

Jaguar Land Rover Servicios México, S. A. de C. V.

Notes to the financial statements
For the years ended December 31, 2021 and 2020
(Figures in Mexican pesos)

Jaguar Land Rover Servicios México, S. A. de C. V.

Financial Statements

December 31th 2021 and 2020

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(Figures in Mexican pesos)

(Pesos)

Assets	As of December 31		Liabilities and shareholders' equity	As of December 31	
	2021	2020		2021	2020
Current assets			Current liabilities:		
Cash	\$ 6,821,118	2,702,132	Current maturities of:		
Jaguar Land Rover México, S.A.P.I de C.V. (Note 6)	0	5,296,567	Lease liability (Note 10)	2,885,622	2,526,531
Other accounts receivable	396,713	0	Accounts payable (JLR México S.A.P.I de C.V.)(Note 6)	3,103,328	0
Recoverable taxes	1,016,453	702,738	Suppliers and accrued liabilities	128,947	292,203
Advance Payments	0	682,352	Provisions (Note 3)	0	4,420,091
			Income Tax (Note 12)	0	2,227,579
			Profit sharing	0	61,972
Total current assets	8,234,284	9,383,789	Total current liabilities	12,117,897	9,528,376
Improvements to lease premises and fixed assets (Note 7)	0	0	Lease liability (Note 10)	2,310,363	5,624,499
Computer equipment (Note 7)	61,326	0	Employee benefits (note 11)	0	2,537,193
Right-of-use assets (note 10)	4,273,270	5,550,792	Total liabilities	15,028,260	17,690,068
Deferred income taxes, net (note 12)	280,009	4,430,162	Equity (note 13):		
Other assets	578,592	567,692	Capital stock	50,000	50,000
			Retained earnings	(1,650,779)	2,192,367
			Total equity	(1,600,779)	2,242,367
			Obligations and contingent liabilities (note 11)		
			Subsequent event (note 14)		
	\$ 13,427,481	19,932,435		\$ 13,427,481	19,932,435

See notes to the financial statements

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Profit and Loss Statement

Years ended December 31, 2021 and 2020

(Pesos)

	<u>2021</u>	<u>2020</u>
Services income (note 6)	\$ 20,578,352	36,085,774
Other income	12,167	15,495
Gross profit	<u>20,590,519</u>	<u>36,101,269</u>
General expenses:		
Wages, salaries and benefits	14,892,461	28,110,193
Travel and representation expenses	315,073	276,942
Leases and maintenance	1,275,866	1,496,539
Professional services	1,515,357	1,794,362
Office and fuel expenses	378,861	654,231
Subscriptions and insurance	11,260	16,269
Profit sharing (note 12)	6,062	31,238
Depreciation and amortization (note 7)	1,295,327	1,277,527
Other (income) expenses, net	(106,106)	226,444
Other expenses	119,685	263,825
Total general expenses	19,703,846	34,147,570
Operating profit	<u>886,673</u>	<u>1,953,699</u>
Financing result:		
Interest expense	521,646	746,112
Exchange gain (loss), net	<u>188,405</u>	<u>1,270,544</u>
Financing result, net	<u>710,051</u>	<u>2,016,656</u>
Profit before income taxes	<u>176,622</u>	<u>(62,957)</u>
Income tax (note 12):		
Over tax base	-	315,307
Deferred income tax	2,178,437	(83,160)
Deferred profit sharing	1,841,331	(117,052)
Total income taxes	<u>4,019,768</u>	<u>115,095</u>
Net profit	<u>(3,843,146)</u>	<u>(178,052)</u>

See notes to the financial statements.

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Statement of Changes in Shareholders' Equity

December 31, 2021 and 2020

(Pesos)

	Capital stock	Retained earnings deficit	Total shareholders' equity
Balance as of January 1st, 2017	\$ 50,000	1,884,902	1,934,902
Net profit	-	891,844	891,844
Balance as of January 1st, 2018	\$ 50,000	3,413,443	3,463,443
Leasing adoption (NIF D-5)	0	-217,245	(217,245)
Net profit	-	1,129,427	1,129,427
Balance as of January 1st, 2019	\$ 50,000	2,370,419	2,420,419
Net profit	-	(178,052)	(178,052)
Balance as of December 31, 2020	50,000	2,192,367	2,242,367
Net profit	-	(3,843,146)	(3,843,146)
Balance as of December 31, 2021	\$ 50,000	(1,650,779)	(1,600,779)

See notes to the financial statements.

