TATA MOTORS LTD/FI
Form 6-K
July 26, 2012

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the Month of July 2012

Commission File Number: 001-32294

TATA MOTORS LIMITED

(Translation of registrant s name into English)

BOMBAY HOUSE

24, HOMI MODY STREET,

MUMBAI 400 001, MAHARASHTRA, INDIA

Telephone # 91 22 6665 8282 Fax # 91 22 6665 7799

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ¨ No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ¨ No x

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g 3-2(b): Not Applicable

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

Tata Motors Limited

By: /s/ Hoshang K Sethna

Name: Hoshang K Sethna

Title: Company Secretary

Dated: July 26, 2012

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2011/12 ANNUAL

REPORT

Jaguar Land Rover PLC

Directors report and financial statements

Year ended 31 March 2012

Contents

This report refers to: group, company, Jaguar Land Rover, JLR etc. all of which refer to Jaguar Land Rover PLC and its subsidiaries.

FY12 year ended 31 March 2012

FY11 year ended 31 March 2011

FY10 year ended 31 March 2010

EBITDA is earnings before interest, tax, depreciation, amortisation and foreign exchange.

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Jaguar Land Rover PLC

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Year ended 31 March 2012

Key metrics

Retail volumes

Revenue

Underlying profit before tax

Net income

Guidance Notes:

Underlying PBT is before providing for mark-to-market losses on un-hedged commodity and foreign exchange derivatives

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Jaguar Land Rover PLC

Directors report and financial statements

Year ended 31 March 2012

Key milestones for the year ended 31 March 2012

Launch of the Range Rover Evoque

In September 2011, Range Rover released the company s first completely new model since the Freelander to an enthusiastic reception. The world-wide roll-out of the Evoque was completed by December 2011.

Since going on sale, the vehicle has won over 100 awards, including Top Gear Car of the Year, World Design Car of the Year and North American Truck of the Year.

With its modern styling and plentiful opportunities for personalisation, the car has seen retail sales of over 50,000 units in the first six months.

Major investment in new facilities and staff

During the year, the company has expanded its Halewood facility by employing an additional 1,500 staff to build the new Range Rover Evoque.

The company has announced a plan to build a new engine factory in Wolverhampton, continuing its commitment to UK manufacturing and enabling it to develop a new range of economic, efficient engines.

The company has also expanded the workforce at Solihull, with an additional 1,000 employees, in order to keep production in line with the growth in demand for its products.

Continued expansion and continued success

In March 2012, the company announced it has signed a joint venture agreement with Chery Automotive to build vehicles for the Chinese market. The Chinese market has grown rapidly over the last few years, with the company s retail sales growth of 76% in the current year and an expectation of being our largest market by the end of next year.

The company has also reached a milestone in the year when the one millionth Land Rover Discovery rolled off the line in Lode Lane, our Solihull manufacturing plant.

This follows the one millionth Range Rover which was built last year.
The Discovery was greeted by a number of successful explorers, including Sir Ranulph Fiennes, as it set off on a 50 day journey of over 8,000 miles across 13 countries with the aim of raising £1 million for the Red Cross and Red Crescent.

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Continued expansion of the Jaguar range

During the year Jaguar expanded the XF range with a more fuel efficient 2.2D XF. The engine has an 8 speed automatic gearbox, only emits 149g CO2/km and achieves 58.9mpg. This was demonstrated with a drive over nearly 3,000 miles from New York to Los Angeles, averaging 62.9 mpg.

The XF model will also be further expanded with the new Sportbrake version to be launched later in 2012.

The development of the brand continues apace with the announcement of the new F-Type, which was shown at the New York motor show in January 2012.

Other events in the year

Land Rover celebrated the 25th anniversary of the brand launch in America at the New York Motorshow.

Jaguar 2.2D XF on day 6 of its epic drive from New York to Los Angeles.

Director s report

The directors of Jaguar Land Rover PLC present the annual report and audited consolidated financial statements of Jaguar Land Rover PLC and its subsidiary companies (the company or group), for the year ended 31 March 2012 (FY12).

The company is a wholly-owned subsidiary and integrated business division of Tata Motors, a part of the Tata Group, an Indian business conglomerate with operations in more than 80 countries across six continents. Tata Motors is India s leading automobile company and ranks as the fourth largest bus and truck manufacturer in the world by volume.

General trends in performance

Results and prospects

Strong volume growth

The company has had a successful year of continued growth in expanding markets, including 76% year on year growth in China retail sales. The company has also improved performance in more mature economies, where, despite uncertain trading conditions, the company has increased sales in all major markets.

The volume growth has been partly driven by new vehicle launches in the year, but also increasing sales of our existing models. Profitability growth has benefitted from favourable exchange rates coupled with cost reduction and efficiency initiatives.

Overall consolidated retail volumes in FY12 were 305,859 units, an increase of 27% compared to the prior year. Retail volumes were 54,227 units for Jaguar and 251,632 units for Land Rover, growth of 5% and 33% respectively.

Retail volumes in the Europe were 68,420, a 27% increase on the prior year. UK retail volumes were 60,022 units, a 3% increase on the prior period, whilst the North American retail volumes were 58,003, an increase of 15%. Retail volumes in key growth markets saw significant increases with China retail volumes ending the period at 50,994 (up 76%), Asia Pacific at 12,976 (up 29%) and other markets at 55,444 (up 39%).

Wholesale volumes for FY12 were 314,433 units, an increase of 29% on the prior reporting period. At a brand level, wholesale volumes were 54,039 units for Jaguar and 260,394 units for Land Rover, growth of 2% and 37% respectively.

Record revenue and earnings

The company generated record revenue and earnings during FY12. This was primarily driven by increased demand for both brands as well as a strong product and market mix, supported by a favourable exchange environment.

Consolidated revenues for FY12 were £13,512 million, an increase of 37% compared to FY11.

EBITDA growth

Consolidated EBITDA for FY12 was £2,027 million, an increase of 35% compared to FY11, a significant improvement mainly driven by increased revenue and a favourable exchange rate environment.

The improvement in operational results, particularly in EBITDA, net income, cash and the liquidity position, were attributable to an increase in wholesale volumes and a change in product mix. The introduction of the new Range Rover Evoque and the new variants of the Jaguar XF as well as the continued strength of the Range Rover and Range Rover Sport were key contributors to the overall success.

The company also experienced a change in market mix, in particular the continued strengthening of business in China, which is expected to become our largest market within the next 12 months. Further, the company s performance was also improved by the positive impact of the continuing strength of the US dollar against the pound sterling and the euro, improving the company s revenues against the backdrop of a largely pound sterling and euro cost base.

The improvement in the company s results of operations in FY12 was also partially attributable to further cost-efficiency improvements in material costs and manufacturing costs, supported by increased production volume levels.

Material cost of sale for FY12 were £8,733 million, an increase of £2,555 million (41%) compared to FY11 and, as a percentage of revenue, was 65%, an increase of 2% compared to FY11. The main drivers of this increase in costs were the increase in volume, together with product and market mix (including higher duties) and year over year increases in raw material prices, partially offset by cost efficiencies.

Employee costs for FY12 were £1,011 million, an increase of £222 million (28%) compared to FY11. This reflects a significant increase in permanent and agency headcount, both in product development to support our increased product development strategy and manufacturing to support our increased volumes, mainly as a result of the Range Rover Evoque and increased demand for other products.

Other expense for FY12 was £2,529 million, an increase of £559 million (29%) compared to FY11. These costs include manufacturing and launch costs, freight and distribution costs, warranty costs, product development expense, selling and fixed marketing. Some of these costs were attributable to launch spend on the Range Rover Evoque that went on sale during September 2011 as well as the Jaguar XF 2.2D and 2012 model year launches of other vehicles.

Development costs capitalised of £751 million represent an increase of £220 million (41%). This reflected the increased spend on future model development for both brands.

Net income growth

Consolidated net income for FY12 was £1,481 million, an increase of £445 million (43%) compared to FY11. Depreciation and amortisation costs were £466 million, an increase of £70 million (18%) compared to FY11, reflecting the growing product development and facilities expenditure.

The net foreign exchange gain was £14 million, a decrease of £19 million compared to FY11. Finance income was £16 million, an increase of £6 million compared to FY11, as a result of an increase in cash generated by the company during FY12. Finance expense (net of capitalised interest) was £85 million, an increase of £52 million compared to FY11, relating to the unsecured bonds issued during the year.

The effective tax rate was 2% compared to 7% in FY11. This reflects the recognition of £217 million of previously unrecognised deferred tax assets in the income statement. An additional one-time benefit of £171m relating to deferred tax assets was recognised in reserves. In FY11, the group had £422 million of deferred tax assets which were unrecognised, as required under IAS 12, due to uncertainty about future recoverability. These have been recognised in FY12 due to improved results and increased profitability.

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The company s vehicles

Jaguar models and update

Jaguar designs, develops and manufactures premium luxury saloons and sports cars recognised for their performance, design and unique British style. Jaguar s range of products comprises the XK sports car (coupe and convertible), the XF saloon and the new XJ saloon.

