risk	6	4	2
Provision for environmental liability	8	5	–
Other employee benefits obligations	1	–	1
Total current provisions	**555**	**485**	**395**
Non-current			
Product warranty	688	585	538
Provision for residual risk	13	16	13
Provision for environmental liability	23	26	21
Other employee benefits obligations	9	12	10
Total non-current provisions	**733**	**639**	**582**

Year ended 31 March 2016	Product warranty	Legal and product liability	Residual risk	Environmental liability	Total
Opening balance	1,011	50	20	31	**1,112**
Provisions made during the year	578	67	4	1	**650**
Provisions used during the year	(480)	(17)	(6)	(1)	**(504)**
Impact of discounting	21	–	–	–	**21**
Foreign currency translation	(1)	(1)	1	–	**(1)**
Closing balance	**1,129**	**99**	**19**	**31**	**1,278**

PRODUCT WARRANTY PROVISION

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

LEGAL AND PRODUCT LIABILITY PROVISION

A legal and product liability provision is maintained in respect of compliance with regulations and known litigations which impact the Group. The provision primarily relates to motor accident claims, consumer complaints, dealer terminations, employment cases, personal injury claims and compliance with regulations.

RESIDUAL RISK PROVISION

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

ENVIRONMENTAL RISK PROVISION

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

27 OTHER LIABILITIES

As at 31 March	2016 £m	2015 £m	2014 £m
Current			
Liabilities for advances received	139	183	253
Deferred revenue	93	54	19
VAT	131	88	85
Others	64	49	38
Total current other liabilities	**427**	**374**	**395**
Non-current			
Deferred revenue	170	96	63
Others	34	22	14
Total non-current other liabilities	**204**	**118**	**77**

28 CAPITAL AND RESERVES

As at 31 March	2016 £m	2015 £m	2014 £m
Authorised, called up and fully paid			
1,500,642,163 ordinary shares of £1 each	1,501	1,501	1,501
Total capital	**1,501**	**1,501**	**1,501**

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.

The capital redemption reserve of £167 million (2015, 2014: £167 million) was created in March 2011 on the cancellation of share capital.

29 OTHER RESERVES

The movement of other reserves is as follows:

	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total other reserves £m
Balance at 1 April 2015	(362)	(910)	5,644	4,372
Profit for the year	–	–	1,312	1,312
Remeasurement of defined benefit obligation	–	–	489	489
Loss on effective cash flow hedges	–	(169)	–	(169)
Currency translation differences	(1)	–	–	(1)
Income tax related to items recognised in other comprehensive income	–	27	(113)	(86)
Cash flow hedges reclassified to foreign exchange in profit or loss	–	224	–	224
Income tax related to items reclassified to profit or loss	–	(45)	–	(45)
Dividend paid	–	–	(150)	(150)
Balance at 31 March 2016	**(363)**	**(873)**	**7,182**	**5,946**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29 OTHER RESERVES (CONTINUED)

	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total other reserves £m
Balance at 1 April 2014	(383)	539	4,040	4,196
Profit for the year	–	–	2,038	2,038
Remeasurement of defined benefit obligation	–	–	(355)	(355)
Loss on effective cash flow hedges	–	(1,768)	–	(1,768)
Currency translation differences	21	–	–	21
Income tax related to items recognised in other comprehensive income	–	354	71	425
Cash flow hedges reclassified to foreign exchange in profit or loss	–	(44)	–	(44)
Income tax related to items reclassified to profit or loss	–	9	–	9
Dividend paid	–	–	(150)	(150)
Balance at 31 March 2015	**(362)**	**(910)**	**5,644**	**4,372**
Balance at 1 April 2013	(383)	(196)	2,450	1,871
Profit for the year	–	–	1,879	1,879
Remeasurement of defined benefit obligation	–	–	(135)	(135)
Gain on effective cash flow hedges	–	1,041	–	1,041
Income tax related to items recognised in other comprehensive income	–	(220)	(4)	(224)
Cash flow hedges reclassified to foreign exchange in profit or loss	–	(112)	–	(112)
Income tax related to items reclassified to profit or loss	–	26	–	26
Dividend paid	–	–	(150)	(150)
Balance at 31 March 2014	**(383)**	**539**	**4,040**	**4,196**

30 DIVIDENDS

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Dividend proposed for the previous year paid during the year of £0.10 (2015: £0.10, 2014: £0.10) per ordinary share	150	150	150
Amounts recognised as distributions to equity holders during the year	**150**	**150**	**150**
Proposed dividend for the year of £0.10 (2015: £0.10, 2014: £0.10) per ordinary share	150	150	150

In May 2016, the Company proposed an ordinary dividend of £150 million to its immediate parent TML Holdings Pte. Ltd. (Singapore). This amount was paid in full in June 2016.

31 EMPLOYEE BENEFITS

The Group operates defined benefit schemes for qualifying employees of certain of its subsidiaries. The UK defined benefit schemes are administered by a trustee that is legally separated from the Company. The trustee of the pension schemes is required by law to act in the interest of the fund and of all relevant stakeholders in the schemes, 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 Group is exposed to a number of risks, the most significant of which are detailed below:

ASSET VOLATILITY

The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets under perform 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.

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

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

CHANGES IN BOND YIELDS

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

INFLATION RISK

Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the scheme against extreme inflation). The schemes hold a significant proportion of assets in index linked gilts, together with other inflation hedging instruments and also assets which are more loosely correlated with inflation. However, an increase in inflation will also increase the deficit to some degree.

LIFE EXPECTANCY

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

The following tables set out the disclosures pertaining to the retirement benefit amounts recognised in the financial statements:

CHANGE IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Defined benefit obligation at beginning of year	7,883	6,053	6,021
Current service cost	224	168	176
Interest expense	263	274	262
Actuarial (gains)/losses arising from:			
Changes in demographic assumptions	(36)	(20)	(39)
Changes in financial assumptions	(569)	1,454	(243)
Experience adjustments	63	101	8
Past service cost	–	1	6
Exchange differences on foreign schemes	3	–	(2)
Member contributions	2	2	1
Benefits paid	(165)	(149)	(137)
Other adjustments	–	(1)	–
Defined benefit obligation at end of year	**7,668**	**7,883**	**6,053**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 EMPLOYEE BENEFITS (CONTINUED)

CHANGE IN FAIR VALUE OF SCHEME ASSETS

Year ended 31 March	2016 £m	2015 £m	2014 £m
Fair value of plan assets at beginning of year	6,997	5,382	5,365
Interest income	233	246	237
Remeasurement (loss)/gain on the return of plan assets, excluding amounts included in interest income	(52)	1,178	(407)
Administrative expenses	(8)	(8)	(8)
Exchange differences on foreign schemes	1	1	(2)
Employer contributions	95	346	333
Member contributions	2	2	1
Benefits paid	(165)	(149)	(137)
Other adjustments	–	(1)	–
Fair value of scheme assets at end of year	**7,103**	**6,997**	**5,382**

The actual return on scheme assets for the year was £181 million (2015: return of £1,424 million, 2014: loss of £170 million).