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Cash flow statements

Years ended December 31, 2021 and 2020

(Pesos)

	<u>2021</u>	<u>2020</u>
Operating activities:		
Profit before income taxes	\$ 176,622	(62,957)
Depreciation and amortization	1,277,532	1,277,532
Interest receivable	(227,353)	1,335,805
Interest payable	<u>521,646</u>	<u>746,112</u>
Sub-total	1,748,447	3,296,492
Jaguar Land Rover México, S.A.P.I. de C.V.	5,296,567	284,826
Advanced payments	671,452	(117,030)
Accounts payable	8,940,072	(45,438)
Paid income tax	(2,227,579)	(593,799)
Profit sharing	-	92,705
Profit sharing paid	(92,705)	(286,106)
Provisions	(4,537,233)	687,244
Changes in benefits to employees and profit sharing	(2,612,872)	321,186
Corporate income tax paid	<u>(190,463)</u>	<u>(962,459)</u>
Net cash flows from operating activities	<u>6,995,686</u>	<u>2,677,621</u>
Financing activities:		
Interest paid	(521,646)	(746,112)
Lease liabilities payed	<u>(2,355,045)</u>	<u>(2,454,605)</u>
Net cash flows from financing activities	<u>(2,876,691)</u>	<u>(3,200,717)</u>
Net increase (decrease) of cash and cash equivalents	4,118,995	(523,096)
Cash and cash equivalents:		
At the beginning of the year	<u>2,702,132</u>	<u>3,225,238</u>
At the end of the year	\$ <u><u>6,821,127</u></u>	<u><u>2,702,142</u></u>

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(1) Company activity and main business transactions

I. Company activity

Jaguar Land Rover Servicios México, S. A. de C. V. (the Company), was established on December 22, 2010, and its main activity is to perform all kinds of services in favor of third parties including but not limited to advisory services, supervision and consulting, selection, hiring and personnel management, and accounting and fiscal services, to Jaguar Land Rover Mexico, S. A. de C. V. (related party). The Company is a subsidiary of Jaguar Land Rover Limited. The Company is integrated to the Business Group where Tata Motors Limited is the main holding company.

The period of operations of the Company and the fiscal year, comprise from January 1 to December 31, 2021.

(2) Authorization and basis for presentation

Authorization

On May 12, 2021, Mr. Luis Reyes, Director of Finance, authorized delivery of the attached financial statements and their accompanying notes.

In accordance with the General Law of Commercial Companies (LGSM) and the bylaws of Jaguar Land Rover Servicios Mexico, S. A. de V. V., shareholders have the authority to amend the financial statements even after they have been delivered. The financial statements will be submitted to the consideration and approval of the next Shareholders' Meeting.

Basis for presentation

a) Compliance Statement

The accompanying financial statements were prepared in accordance with the Mexican Financial Reporting Principles (the Mexican NIFs).

b) Assumptions and estimates

Preparation of the financial statements require that Management carry out estimates and assumptions which affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, together with the recorded amounts of income and expenses during such period. Effective results may differ from such estimates and assumptions.

Assumptions

The information on judgments reached in the application of accounting policies having the most important effect on the amounts appreciated in the financial statements, are described in the following notes:

- Note 12 – Measuring of obligations by benefits defined: key actuarial assumptions.
- Nota 13 – Profit taxes - Income tax (IT) and workers' participation in profits (WPP) – deferred taxes.

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- Note 8 – Impairment testing of improvements to leased premises: key assumptions for recoverable amounts, including the recoverability of development costs.
- Note 10 – Provisions: key assumptions to determine expected expenses.
- Note 11 – Right of use assets and lease liability.

c) Functional currency and report currency

The financial statements previously mentioned are shown in Mexican Pesos, which is the same as the registered currency and the functional currency.

For disclosure purposes in the notes to the financial statements, where reference is made to pesos or “\$”, this refers to Mexican Pesos, and when reference is made to dollars, it means Dollars of the United States of America.

d) Presentation of the Statement of Earnings

The Company presents the full results in a single statement including only the items representing net profit or loss, and is entitled “Statement of Earnings” since, during the current and immediately previous tax years submitted for comparative purposes, the Company failed to generate Other Integral results (ORI).

Since the Company is a service corporation, regular costs and expenses are shown based on their nature, since it is considered that in this way the presentation is clearer.

(3) Summary of the main accounting policies

(a) Cash

Cash and cash equivalents include deposits to bank accounts and foreign accounts. As of the date of the financial statements, interest earned and profits or losses in valuation are included in the results for the year as an integral part of the financing results.

(b) Financial instruments

i. Initial appreciation and measurement

The financial assets and liabilities – including accounts receivable and payable – are initially appreciated when these assets occur or are acquired, or when the liabilities are issued or assumed, both under agreement.

The financial assets and financial liabilities (except in the case of an account receivable or payable without a material financing component), are initially measured and appreciated at their fair value plus, in the case of financial assets or liabilities not measured at fair value and subject to change), carried by means of integral results, the transaction costs directly attributable to their acquisition or delivery, when they are subsequently measured at their redeemed cost. An account receivable without a significant financing component is initially measured at the transaction price.

ii. Subsequent classification and measuring.

Financial assets –

In the process of the initial appreciation, financial assets are classified in the following categories according to the business model and the nature of the existing flows thereof, such as:

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— Accounts receivable, which includes the *accounts receivable* from related parties deriving from the sale of services and the *other accounts receivable* obtained from activities other than the sale of services.

The financial assets are classified based both on the business model and on the nature of the existing flows of same. According to the business model, a financial asset, or a class of financial assets (portfolio) can be managed under:

- A model which endeavors to recover the existing flows (represented by the amount of capital and interest).
- A business model which endeavors both to recover the existing flows as in the previous model, and to obtain a profit by sale of the financial assets, which involves moving a combined processing model of those financial assets.
- A model which endeavors to obtain maximum returns by purchase and sale of the financial assets.