The current XK was launched in 2009, and the XK range was significantly revised with a new look for 2011. The new XKR-S, which was unveiled at the Geneva Motor Show on 1 March 2011, is the sporting flagship for the company s revitalised XK line-up. The XKR-S is the fastest and most powerful production sports GT that Jaguar has ever built.

The XF, launched in 2008, is a premium executive car that merges sports car styling with the sophistication of a luxury saloon. The Jaguar XF is Jaguar s best-selling model across the world by volume and it has garnered more than 80 international awards since its launch, including being named Best Executive Car by What Car? Magazine in every year since its launch. For 2012 model year, fundamental design changes to the front and rear aim to bring a more assertive, purposeful stance to the vehicle, closer to the original C-XF concept car. In addition, the Jaguar 12 model year line-up included a new four-cylinder 2.2-litre diesel version of the XF with Intelligent Stop-Start Technology, making it the most fuel-efficient Jaguar yet. In 2012, the company announced a further expansion of the XF range with the introduction of the Sportbrake, due later in 2012. The Sportbrake has increased rear load space to appeal to a wider range of buyers.

The XJ is Jaguar s largest luxury saloon vehicle, powered by a choice of supercharged and naturally aspirated 5.0-litre V8 petrol engines and a 3.0-litre diesel engine. A 3.0-litre V6 petrol engine was launched in the Chinese market in early 2011 which has driven sales growth in the year. Using Jaguar s aerospace inspired aluminium body architecture, the XJ s lightweight aluminium body provides improved agility and economy. In the year, the XJ has been upgraded to include a new Executive Package and a Rear Seat Comfort package, which makes the company s flagship model the ultimate executive limousine experience.

The Jaguar C-X16 concept car was showcased during 2011 and it was announced at the New York Auto Show that this will be the basis of the new F-type, a two seater sports car due for launch in the spring of 2013. The car will make extensive use of aluminium in its build, based on the expertise the company has developed in previous models and will be manufactured at the company s existing Castle Bromwich plant.

Land Rover models and update

Land Rover designs, develops and manufactures premium all-terrain vehicles that aim to differentiate themselves from the competition by their simplicity, ability, strength and durability. Land Rover s range of products comprises the Defender, Freelander 2 (LR2), Discovery 4 (LR4), Range Rover Evoque, Range Rover Sport and Range Rover.

Land Rover products offer a range of powertrains, including turbocharged V6 diesel, V6 petrol engines and V8 naturally aspirated and supercharged petrol engines, with manual and automatic transmissions.

The Defender is Land Rover s toughest off-roader, and is recognised as a leading vehicle in the segment targeting extreme all-terrain abilities.

The Freelander 2 is a versatile vehicle for both urban sophistication and off-road capability. For the 2012 Model Year, the company introduced a choice of 4WD and 2WD, with an eD4 engine capable of 4.98L/100km which was especially well received in major European markets.

The Discovery 4 is a mid-size SUV that features genuine all-terrain capability. A range of new features, including the new 3.0-litre LR-TDV6 diesel engine, helped the Discovery win the What Car? Magazine award for the Best 4x4 for the seventh successive year.

The Range Rover Evoque was launched in September 2011 and has since garnered over 100 international awards. The class leading urban 4x4 comes in a range of trim levels and is the most customisable Range Rover ever produced.

The Range Rover Sport combines the performance of a sports tourer with the versatility of a Land Rover.

The Range Rover is the flagship of the brand with a unique blend of British luxury, classic design with distinctive, high-quality interiors and outstanding all-terrain ability. The 2012 Model Year Range Rover, with an all-new 4.4-litre TDV8 engine, aiming to achieve a 14% reduction in CO_2 emissions and a 19% improvement in fuel consumption to 7.81L/100km, has been particularly well received in the UK, Europe and overseas.

Performance in key geographical markets

UK

Initial figures suggest that the UK economy has re-entered recession in the last three months. Trading conditions in the UK remain difficult, despite an upswing in the first part of the year.

In the UK, both the premium car segment and premium SUV segment increased by 10% in FY12 compared to FY11.

UK retail volumes for FY12 for the combined brands were 58,134 units. Jaguar retail volumes for FY12 decreased by 14% compared to FY11, leading to a 6% decrease in market share. Land Rover retail volumes for FY12 increased by 10% compared to FY11, broadly maintaining market share.

China

The Chinese economy has continued to grow strongly throughout FY12. GDP growth is likely to slow in future, although remain above 8%. The company has signed a JV agreement to manufacture cars in China with Chery Automobile Co., Ltd, a Chinese auto manufacturer. The JV plans have yet to be approved by the Chinese authorities.

The China premium car segment volumes (for imports) increased by 31% in FY12 compared to FY11. The China premium SUV segment volumes (for imports) increased by 54% in FY12 as compared to FY11.

The China retail volumes for FY12 for the combined brands were 50,994 units. Jaguar retail volume for FY12 increased by 147% compared to FY11, improving market share. Land Rover retail volume for FY12 increased by 69% compared to FY11, again improving market share.

United States

The US economy has recovered more favourably than other mature economies since the economic downturn, with GDP growth and falling unemployment, although the position remains fragile.

United States premium car segment volumes fell by 1% compared to FY11, whilst premium SUV segment volumes were up 5%.

United States retail volumes for FY12 for the combined brands were 58,003 units. Jaguar retail volumes for FY12 fell by 3% compared to FY11, leading to a 0.3% decrease in market share. Land Rover retail volumes for FY12 increased by 21% compared to FY11, increasing market share.

Europe (excluding Russia)

The European economy continues to struggle, with austerity measures in place in a number of countries. The economic situation and recent national election results continue to create uncertainty around European zone stability, the Euro and borrowing costs. Credit continues to be difficult to obtain for customers and the outlook remains volatile.

The German premium car segment volume increased by 14%, and the premium SUV segment volume increased by 17% compared to FY11.

European retail volumes for FY12 for the combined Jaguar Land Rover brands were 68,420 units, representing a 27% increase compared to FY11. Jaguar retail volume for FY12 decreased by 7%, and Land Rover retail volume for FY12 increased by 36% compared to FY11.

Asia Pacific

The Asia Pacific region main markets are Japan, Australia and New Zealand. These regions were less affected by the economic crisis compared to western economies and are recovering more favourably, often due to increased trade with China and other growth economies.

The Asia Pacific retail volumes for FY12 for the combined brands were 12,976 units. Jaguar retail volume for FY12 increased by 37% compared to FY11. Land Rover retail volume for FY12 increased by 26% compared to FY11.

Other markets

The major constituents in other markets are Russia, South Africa and Brazil, alongside the rest of Africa and South America. These economies were not as badly affected by the economic crisis as the western economies and have continued GDP growth in the last few years, partially on the back of increased commodity and oil prices.

The other market retail volumes for FY12 for the combine brands were 55,444 units, up by 39%. Jaguar retail volume for FY12 was 5,445, up 10% whilst Land Rover retail volumes were 49,999, an increase of 43% on FY11.

Cash flow

Background

While global credit markets have generally seen an improvement in liquidity and reduction in risk aversion, since the global financial crisis, there continues to be significant uncertainty in Europe related to the euro, as well as in other markets.

Land Rover is the main group entity used for treasury operations, the company has a policy of aggregating and pooling cash balances within that entity on a daily basis. Certain subsidiaries are subject to restrictions on their ability to transfer funds to the company. For example, Jaguar Land Rover China (JLRC) is subject to foreign exchange controls and thereby is generally restricted from transferring cash to other companies of the group outside of China, but can pay annual dividends, which are subject to regulatory approval and withholding tax. JLRC paid its first dividend in September 2011. Brazil, Russia and South Africa also restrict the ability of local subsidiaries to participate in daily cash pooling arrangements but allow dividends and, in the case of Russia and Brazil, discrete loans. The company believes that these restrictions have not had and are not expected to have any impact on the ability to meet its cash requirements.

Cash flow data

Net cash provided by operating activities was £2,500 million in FY12 compared to £1,645 million during FY11. This is primarily attributable to the improvement in the company s net income to £1,481 million in FY12 from a net income of £1,036 million in FY11.

Net cash used in investing activities doubled to £1,542 million in FY12, compared with £769 million in the equivalent period in FY11. Purchase of property, plant and equipment and expenditure on intangible assets (product development projects) was £1,410 million in FY12 against £781 million in FY11. The company s capital expenditure relates mostly to capacity expansion of its production facilities and investment in new and future products, including the costs associated with the development of the Range Rover Evoque.

Net cash generated from financing activities was £444 million in FY12 compared to net cash used in financing activities of £527 million in FY11. Cash generated from financing activities in FY12 reflects long-term unsecured bond proceeds of £1,500 million and repayment of secured long term debt (£374 million) and short term debt (£550 million). Also including interest and fees of £128 million.

Capital structure

Background

There have been a number of changes in the capital structure of the company since the acquisition of the Jaguar and Land Rover businesses (for a total purchase price of US$2.5 billion) by Tata Motors in 2008. These have included the use of external bridging loans and preference shares issued by the company to its parent to provide additional liquidity.

Over the course of the year, a number of financing activities have been successfully implemented which have significantly simplified the capital structure of the company whilst extending the maturity profile of the company s borrowings and ensuring appropriate liquidity to support the future growth of the business.