Amounts recognised in the consolidated income statement consist of:

Year ended 31 March	2016 £m	2015 £m	2014 £m
Current service cost	224	168	176
Past service cost	–	1	6
Administrative expenses	8	8	8
Net interest cost (including onerous obligations)	30	28	25
Components of defined benefit cost recognised in the consolidated income statement	**262**	**205**	**215**

Amounts recognised in the consolidated statement of comprehensive income consists of:

Year ended 31 March	2016 £m	2015 £m	2014 £m
Actuarial gains/(losses) arising from:			
Changes in demographic assumptions	36	20	39
Changes in financial assumptions	569	(1,454)	243
Experience adjustments	(63)	(101)	(8)
Remeasurement (loss)/gain on the return of scheme assets, excluding amounts included in interest income	(52)	1,178	(407)
Change in restriction of pension asset recognised (as per IFRIC 14)	1	2	(2)
Change in onerous obligation, excluding amounts included in interest expense	(2)	–	–
Remeasurement gain/(loss) on defined benefit obligation	**489**	**(355)**	**(135)**

Amounts recognised in the consolidated balance sheet consist of:

As at 31 March	2016 £m	2015 £m	2014 £m
Present value of unfunded defined benefit obligations	(1)	(1)	(1)
Present value of funded defined benefit obligations	(7,667)	(7,882)	(6,052)
Fair value of scheme assets	7,103	6,997	5,382
Restriction of pension asset recognised (as per IFRIC 14) and onerous obligations	(2)	(1)	(3)
Net retirement benefit obligation	**(567)**	**(887)**	**(674)**
Presented as non-current liability	(567)	(887)	(674)

31 EMPLOYEE BENEFITS (CONTINUED)

The most recent actuarial valuations of scheme assets and the present value of the defined benefit liability for accounting purposes were carried out at 31 March 2016 by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

Year ended 31 March	**2016 %**	2015 %	2014 %
Discount rate	3.6	3.4	4.6
Expected rate of increase in compensation level of covered employees	3.5	3.6	3.9
Inflation increase	3.0	3.1	3.4

For the valuation at 31 March 2016, the mortality assumptions used are the SAPS base table, in particular S2NxA tables and the Light table for members of the Jaguar Executive Pension Plan. A scaling factor of 120 per cent for males and 110 per cent for females has been used for the Jaguar Pension Plan, 115 per cent for males and 105 per cent for females for the Land Rover Pension Scheme, and 95 per cent for males and 85 per cent for females for Jaguar Executive Pension Plan.

For the valuation at 31 March 2015 and 2014, the mortality assumptions used are the SAPS base table, in particular S1NxA tables and the Light table for members of the Jaguar Executive Pension Plan. A scaling factor of 115 per cent has been used for the Jaguar Pension Plan, 110 per cent for the Land Rover Pension Scheme, and 105 per cent for males and 90 per cent for females for Jaguar Executive Pension Plan.

There is an allowance for future improvements in line with the CMI (2014) projections (2015: CMI (2014) projections, 2014: CMI (2013) projections) and an allowance for long-term improvements of 1.25 per cent per annum.

The assumed life expectations on retirement at age 65 are:

As at 31 March	**2016 years**	2015 years	2014 years
Retiring today:			
Males	21.5	21.4	20.0
Females	24.4	23.9	24.5
Retiring in 20 years:			
Males	23.2	23.1	23.8
Females	26.2	25.8	26.4

The sensitivity analyses below are 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 statement of financial position.

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

Assumption	Change in assumption	Impact on scheme liabilities	Impact on service cost
Discount rate	Increase/decrease by 0.25%	Decrease/increase by £419 million	Decrease/increase by £13 million
Inflation rate	Increase/decrease by 0.25%	Increase/decrease by £373 million	Increase/decrease by £13 million
Mortality	Increase/decrease by 1 year	Increase/decrease by £207 million	Increase/decrease by £5 million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 EMPLOYEE BENEFITS (CONTINUED)

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

	2016				2015				2014			
As at 31 March	Quoted* £m	Unquoted £m	Total £m	%	Quoted* £m	Unquoted £m	Total £m	%	Quoted* £m	Unquoted £m	Total £m	%
Equity instruments												
Information technology	125	–	125	2%	118	–	118	1%	73	–	73	1%
Energy	53	–	53	1%	70	–	70	1%	61	–	61	1%
Manufacturing	98	–	98	1%	96	–	96	1%	67	–	67	1%
Financials	178	–	178	3%	184	–	184	3%	128	–	128	3%
Other	437	–	437	6%	417	–	417	6%	281	–	281	5%
	891	**–**	**891**	**13%**	**885**	**–**	**885**	**12%**	**610**	**–**	**610**	**11%**
Debt instruments												
Government	2,590	–	2,590	36%	2,699	12	2,711	39%	2,119	–	2,119	40%
Corporate Bonds (investment grade)	158	1,461	1,619	23%	38	1,198	1,236	18%	1,167	–	1,167	22%
Corporate bonds (Non-investment grade)	165	280	445	6%	54	476	530	7%	–	280	280	5%
	2,913	**1,741**	**4,654**	**65%**	**2,791**	**1,686**	**4,477**	**64%**	**3,286**	**280**	**3,566**	**67%**
Property funds												
UK	67	115	182	3%	131	113	244	3%	–	173	173	3%
Other	76	48	124	2%	52	17	69	1%	–	63	63	1%
	143	**163**	**306**	**5%**	**183**	**130**	**313**	**4%**	**–**	**236**	**236**	**4%**
Cash and cash equivalents	**170**	**–**	**170**	**2%**	**130**	**–**	**130**	**2%**	**360**	**–**	**360**	**7%**
Other												
Hedge Funds	–	373	373	5%	–	392	392	6%	–	308	308	6%
Private Markets	–	80	80	1%	–	56	56	1%	–	78	78	1%
Alternatives	347	88	435	6%	170	146	316	5%	–	220	220	4%
	347	**541**	**888**	**12%**	**170**	**594**	**764**	**12%**	**–**	**606**	**606**	**11%**
Derivatives												
Foreign exchange contracts	–	(9)	(9)	–	–	(13)	(13)	–	–	4	4	–
Interest Rate and Inflation	–	203	203	3%	–	441	441	6%	–	–	–	–
	–	**194**	**194**	**3%**	**–**	**428**	**428**	**6%**	**–**	**4**	**4**	**–**
Total	**4,464**	**2,639**	**7,103**	**100%**	**4,159**	**2,838**	**6,997**	**100%**	**4,256**	**1,126**	**5,382**	**100%**

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

As at 31 March 2016 the schemes held Gilt Repos, the net value of these transactions is included in the value of Interest Rate and Inflation derivatives. The value of the funding obligation for the Repo transactions is £373 million at 31 March 2016. The schemes did not have any Gilt Repos at 31 March 2015 or 31 March 2014.

The split of level 1 assets is 63 per cent (2015: 59 per cent, 2014: 79 per cent), level 2 assets 31 per cent (2015: 37 per cent, 2014: 20 per cent) and level 3 assets 6 per cent (2015: 4 per cent, 2014: 1 per cent).

JLR has agreed updated contributions towards the UK defined benefit schemes following the 5 April 2015 valuation. It is intended to eliminate the pension scheme funding deficits over the 10 years following the valuation date. The current agreed contribution rate for defined benefit accrual is 31% of pensionable salaries in the UK. Deficit contribution levels remain in line with prior expectation for 2016-18 and then increase to £58 million per annum to March 2025.

The average duration of the benefit obligation at 31 March 2016 is 20.5 years (2015: 23.5 years, 2014: 22.5 years).

The expected net periodic pension cost for the year ended 31 March 2017 is £224 million. In addition to advanced contributions of £69 million paid in March 2016 the group expects to pay £219 million to its defined benefit schemes in the year ended 31 March 2017.

DEFINED CONTRIBUTION FUND

The Group's contribution to defined contribution plans for the year ended 31 March 2016 was £47 million (2015: £33 million, 2014: £23 million).

32 COMMITMENTS AND CONTINGENCIES

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

The following is a description of claims and 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 Group's financial condition, results of operations or cash flows.

LITIGATION AND PRODUCT RELATED MATTERS

The Group is involved in legal proceedings, both as plaintiff and as defendant. There are claims and potential claims as at 31 March 2016 of £6 million (2015: £11 million, 2014: £27 million) against the Group which management has not recognised as they are not considered probable. These claims and potential claims pertain to motor accident claims, consumer complaints, employment and dealership arrangements, replacement of parts of vehicles and/or compensation for deficiency in the services by the Group or its dealers.