The financial assets are not reclassified after their initial appreciation, unless the Company changes its business model, in which case all the financial assets affected are reclassified to the new category when the change in the business occurs.

The reclassification of investments in financial instruments between categories is prospectively applicable as from the date of change in the business model, without amending any profit or loss previously recognized, such as interest or losses from deterioration.

A financial asset is measured at its redeemed cost if the two following conditions are met, and not classified in accord with its fair value with changes through results:

- The financial assets are retained within a business model the purpose of which is to maintain the financial assets to recover negotiated cash flows; and
- The contractual conditions of the financial asset result, on specified dates, in cash flows represented solely by principal and interest over the amount of the pending principal (Only Payment of Principal and Interest, or SPPI)

Financial assets: Evaluation of the business model –

The Company makes an evaluation of the purpose of the business model in which a financial asset is maintained at portfolio level, since this is what best reflects the way, the business is managed, and information delivered to the Management. The considered information includes:

- The policies and goals established for the portfolio and the operation of these policies in practice. They include whether the strategy of Management is focused on collecting revenue from interest, maintaining a specific interest rate profile or coordinating duration of the financial assets with that of the liabilities being financed by such assets or the anticipated outgoings of cash, or realize cash flows through the sale of assets.
- How portfolio yield is evaluated and how this is reported to Company Management.
- The risks affecting the yield of the business model (and the financial assets maintained in the business model) and, specifically, the way in which such risks are handled.

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- How the managers of the business are compensated (for example if compensation is based on the fair value of the assets handled or on the existing cash flows obtained); and
- The frequency, the volume, and the opportunity of sales in previous periods, the reasons for these sales and expectations on the activity of future sales.

The transfers of financial assets to third parties in transactions not qualifying for a written off process shall not be considered as a sale for this purpose, consistent with the permanent appreciation of assets by the Company.

Financial assets –

The Company classified its financial assets in one of the following categories:

- Loans and accounts receivable.
- At fair value with changes in results.
- Designed at fair value with changes in results.

Financial assets: Subsequent measuring and profits and losses –

Financial assets at fair value with changes in results	Measured at fair value with changes, including income from interest, in results.
Loans and accounts receivable	Measured at redeemed cost using the effective interest method.

Financial liabilities: Classification, subsequent measuring, profits, and losses.

Financial liabilities are appreciated initially at their fair value, and subsequently measured at their redeemed value. Financial liabilities obtained from agreements or placement of financial debt instruments are initially appreciated at the value of the obligation they represent (at their fair value) and will be subsequently remedied under the redeemed cost returned method through the effective interest rate. Income from interest and profits and losses by the exchange of foreign currency is appreciated in results. Any profit or loss in a written off account is acknowledged in results.

iv. Written-off Accounts

Financial assets

The Company will write off a financial asset when the rights over the cash flows of the financial asset expire, or when the rights to receive cash flows in a transaction in which risks and benefits of ownership of the financial asset are transferred, or in which the Company fails to transfer or substantially retain all risks and benefits related to the property or retain control over the financial assets.

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Financial liabilities

The Company will write-off a financial liability when its obligations are paid or cancelled or have expired. The Company shall also write off a financial liability when its conditions are changed, and the cash flows of the modified liability are substantially different. In this case, a new financial liability is appreciated based on the new conditions at fair value.

In the event of a financial liability written off, the difference between the book value of the cancelled financial liability and the settlement paid (including other cash transfers or liabilities assumed) are appreciated in the results.

v. Compensation

A financial asset and liability shall be subject to compensation, in such a way as to evidence their net amount in the statement of earnings when, and only when, the Company has, the legally-requirable right to compensate the appreciated amount and intends to settle for the net amount, or of transfer the asset and pay the liability simultaneously.

(c) Advance payments

Advance payments are appreciated for the amount paid at the time this takes place, always providing it is considered that the associated future economic benefit flows to the Company. Once the goods or service are received, the Company appreciates the amount with respect to the advance payments as an asset or expense of the period, depending on whether it is certain that the acquired asset will generate a future economic benefit.

The Company shall periodically evaluate the capacity of advance payments losing the ability to generate future economic benefits, together with the recoverability thereof. An amount considered non-recoverable is appreciated as a loss by deterioration in the results for the period.

(d) Improvements to leased premises

The value of improvements to leased premises includes the costs that have been initially incurred to be acquired. Repair and maintenance costs are recognized in the income statement as incurred.

Amortization is determined by using the straight-line method (since Company Management considers that this method is the best for reflecting the use of such assets), based on their estimated useful life anticipated as period of 6 years, or contract termination, whichever is less.

The improvements to leased premises are reviewed when indications of deterioration exist in the value of such assets.

During the years ending December 31, 2021 and 2020, there were no indications of deterioration.