In May 2011, the company raised £1 billion through a bond issue. The bond is listed on the Euro MTF market. Around 50% of the bonds were denominated in USD and 50% in pounds sterling. The bond is unsecured and provides long-term funding for the company. Of the proceeds £250 million was used to repay funding from Tata Motors, £380 million was used to repay debt and £370 million was retained for future use in the business.

The details of the tranches of the bond are as follows:

- £500 million Senior Notes due 2018 at a coupon of 8.125% per annum.
- $410 million Senior Notes due 2018 at a coupon of 7.75% per annum.
- $410 million Senior Notes due 2021 at a coupon of 8.125% per annum.

The Notes are guaranteed on a senior unsecured basis by the company s subsidiaries Jaguar Cars Limited, Land Rover, Jaguar Land Rover North America LLC, Land Rover Exports Limited and Jaguar Land Rover Exports Limited.

In December 2011, the company put in place a three and five-year £600 million revolving credit facility, which has been subsequently increased to £710 million. The facility is undrawn at 31 March 2012 and is intended to provide standby liquidity for the group.

In March 2012, the company issued a further £500 million bond maturing in 2020 at a coupon of 8.25%, which are also listed on the Euro MTF market. The guarantee arrangements are the same as under the £1 billion bond issue issued in May 2011. The full proceeds were retained for future use in the company s business.

Liquidity and capital resources

The company finances its capital requirements through cash generated from operations and external debt, including long term debt, revolving credit factoring and working capital facilities. In the ordinary course of business, the company also enters into, and maintains, letters of credit, cash pooling and cash management facilities, performance bonds and guarantees and other similar facilities.

As at 31 March 2012, on a consolidated level, the company had cash and cash equivalents of £2,430 million and undrawn committed facilities of £849 million. The total amount of cash and cash equivalents includes £540 million in subsidiaries of Jaguar Land Rover outside the United

Kingdom. A portion of this amount is subject to restrictions or impediments on the ability of the company s subsidiaries in certain countries to transfer cash across the group.

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Jaguar Land Rover PLC

Directors report and financial statements

Year ended 31 March 2012

Preference shares

As at the 31 March 2012, the company has outstanding an aggregate amount of £157 million preference shares. The 7.25% non-cumulative redeemable preference shares of £1.00 each entitle Tata Motors Limited Holdings (Singapore) (TMLH) to a fixed non-cumulative preferential dividend of £0.0725 per preference share to be paid out of the profits available for distribution in each fiscal year. The preference shares have a maturity of ten years, but can be redeemed partially or totally by the company or at the request of the shareholder at any time prior to maturity with 30 days prior notice.

In the period to 31 March 2011, the company did not pay or accrue any preference dividends to TMLH as these were waived. The company has accrued £11 million of dividends in the current year.

Borrowings and description of indebtedness

The following table shows details of the company s financing arrangements as at 31 March 2012.

Facility	**Facility Amount £ in millions**	**Maturity**	**Outstanding as at 31 March 2012 £ in millions**	**Undrawn as at 31 March 2012 £ in millions**
Committed				
£500m Senior Notes 8.125% 2018	500.0	2018	500.0	0.0
£500m Senior Notes 8.25% 2020	500.0	2020	500.0	0.0
$410m Senior Notes 7.75% 2018	256.0	2018	256.0	0.0
$410m Senior Notes 8.125% 2021	256.0	2021	256.0	0.0
Revolving 3 & 5 year credit facilities	710.0	2014-16		710.0
Other financing loans	239.6	2012-14	173.6	66.0
Receivables factoring facilities	216.1	2013	142.9	73.2
Preference shares	157.1		157.1	0.0
Subtotal	2,834.8		1,985.6	849.2
Uncommitted				
Receivables factoring facilities	124.9	2013	0.0	124.9
Other facilities	19.2		19.2	0.0
Subtotal	144.1		19.2	124.9
Capitalized costs			(30.8)	
Total	2,978.9		1,974.0	974.1

£1.0 billion equivalent unsecured sterling and US dollar notes due 2018 and 2021 and £500 million unsecured notes due 2020

In May 2011, the company issued the senior unsecured notes, comprising £500 million 8.125% notes due 2018, $410 million 7.750% notes due 2018 and $410 million 8.125% notes due 2021, in an offering that was not subject to the registration requirements of the US Securities Act. Further in March 2012, the company issued £500 million senior unsecured notes due 2020 in an offering that was not subject to the registration requirements of the US Securities Act. The notes are governed by an indenture entered into by the company, as issuer, Citibank, N.A., London Branch, as trustee for the holders, and Land Rover, Jaguar Cars Limited, Jaguar Land Rover Exports Limited, Land Rover Exports Limited and Jaguar Land Rover North America, LLC, as Guarantors on a senior unsecured basis. The notes have semi-annual interest payments and are subject to certain customary covenants and events of default.

£710 million revolving 3 & 5 year credit facilities

The company as borrower entered into a committed revolving credit facility for 3 and 5 years under a facility agreement dated 1 December 2011 with a syndicate of banks. Land Rover, Jaguar Cars Limited, Land Rover Exports Limited, Jaguar Land Rover Exports Limited and Jaguar Land Rover North America, LLC, are the guarantors. The facility is unsecured. As at 31 March 2012 the facility is undrawn. The facility has two tranches, a three year tranche of £551 million and a five year tranche of £159 million. Jaguar Land Rover is subject to certain customary financial covenants under this facility.

£116.0 million 5-year single currency secured syndicated borrowing base revolving loan facility

On 11 November 2009 Land Rover entered into a £116 million 5-year single currency secured syndicated borrowing (a finished vehicle financing facility) arranged by a commercial lender to finance its general working capital requirements. The facility is guaranteed by Land Rover, Jaguar Cars Limited, Land Rover Exports Limited, Jaguar Land Rover Exports Limited and Jaguar Land Rover North America, LLC. At 31 March 2012, the principal drawn amount under the facility was £50.0 million. All principal, interest and other sums must be repaid in full on 11 November 2014. Jaguar Land Rover is subject to certain customary financial covenants under this facility.

Various sterling bilateral term loan facilities supported by CNY deposits

Land Rover has borrowed under various sterling-denominated short-term (i.e. with maturities between six months and two years) term loan facilities with certain banks with the company s wholly owned Chinese subsidiary providing restricted cash on deposit in China as security. Each facility is guaranteed by Jaguar Cars Limited. Total amount of loans outstanding under these facilities is £124 million as at 31 March 2012.

Receivables factoring facilities

Jaguar Cars Exports Limited and Land Rover Exports Limited have maintained invoice discounting facilities with one or more banks which were renewed for another year in March 2012. Each company is jointly and severally liable under the new facility agreement which is also guaranteed by Land Rover and Jaguar Cars Limited. Of the total facilities of £341 million, £216 million is on a committed basis. Receivables are generated from sales of finished goods and Land Rover spare parts and accessories. At 31 March 2012 £143 million was drawn under these facilities.

Preference shares

A description of preference shares is provided above.

Business review

Business background

The company designs, develops, manufactures and sells Jaguar premium sports saloons and sports cars and Land Rover premium all-terrain vehicles, as well as related parts and accessories. The company has a long tradition as a manufacturer of premium passenger vehicles with internationally recognised brands, an exclusive product portfolio of award-winning vehicles, a global distribution network and strong research and development (R&D) capabilities. Jaguar and Land Rover collectively received over 145 awards from leading international motoring writers, magazines and opinion formers during FY12.

The company operates three major production facilities and two advanced design and engineering facilities all in the United Kingdom. At 31 March 2012, the company employed 22,650 employees globally (including agency staff of 6,337).

The company operates a global sales and distribution network designed to achieve worldwide sales and facilitate growth in key markets. The company s four principal regional markets are Europe (excluding the UK and Russia), North America, the United Kingdom and China. These respectively accounted for 23%, 19%, 20% and 17% of the company s wholesale volumes in FY12 and 22%, 22%, 24% and 11% in FY11.

Legal structure

The group has been managed on an integrated basis for some time, but as an historical legacy has operated separate brand legal entities for manufacturing and export in the UK and for selling in overseas markets. Since 2008, the group has been re-organising the overseas sales entities as combined brand legal entities.

On 1 April 2012, the trade and assets of Land Rover Exports Limited were transferred to Jaguar Cars Export Limited, which was re-named Jaguar Land Rover Exports Limited. This combined entity will now sell all our products outside the UK.

The Board has approved a plan for the UK manufacturing companies, Jaguar Cars Limited and Land Rover to be combined in the next 12 months. This new simplified legal structure will support the continued theme of two brands, one company .

These internal reorganisations have no impact on the assets or liabilities owned by the consolidated group.

Product design, development and technology

The company s vehicles are designed and developed by award-winning design teams, and the company is committed to a programme of regular enhancements in product design. The company s two design and development centres are equipped with computer-aided design, manufacturing and engineering tools, and are configured for competitive product development cycle time and efficient data management. In recent years, the company has refreshed the entire Jaguar range under a unified concept and design language and continued to enhance the design of Land Rover s range of all-terrain vehicles.