As disclosed in note 41 (Subsequent events), the Group has provided for the estimated costs of repair following the passenger safety airbag issue in the United States. The Group recognises that there is a potential risk of further recalls in other countries in the future, however, the Group are unable at this point in time to reliably estimate the amount and timings of any potential future costs associated with this warranty issue.

OTHER TAXES AND DUES

During the year ended 31 March 2015 the Group's Brazilian subsidiary has received a demand for 167 million Brazilian Real (£32 million at 31 March 2016 exchange rates) in relation to additional indirect taxes (PIS and COFINS) claimed as being due on local vehicle and parts sales made in 2010. The matter is currently being contested before the Brazilian appellate authorities. Professional legal opinions obtained in Brazil fully support that the basis of the tax authority's assertion is incorrect and, as a result, the likelihood of any settlement ultimately having to be made is considered remote. Accordingly no provision has been recognised in the financial statements and the matter is disclosed here purely for the purposes of completeness.

The Group had no other significant tax matters in dispute as at 31 March 2016, 2015 or 2014 where a potential loss was considered possible.

COMMITMENTS

The Group has entered into various contracts with vendors and contractors for the acquisition of plant and machinery, equipment and various civil contracts of capital nature aggregating to £797 million (2015: £814 million, 2014: £940 million) and £12 million (2015: £nil, 2014: £nil) relating to the acquisition of intangible assets.

The Group has entered into various contracts with vendors and contractors which include obligations aggregating to £1,836 million (2015: £642 million, 2014: £717 million) to purchase minimum or fixed quantities of material and other procurement commitments.

Commitments and contingencies also includes other contingent liabilities of £28 million (2015: £2 million, 2014: £nil).

Inventory of £nil (2015: £nil, 2014: £nil) and trade receivables with a carrying amount of £116 million (2015: £156 million, 2014: £167 million) and property, plant and equipment with a carrying amount of £nil (2015: £nil, 2014: £nil) and restricted cash with a carrying amount of £nil (2015: £nil, 2014: £nil) are pledged as collateral/security against the borrowings and commitments.

There are guarantees provided in the ordinary course of business of £nil (2015: £nil, 2014: £nil).

Commitments related to leases are set out in note 35.

Stipulated within the joint venture agreement for Chery Jaguar Land Rover Automotive Co. Ltd. is a commitment for the Group to contribute a total of CNY 3,500 million of capital, of which CNY 2,875 million has been contributed as at 31 March 2016. The outstanding commitment of CNY 625 million translates to £67 million at 31 March 2016 exchange rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to ensure the going concern operation of its entities and to maintain an efficient capital structure to reduce the cost of capital, support the corporate strategy and to meet shareholder expectations.

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

The capital structure is governed according to Group policies approved by the Board and is monitored by various metrics such as interest cover, as per the debt covenants.

Funding requirements are reviewed periodically with any debt issuances and capital distributions approved by the Board.

The following table summarises the capital of the Group:

As at 31 March	**2016 £m**	2015 £m	2014 £m
Short-term debt	121	160	172
Long-term debt	2,379	2,390	1,856
Total debt*	**2,500**	**2,550**	**2,028**
Equity	7,614	6,040	5,864
Total capital	**10,114**	**8,590**	**7,892**

* Total debt includes finance lease obligations of £11 million (2015: £13 million, 2014: £18 million).

34 FINANCIAL INSTRUMENTS

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

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

(A) FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as at 31 March 2016:

FINANCIAL ASSETS

	Loans and receivables £m	Derivatives in cash flow hedging relationship £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Cash and cash equivalents	3,399	–	–	3,399	3,399
Short-term deposits	1,252	–	–	1,252	1,252
Trade receivables	1,078	–	–	1,078	1,078
Other financial assets – current	64	54	19	137	137
Other financial assets – non-current	31	143	11	185	185
Total financial assets	**5,824**	**197**	**30**	**6,051**	**6,051**

FINANCIAL LIABILITIES

	Other financial liabilities £m	Derivatives in cash flow hedging relationship £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Accounts payable	5,758	–	–	5,758	5,758
Short-term borrowings	116	–	–	116	116
Long-term borrowings	2,373	–	–	2,373	2,398
Other financial liabilities – current	296	563	103	962	962
Other financial liabilities – non-current	8	752	57	817	817
Total financial liabilities	**8,551**	**1,315**	**160**	**10,026**	**10,051**

34 FINANCIAL INSTRUMENTS (CONTINUED)

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as at 31 March 2015:

FINANCIAL ASSETS

	Loans and receivables £m	Derivatives in cash flow hedging relationship £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Cash and cash equivalents	3,208	–	–	3,208	3,208
Short-term deposits	1,055	–	–	1,055	1,055
Trade receivables	1,112	–	–	1,112	1,112
Other financial assets – current	38	175	1	214	214
Other financial assets – non-current	27	20	2	49	49
Total financial assets	**5,440**	**195**	**3**	**5,638**	**5,638**

FINANCIAL LIABILITIES

	Other financial liabilities £m	Derivatives in cash flow hedging relationship £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Accounts payable	5,450	–	–	5,450	5,450
Short-term borrowings	156	–	–	156	156
Long-term borrowings	2,381	–	–	2,381	2,459
Other financial liabilities – current	226	669	28	923	923
Other financial liabilities – non-current	10	789	43	842	842
Total financial liabilities	**8,223**	**1,458**	**71**	**9,752**	**9,830**

The following table shows the carrying amounts and fair value of each category of financial assets and liabilities as at 31 March 2014:

FINANCIAL ASSETS

	Loans and receivables £m	Derivatives in cash flow hedging relationship £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Cash and cash equivalents	2,260	–	–	2,260	2,260
Short-term deposits	1,199	–	–	1,199	1,199
Trade receivables	831	–	–	831	831
Other financial assets – current	31	349	12	392	392
Other financial assets – non-current	37	415	21	473	473
Total financial assets	**4,358**	**764**	**33**	**5,155**	**5,155**

FINANCIAL LIABILITIES

	Other financial liabilities £m	Derivatives in cash flow hedging relationship £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Accounts payable	4,787	–	–	4,787	4,787
Short-term borrowings	167	–	–	167	167
Long-term borrowings	1,843	–	–	1,843	1,982
Other financial liabilities – current	212	54	11	277	277
Other financial liabilities – non-current	14	37	18	69	69
Total financial liabilities	**7,023**	**91**	**29**	**7,143**	**7,282**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34 FINANCIAL INSTRUMENTS (CONTINUED)

OFFSETTING

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

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

The following table discloses the amounts that have been offset in arriving at the balance sheet presentation and the amounts that are available for offset only under certain conditions as at 31 March 2016:

	Gross amount recognised £m	Gross amount of recognised set off in the balance sheet £m	Net amount presented in the balance sheet £m	Gross amount not offset in the balance sheet £m	Cash collateral (received)/ pledged £m	Net amount after offsetting £m
Financial assets						
Derivative financial assets	227	–	227	(227)	–	–
Cash and cash equivalents	3,507	(108)	3,399	–	–	3,399
	3,734	**(108)**	**3,626**	**(227)**	**–**	**3,399**
Financial liabilities						
Derivative financial liabilities	1,475	–	1,475	(227)	–	1,248
Short-term borrowings	224	(108)	116	–	–	116
	1,699	**(108)**	**1,591**	**(227)**	**–**	**1,364**

The following table discloses the amounts that have been offset in arriving at the balance sheet presentation and the amounts that are available for offset only under certain conditions as at 31 March 2015:

	Gross amount recognised £m	Gross amount of recognised set off in the balance sheet* £m	Net amount presented in the balance sheet £m	Gross amount not offset in the balance sheet £m	Cash collateral (received)/ pledged £m	Net amount after offsetting £m
Financial assets						
Derivative financial assets	198	–	198	(198)	–	–
Cash and cash equivalents	3,301	(93)	3,208	–	–	3,208
	3,499	**(93)**	**3,406**	**(198)**	**–**	**3,208**
Financial liabilities						
Derivative financial liabilities	1,529	–	1,529	(198)	–	1,331
Short-term borrowings	249	(93)	156	–	–	156
	1,778	**(93)**	**1,685**	**(198)**	**–**	**1,487**

* Comparatives have been represented. No impact upon net amount presented in the balance sheet.