(e) Impairment of the recovery value of non-current assets-

The Company evaluates the net book value of its non-current assets, to determine the indications that such value exceeds its recovery value. The recovery value represents the amount of potential net income that is reasonably expected to be obtained due to use or sale of such assets. If it is determined that the net book value exceeds the recovery value, the Company records the appropriate estimates, and record the effect on the results for the year.

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(f) Leases

Policy applicable before January 1, 2020

Leases under which the Company assumed substantially all the risks and rewards of ownership were classified as capitalizable leases. At the time of initial recognition, the leased asset was determined considering the amount that was lower between its fair value and the present value of the minimum lease payments. After initial recognition, the amount of the asset was modified in accordance with the accounting policy applicable to it.

Assets held in other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments under operating leases were recognized in the accounting results on a straight-line basis over the term of the lease. The lease incentives received were recognized as a reduction of the total lease expense, during the lease term.

Policy applicable as from January 1, 2020

At the beginning of the corresponding agreement, the Company evaluates whether such agreement is, or refers to a lease. An agreement is, or refers to a lease if it assigns the right to control certain asset for a specific period and for a consideration. To evaluate whether an agreement conveys the right to control the use of an identified asset, the Company uses the definition of lease in NIF D-5.

At the beginning of, or at the time of any amendment to the agreement that provides a lease component, the Company assigns the consideration in the agreement to each lease component or service based on their relative independent prices.

The Company assumes both an asset subject matter of a right-of-use, and the lease liability, as of the lease initial date. The asset such a right-of-use is initially measured at cost, and includes the initial amount of the lease liability adjusted for purpose of lease payments made on or before the initial date, plus the initial direct costs incurred and an estimate of the costs for dismantle or restore the underlying asset or the site where it is located, less leasing incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the beginning date to the end of the lease term, unless, pursuant to the terms of the agreement, the lease has the option to transfer ownership of the underlying asset to the Company at the end of the lease term or the cost of the right-of-use asset reflects that the Company shall exercise a purchase option. In such event, such asset will be depreciated over its useful life, and shall be determined on the same basis as that of property and equipment. In addition, the right-of-use shall be periodically reduced for impairment losses, if applicable, and adjusted for certain new valuations of the lease liability as changes in the rental amount due to inflation adjustment.

The lease liability is initially measured at the present value of the lease payments that are not paid on the initial date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, the incremental financing rate of the Company. Generally, the Company applies its incremental interest rate as the discount rate.

The lease payments included in the valuation of the lease liability comprise the following:

- fixed payments, including fixed basic payments.
- variable lease payments that depend on an index or a rate, initially valued using the index or the rate on the initial date.
- amounts expected to be paid under a residual value guarantee; and

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— the option price under a call option that the Company shall reasonably pretends to exercise, the lease payments corresponding to an optional renewal period, in the event the Company pretends to exercise an extension option, and the penalties for termination of the lease before the expiration date, unless the Company is sure not to terminate it before the expiration date.

The lease liability is valued at redeemed cost using the effective interest method. It is revalued when there is a change in future lease advances arising from a change in the index or rate, if there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee, when the Company changes its assessment of whether it will apply for a purchase, extension, or termination option or whether there is an amended fixed lease payment. If the lease liability is revalued in this way, an adjustment is made for the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company reports assets having the right-of-use that do not meet the definition of investment property, right-of-use assets, and lease liabilities in lease liabilities in the statement of financial position.

Short-term leases and low-value asset leases

The Company has decided not to recognize right-of-use assets and lease liabilities for low-value asset leases and short-term leases, including IT equipment. The Company acknowledges the lease payments associated with such leases as a straight-line expense over the term of the lease.

(g) Provisions

The liabilities for provisions are appreciated when (i) there is a present obligation (legal or assumed) as the result of a past event, (ii) there is a possibility that the use of economic resources is required as a means to settle such obligation, and (iii) the obligation can be reasonably estimated.

The provisions for contingent liabilities are appreciated only when the use of resources is probable for their settlement. Likewise, commitments are only appreciated when they generate a loss.

(h) Retirement benefits

Direct short-term benefits

The direct benefits to employees at short-term are recognized in the results for the period when the services are performed. A liability is appreciated in the amount it is expected to pay should the Company have a legal or assumed obligation to pay this amount as the result of past services rendered, and the obligation can be reasonably estimated.

Post-employment benefits

Defined benefit plans

The net obligation of the Company corresponding to the benefit plans defined by seniority bonus and termination of the working relationship are calculated separately for each plan, estimating the amounts of future earned by the employees in current and previous periods and discounting this amount.

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Calculation of the obligations for the benefit plans defined is performed annually by experts, using the projected credit unit method. When the calculation results in a possible asset for the Company, the asset appreciated is limited to the current value of economic benefits available in the form of future disbursements or reductions in future contributions thereto. To calculate the current value of economic benefits, any minimum financing requirement should be considered.

The labor cost of the current service, representing the cost of the benefits period for the employee on having completed another year of working life based on the benefits plans, is appreciated in operating costs and expenses. The Company determines the expense (income) by net interest over the net liability (asset) by the defined benefits of the period, multiplying the discount rate used to measure the benefit obligation defined by the net liability at commencement of the annual period reported taking into account changes in net liability (asset) for benefits defined during the period as a result of estimated contributions and payment of benefits.