The company s R&D operations look for synergies through sharing premium technologies, powertrain designs and vehicle architecture. All of the company s products are designed and engineered primarily in the United Kingdom. The company endeavours to implement the best technologies into its product range to meet the requirements of a globally competitive market. The company is currently developing vehicles which will run on alternative fuels and hybrids and is also investing in other programmes for the development of technologies to improve the environmental performance of its vehicles including the reduction of CO_2 emissions.

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Facilities

The company operates three automotive manufacturing facilities in the United Kingdom. At Solihull, the company produces the Land Rover Defender, Discovery 4, Range Rover and Range Rover Sport models. At Castle Bromwich, the company produces the Jaguar XK, XJ and XF models. At Halewood, the company produces the Freelander and the Range Rover Evoque. The company believes that its three existing automotive manufacturing facilities at Solihull, Castle Bromwich and Halewood provide a flexible manufacturing footprint to support its product plans. The company also has two product development, design and engineering facilities at Gaydon and Whitley in the United Kingdom. The company s global headquarters is also located at the Whitley site.

The company has announced plans to invest £355 million in an engine plant at a new site in Wolverhampton in the West Midlands. This plant is close to the Solihull and Castle Bromwich plants and has good motorway links to supply to Halewood and to receive deliveries from suppliers.

The company announced in March 2012 the signing of a joint venture agreement with Chery Automotive to build a factory in China to manufacture cars for the Chinese market. The development of this facility is still dependent on regulatory approval by the Chinese authorities at this time.

Sales and distribution

The company markets Jaguar products in 101 countries and Land Rover products in 177 countries, through a global network of 17 national sales companies (NSCs), 82 importers, 63 export partners and 2,351 franchise sales dealers, of which 585 are joint Jaguar and Land Rover dealers.

The company has established robust business processes and systems to ensure that its production plans meet anticipated retail sales demand and to enable the active management of its inventory of finished vehicles and dealer inventory throughout its network.

The company has entered into arrangements with independent partners to provide financing to its customers, including FGA Capital, a joint venture between Fiat Auto and Credit Agricole, for the United Kingdom and European markets, Chase Auto Finance for the US market, and local providers in a number of other key markets. The company s financing partners offer its customers a full range of consumer financing options.

Objectives and strategies

The company has a multifaceted strategy to position itself as a leading manufacturer of premium vehicles offering high-quality products tailored to specific markets. The company s success is tied to its investment in product development which drives the strategic focus on capital expenditure, R&D and product design.

Grow the business through new products and market expansion

The company offers products in the premium performance car and all-terrain vehicle segments, and the company intends to grow the business by diversifying the product range within these segments with both new products as well as greater product derivatives. The new Range Rover Evoque has helped expansion into a market segment that is attracted by a smaller, lighter and more urban off-road vehicle than the market segment in which the company s Range Rover models traditionally compete, while the refreshed XF with a new 2.2-litre diesel option caters for a much wider group of potential customers, particularly company car drivers.

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In addition, the company has a strategy of expanding regional coverage into geographic locations where it has identified an opportunity to grow within its core segments. As a producer of distinctive, premium products, the company believes it is well positioned to increase revenues in emerging countries with growing sales potential. There are three specific aspects to the company s strategy of geographic expansion.

The company aims to increase its marketing and dealer network in emerging markets. In China, the company has established an NSC to expand its presence in this key market and plans to increase the network of sales dealerships across the country. At 31 March 2012, the company had increased to 104 Land Rover dealers and 97 Jaguar dealers in China. Similarly, the company plans to continue to grow its presence in the Indian market by opening additional dealerships across the country.

The company aims to establish new manufacturing facilities, assembly points and suppliers in selected markets. The planned joint venture with China is an example of this, whilst in India, the company has already established a CKD assembly facility and some product development activities. In addition, the company will continue to look for opportunities to source materials and components in a cost-efficient manner and, in pursuit of that objective, the company has already opened purchasing offices in China and India.

The company aims to leverage its relationship with Tata Motors and the synergies it can achieve in the areas of research and product development, supply sourcing, manufacturing and assembly and other vital operations, including the co-development of a family of small efficient diesel and petrol engines.

Transform the business structure to deliver sustainable returns

The automobile industry is highly cyclical. To mitigate the impact of cyclicality and provide a foundation from which to invest in new products, designs and technologies in line with its overall strategy, the company plans to strengthen operations by enhancing the mix of products and the mix of markets.

The company also plans to continue to strengthen business operations beyond vehicle sales, such as spare part sales, service and maintenance contracts.

The company undertakes a variety of internal and external benchmarking exercises, market testing and internal comparative analysis across its own vehicles, which help it to identify cost improvement opportunities for components, systems and sub-systems. The company also explores opportunities to source materials from low-cost countries as well as sharing components across platforms in order to gain economies of scale and reduce engineering costs. The company believes its strategy to enhance global sourcing will enable it to take advantage of low-cost bases in countries such as India and China. The company is taking the same approach with engineering, where it is progressively building up capability through product development activities in India by allowing incremental levels of design responsibility to be tested on successive programmes. In addition, the company has intensified efforts to review and realign its cost structure through a number of measures, such as the reduction of manpower costs through increased employee flexibility between sites and a rationalisation of the company s other fixed costs.

Investment in product development and technology to maintain high quality

One of the company s principal goals is to enhance its status as a leading manufacturer of premium passenger vehicles by investment in products, R&D, quality improvement and quality control. The company s strategy is to maintain and improve its competitive position by developing technologically advanced vehicles. Over the years, the company has enhanced its technological strengths through extensive in-house R&D activities, particularly through two advanced engineering and design centres, which centralise its capabilities in product design and engineering. In pursuit of this strategy, the company has continued a programme of product development and improvement involving investment in research, design and technical innovation. The substantial majority of this planned product investment relates to new and replacement models, derivatives, powertrain actions and other upgrades and the associated investment in tools and facilities and other equipment.

The company considers technological leadership to be a significant factor in its continued success, and therefore continues to devote significant resources to upgrading its technological capabilities. In line with this objective, the company is involved in a number of advanced research consortia that bring together leading manufacturers, suppliers and academic specialists in the United Kingdom, supported by funding from the government s Technology Strategy Board.

The company is pursuing various quality improvement programmes, both internally and at its suppliers operations, in an effort to enhance customer satisfaction and reduce future warranty costs. The company has also established a procedure for ensuring quality control of outsourced components, and products purchased from approved sources undergo a supplier quality improvement process. Reliability and other quality targets are built into a new product introduction process. Assurance of quality is further driven by the design team, which interacts with downstream functions like process-planning, manufacturing and supplier management to ensure quality in design processes and manufacturing. The company believes its extensive sales and service network has also enabled it to provide quality and timely customer service. Through close coordination supported by IT systems, the company monitors quality performance in the field and implements corrections on an on-going basis to improve the performance of its products.

Products and environmental performance

The company s strategy is to invest in products and technologies that position its products ahead of expected stricter environmental regulations and ensure that it benefits from a shift in consumer awareness of the environmental impact of the vehicles they drive. The company is committed to continued investment in new technologies, including developing sustainable technologies to improve fuel economy and reduce CO_2 emissions. The company is the largest investor in automotive R&D in the United Kingdom. The company also believes that it is also the leader in automotive green-technology in the United Kingdom. The company s environmental vehicle strategy focuses on new propulsion technology, weight reduction and reducing parasitic losses through the driveline. Projects like REEVolution, REHEV and Range-e are some examples of the company s research into the electrification of premium sedan and all-terrain vehicles.

The company is a global leader in the use of aluminium and other lightweight materials to reduce vehicle weight and it is ahead its competitors in the implementation of aluminium construction. The company already offers two aluminium vehicles, the Jaguar XJ and Jaguar XK. The company plan to deploy its core competency in aluminium construction across more models in its range. The new, all-aluminium Jaguar XJ 3.0 V6 twin-turbo diesel has CO_2 emissions rated at 184g/km. The company is also developing more efficient vehicle technologies. Range Rover s 2011 Model Year has been updated with an all-new 4.4-litre TDV8 with 8-speed transmission, resulting in a 14% reduction in CO_2 and an improvement in fuel consumption of nearly 19% to 7.81L/100km. The latest Freelander 2 features a new eD4 diesel engine capable of 4.98L/100km and CO_2 emissions of 158g/km in 2WD.

The company is also taking measures to reduce emissions, waste and the use of natural resources from all of its operations. The company recognises the need to use resources responsibly, produce less waste and reduce its carbon footprint. The company has set itself a target for a 25% reduction in CO_2 and waste to landfill and a 10% reduction in water usage from 2007 levels by 2012. The company is implementing life cycle techniques so that it can evaluate and reduce its environmental footprint throughout the value chain.

The company has been certified to the international environmental management standard, ISO14001, since 1998. As part of integrated CO_2 management strategy it has have one of the largest voluntary CO_2 offset programmes. The company offsets all its own manufacturing CO_2 emissions and provides programmes to enable the company s customers to offset the emissions from vehicle use.