The following table discloses the amounts that have been offset in arriving at the balance sheet presentation and the amounts that are available for offset only under certain conditions as at 31 March 2014:

	Gross amount recognised £m	Gross amount of recognised set off in the balance sheet* £m	Net amount presented in the balance sheet £m	Gross amount not offset in the balance sheet £m	Cash collateral (received)/ pledged £m	Net amount after offsetting £m
Financial assets						
Derivative financial assets	797	–	797	(120)	–	677
Cash and cash equivalents	2,282	(22)	2,260	–	–	2,260
	3,079	**(22)**	**3,057**	**(120)**	**–**	**2,937**
Financial liabilities						
Derivative financial liabilities	120	–	120	(120)	–	–
Short-term borrowings	189	(22)	167	–	–	167
	309	**(22)**	**287**	**(120)**	**–**	**167**

34 FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HIERARCHY

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

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

There has been no change in the valuation techniques adopted or any transfers between fair value levels.

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

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

The long-term unsecured listed bonds are held at amortised cost. Their fair value for disclosure purposes is determined using Level 1 valuation techniques, based on the closing price at 31 March 2016 on the EURO MTF market.

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

Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the Group could have realised in a sales transaction as of respective dates. The estimated fair value amounts as of 31 March 2016, 31 March 2015 and 31 March 2014 have been measured as of the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

(B) FINANCIAL RISK MANAGEMENT

As discussed in the Strategic report under the section Our Risks, the Group is exposed to foreign currency exchange rate, commodity price, interest rate, liquidity and credit risks. The Group has a risk management framework in place which monitors all of these risks.

(C) FOREIGN CURRENCY EXCHANGE RATE RISK

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34 FINANCIAL INSTRUMENTS (CONTINUED)

i) HEDGE ACCOUNTING EXPOSURES

The Group uses foreign currency contracts to hedge its risk associated with foreign currency fluctuations relating to highly probable forecast transactions. The fair value of such contracts designated in the hedge relationship as of 31 March 2016 was a net liability of £1,118 million (2015: net liability of £1,263 million, 2014: net asset of £673 million).

Cash flow hedges are expected to be recognised in profit or loss during the years ending 31 March 2017 to 2021. The Group also has a number of foreign currency options which are entered into as an economic hedge of the financial risks of the Group. The time value of options is excluded from the hedge relationship and thus the change in time value is recognised immediately in the consolidated income statement.

Changes in the fair value of foreign currency contracts, to the extent determined to be an effective hedge, are recognised in the statement of other comprehensive income and the ineffective portion of the fair value change is recognised in the income statement. Accordingly, the fair value change of net loss of £169 million (2015: loss of £1,768 million, 2014: gain of £1,041 million) was recognised in other comprehensive income. The loss due to hedge ineffectiveness where forecast transactions are no longer expected to occur was £2 million (2015: loss of £5 million, 2014: gain of £5 million) which has been recognised in 'Foreign exchange (loss)/gain' in the consolidated income statement. The gain on derivative contracts not eligible for hedging was £88 million (2015: loss of £161 million, 2014: gain of £57 million) which has been recognised in 'Foreign exchange (loss)/gain' in the consolidated income statement.

A 10 per cent depreciation/appreciation of the foreign currency underlying such contracts would have resulted in an approximate additional (loss)/gain of (£1,824) million/£1,690 million (2015: £1,251 million/(£1,382) million, 2014: £734 million/(£893) million) in equity and a gain/(loss) of £60 million/£54 million (2015: £165 million/(£91) million, 2014: £51 million/(£31) million) in the consolidated income statement.

In addition to using derivative contracts to economically hedge future purchases in US Dollars, the Group issues bonds denominated in US Dollars to give a degree of natural hedging of future sales revenues.

ii) BALANCE SHEET EXPOSURES

The Group is also exposed to fluctuations in exchange rates which impact the valuation of foreign currency denominated assets and liabilities of its national sales companies and also foreign currency denominated balances on all Group's balance sheet at each reporting period end.

The following table sets forth information relating to foreign currency exposure as of 31 March 2016:

As at 31 March 2016	US Dollar £m	Chinese Yuan £m	Euro £m	Others* £m	Total £m
Financial assets	664	666	621	384	2,335
Financial liabilities	(2,367)	(571)	(1,670)	(326)	(4,934)
Net exposure asset/(liability)	**(1,703)**	**95**	**(1,049)**	**58**	**(2,599)**

A 10 per cent appreciation/depreciation of the US Dollar, Chinese Yuan and Euro would result in an increase/decrease in the Group's net profit before tax and total equity by approximately £170 million, £10 million and £105 million respectively for the year ended 31 March 2016.

The following table sets forth information relating to foreign currency exposure as of 31 March 2015:

As at 31 March 2015	US Dollar £m	Chinese Yuan £m	Euro £m	Others* £m	Total £m
Financial assets	727	742	483	312	2,264
Financial liabilities	(2,139)	(756)	(1,098)	(182)	(4,175)
Net exposure asset/(liability)	**(1,412)**	**(14)**	**(615)**	**130**	**(1,911)**

A 10 per cent appreciation/depreciation of the US Dollar, Chinese Yuan and Euro would result in an increase/decrease in the Group's net profit before tax and total equity by approximately £141 million, £1 million and £62 million respectively for the year ended 31 March 2015.

The following table sets forth information relating to foreign currency exposure as of 31 March 2014:

As at 31 March 2014	US Dollar £m	Chinese Yuan £m	Euro £m	Others* £m	Total £m
Financial assets	463	840	296	335	1,934
Financial liabilities	(1,594)	(715)	(1,322)	(285)	(3,916)
Net exposure asset/(liability)	**(1,131)**	**125**	**(1,026)**	**50**	**(1,982)**

A 10 per cent appreciation/depreciation of the US Dollar, Chinese Yuan and Euro would result in an increase/decrease in the Group's net profit before tax and total equity by approximately £113 million, £13 million and £103 million respectively for the year ended 31 March 2014.

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

34 FINANCIAL INSTRUMENTS (CONTINUED)

(D) COMMODITY PRICE RISK

The Group is exposed to commodity price risk arising from the purchase of certain raw materials such as aluminium, copper, platinum and palladium. This risk is mitigated through the use of derivative contracts and fixed price contracts with suppliers. The derivative contracts do not qualify for hedge accounting as the commodity exposure does not meet the hedge accounting requirements of IAS 39.

The total fair value loss on commodities of £113 million (2015: loss of £38 million, 2014: loss of £18 million) has been recognised in other income in the consolidated income statement. The losses reported do not reflect the purchasing benefits received by the Group which are included within material and other cost of sales.

A 10 per cent appreciation/depreciation of all commodity prices underlying such contracts would have resulted in a gain/(loss) of £52 million (2015: £52 million, 2014: £36 million).

(E) INTEREST RATE RISK

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

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

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

As of 31 March 2016 net financial liabilities of £116 million (2015: £156 million, 2014: £167 million) were subject to the variable interest rate. An increase/decrease of 100 basis points in interest rates at the balance sheet date would result in an impact of £1 million (2015: £2 million, 2014: £2 million) in the consolidated income statement and £nil (2015, 2014: £nil) in equity.