Amendments to the plans affecting the cost of past services are immediately appreciated in the results in which the amendment occurs, without it being possible to defer these to subsequent years. Likewise, the effects by liquidation events or a reduction in obligations in the period which significantly reduce a) the cost of future services and/or the population subject to such benefits, respectively, are appreciated in the results for the period.

The re-measurements (formerly actuarial profits and losses) resulting from differences between planned and effective actuarial hypotheses at the end of the period, are appreciated in the period in which they occur in the results for the period.

(i) Profit taxes and workers' participation in profits (WPP)-

Profit taxes and the WPP applicable during the year are determined in accordance with current tax provisions.

Differed profit taxes and WPP are registered in accordance with the assets and liabilities method, which compares the book and tax values thereof. Profit taxes (assets and liabilities) are appreciated by the future tax consequences attributable to the temporary differences between the values of existing assets and liabilities reflected in the financial statements and their relative tax bases. Deferred assets and liabilities by profit tax and WPP are calculated using the rates established in the corresponding law, to be applied to taxable profit in the years it is considered that the temporary differences shall be reversed. The effect of changes in the tax rates on deferred profit taxes and WPP are appreciated in the results for the period in which such changes are approved.

(j) Revenue Recognition

Income is measured based on the compliance obligation specified in the contract with a related party. Income from services are appreciated over time as they are rendered. Invoices for services are issued monthly and are usually payable in a period of 30 days.

The Company provides administrative services to its related party. This service is provided for in a yearly agreement which is renewed automatically.

(k) Business concentration-

The Company obtained all its income from its related party Jaguar Land Rover México, S. A. P. I. de C.V. for the years ended December 31, 2021 and 2020.

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(I) Result of financing (RF)-

The RF includes financial income and expenses. Financial income and expenses are made up as follows:

- Income from interest;
- Profit or loss in foreign currency from financial assets and financial liabilities.

Operations in foreign currency are recorded at the exchange rate applicable on the dates of formalization or payment. The monetary assets and liabilities denominated in foreign currency are converted at the exchange rate in force on the date of the statement of financial position. Differences in exchange incurred in connection with assets or liabilities contracted in foreign currency are carried to the results for the period.

(4) Foreign currency position and conversion-

As of December 31, 2021, and 2020, the Company had no monetary assets and liabilities denominated in foreign currency.

As of December 31, 2021, and 2020, \$188,405 y \$1,284,775 respectively, were recorded as Exchange loss.

The exchange rates used in the several exchange processes as compared with the currency of the report as of December 31, 2021 and 2020, are the following:

Country of origin	Currency	Exchange rate	
		2021	2020
United States of America	Dollars	\$ 20.5890	19.9487

As of December 31, 2021, the Company had no instruments of protection against Exchange loss.

(5) Financial instruments

(a) Fair values

The Company has investments in financial assets and financial liabilities not measured at fair value, since their book value approximates fair value.

(b) Management of financial risks

The Company is exposed to the following financial risks for its operation with financial instruments:

- Credit risk
- Financial capacity risk
- Market risk

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Management of financial risk policies

The Board of Directors holds the general responsibility for establishing and supervising the risk management policies of the Company. The Board has established the Finance Advisory Committee, which oversees the Company's risk management policies, and reports to the Board regularly on its activities.

The risks management policies of the Company are established to identify and evaluate the risks facing the latter, establishing suitable risk control limits, and supervising risks and compliance with the limits. The policies and systems of risk management are periodically reviewed to reflect changes in market conditions and in Company activities.

The objectives of the Company, through its training and administration procedures, is to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors supervises the way in which Management monitors compliance with the Company's risk management policies and procedures and checks as applicable the risk management policy and compared with the risks faced by the Company. Internal Auditing performs periodic revisions of risk management controls and procedures. The Company Committee receives assistance in supervising the Internal Auditing Department, which carries out periodical reviews of risk management controls and procedures, the results of which are reported to the Committee.

Credit Risk:

The credit risk represents the potential loss which placement of a financial instrument could cause the other party, in the event of failure to comply with his obligations.

Accounts receivable with related parties.

Exposure of the Company to a credit risk is of little significance even though its income is obtained from the services rendered to a related party in Mexico. Such related party obtains its income from selling its products and services to several customers.

Liquidity Risk:

The capacity risk represents the possibility of the Company being unable to comply with the obligations related to its financial liabilities, payable in cash or another financial asset. The approach of the Company to manage its financial capacity consists of ensuring, insofar as this is possible, that it shall have sufficient liquidity to settle its liabilities at their maturity date, both in regular scenarios and under extraordinary conditions, without incurring in unacceptable losses or placing the reputation of the Company at risk.