Business risks and mitigating factors

Global economic environment

The company is focused on the premium end of the automotive industry, and can be heavily influenced by general economic conditions around the world. The demand for its vehicles is influenced by a variety of factors, including, among other things, the growth rate of the global economy, availability of credit, disposable income of consumers, interest rates, environmental policies, tax policies, safety regulations, freight rates and fuel prices. The global economic climate has improved since 2009, and whilst some key markets, such as the UK and US are growing more slowly than expected and risks remain within the Euro zone, the company s global reach and recognised brand names have enabled it to benefit from significant growth in Chinese and other developing markets. The company continues to monitor economic indicators within key markets as well as retail volume trends in order to manage production and vehicle distribution. The company s product development programme is aimed at ensuring the company has the right vehicles available for the right markets at the right price, reflecting different priorities and uses across the globe.

Government regulations

The company is subject throughout the world to comprehensive and constantly changing laws, regulations and policies. The company expects the number and extent of legal and regulatory requirements and the related costs of changes to the company s product line-up to increase significantly in the future. In Europe and the United States, for example, governmental regulation is primarily driven by concerns about the environment (including greenhouse gas emissions), vehicle safety, fuel economy and energy security. The European Union passed legislation in April 2009 to begin regulating vehicle carbon dioxide emissions in 2012. The legislation sets a target of a fleet average of 130 grams per kilometre by 2012 and an ambitious target of 95 grams per kilometre by 2020, with the specific requirements for each manufacturer based on the average weight of the vehicles it sells. The company has received a permitted derogation from this emissions requirement available to small volume and niche manufacturers. As such, the company is permitted to reduce the company s emissions by 25% from 2007 levels rather than meeting a specific CO_2 emissions target. Moreover, in 2007 the European Parliament adopted the latest in a series of more stringent standards for emissions of other air pollutants from passenger vehicles, to be phased in from September 2009 (Euro 5) and September 2014 (Euro 6). At the national level, an increasing number of EU Member States have adopted some form of fuel consumption or CO_2-based vehicle taxation system.

Additional measures have been proposed or adopted in the European Union to regulate safety features, tyre-rolling resistance, vehicle air conditioners, tyre-pressure monitors and gear shift indicators.

In the United States, the Corporate Average Fuel Economy (CAFE), standards for passenger cars will require manufacturers of passenger vehicles and light trucks to meet an estimated combined average fuel economy level of at least 6.75L / 100km by 2020. California is implementing more stringent fuel economy standards. Moreover, under new US federal greenhouse gas regulations, passenger cars and light trucks for model years 2012 through 2016 must meet an estimated combined average emissions level of 250 grams of CO_2 per mile. This extends to model years 2017 to 2025, with targets of 243 grams of CO_2 per mile in 2017 to 163 grams of CO_2 per mile in 2025.

To comply with current and future environmental norms, the company may have to incur additional capital expenditure and R&D expenditure to upgrade products and manufacturing facilities, which would have an impact on the company s cost of production and the results of operations and may be difficult to pass through to the company s customers. If the company is unable to develop commercially viable technologies within the time frames set by the new standards, the company could face significant civil penalties or be forced to restrict product offerings drastically to remain in compliance.

Brazil has recently increased import duty for foreign build vehicles which put pressure on margins. The company is considering a number of options to counter this issue, including discussions with the Brazilian government to exempt a number of imported vehicles from the increased tariff.

Changes in corporate and other taxation policies, import or tariff policies, which are beyond the company s control and unpredictable could adversely affect the company s results of operations.

The company s product development plan is structured to allow it to develop vehicles which comply with current and expected future environmental regulations particularly in the United States covered by the CAFE and in other countries such as China.

Interest rate, currency and exchange rate fluctuations

The company has both interest-bearing assets (including cash balances) and interest-bearing liabilities, many of which bear interest at variable rates. The company is therefore exposed to changes in interest rates. While the directors revisit the appropriateness of these arrangements in light of changes to the size or nature its operations, the company may be adversely affected by the effect of changes in interest rates.

The company s operations are also subject to fluctuations in exchange rates with reference to countries in which the company operate. The company sells vehicles in the United Kingdom, Europe, North America, China, Russia and many other markets and therefore generates revenue in, and has significant exposure to movements of, the US Dollar, Euro, Chinese Renminbi, Russian Rouble and other currencies relative to pounds sterling. The company sources the majority of its input materials and components and capital equipment from suppliers in the United Kingdom and Europe with the balance from other countries, and therefore has cost in, and significant exposure to the movement of, the euro and other currencies relative to pounds sterling. The majority of the company s product development and manufacturing operations and the company s global headquarters are based in the United Kingdom, but the company also has national sales companies which operate in the major markets in which the company sell vehicles.

Some of the company s debt is denominated in foreign currency and is sensitive to fluctuations in exchange rates. The company has experienced, and expects to continue to experience, foreign exchange losses and gains on obligations denominated in foreign currencies in respect of the company s borrowings and foreign currency assets and liabilities due to currency fluctuations.

The company has managed to mitigate, to a certain extent, the risk of currency fluctuations on foreign currency denominated revenues and costs in the short and medium term by making appropriate hedging arrangements. Adequacy of hedging lines, limitations on tenor and inherent risks of hedging arrangements themselves continue. These are being continuously monitored for timely action within the overall constraints.

Supply chain

The company relies on third parties for sourcing raw materials, parts and components used in the manufacture of the company s products. The company s ability to procure supplies in a cost effective and timely manner or at all is subject to various factors, some of which are not within the company s control. While the company manages its supply chain as part of the its supplier management process, any significant problems with suppliers or shortages of essential raw materials in the future could have an impact on the company s operations.

Risks of disruption due to man-made or natural disasters, could impact the supply chain. A natural disaster could cause suppliers to halt, delay or reduce production, which could reduce or disrupt the supply of such raw materials, pre-products and vehicle parts and /or an increase in their cost. Any significant interruption in the supply of key inputs could adversely affect the company s ability to maintain its current and expected levels of production and therefore negatively affect its revenues.

The tragic earthquake and tsunami in Japan in March 2011 shows the vulnerability of the automotive supply chain to external shocks. Several suppliers to the automotive industry, including those to the company, were severely impacted by the earthquake and tsunami and its after-effects. The company, however, managed to avoid any production disruption by working with its overall supply base to temporarily resource components and help Japanese suppliers to restart production.

In managing a complex supply chain the company has developed close relationships with both direct and indirect suppliers. The company continues to develop long-term strategic relationships with suppliers to support the development of parts, technology and production facilities.

Seasonality and cyclicality

The sales volumes and prices for the company s vehicles are influenced by the cyclicality and seasonality of demand for these products. The company is affected by the biannual registration of vehicles in the United Kingdom, when new vehicle registrations take place in March and September, which in turn has an impact on the resale value of vehicles. Most other markets, such as the United States, are driven by the introduction of new model year vehicles, which typically occurs in the autumn of each year. Furthermore, Western European markets tend to be impacted by the summer and winter holidays. The resulting sales profile influences operating results on a quarter-to-quarter basis. Sales in the automotive industry have been cyclical in the past and the company expects this cyclicality to continue.

With the lessons learned during the recent global crisis and downturn that followed, the company keeps a close watch on inventory, including pipeline and dealer stock, with a view to quickly respond to any such signals from the market.

Product development

Over the past few years, the global market for automobiles, particularly in established markets, has been characterised by increasing demand for more environmentally friendly vehicles and technologies. In addition, the climate debate and promotion of new technologies are increasingly resulting in the automotive industry s customers no longer looking for products only on the basis of the current standard factors, such as price, design, performance, brand image or comfort / features, but also on the basis of the technology used in the vehicle or the manufacturer or provider of this technology. This could lead to shifts in demand and the value-added parameters in the automotive industry.

The company endeavours to take account of climate protection and the ever more stringent laws and regulations that have been and are likely to be adopted. The company is focusing on researching, developing and producing new drive technologies, such as hybrid engines and electric cars. The company is also investing in development programmes to reduce fuel consumption through the use of lightweight materials, reducing parasitic losses through the driveline and improvements in aerodynamics.

One of the company s principal goals is to enhance the company s status as a leading manufacturer of premium passenger vehicles by investment in the company s products, R&D, quality improvement and quality control. The company s strategy is to maintain and improve the company s competitive position by developing technologically advanced vehicles. Over the years, the company has enhanced the company s technological strengths through extensive in-house R&D activities, particularly through the company s two advanced engineering and design centres, which centralise the company s capabilities in product design and engineering. In pursuit of this strategy, the company has recently announced a programme of future product development and improvement involving investment in research, design and technical innovation. The substantial part of the company s product investment relates to investment in new and replacement models, derivatives, powertrain actions and other upgrades and the associated investment in tools and facilities and other equipment.

The company s R&D operations currently consist of a single engineering team, with a co-managed engineering function for Jaguar and Land Rover, sharing premium technologies, powertrain designs and vehicle architecture. The company endeavours to implement the best technologies into the company s product range to meet the requirements of a globally competitive market. One example of the company s development capabilities is Jaguar s aluminium body architecture, which the company expects will be a significant contributor to further efficiencies in manufacturing and engineering, as well as the reduction of CO_2 emissions. The company aim to develop vehicles running on alternative fuels and hybrids and also invest in other programmes for the development of technologies aiming to improve the environmental performance of the company s vehicles.