(F) LIQUIDITY RISK

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

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

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

As at 31 March 2016	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Financial liabilities						
Long-term borrowings	2,373	2,935	107	107	1,429	1,292
Short-term borrowings	116	116	116	–	–	–
Finance lease obligations	11	14	5	2	3	4
Other financial liabilities	293	316	276	12	28	–
Accounts payable	5,758	5,758	5,758	–	–	–
Derivative financial instruments	1,475	1,882	725	698	459	–
Total contractual maturities	**10,026**	**11,021**	**6,987**	**819**	**1,919**	**1,296**

As at 31 March 2015	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Financial liabilities						
Long-term borrowings	2,381	3,066	111	110	1,510	1,335
Short-term borrowings	156	156	156	–	–	–
Finance lease obligations	13	15	6	5	4	–
Other financial liabilities	223	235	210	12	13	–
Accounts payable	5,450	5,450	5,450	–	–	–
Derivative financial instruments	1,529	1,903	753	616	534	–
Total contractual maturities	**9,752**	**10,825**	**6,686**	**743**	**2,061**	**1,335**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34 FINANCIAL INSTRUMENTS (CONTINUED)

(F) LIQUIDITY RISK (CONTINUED)

As at 31 March 2014	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Financial liabilities						
Long-term borrowings	1,843	2,667	117	116	768	1,666
Short-term borrowings	167	167	167	–	–	–
Finance lease obligations	18	20	6	6	8	–
Other financial liabilities	208	231	195	13	23	–
Accounts payable	4,787	4,787	4,787	–	–	–
Derivative financial instruments	120	130	71	48	11	–
Total contractual maturities	**7,143**	**8,002**	**5,343**	**183**	**810**	**1,666**

(G) CREDIT RISK

The majority of the Group's credit risk pertains to the risk of financial loss arising from counterparty default on cash investments.

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

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

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

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure.

FINANCIAL ASSETS

None of the Group's cash equivalents, including term deposits with banks, are past due or impaired. Regarding other financial assets that are neither past due nor impaired, there were no indications as at 31 March 2016 (2015, 2014: no indications) that defaults in payment obligations will occur.

Trade and other receivables past due and impaired are set out below:

As at 31 March	**2016 Gross £m**	**2016 Impairment £m**	2015 Gross £m	2015 Impairment £m	2014 Gross £m	2014 Impairment £m
Not yet due	967	–	1,070	–	795	2
Overdue < 3 months	145	31	56	–	52	–
Overdue >3<6 months	22	22	4	2	4	–
Overdue >6 months	12	7	12	9	10	6
Total	**1,146**	**60**	**1,142**	**11**	**861**	**8**

Included within trade receivables is £116 million (2015: £156 million, 2014: £167 million) of receivables which are part of a debt factoring arrangement. These assets do not qualify for derecognition due to the recourse arrangements in place. The related liability of £116 million (2015: £156 million, 2014: £167 million) is in short-term borrowings. Both the asset and associated liability are stated at fair value.

35 LEASES

LEASES AS LESSEE

Non-cancellable finance lease rentals are payable as follows:

As at 31 March	**2016 £m**	2015 £m	2014 £m
Less than one year	5	4	5
Between one and five years	5	9	13
More than five years	4	–	–
Total lease payments	**14**	**13**	**18**
Less future finance charges	(3)	–	–
Present value of lease obligations	**11**	**13**	**18**

The above leases relate to amounts payable under the minimum lease payments on plant and machinery. The Group leased certain of its manufacturing equipment under finance lease that mature between 2016 and 2030. The Group has options to purchase certain equipment for a nominal amount at the end of lease term.

Non-cancellable operating lease rentals are payable as follows:

As at 31 March	**2016 £m**	2015 £m	2014 £m
Less than one year	49	47	26
Between one and five years	72	60	39
More than five years	33	26	18
Total lease payments	**154**	**133**	**83**

The Group leases a number of properties, plant and machinery, IT hardware and software under operating leases.

LEASES AS LESSOR

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

As at 31 March	**2016 £m**	2015 £m	2014 £m
Less than one year	2	2	4
Between one and five years	1	–	–
More than five years	10	–	–
Total lease receipts	**13**	**2**	**4**

The above leases relate to amounts receivable in respect of land and buildings and fleet car sales. The average lease life is less than one year.

36 ACQUISITION OF SUBSIDIARY

On 16 April 2015, the Group acquired 100 per cent of the share capital of Silkplan Limited, obtaining control of Silkplan Limited. The amounts recognised in respect of the assets acquired are set out in the table below.

	£m
Recognised amounts of assets acquired	
Property, plant and equipment	11
Total identifiable assets	**11**
Total consideration	**11**
Satisfied by:	
Cash	11
Total consideration transferred and cash outflow arising on acquisition	**11**

No goodwill arose on the acquisition. The Company contributed £nil revenue and £nil to the Group's profit for the period between the date of acquisition and the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

37 SEGMENT REPORTING

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

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

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

	UK £m	US £m	China £m	Rest of Europe £m	Rest of World £m	Total £m
31 March 2016						
Revenue	4,529	4,344	4,930	4,109	4,296	22,208
Non-current assets	10,475	18	16	26	137	10,672
31 March 2015						
Revenue	3,564	3,112	7,595	3,200	4,395	21,866
Non-current assets	9,357	16	11	10	32	9,426
31 March 2014						
Revenue	2,989	2,683	6,687	2,978	4,049	19,386
Non-current assets	7,376	13	8	10	17	7,424

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

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(A) RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2016 £m	2015 £m	2014 £m
Profit for the year	**1,312**	**2,038**	**1,879**
Adjustments for:			
Depreciation and amortisation	1,418	1,051	875
Write-down of intangible assets	28	–	–
Loss on sales of assets	13	7	4
Foreign exchange loss/(gain) on loans	54	178	(87)
Income tax expense	245	576	622
Loss on embedded derivative	–	–	47
Finance expense (net)	90	135	138
Finance income	(38)	(48)	(38)
Foreign exchange (gain)/loss on derivatives	(86)	166	(57)
Foreign exchange (gain)/loss on short-term deposits	(11)	(51)	41
Unrealised loss on commodities*	59	30	6
Share of (profit)/loss of equity accounted investments	(64)	6	7
Exceptional item	157	–	–
Other non-cash adjustments	2	5	–
Cash flows from operating activities before changes in assets and liabilities	**3,179**	**4,093**	**3,437**
Trade receivables	34	(281)	96
Other financial assets*	(12)	(4)	12
Other current assets	30	26	121
Inventories	(451)	(242)	(379)
Other non-current assets	(18)	(15)	(24)
Accounts payable	443	418	534
Other current liabilities	52	(21)	(86)
Other financial liabilities*	71	13	(4)
Other non-current liabilities and retirement benefit obligation	255	(102)	(63)
Provisions	143	131	180
Cash generated from operations	**3,726**	**4,016**	**3,824**

* Comparatives have been revised for the amendment made in the current year to separately disclose 'Unrealised loss on commodities', which has resulted in a reclassification of amounts from 'Other financial assets' and 'Other financial liabilities'. There is no impact on 'Cash generated from operations' as previously reported for the year ended 31 March 2015 or 31 March 2014.

(B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

Purchases of property, plant and equipment and cash paid for intangible assets are presented net of £33 million (2015: £14 million, 2014: £7 million) of capital government grants received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

39 RELATED PARTY TRANSACTIONS

The Group's related parties principally consist of Tata Sons Limited, subsidiaries, associates and joint ventures of Tata Sons Limited which includes Tata Motors Limited (the ultimate parent Company), subsidiaries, associates and joint ventures of Tata Motors Limited. The Group routinely enters into transactions with these related parties in the ordinary course of business including transactions for the sale and purchase of products with its associates and joint ventures. Transactions and balances with the Group's own subsidiaries are eliminated on consolidation.