Exposure to liquidity risk

The following are the remaining maturities of the financial liabilities as of the date of the financial statements. The following gross and undiscounted amounts include interest payments and exclude the impact of the compensation agreements:

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December 31, 2021	Contractual Cash Flows					
	Book	Total	12 Months or less	1-2 Years	2-5 Years	5 Years or more
Non-derivative financial liabilities						
Suppliers	\$ 128,946	(128,946)	(128,946)	-	-	-
Lease Liability	5,795,985	(5,795,985)	(2,885,622)	(2,910,363)	-	-
	\$ 5,924,931	(5,924,931)	(3,014,568)	(2,910,363)	-	-

December 31, 2020	Contractual Cash Flows					
	Book	Total	12 Months or less	1-2 Years	2-5 Years	5 Years or more
Non-derivative financial liabilities						
Suppliers	\$ 292,203	(292,203)	(292,203)	-	-	-
Lease Liability	8,151,030	(8,151,030)	(2,526,531)	(5,624,499)	-	-
	\$ 8,443,233	(8,443,233)	(2,818,734)	(5,624,499)	-	-

Market Risk:

Market risk means the possibility that certain changes in the market prices, such as rates of exchange, interest rates and raw materials, may affect income of the Company.

Currency risk

A currency risk occurs when the Company engages in transactions and maintains monetary assets and liabilities in currencies other than its functional currency.

The Company does not resort to the use of derivate financial instruments to manage the exchange rate risk.

(6) Operations and balances with related parties

The balance with Jaguar Land Rover México, S.A.P.I. de C.V. derives from the service agreement for providing administrative, accounting, legal, advisory, consultant support and supervisory services.

The corresponding agreement is valid for one year and was renewed on January 1, 2021.

As of December 31, 2021, and 2020, the Company received income from Jaguar Land Rover México, S.A.P.I. de C.V. in the amount of \$20,578,352 y \$36,085,774, respectively. At the same time the Company, as of December 31, 2021 and 2020, holds accounts receivable in an amount of \$0 y \$5,296,567, respectively. Also as of December 31, 2021, holds accounts payable in an amount of 5,284,311.

As of December 31, 2021, and 2020, the receivable and payable balances from related parties are made up of current account balances, without interest, payable in cash in a term of 30 days for which no guaranties exist. These balances with related parties are considered recoverable, therefore, for the years ended December 31, 2021 and 2020, there was no expense deriving from the uncollectible balances with related parties.

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(7) Fixed Assets

Improvements to leased premises:

	December 31 2021	December 31 2020	January 1 2020
Investment	\$ 3,520,306	3,520,306	3,520,307
Less:			
Accrued amortization	3,520,306	3,520,306	3,497,581
Net	\$ -	-	22,726

For the periods ended December 31, 2021 and 2020, the amortization cost amounted to \$0 and \$0.

IT equipment (laptops):

	31 December 2021	31 December 2020	1o. January 2020
Investment	\$ 79,130	0	0
Less:			
Incurred amortization	17,804	0	0
Net	\$ 61,326	-	0

For the periods ended December 31, 2021 and 2020, the amortization cost amounted to \$61,326 and \$0.

(8) Income Tax and other contributions payable-

The balances of taxes and contributions payable breakdown is as follows:

	2021	2020
Contributions to IMSS, SAR and Infonavit	\$ 0	442,244
Value-added tax	0	683,315
Taxes withheld	0	705,783
Profit taxes	0	315,307
Payroll taxes	0	80,931
Total	\$	2,227,580

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(9) Provisions

Provisions are breakdown is as shown below:

	Bonus	Vacation and vacation bonus	Indemnities and other	Total
Balances as of December 31, 2020	\$ 1,521,070	1,930,079	640,318	4,091,466
Increases charged to results	883,465	(1,103,874)	6,062	(214,347)
Payments	(2,404,534)	(826,205)	(646,380)	(3,877,120)
Balances as of December 31, 2021	\$ 0	0	0	0

(10) Right-of use assets and lease liabilities-

The Company leases the facilities of its corporate offices. The lease term of such facilities generally runs for a period of 5 years, and the option to renew it after the expiration date. Lease payments are updated annually based on the United States of America Urban Consumer Price Index ("US-CPI").

The following information corresponds to those leases for which the Company is a lessee.

Lease assets (right-of-use assets)

Right-of use assets as recognized as of December 31, 2020 are integrated as follows:

	Office
Balance as of January 1, 2021	\$ 5,550,793
Depreciation of the year	(1,277,523)
Balance as of December 31, 2020	4,273,271

Amounts acknowledged as results of the year.

Amounts acknowledged as results of the year are as follows:

<u>Leases under the provisions of the Standard NIF D-5</u>	<u>2021</u>
Depreciation of the right-of-use asset	\$ (1,277,523)
Interest from lease liabilities	(521,646)
Exchange gain not applied	227,353

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Lease liability

Lease liability as of December 31, 2021 is as follows:

	<u>Future minimum payment</u>	Interest	Spot value
2022	2,885,622	319,573	3,205,195
2023	2,910,363	92,238	3,002,601
	\$ 5,795,985	411,811	6,207,796

Interest accrued is calculated at a rate of 7.56%, and was used to determine the spot value of the minimum payments secured during the term of the lease.

Total lease cash outflows during 2021 and 2020 were \$ 2,876,690 y \$3,200,717, respectively.

(11) Benefits to employees - Labor liabilities

In accordance with the Federal Labor Law, the Company has obligations for compensation and seniority premiums payable to employees who cease to provide their services under certain circumstances.