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The company considers technological leadership to be a significant factor in its continued success, and therefore intends to continue to devote significant resources to upgrading the company s technological capabilities. In line with this objective, the company is involved in a number of advanced research consortia that bring together leading manufacturers, suppliers and academic specialists in the United Kingdom, supported by funding from the government s Technology Strategy Board. The technology showcased in the C-X75, and the Technology Strategy Board (TSB) supported Range-e and REEVolution (Range Extended Electric Vehicle) projects demonstrate the company s commitment to growth through design and product technology innovation.

The company is pursuing various quality improvement programmes, both internally and at the company s suppliers operations, in an effort to enhance customer satisfaction and reduce the company s future warranty costs. The company has also established a procedure for ensuring quality control of outsourced components, and products purchased from approved sources undergo a supplier quality improvement process. Reliability and other quality targets are built into the company s new product introduction process. Assurance of quality is further driven by the design team, which interacts with downstream functions like process-planning, manufacturing and supplier management to ensure quality in design processes and manufacturing. The company believes its extensive sales and service network has also enabled it to provide quality and timely customer service. Through close coordination supported by the company s IT systems, the company monitors quality performance in the field and implement corrections on an on-going basis to improve the performance of its products.

The company will examine collaborative opportunities with Tata Motors, to optimise synergetic strengths, which may include the development of engines.

Patent protection and intellectual property

Although the company does not regard any of its businesses as being dependent upon any single patent or related group of patents, its inability to protect this intellectual property generally, or the illegal breach of some or a large group of the company s intellectual property rights, would have a materially adverse effect on the company s operations, business and / or financial condition.

The company owns or otherwise has rights in respect of a number of patents and trademarks relating to the products that it manufactures, which have been obtained over a period of years. In connection with the design and engineering of new vehicles and the enhancement of existing models, the company seeks to regularly develop new technical designs for use in its vehicles. The company also uses technical designs which are the intellectual property of third parties with such third parties consent. These patents and trademarks have been of value in the growth of the company s business and may continue to be of value in the future.

The company may be affected by restrictions on the use of intellectual property rights held by third parties and the company may be held legally liable for the infringement of the intellectual property rights of others in the company s products.

Dealer performance

The company s products are sold and serviced through a network of authorised dealers and service centres across the company s domestic market, and a network of distributors and local dealers in international markets. The company monitors the performance of the company s dealers and distributors and provides them with support to assist them to perform to its expectations.

Manufacturing and engineering

The company has three manufacturing facilities and two design and engineering centres, all of which are located in the United Kingdom.

The Solihull site currently manufactures Land Rover and Range Rover products, except the Freelander and Range Rover Evoque which are produced in Halewood. The Castle Bromwich site, is used to produce all the company s Jaguar models. It is expected that these sites will become more cross-branded. The company has signed a joint venture agreement to establish a manufacturing base in China, although this is still subject to regulatory approval. The company benefits from third-party facilities overseas which build a number of its vehicles from CKD kits. In India, since April 2011, Freelander vehicle kits have been assembled by Tata Motors in Pune.

The company s design and engineering centres, in Whitley and Gaydon, are being reorganised to maximise efficiency in design and development.

The company is investing in a new engine plant in Wolverhampton in order to develop and build our own range of energy efficient advanced engines.

The company could experience disruption to its manufacturing, design and engineering capabilities for a variety of reasons, including, among others, extreme weather, fire, theft, system failures, natural calamities, mechanical or equipment failures and similar risks. Any significant disruptions could adversely affect the company s ability to design, manufacture and sell the company s products and, if any of those events were to occur, the company cannot be certain that the company would be able to shift its design, engineering and manufacturing operations to alternative sites in a timely manner or at all. Any such disruption could therefore materially affect the company s business, financial condition or results of operations.

Regulation of production facilities

The company s production facilities are subject to a wide range of environmental, health and safety requirements. These requirements address, among other things, air emissions, wastewater discharges, accidental releases into the environment, human exposure to hazardous materials, the storage, treatment, transportation and disposal of wastes and hazardous materials, the investigation and clean-up of contamination, process safety and the maintenance of safe conditions in the workplace. Many of the company s operations require permits and controls to monitor or prevent pollution. The company has incurred, and will continue to incur, substantial on-going capital and operating expenditures to ensure compliance with current and future environmental, health and safety laws and regulations or their more stringent enforcement. Other environmental, health and safety laws and regulations could impose restrictions or onerous conditions on the availability or the use of raw materials the company need for the company s manufacturing process.

The company s manufacturing process results in the emission of greenhouse gases such as carbon dioxide. The EU Emissions Trading Scheme, an EU-wide system in which allowances to emit greenhouse gases are issued and traded, is anticipated to cover more industrial facilities and become progressively more stringent over time, including by reducing the number of allowances that will be allocated free of cost to manufacturing facilities. In addition, a number of further legislative and regulatory measures to address greenhouse gas emissions, including national laws and the Kyoto Protocol, are in various phases of discussion or implementation. These measures could result in increased costs to: (i) operate and maintain the company s production facilities; (ii) install new emissions controls; (iii) purchase or otherwise obtain allowances to emit greenhouse gases; and (iv) administer and manage the company s greenhouse gas emissions programme.

Many of the company s sites have an extended history of industrial activity. The company may be required to investigate and remediate contamination at those sites, as well as properties the company formerly operated, regardless of whether the company caused the contamination or the activity causing the contamination was legal at the time it occurred. In connection with contaminated properties, as well as the company s operations generally, the company also could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by the company s operations, facilities or products. The company could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if the company fails to accurately predict the amount or timing of such costs, the related impact on the company s business, financial condition or results of operations could be material.

The company has a reasonably good health and safety record. The company maintains its plant and facilities well with a view to meeting these regulatory requirements and has also in place a compliance reporting and monitoring process which should help to mitigate risk.

Input prices

Prices of commodities used in manufacturing automobiles, including steel, aluminium, copper, zinc, rubber, platinum, palladium and rhodium, have become increasingly volatile over the past two years. Further, with the global economy coming out of recession and increasing consumption in the emerging markets, prices of these commodities are likely to remain high and may rise significantly.

In addition, an increased price and supply risk could arise from the supply of rare and frequently sought raw materials for which demand is high, especially those used in vehicle electronics such as rare earths, which are predominantly found in China. In the past, China limited the export of rare earths from time to time. If the company is unable to find substitutes for such raw materials or pass price increases on to customers by raising prices, or to safeguard the supply of scarce raw materials, the company s vehicle production, business and results from operations could be affected.

The company continues to pursue cost reduction, value engineering and such other initiatives to mitigate the risk of increasing input costs and supplements these efforts through the use of fixed price supply contracts with tenors of up to 12 months for energy and commodities wherever possible.

The company has also begun using derivative contracts to hedge the price of commodities.

Product liability recall and warranty

The company is subject to risks and costs associated with product liability, warranties and recalls in connection with performance, compliance or safety-related issues affecting its products. In addition, product recalls can cause the company s consumers to question the safety or reliability of the company s vehicles and harm the company s reputation. Any harm to the reputation of any one of the company s models can result in a substantial loss of customers.

Furthermore, the company may also be subject to class actions or other large-scale product liability or other lawsuits in various jurisdictions in which the company have a significant presence. The use of shared components in vehicle production increases this risk because individual components are deployed in a number of different models across the company s brands. Any costs incurred or lost sales caused by product liability, warranties and recalls could materially adversely affect the company s business.

The company monitors its warranty performance very closely as this is a significant potential cost to the business and to customers   expectations of its brands.

The company expends resources in connection with product recalls and these resources typically include the cost of the part being replaced and the labour required to remove and replace the defective part to ensure that consumers do not question the safety or reliability of its vehicles and harm its reputation.

The company constantly monitor vehicles in service through regular data feeds from dealerships globally in order to identify trends and customer satisfaction. This enables the company to put in place appropriate actions to manage recalls and minimise warranty claims. The company also develops dealer technical updates to provide awareness of known vehicle faults, which is in line with general industry practices.

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Jaguar Land Rover PLC

Directors report and financial statements

Year ended 31 March 2012

Information Technology

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes, among other things, losses that are caused by a lack of controls within internal procedures, violation of internal policies by employees, disruption or malfunction of IT systems, computer networks and telecommunications systems, mechanical or equipment failures, human error, natural disasters or malicious acts by third parties. Like any other business with complex manufacturing, research, procurement, sales and marketing and financing operations, the company is exposed to a variety of operational risks and, if the protection measures put in place prove insufficient, the company s results of operations and financial conditions can be materially affected.

As part of the long-term development strategy under Tata, the company is reviewing its IT resources to ensure that they provide it with a best in class framework for running and managing its business.

The company has a number of IT controls to help prevent significant issues in the case of IT failure. These include back-up systems and a comprehensive disaster recovery plan. These controls are monitored by the company s internal audit function and are Sarbanes Oxley (S-Ox) compliant.

The company has an IT usage policy which is communicated to all staff when they join the company and there are regular reminders provided by the IT department. This policy is designed to prevent unauthorised software being used in breach of licensing rules and potentially introducing malicious software onto the system. The policy also aims to support the company s diversity policy by preventing the use of offensive, sexist or racist language through IT communications.