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

	With joint ventures of the Group £m	With Tata Sons Limited and its subsidiaries and joint ventures £m	With immediate or ultimate parent and its subsidiaries, joint ventures and associates £m
31 March 2016			
Sale of products	315	2	48
Purchase of goods	–	–	118
Purchase of property, plant and equipment	–	6	–
Services received	85	146	103
Services rendered	64	–	2
Trade and other receivables	71	1	28
Accounts payable	2	7	36
31 March 2015*			
Sale of products	149	–	65
Purchase of goods	–	–	51
Services received	46	141	105
Services rendered	23	–	3
Trade and other receivables	47	–	27
Accounts payable	–	27	38
31 March 2014*			
Sale of products	–	–	55
Services received	38	73	85
Services rendered	26	–	–
Trade and other receivables	15	–	15
Accounts payable	–	5	1

* The 2015 and 2014 comparative balances for transactions with joint ventures have been restated, in order to fully reflect the transactions between all of the Group's joint venture interests.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Short-term benefits	16	17	18
Post-employment benefits	1	2	1
Share-based payments	2	7	3
Compensation for loss of office	–	1	–
Total compensation of key management personnel	**19**	**27**	**22**

In addition to the compensation noted above, a loan of £0.7 million was granted to a member of key management personnel in the year ended 31 March 2014. This loan is for a term of eight years and is interest bearing at the HMRC official rate.

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

40 ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

The immediate parent undertaking is TML Holdings Pte. Ltd. (Singapore) and ultimate parent undertaking and controlling party is Tata Motors Limited, India which is the parent of the smallest and largest group to consolidate these financial statements.

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.

41 SUBSEQUENT EVENTS

In May 2016, the Company proposed an ordinary dividend of £150 million to its immediate parent TML Holdings Pte. Ltd. (Singapore). This amount was paid in full in June 2016.

In May 2016, the Group repaid early the remaining $84 million Senior Notes due 2021 for a redemption premium of £2 million (see note 24).

In May 2016, a passenger airbag safety recall was announced in the United States by the National Highway Traffic System Administration (NHTSA) in respect of airbags from a supplier (Takata). Certain front-passenger airbags from Takata are installed in vehicles sold by the Group. The Group has considered this to be an adjusting Post Balance Sheet event and has recognised an additional provision of £67 million for the estimated cost of repairs in the Consolidated Income Statement for the year ended 31 March 2016. The provision is expected to be utilised between one to four years.

PARENT COMPANY BALANCE SHEET

As at 31 March	Note	2016 £m	2015 £m	2014 £m
Non-current assets				
Investments	42	1,655	1,655	1,655
Other financial assets	43	2,392	2,404	1,868
Other non-current assets	44	6	5	6
Deferred tax assets	45	1	8	8
Total non-current assets		**4,054**	**4,072**	**3,537**
Current assets				
Cash and cash equivalents	46	–	–	1
Other financial assets	43	211	66	61
Other current assets	44	2	3	2
Total current assets		**213**	**69**	**64**
Total assets		**4,267**	**4,141**	**3,601**
Current liabilities				
Other financial liabilities	48	26	31	28
Deferred finance income		2	3	2
Current income tax liabilities		5	12	12
Total current liabilities		**33**	**46**	**42**
Non-current liabilities				
Long-term borrowings	47	2,373	2,381	1,843
Deferred finance income		25	28	31
Total non-current liabilities		**2,398**	**2,409**	**1,874**
Total liabilities		**2,431**	**2,455**	**1,916**
Equity attributable to equity holders of the parent				
Ordinary shares	49	1,501	1,501	1,501
Capital redemption reserve	49	167	167	167
Retained earnings		168	18	17
Equity attributable to equity holders of the parent		**1,836**	**1,686**	**1,685**
Total liabilities and equity		**4,267**	**4,141**	**3,601**

These parent Company financial statements were approved by the Board of Directors and authorised for issue on 18 July 2016. They were signed on its behalf by:

Dr. Ralf Speth
Chief Executive Officer
Company registered number: 06477691

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £m	Capital redemption reserve £m	Profit and loss reserve £m	Total equity £m
Balance at 1 April 2015	**1,501**	**167**	**18**	**1,686**
Profit for the year	–	–	300	300
Total comprehensive income	**–**	**–**	**300**	**300**
Dividend paid	–	–	(150)	(150)
Balance at 31 March 2016	**1,501**	**167**	**168**	**1,836**
Balance at 1 April 2014	**1,501**	**167**	**17**	**1,685**
Profit for the year	–	–	151	151
Total comprehensive income	**–**	**–**	**151**	**151**
Dividend paid	–	–	(150)	(150)
Balance at 31 March 2015	**1,501**	**167**	**18**	**1,686**
Balance at 1 April 2013	**1,501**	**167**	**48**	**1,716**
Profit for the year	–	–	119	119
Total comprehensive income	**–**	**–**	**119**	**119**
Dividend paid	–	–	(150)	(150)
Balance at 31 March 2014	**1,501**	**167**	**17**	**1,685**

PARENT COMPANY CASH FLOW STATEMENT

Year ended 31 March	2016 £m	2015 £m	2014 £m
Cash flows used in operating activities			
Profit for the year	**300**	**151**	**119**
Adjustments for:			
Foreign exchange loss on loans	–	–	1
Loss on embedded derivatives	–	–	47
Income tax credit	–	–	(8)
Dividends received	(300)	(150)	(150)
Finance income	(136)	(227)	(285)
Finance expense	135	225	236
Cash flows used in operating activities before changes in assets and liabilities	**(1)**	**(1)**	**(40)**
Other financial assets	62	(383)	(19)
Other current liabilities	(3)	2	2
Net cash from/(used in) operating activities	**58**	**(382)**	**(57)**
Cash flows from investing activities			
Finance income received	133	222	303
Dividends received	150	150	150
Net cash from investing activities	**283**	**372**	**453**
Cash flows from/(used in) financing activities			
Finance expenses and fees paid	(133)	(220)	(329)
Proceeds from issuance of long-term borrowings	–	1,032	829
Repayment of long-term borrowings	(58)	(653)	(746)
Repayment of short-term borrowings	–	–	–
Dividends paid	(150)	(150)	(150)
Net cash (used in)/from financing activities	**(341)**	**9**	**(396)**
Net decrease in cash and cash equivalents	**–**	**(1)**	**–**
Cash and cash equivalents at beginning of year	–	1	1
Cash and cash equivalents at end of year	**–**	**–**	**1**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

42 INVESTMENTS

Investments consist of the following:

	2016 £m	2015 £m	2014 £m
Cost of unquoted equity investments at beginning and end of year	1,655	1,655	1,655

The Company has not made any investments or disposals of investments in the year.

The Company has the following 100 per cent direct interest in the ordinary shares of a subsidiary undertaking:

Subsidiary undertaking	Principal place of business and country of incorporation	Principal activity
Jaguar Land Rover Holdings Limited	England and Wales	Holding company

The shareholding above is recorded at acquisition value in the Company's accounts. Details of the indirect subsidiary undertakings are as follows, each being a 100 per cent indirect interest in the ordinary share capital of the Jaguar Land Rover Holdings Limited:

Name of company	Principal place of business and country of incorporation	Principal activity
Jaguar Land Rover Limited	England and Wales	Manufacture and sale of motor vehicles
Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda (change of name from Jaguar e Land Rover Brasil Importacao e Comercia de Veiculos Ltda)	Brazil	Manufacturing, distribution and sales
Jaguar Land Rover (South Africa) (Pty) Limited	South Africa	Distribution and sales
Jaguar Land Rover Australia Pty Ltd	Australia	Distribution and sales
Jaguar Land Rover Austria GmbH	Austria	Distribution and sales
Jaguar Land Rover Automotive Trading (Shanghai) Co. Ltd.	China	Distribution and sales
Shanghai Jaguar Land Rover Automotive Service Co. Ltd	China	Distribution and sales
Jaguar Land Rover Belux N.V.	Belgium	Distribution and sales
Jaguar Land Rover Canada, ULC	Canada	Distribution and sales
Jaguar Land Rover Deutschland GmbH	Germany	Distribution and sales
Jaguar Land Rover Espana SL	Spain	Distribution and sales
Jaguar Land Rover France SAS	France	Distribution and sales
Jaguar Land Rover India Limited	India	Distribution and sales
Jaguar Land Rover Italia SpA	Italy	Distribution and sales
Jaguar Land Rover Japan Limited	Japan	Distribution and sales
Jaguar Land Rover Korea Co. Ltd.	Korea	Distribution and sales
Jaguar Land Rover Nederland BV	Holland	Distribution and sales
Jaguar Land Rover North America, LLC.	USA	Distribution and sales
Jaguar Land Rover Portugal-Veiculos e Pecas, Lda.	Portugal	Distribution and sales
Limited Liability Company 'Jaguar Land Rover' (Russia)	Russia	Distribution and sales