The Company annually records the net cost of the period to create the net liability for defined benefits (PNBD) for compensation and seniority premium, as it is accrued according to actuarial calculations made by independent actuaries. These calculations are based on the projected unit credit method.

Therefore, a provision is being made for the liability that at present value will cover the obligation for defined benefits at the estimated date of retirement of the group of employees who work in the Company.

The economic hypotheses used were:

	2021	2020
Interest rate	5.93%	5.93%
Discount rate	5.93%	5.93%
Salary increase rate	5.50%	5.50%
Rate of increase to the minimum salary	4.00%	4.00%
Long-term inflation rate	4.00%	4.00%

As of December 31, 2021 and 2020, the balances and movements of labor obligations for compensation and seniority premiums are shown as follows:

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	Seniority Premium		Compensation		Total	
	2021	2020	2021	2020	2021	2020
Defined benefits obligation	\$0	\$222,967	\$0	\$2,314,226	\$0	\$2,537,193
Plan assets	\$0	\$0	\$0	\$0	\$0	\$0
Net liability (or asset) for defined benefits	\$0	\$222,967	\$0	\$2,314,226	\$0	\$2,537,193

Derived from the labor subcontracting reform as of December 31, 2021, the Company has no active employees, for this reason the labor liability is "zero".

The cost of defined benefits is integrated as follows, in accordance with the concepts that the current NIF D-3 requires disclosure:

	Seniority Premium		Compensation		Total	
	2021	2020	2021	2020	2021	2020
Labor Cost of Current Service	\$23,743	\$23,229	\$110,625	\$194,726	\$134,368	\$217,956
Labor Cost of Past Service	(\$253,001)	\$0	(\$2,486,369)	\$0	(\$2,739,371)	\$0
Loss (or gain) per LAO	\$0	\$0	\$0	\$0	\$0	\$0
Total Service Cost	(\$229,258)	\$23,229	(\$2,375,745)	\$194,726	(\$2,605,003)	\$217,956
OBD Interest Cost	\$6,291	\$9,761	\$61,519	\$126,365	\$67,810	\$136,126
Interest Income on Plan Assets	\$0	\$0	\$0	\$0	\$0	\$0
Net Interest on PNBD	\$6,291	\$9,761	\$61,519	\$126,365	\$67,810	\$136,126
Net Cost of the Period (NCP)	(\$222,967)	\$32,991	(\$2,314,226)	\$321,091	(\$2,537,193)	\$354,082
Remeasurements of PNBD (or ANBD) to recognize in NCP	\$0	\$47,085	\$0	\$37,071	\$0	\$84,156
Cost (or Income) of defined benefits	(\$222,967)	\$80,076	(\$2,314,226)	\$358,162	(\$2,537,193)	\$438,238

As a result of the Labor Reform, the Company transferred all employees on July 1, 2021, consequently, the Company recognized a past service labor cost (income) of (\$2,739,371) corresponding to the liability accrued as of the date of transfer.

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The movement of the net liability for defined benefits was as follows:

	Seniority Premium		Compensation		Total	
	2021	2020	2021	2020	2021	2020
Liabilities (of assets) Net of Defined Benefits at the beginning	\$222,967	\$142,891	\$2,314,226	\$1,956,064	\$2,537,193	\$2,098,955
Net Cost (Income) for the period	(\$222,967)	\$32,991	(\$2,314,226)	\$321,091	(\$2,537,193)	\$354,082
Payment of benefits	\$0	\$0	\$0	\$0	\$0	\$0
Remeasurements of PNBD (or ANBD)	\$0	\$47,085	\$0	\$37,071	\$0	\$84,156
Liabilities (or assets) Net of Defined Benefits at the end	(\$0)	\$222,967	\$0	\$2,314,226	(\$0)	\$2,537,193

(12) Profit taxes (Income tax (IT) and workers participation in profits (WPP)-

Profit tax

- a) For the 2021 and 2020 tax periods, under the Income Tax Law (ITL), the ITL corporate tax is 30%.

The ITL establishes criteria and limitations for the application of some deductions, such as: the deduction of payments which are, in turn, exempt income for the workers, contributions for creating or increasing reserves for pension funds, contributions by the worker to the Mexican Social Security Institute (IMSS) which are paid by the employer; together with the non-deductibility of payments to related parties if certain requirements are not complied with.