Competition

The global automotive industry, including the premium passenger car segment, is highly competitive and competition is likely to further intensify in view of the continuing globalisation and consolidation in the worldwide automotive industry. There is a strong trend among market participants in the premium automotive industry towards intensifying efforts to retain their competitive position in established markets while also developing a presence in more profitable and fast growing emerging markets, such as China, India, Russia, Brazil and other parts of Asia. A range of factors affect the competitive environment, including, among other things, quality and features of vehicles, innovation, development time, ability to control costs, pricing, reliability, safety, fuel economy, environmental impact and perception thereof, customer service and financing terms. The company places emphasis on monitoring markets and competitors in order to develop the appropriate strategies to remain competitive.

Customer demands

Customer preferences, especially in many of the more mature markets, show an overall trend towards fuel efficient, small and environmentally friendly vehicles. In many markets, these preferences are driven by customers environmental concerns, increasing fuel prices and government regulations, such as regulations regarding the level of CO_2 emissions, speed limits and higher taxes on sports utility vehicles or premium automobiles.

Such a general shift in consumer preference towards smaller and more environmentally friendly vehicles could materially affect the company s ability to sell premium passenger cars and large or medium-sized all-terrain vehicles at current or targeted volume levels. In addition, there is a risk that the company s quality standards can only be maintained by incurring substantial costs for monitoring and quality assurance. For the company s customers, one of the determining factors in purchasing the company s vehicles is the high quality of the products. A decrease in the quality of the company s vehicles (or if the public were to have the impression that such a decrease in quality had occurred) could damage the company s image and reputation as a premium automobile manufacturer and in turn materially affect the company s business, results of operations and financial condition.

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The company operates in the premium performance car and all-terrain vehicle segments, which are very specific segments of the premium passenger car market. Accordingly, the company s performance is linked to market conditions and consumer demand in those two market segments. Other premium performance car manufacturers operate in a broader spectrum of market segments, which makes them comparatively less vulnerable to reduced demand for any specific segment. Any downturn or reduced demand for premium passenger cars and all-terrain vehicles in the geographic markets in which the company operate could have a more pronounced effect on the company s performance and earnings than would have been the case if the company had operated in a larger number of different market segments.

Customers also demand continued improvement in quality. As a premium manufacturer, the company recognises this and has in place a higher level of focus on the key levers that affect quality. In particular, the company s product design and development process has been reorganised to proactively address any potential risks to achieving a high quality product, but also manufacturing plants all the way to dealerships globally and their interaction with the customer.

Consumer finance and used car valuations

During the recent global financial crisis, several providers of customer finance reduced their supply of consumer financing for the purchase of new vehicles. Any reduction in the supply of available consumer finance in the future would make it more difficult for some of the company s customers to purchase the company s vehicles and could put it under commercial pressure to offer new (or expand existing) retail or dealer incentives to maintain demand for the company s vehicles.

Further, the company offers residual value guarantees on the purchase of certain leases in some markets. The value of these guarantees is dependent on used car valuations in those markets at the end of the lease, which is subject to change. Consequently, the company may be adversely affected by movements in used car valuations in these markets.

The company has arrangements in place with FGA Capital, a joint venture between Fiat Auto and Credit Agricole (FGAC) for UK and European consumer finance, Chase Auto Finance in North America, and has similar arrangements with local providers in a number of other key markets. The company works closely with its commercial finance providers to minimize the risk around residual values which in turn reduces the level of lease subvention.

Key markets

The company has a significant presence in the United Kingdom, Chinese, North American and continental European markets from which the company derives approximately three-quarters of the company s revenues. The global economic downturn significantly impacted the automotive industry in these markets in 2009. Even though sales of passenger cars were aided by government-sponsored car-scrap incentives, these incentives primarily benefited the compact and micro-compact car segments and had virtually no slowing effect on the sales declines in the premium car or all-terrain vehicle segments in which the company operates. Although demand in these markets has recovered strongly, a decline in demand for the company s vehicles in these major markets may in the future significantly impair the company s business, financial position and results of operations. The company s strategy, which includes new product launches and expansion into growing markets, such as China, India, Russia and Brazil is designed to mitigate a decrease in demand for the company s products in mature markets in the future.

The company s growth strategy has a level of dependency on the expansion of the company s operations in other parts of the world, including China, India, Russia, Brazil and other parts of Asia, which feature higher growth potential than many of the more mature automotive markets. If the company is unable to manage risks related to the company s expansion and growth in other parts of the world and therefore fail to establish a strong presence in those higher growth markets, the company s business, results of operations and financial condition could be adversely affected or the companys investments could be lost.

Credit and liquidity risks

The company s main sources of liquidity are cash generated from operations and external debt, including term debt, revolving credit factoring and working capital facilities. During the economic downturn in 2009 the company also received financial support in the form of loans and preference shares from the company s parent company TML. Adverse changes in the global economic and financial environment may result in lower consumer demand for vehicles, and prevailing conditions in credit markets may adversely affect both consumer demand and the cost and availability of finance for the company s business and operations. If the global economy goes back into recession and consumer demand for the company s vehicles drops, as a result of higher oil prices, excessive public debt or for any other reasons, and the supply of external financing becomes limited, the company may again face significant liquidity risks.

At 31 March 2012, the company had £2,430 million of cash and cash equivalents, of which £540 million was cash held in subsidiaries outside the United Kingdom. Certain of the company s subsidiaries are subject to restrictions on their ability to transfer funds to the company. For example, JLRC is subject to foreign exchange controls and thereby is generally restricted from transferring cash to other companies of the group outside China, but can pay annual dividends, which are subject to regulatory approval and withholding tax. JLRC paid its first dividend in September 2011. Brazil, Russia and South Africa also restrict the ability of local subsidiaries to participate in daily cash pooling arrangements but allow dividends and, in the case of Russia and Brazil, discrete loans. The company believes that these restrictions have not had and are not expected to have any impact on the company s ability to meet the company s cash obligations.

Labour relations

In general, the company considers its labour relations with all of its employees, a substantial portion belong to unions, to be good. However, in the future the company may face labour unrest, at the company s own facilities or those of the company s suppliers, which may delay or disrupt the company s operations in the affected regions, including the sourcing of raw materials and parts, the manufacture, sales and distribution of vehicles and the provision of services. If work stoppages or lock-outs at the company s facilities or at the facilities of the company s major suppliers occur or continue for a long period of time, the company s business, financial condition and results of operations may be materially affected. The company manages union relations with proactive consultation.

Key personnel

The company believes that the company s growth and future success depend in large part on the skills of the company s workforce, including executives and officers, as well as the designers and engineers. The loss of the services of one or more of these employees could impair the company s ability to continue to implement its business strategy. The company s success also depends, in part, on the company s continued ability to attract and retain experienced and qualified employees, particularly qualified engineers with expertise in automotive design and production. The competition for such employees is intense, and the company s inability to continue to attract, retain and motivate employees could adversely affect its business and plans to invest in the development of new designs and products.

Pension obligations

The company provides post-retirement and pension benefits to the company s employees, some of which are defined benefit plans. The company s pension liabilities are generally funded and the pension plan assets are particularly significant. As part of the company s Strategic Business Review process, the company closed the Jaguar Land Rover defined benefit pension plans to new joiners as at 19 April 2010. All new employees have joined a new defined contribution pension plan.

Under the arrangements with the trustees of the defined benefit pension schemes, an actuarial valuation of the assets and liabilities of the schemes is undertaken every three years. The most recent valuation, as at April 2009 and completed in 2010, indicated a shortfall in the assets of the schemes as at that date, versus the actuarially determined liabilities as at that date, of £403.0 million.

As part of the valuation process the company agreed a schedule of contributions, together with the expected investment performance of the assets of the schemes, expected to eliminate the deficit by 2018.

The company also granted passive security on its assets in favour of the pension fund trustees as security for its obligations under the pension schemes.

The next actuarial valuation as at April 2012 is expected to be completed in 2013.

Lower return on pension fund assets, changes in market conditions, changes in interest rates, changes in inflation rates and adverse changes in other critical actuarial assumptions, may impact the company s pension liabilities and consequently increase funding requirements, which in future could adversely affect the company s financial condition and results of operations.

Insurance coverage

While the company believes that the insurance coverage that the company it maintains is reasonably adequate to cover all normal risks associated with the operation of the company s business, there can be no assurance that any claim under the company s insurance policies will be honoured fully or timely, the company s insurance coverage will be sufficient in any respect or the company s insurance premiums will not increase substantially. Accordingly, to the extent that the company suffers loss or damage that is not covered by insurance or which exceeds the company s insurance coverage or the company has to pay higher insurance premiums, the company s financial condition may be affected.

Corporate governance and public disclosure

The company is affected by the corporate governance and disclosure requirements of the company s own listing, on the Euro MTF market and also its parent, Tata Motors, which is listed on the Bombay Stock Exchange, the National Stock Exchange of India and the New York Stock Exchange (the NYSE). Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and SEC regulations, Securities and Exchange Board of India (the SEBI) regulations, the NYSE listing rules and Indian stock market listing regulations, have increased the compliance complexity for the company s parent company and, indirectly, for the company. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. The company is committed to maintaining high standards of corporate governance and public disclosure. However, the company s efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses. In addition, there can be no guarantee that the company will always succeed in complying with all applicable laws, regulations and standards.