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
CONTINUED

42 INVESTMENTS (CONTINUED)

Name of company	Principal place of business and country of incorporation	Principal activity
Jaguar Land Rover (South Africa) Holdings Limited	England and Wales	Holding company
JLR Nominee Company Limited	England and Wales	Dormant
Land Rover Ireland Limited	Ireland	Non-trading
JDHT Limited	England and Wales	Non-trading
Daimler Transport Vehicles Limited	England and Wales	Dormant
Jaguar Cars South Africa (Pty) Limited	South Africa	Dormant
Jaguar Cars Limited	England and Wales	Dormant
Land Rover Exports Limited	England and Wales	Dormant
S. S. Cars Limited	England and Wales	Dormant
The Daimler Motor Company Limited	England and Wales	Dormant
The Jaguar Collection Limited	England and Wales	Dormant
The Lanchester Motor Company Limited	England and Wales	Dormant
Jaguar Land Rover Pension Trustees Limited	England and Wales	Dormant
Jaguar Land Rover Slovakia s.r.o.	Slovakia	Manufacturing
Jaguar Land Rover Singapore Pte. – Ltd	Singapore	Distribution and sales
Jaguar Racing Limited	England and Wales	Race team management
InMotion Ventures Limited	England and Wales	Distribution and sales
Silkplan Limited	England and Wales	Non-trading

Details of the indirect holdings in equity accounted investments are given in note 14 to the consolidated financial statements.

43 OTHER FINANCIAL ASSETS

As at 31 March	**2016 £m**	2015 £m	2014 £m
Non-current			
Receivables from subsidiaries	2,392	2,404	1,868
Current			
Receivables from subsidiaries	211	66	61

44 OTHER ASSETS

As at 31 March	**2016 £m**	2015 £m	2014 £m
Non-current			
Prepaid expenses	6	5	6
Current			
Prepaid expenses	2	3	2

45 DEFERRED TAX ASSETS AND LIABILITIES

As at 31 March 2016 the Company has recognised a deferred tax asset of £1 million (2015: £8 million, 2014: £8 million) in relation to tax losses.

46 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

As at 31 March	**2016 £m**	2015 £m	2014 £m
Cash and cash equivalents	–	–	1

47 INTEREST BEARING LOANS AND BORROWINGS

As at 31 March	**2016 £m**	2015 £m	2014 £m
EURO MTF listed debt	2,373	2,381	1,843
Long-term borrowings	**2,373**	**2,381**	**1,843**

EURO MTF LISTED DEBT

The bonds are listed on the EURO MTF market, which is a listed market regulated by the Luxembourg Stock Exchange.

Details of the tranches of the bonds outstanding at 31 March 2016 are as follows:

- $84 million Senior Notes due 2021 at a coupon of 8.125 per cent per annum – issued May 2011;
- $500 million Senior Notes due 2023 at a coupon of 5.625 per cent per annum – issued January 2013;
- $700 million Senior Notes due 2018 at a coupon of 4.125 per cent per annum – issued December 2013;
- £400 million Senior Notes due 2022 at a coupon of 5.000 per cent per annum – issued January 2014;
- $500 million Senior Notes due 2019 at a coupon of 4.250 per cent per annum – issued October 2014;
- £400 million Senior Notes due 2023 at a coupon of 3.875 per cent per annum – issued February 2015;
- $500 million Senior Notes due 2020 at a coupon of 3.500 per cent per annum – issued March 2015.

Details of the tranches of the bonds repaid in the year ended 31 March 2016 are as follows:

- £58 million Senior Notes due 2020 at a coupon of 8.250 per cent per annum – issued March 2012.

In May 2016, the Company repaid early the remaining $84 million Senior Notes due 2021 for a redemption premium of £2 million.

Details of the tranches of the bonds repaid in the year ended 31 March 2015 are as follows:

- $326 million Senior Notes due 2021 at a coupon of 8.125 per cent per annum – issued May 2011;
- £442 million Senior Notes due 2020 at a coupon of 8.250 per cent per annum – issued March 2012.

Details of the tranches of the bonds repaid in the year ended 31 March 2014 are as follows:

- £500 million Senior Notes due 2018 at a coupon of 8.125 per cent per annum – issued May 2011;
- $410 million Senior Notes due 2018 at a coupon of 7.75 per cent per annum – issued May 2011.

The contractual cash flows of interest bearing borrowings as of 31 March 2016 is set out below, including estimated interest payments and assumes the debt will be repaid at the maturity date.

As at 31 March	**2016 £m**	2015 £m	2014 £m
Due in			
1 year or less	117	123	117
2nd and 3rd years	717	240	231
4th and 5th years	857	1,403	653
More than 5 years	1,292	1,336	1,666
Total contractual cash flows	**2,983**	**3,102**	**2,667**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
CONTINUED

48 OTHER FINANCIAL LIABILITIES

As at 31 March	2016 £m	2015 £m	2014 £m
Current			
Interest payable	22	24	23
Other	4	7	5
Total current other financial liabilities	**26**	**31**	**28**

49 CAPITAL AND RESERVES

As at 31 March	2016 £m	2015 £m	2014 £m
Authorised, called up and fully paid			
1,500,642,163 ordinary shares of £1 each	1,501	1,501	1,501
Total capital	**1,501**	**1,501**	**1,501**

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.

The capital redemption reserve of £167 million (2015, 2014: £167 million) was created in March 2011 on the cancellation of share capital.

50 DIVIDENDS

Year ended 31 March	2016 £m	2015 £m	2014 £m
Dividend proposed for the previous year paid during the year of £0.10 (2015: £0.10, 2014: £0.10) per ordinary share	150	150	150
Amounts recognised as distributions to equity holders during the year	**150**	**150**	**150**
Proposed dividend for the year of £0.10 (2015: £0.10, 2014: £0.10) per ordinary share	150	150	150

In May 2016, the Company proposed an ordinary dividend of £150 million to its immediate parent TML Holdings Pte. Ltd. (Singapore). This amount was paid in full in June 2016.

During the year ended 31 March 2016, the Company identified that, whilst the Company had profits available to pay the dividends, prior to the approval of distributions made in respect of the financial years ended 31 March 2012 – 31 March 2015, the Company did not comply with the requirement under section 836 and 838 of the Companies Act 2006 to deliver interim accounts to the registrar of companies. Corrective action was taken in March 2016 to regularise matters by ratifying the distribution made for each of the respective years and releasing the Company and the directors from any liabilities connected with those distributions.

51 COMMITMENTS AND CONTINGENCIES

The Company does not have any commitments or contingencies at 31 March 2016, 2015 or 2014.

52 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure the going concern operation of its subsidiary undertakings and to maintain an efficient capital structure to reduce the cost of capital, support the corporate strategy and to meet shareholder expectations.

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

52 CAPITAL MANAGEMENT (CONTINUED)

The capital structure is governed according to Company policies approved by the Board and is monitored by various metrics such as debt to Adjusted EBITDA and Adjusted EBITDA to interest ratios, as per the debt covenants and rating agency guidance. Funding requirements are reviewed periodically with any debt issuances and capital distributions approved by the Board.