- b) As of December 31, 2021 and 2020, the profit tax charged to results is made up as follows:

	2021	2020
Applicable Income Tax	\$ 0	315,307
Deferred Income Tax	2,178,437	(83,160)
Total	\$ 2,178,437	232,147

- c) The tax cost attributable to profits prior to profit tax, differed from that which would result from applying the IT 30% rate to profits prior to tax as a result of the items listed below:

	2021	2020
"Assumed" Expenses	\$ 52,987	(18,887)
Increase (reduction) resulting from:		
Tax effect of the inflation, net	(194,707)	(78,995)
Non-deductible expenses	170,545	224,472
Other	(20,410)	(85,832)
Expense for profit taxes	\$ 8,415	40,758
Effective rate	5%	0%

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d) The deferred taxes shown on the balance sheets breakdown is as follows:

	2021	2020
Assets for deferred taxes:		
Labor liabilities	\$ 0	761,158
Provisions	38,684	1,326,027
WPP payable	0	18,592
Fixed assets	889,118	907,138
Leases	964,471	2,445,309
	<u>1,829,273</u>	<u>5,458,224</u>
Liabilities for deferred taxes:	0	(204,706)
Advance payments	(22,704)	(360,806)
Right-of-use assets	(1,665,238)	(1,665,238)
Deferred asset tax, net	\$ 204,331	3,227,474

WPP

- a) The IT Law provides that, as from the 2014 tax period, the base for determining the WPP for the period shall be the tax profit determined for calculating the IT for the period, with some adjustments considered by the IT itself.
- b) The Company is committed to pay WPP, in addition to compensations and existing benefits. The rate for 2021 and 2020 was 10% over the tax profit of the Company, after eliminating certain items indicated by the Income Tax Law. For the periods ended December 31, 2021 and 2020, the Company determined a WPP cost of \$0 and \$61,972, respectively, which was appreciated in the administration expenses.
- c) As of December 31, 2021 and 2020, the Company had appreciated deferred WPP over the following temporary entries:

	2021	2020
Deferred assets:		
Provisions	\$ 12,895	442,009
Labor liabilities	0	253,719
Fixed assets	296,373	315,171
Leases	321,490	815,103
	<u>\$ 630,758</u>	<u>1,826,002</u>
Deferred liabilities:		
Advance payments	\$ 0	(68,235)
Right-of-use assets	(555,079)	(555,079)
	<u>\$ (555,079)</u>	<u>(739,700)</u>
Deferred-active WPP, net	\$ 75,679	1,202,688
Valuation reserve	(1,202,688)	(1,085,636)
Deferred asset WPP, net	\$ 1,127,009	117,052

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For the year ended December 31, 2021, the Company determined deferred WPP income of \$1,127,009, which was recognized net in administrative expenses.

The valuation reserve of assets or WPP deferred to January 1, 2021 and 2020 was \$1, 202,688 y \$1, 085,636. Net change in the valuation reserve for the year ended December 31, 2020, was an increase of \$117,053. To evaluate recovery of the deferred assets, Management considered the probability that part or all of these are not recovered. The final realization of deferred tax assets depends on the generation of taxable profit in the periods in which the temporary differences are deductible. On making this assessment, Management considers the reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies.

(13) Equity-

(a) Structure of the capital stock-

The total of the capital stock is represented by 5,000 registered common shares, fully subscribed to and paid, having a par value of \$10.00 each.

(b) Restrictions on the capital stock-

In accordance with the Business Corporations Law, the Company must set aside at least 5% of net profits each year to increase the legal reserve until this is equivalent to 20% of the capital stock. As of December 31, 2021 and 2020, the legal reserve amounted to \$10,000, which is included in the accrued results.

Profits distributed over the net tax profit accounts (CUFIN), shall be subject to the payment of corporate income tax at the rate current at their time of distribution. Payment of such tax can be credited against IT.

Under the 2014 tax reform, dividends paid to individuals and corporate entities resident abroad over profits generated as from 2014, shall be subject to an additional withholding tax of 10%.

(14) Subsequent Event –

It will be considered derived from the labor reform, the company migrated its employees to its related party Jaguar Land Rover Mexico SAPI de CV, so that at the end of the period there are no employees. Since the purpose of the company was to provide services to its related party, which have been prohibited as a result of the labor reform, the administration has decided to cease operations (personnel services / outsourcing) and carry out the merger with its related party Jaguar Land Rover México SAPI SA de CV. As of the date of issuance of this document, such merge has not been carried out, so it is estimated to be initiated and completed during the month of June 2022.

(15) Commitments and contingent liabilities-

(a) The Company has formalized certain service agreements with related companies, in which it undertakes to render them personnel administration services. These agreements are for an indefinite term. Total income for this item was \$20,578,352 in 2021 and \$36,085,774 in 2020.

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- (b) The Company has entered an operative lease for the building where the offices are located with Corporativo Plaza del Parque, S. A. de C. V., for a period of 5 years as from the renewal date, December 1, 2018. The lease provides an option for renewal for a period to be agreed. The minimum amounts to be paid are adjusted based on inflation in the United States of America and the exchange rate.
- (c) There is a contingent liability deriving from employee benefits, as mentioned in note 3(h).
- (d) Pursuant to the current tax law, the authorities are empowered to review up to five tax periods prior to the last income tax return filed.
- (e) Under the IT Law, companies engaging in operations with related parties are subject to tax restrictions and obligations insofar as concerns agreed prices, since these must be comparable to those which would be used with or between independent parties in comparable operations. Should the tax authorities check the prices and reject the amounts determined, they could demand, in addition to charging the tax and corresponding accessories (updating and surcharges), fines over the contributions omitted, which could amount to up to 100% over the updated amount of the contributions.



Luis Reyes
Finance Director



Margarita Castelan
General Accountant