Impact of political instability, wars, terrorism, multinational conflicts, natural disasters, fuel shortages /prices, epidemics, labour strikes and other risks

The company s products are exported to a number of geographical markets and the company plan to expand the company s international operations further in the future. Consequently, the company is subject to various risks associated with conducting the company s business both within and outside the company s domestic market and the company s operations may be subject to political instability, wars, terrorism, regional and / or multinational conflicts, natural disasters, fuel shortages, epidemics and labour strikes. In addition, conducting business internationally, especially in emerging markets, exposes it to additional risks, including adverse changes in economic and government policies, unpredictable shifts in regulation, inconsistent application of existing laws and regulations, unclear regulatory and taxation systems and divergent commercial and employment practices and procedures. Any significant or prolonged disruptions or delays in the company s operations related to these risks could adversely impact the company s results of operations.

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Other business factors

Employees

The company has a highly skilled and committed workforce, many of whom have spent their entire working lives with the Jaguar and Land Rover brands. The company is committed to providing its employees with the best work environment, including training and development of opportunities to improve their skills and ensuring continuous development for all.

The company is the largest automotive employer in the UK and the company s apprenticeship scheme provides world-class engineering training, which is vital for the continued success of the business. The company s graduate recruitment scheme, which had 10,500 applicants in FY12, moved up to 26th in the Times Top 100 graduate employers this year. The company is the only car company in the list and the 2nd major manufacturer, after Rolls-Royce (at 25th). The company is also 30th in the Guardian top 300 employers.

Wellbeing The company offers a variety of initiatives designed to enhance the well-being of its employees to promote satisfaction, motivation and productivity. The company is committed to helping employees live a healthy lifestyle, with a good work-life balance. For example the company offers:

- Flexible working options including job-sharing, part-time work, working from home, and variable hours where an individual s role allows.
- A highly competitive maternity leave package of one year at full pay.
- The option to request a career break of up to four years for employees who have been working for the company for more than two years, for reasons ranging from childcare responsibilities to study and travelling.
- Nurses at on-site occupational health centres to advise staff on maintaining a good work-life balance.
- A free counselling service to all employees.
- Physiotherapy to those who are recovering from injury.
- On-site sports facilities to encourage employees to keep fit.

Diversity

The company is committed to treating its employees with respect, regardless of age, disability, gender, race, religion or sexual orientation. The company promotes equal opportunities in the work place, and its recruitment process is designed to be inclusive and ensure no one is put at a disadvantage. The company encourages everyone to challenge unacceptable behaviour and report any incidents of discrimination. All employees must comply with the Dignity and Work policy, designed to prevent harassment, bullying and victimisation. This is included in induction training for new starters. The company s Diversity and Inclusion Council oversees implementation of the policy and diversity champions sit on each of the company s People Development Committees. The company train diversity champions on the business case for diversity and how to challenge stereotypes and prejudice.

The company s annual Diversity and Inclusion Awards recognise employees best practice in promoting diversity, within and outside the business.

Gender The automotive industry traditionally attracts more men than women. The company is working to increase the number of women working at Jaguar Land Rover, and offers a range of initiatives to help employees balance work and family commitments.

The company launched a leadership training programme for women in 2009, with support from the UK government, to help more women reach senior roles.

Disability Jaguar Land Rover has been awarded the two ticks disability badge by Jobcentre Plus in recognition of the company s commitment to employ, retain and develop people with disabilities.

All the company s sites have an occupational health department that gives support to employees with disabilities and those who are recovering from injury. The company s recruitment centres are designed to be accessible to people with disabilities and the company will make any adjustments necessary to meet their needs.

Apprenticeships give young people the chance to take their first step on the path to a career in manufacturing or engineering.

The company s advanced apprenticeships last for around 3 years, including an initial period studying at college. Apprenticeships gain a qualification in engineering, as well as technical certificates.

In FY12, the company took on 114 apprenticeships, most from local communities.

The company recruited 336 engineering and business graduates to take part in the company s graduate development programme in FY12. The company offers product development placements for engineering undergraduates each year, for a period of either 3 or 12 months.

Charitable donations

The company and those that work for it are involved in many charitable activities across the globe. It is the company s strong belief that it should play an active role in the communities, both local and worldwide. Given the number of charities and the need to assess the impact of any donations and potential tax consequences, the company can only make contributions to a limited number of charitable causes which have been formally approved. As a result, no one is authorised to make any charitable contributions on behalf of the company without the necessary approval.

Political involvement and contributions

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

Related party transactions

The group s related parties principally consist of Tata Sons Ltd., subsidiaries of Tata Sons Ltd, associates and joint ventures of the company. The group routinely enters into transactions with these related parties in the ordinary course of business. The group enters into transactions for sale and purchase of products with its associates and joint ventures. Transactions and balances with its own subsidiaries are eliminated on consolidation. Further details of related party transaction are set out in Note 36 to the Consolidated Financial Statements.

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Acquisitions and disposals

The company made no material acquisitions or disposals since 1 April 2009.

Off-balance sheet arrangements

The company has no off-balance sheet financial arrangements.

Contingencies

In the normal course of business, the company faces claims and assertions by various parties. The company assesses such claims and assertions and monitors the legal environment on an on-going basis, with the assistance of external legal counsel wherever necessary. The company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in the company s financial statements, if material. Where potential losses are considered possible, but not probable, the company provides disclosure in the company s financial statements, if material, but the company does not record a liability in the company s accounts unless the loss becomes probable.

There are various claims against the company, the majority of which pertain to motor accident claims and consumer complaints. Some of the cases also relate to replacement of parts of vehicles and/or compensation for deficiency in the services by the company or its dealers. The company believes that none of these contingencies, either individually or in aggregate, would have a material adverse effect on the company s financial condition, results of operations or cash flow.

Commitments

The company has entered into various contracts with suppliers and contractors for the acquisition of plant and machinery, equipment and various civil contracts of a capital nature aggregating £545.2 million at 31 March 2012. The company has entered into various contracts with suppliers and contractors which include obligations aggregating £865.8 million at 31 March 2012, to purchase minimum or fixed quantities of material.

Board of Directors

Jaguar Land Rover PLC is a public limited company incorporated under the laws of England and Wales. The business address of the directors and senior management of Jaguar Land Rover is Banbury Road, Gaydon, Warwickshire, CV35 0RG, United Kingdom.

The following table provides information with respect to members of the Board of Directors of Jaguar Land Rover:

Name	Position	Year appointed as Director or Chief Executive Officer
Ratan N. Tata	Chairman and Director	2008
Ravi Kant	Director	2008
Andrew M. Robb	Director	2009
Dr. Ralf D. Speth	Chief Executive Officer and Director	2010
Carl-Peter Forster	Director (resigned on 9 September 2011)	2010
Nasser Mukhtar Munjee	Director (appointed 2 February 2012)	2012

Board practices

The Board consists of one executive director and four non-executive directors of whom two are independent non-executive directors.

The roles of the Chairman and the Chief Executive Officer are distinct and separate with appropriate powers being delegated to the Chief Executive Officer to perform the day-to-day activities of the company.

The Board, along with its committees, provides leadership and guidance to the company s management, particularly with respect to corporate governance, business strategies and growth plans, the consideration of risks and their mitigation strategies, entry into new businesses, product launches, demand fulfilment and capital expenditure requirements, and the review of the company s plans and targets.

Corporate governance

The Board has delegated powers to the committees of the Board through written / stated terms of reference and oversees the functioning operations of the Committees through various circulars and minutes. The Board also undertakes the company s subsidiaries oversight functions through review of their performance against their set targets, advises them on growth plans and, where necessary, gives strategic guidelines.

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Audit Committee

The Audit Committee independently reviews the adequacy and effectiveness of risk management across the company together with the integrity of the financial statements, including a review of the significant financial reporting judgments contained in them.

It is comprised of Ravi Kant and Andrew Robb, who have recent and relevant financial experience. The scope of the Audit Committee includes:

Reviewing the annual and all interim financial statements prior to submission to the Board and the shareholder, with particular reference to.

Critical accounting policies and practices and any changes to them, off-balance sheet structures, related party transactions and contingent liabilities.

Audit, legal and tax and accounting updates.

Unusual or exceptional transactions.

Major accounting entries involving estimates based on the exercise of judgment, including provisions for impairment and other major items.

The auditors report and any qualifications or emphases therein, taking particular note of any audit differences or adjustments arising from the audit.

Reviewing the effectiveness of financial reporting, internal control over financial reporting and risk management procedures within the company s group, with particular regard to compliance with the provisions of Section 404 of the Sarbanes Oxley Act and other relevant regulations and to disclosures from the Chief Executive Officer or Chief Financial Officer, with particular reference to any material weaknesses or significant deficiencies in the design or operation of the company s internal control over financial reporting which are reasonably likely to adversely affect the company s ability to record, process and report financial data and to receive reports from the external and internal auditors with respect to these matters.

Assessing the reliability and integrity of the company s accounting policies and financial reporting and disclosure practices and processes.

In relation to internal audits, the Audit Committee has responsibility to:

review on a regular basis the adequacy of internal audit functions, including the internal audit charte