As at 31 March	**2016 £m**	2015 £m	2014 £m
Long-term borrowings	2,373	2,381	1,843
Total debt	**2,373**	**2,381**	**1,843**
Equity	1,836	1,686	1,685
Total capital	**4,209**	**4,067**	**3,528**

53 FINANCIAL INSTRUMENTS

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

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

(A) FINANCIAL ASSETS AND LIABILITIES

The following table presents the carrying amounts and fair value of each category of financial assets and liabilities as of 31 March 2016:

FINANCIAL ASSETS

	Loans and receivables £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Other financial assets – current	211	–	211	211
Other financial assets – non-current	2,392	–	2,392	2,392
Total financial assets	**2,603**	**–**	**2,603**	**2,603**

FINANCIAL LIABILITIES

	Other financial liabilities £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Other financial liabilities – current	26	–	26	26
Long-term borrowings	2,373	–	2,373	2,398
Total financial liabilities	**2,399**	**–**	**2,399**	**2,424**

The following table presents the carrying amounts and fair value of each category of financial assets and liabilities as of 31 March 2015:

FINANCIAL ASSETS

	Loans and receivables £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Other financial assets – current	66	–	66	66
Other financial assets – non-current	2,404	–	2,404	2,404
Total financial assets	**2,470**	**–**	**2,470**	**2,470**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
CONTINUED

53 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

FINANCIAL LIABILITIES

	Other financial liabilities £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Other financial liabilities – current	31	–	31	31
Long-term borrowings	2,381	–	2,381	2,459
Total financial liabilities	**2,412**	**–**	**2,412**	**2,490**

The following table presents the carrying amounts and fair value of each category of financial assets and liabilities as of 31 March 2014:

FINANCIAL ASSETS

	Loans and receivables £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Cash and cash equivalents	1	–	1	1
Other financial assets – current	61	–	61	61
Other financial assets – non-current	1,868	–	1,868	1,868
Total financial assets	**1,930**	**–**	**1,930**	**1,930**

FINANCIAL LIABILITIES

	Other financial liabilities £m	Fair value through profit and loss £m	Total carrying value £m	Total fair value £m
Other financial liabilities – current	28	–	28	28
Long-term borrowings	1,843	–	1,843	1,982
Total financial liabilities	**1,871**	**–**	**1,871**	**2,010**

FAIR VALUE HIERARCHY

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

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

The long-term unsecured listed bonds are held at amortised cost. Their fair value (disclosed above) is determined using Level 1 valuation techniques, based on the closing price at 31 March 2016 on the EURO MTF market. There has been no change in the valuation techniques adopted or any transfers between fair value levels.

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

53 FINANCIAL INSTRUMENTS (CONTINUED)

Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of all the amounts that the Company could have realised in a sales transaction as of respective dates. The estimated fair value amounts as of 31 March 2016, 31 March 2015 and 31 March 2014 have been measured as of the respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

(B) FINANCIAL RISK MANAGEMENT

As discussed in the Strategic report under the section Our risks, the Company is exposed to foreign currency exchange rate, commodity price, interest rate, liquidity and credit risks. The Company has a risk management framework in place which monitors all of these risks.

(C) FOREIGN CURRENCY EXCHANGE RATE RISK

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

As at 31 March 2016, 31 March 2015 and 31 March 2014, there are no designated cash flow hedges.

The Company's operations are subject to risks arising from fluctuations in exchange rates. The risks primarily relate to fluctuations in the GBP:US Dollar rate as the Company has US Dollar assets and liabilities and a GBP functional currency. The following analysis has been calculated based on the gross exposure as of the balance sheet date which could affect the income statement.

The following table sets forth information relating to foreign currency exposure as at 31 March 2016:

	US Dollar £m
Financial assets	1,610
Financial liabilities	(1,609)
Net exposure asset	**1**

A 10 per cent appreciation/depreciation of the US Dollar would result in an increase/decrease in the Company's net profit before tax and net assets by approximately £nil.

The following table sets forth information relating to foreign currency exposure as at 31 March 2015:

	US Dollar £m
Financial assets	1,565
Financial liabilities	(1,564)
Net exposure asset	**1**

A 10 per cent appreciation/depreciation of the US Dollar would result in an increase/decrease in the Company's net profit before tax and net assets by approximately £nil.

The following table sets forth information relating to foreign currency exposure as at 31 March 2014:

	US Dollar £m
Financial assets	1,078
Financial liabilities	(1,066)
Net exposure asset	**12**

A 10 per cent appreciation/depreciation of the US Dollar would result in an increase/decrease in the Company's net profit before tax and net assets by approximately £1 million.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
CONTINUED

53 FINANCIAL INSTRUMENTS (CONTINUED)

(D) INTEREST RATE RISK

Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rates.

The Company is presently funded with long-term fixed interest rate bonds. The Company is subject to variable interest rates on certain other debt obligations.

As of 31 March 2016 net financial assets of £34 million (2015: £34 million, 2014: £25 million) were subject to the variable interest rate. An increase/decrease of 100 basis points in interest rates at the balance sheet date would result in an impact of £nil (2015: £nil, 2014: £nil).

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

(E) 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 ensure that sufficient borrowing facilities are available to fund ongoing operations without the need to carry significant net debt over the medium term. The quantum of committed borrowing facilities available to the Company is reviewed regularly and is designed to exceed forecast peak gross debt levels.

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

As at 31 March 2016	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Financial liabilities						
Long-term borrowings	2,373	2,935	107	107	1,429	1,292
Other financial liabilities	26	52	14	10	28	–
Total contractual maturities	**2,399**	**2,987**	**121**	**117**	**1,457**	**1,292**

As at 31 March 2015	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Financial liabilities						
Long-term borrowings	2,381	3,066	111	110	1,510	1,335
Other financial liabilities	31	44	20	11	13	–
Total contractual maturities	**2,412**	**3,110**	**131**	**121**	**1,523**	**1,335**

As at 31 March 2014	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Financial liabilities						
Long-term borrowings	1,843	2,667	117	116	768	1,666
Other financial liabilities	28	5	5	–	–	–
Total contractual maturities	**1,871**	**2,672**	**122**	**116**	**768**	**1,666**

53 FINANCIAL INSTRUMENTS (CONTINUED)

(F) CREDIT RISK

Financial instruments that are subject to concentrations of credit risk consist of loans to subsidiaries, based in a variety of geographies and markets.

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure.

FINANCIAL ASSETS

None of the Company's cash equivalents or other financial receivables, including time deposits with banks, are past due or impaired. Regarding other financial assets that are neither past due nor impaired, there were no indications as at 31 March 2016 (2015, 2014: no indications) that defaults in payment obligations will occur.

54 RELATED PARTY TRANSACTIONS

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

The following table summarises related party transactions and balances not eliminated in the consolidated financial statements:

	With subsidiaries £m	With immediate parent £m
31 March 2016		
Loans to subsidiaries	2,603	–
31 March 2015		
Loans to subsidiaries	2,470	–
31 March 2014		
Loans to subsidiaries	1,929	–

COMPENSATION OF KEY MANAGEMENT PERSONNEL

Year ended 31 March	**2016 £m**	2015 £m	2014 £m
Short-term benefits	4	3	2
Post-employment benefits	1	2	1
Total compensation of key management personnel	**5**	**5**	**3**

Apart from the directors, the Company did not have any employees and had no employee costs in the years ended 31 March 2016, 2015 and 2014.

55 ULTIMATE PARENT COMPANY AND PARENT COMPANY OF LARGER GROUP

The immediate parent undertaking is TML Holdings Pte. Ltd. (Singapore) and ultimate parent undertaking and controlling party is Tata Motors Limited, India which is the parent of the smallest and largest group to consolidate these financial statements.

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.

56 SUBSEQUENT EVENTS

In May 2016, the Company proposed an ordinary dividend of £150 million to its immediate parent TML Holdings Pte. Ltd. (Singapore). This amount was paid in full in June 2016.

In May 2016, the Company repaid early the remaining $84 million Senior Notes due 2021 for a redemption premium of £2 million.

Designed and produced by Radley Yeldar www.ry.com