

Jaguar Land Rover México, S. A. P. I. de C. V.

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

Jaguar Land Rover México, S. A.P.I de C. V.

Financial Statements

December 31th of 2021 and 2020

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

Jaguar Land Rover México, S. A. P. I. de C. V.

Statement of financial position

December 31, 2021 and 2020

(Pesos)

Assets	As of December 31		Liabilities and shareholders' equity	As of December 31	
	2021	2020		2021	2020
Current assets			Current liabilities:		
Cash and equivalents (note 4)	\$ 152,055,045	184,818,980	Suppliers and other accounts payable	\$ 245,215	4,284,935
Accounts receivable, net (note 6)	19,747,717	48,058,105	Accrued liabilities	22,366,427	5,749,727
Inventories, net (note 8)	173,194,652	272,291,573	Provisions (note 12)	37,850,012	33,396,488
Advanced payments (note 9)	4,051,752	(5,150,474)	Income taxes	25,431,340	0
Recoverable taxes (note 16)	<u>38,016,127</u>	<u>17,827,079</u>	Related Parties (note 7)	71,007,682	241,301,868
Total current assets	387,065,293	517,845,263	Customers advance	0	19,297
			Obligations by contract, short term (note 13)	46,078,011	56,349,975
Furniture and equipment, net (note 10)	235,521	510,952	Total current liabilities	202,978,687	341,102,290
Deferred income taxes, net (note 15)	64,635,950	46,107,042	Employee benefits (note 14)	5,091,380	1,340,401
Intangible assets, net (note 11)	1,611,096	1,747,463	Contract obligations, long-term (note 13)	60,509,959	<u>66,027,084</u>
			Total liabilities	268,580,026	<u>408,469,775</u>
			Equity (note 17):	38,407,700	38,407,700
			Capital stock		
			Retained earnings	<u>146,560,134</u>	<u>119,333,245</u>
			Total equity	184,967,834	157,740,945
			Contingency and commitments (21)		
			Subsequent events (22)		
	<u>\$ 453,547,860</u>	<u>566,210,720</u>		<u>\$453,547,860</u>	<u>566,210,720</u>

See notes to the financial statements

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Jaguar Land Rover México, S. A. P. I. de C. V.

Profit and Loss Statement

Years ended December 31, 2021 and 2020

(Pesos)

	<u>2021</u>	<u>2020</u>
Net sales (note 18)	\$ 1,475,552,844	1,264,207,661
Cost of goods sold (note 19)	<u>1,365,782,253</u>	<u>1,147,954,506</u>
Gross profit	<u>109,770,591</u>	<u>116,253,155</u>
General		
expenses:Sale	41,987,942	53,213,572
(note 19)		
Management (note 19)	64,897,263	46,678,100
Other income (note 20)	(35,426,874)	(14,835,019)
Other expenses (note 20)	1,691,494	(616,805)
Total expenses	73,149,825	84,439,848
Operating profit	<u>36,620,766</u>	<u>31,813,307</u>
Financing result:		
Interest expense, net	(1,570,700)	(6,515,204)
Exchange gain (loss), net	<u>90,276</u>	<u>(1,276,046)</u>
Financing result, net	<u>(1,480,424)</u>	<u>(7,791,250)</u>
Profit before income taxes	<u>35,140,342</u>	<u>24,022,057</u>
Income tax (note 15):		
Over tax base	26,442,362	5,985,870
Deferred	(16,158,988)	(129,138)
Deferred Profit Sharing	<u>(2,369,920)</u>	
Total income taxes	<u>7,913,454</u>	<u>5,856,732</u>
Net profit	<u>27,226,888</u>	<u>18,165,325</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		Total shareholders' equity
		Legal reserve	To be applied	
Balance as of January 1st, 2019	\$ 38,407,700	7,681,540	72,105,760	118,195,000
Net profit	<u>-</u>	<u>-</u>	<u>21,380,620</u>	<u>21,380,620</u>
Balance as of December 31, 2019	38,407,700	7,681,540	93,486,380	139,575,620
Net profit	<u>-</u>	<u>-</u>	<u>18,380,142</u>	<u>18,380,142</u>
Balance as of December 31, 2020	\$ <u>38,407,700</u>	<u>7,681,540</u>	<u>111,866,522</u>	<u>157,955,762</u>
Net profit	<u>-</u>	<u>-</u>	<u>27,226,888</u>	<u>27,226,888</u>
Balance as of December 31, 2021	\$ <u>38,407,700</u>	<u>7,681,540</u>	<u>139,093,410</u>	<u>184,967,833</u>

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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	35,140,343	17,600,879
Depreciation and amortization	411,798	366,618
Interest receivable	(4,129,164)	(3,008,972)
Interest payable	<u>5,699,864</u>	<u>9,524,176</u>
Sub-total	37,122,841	24,482,701
Customer accounts receivable	28,310,388	35,629,232
Incentives receivable		-
Recoverable taxes	3,975,281	(5,594,248)
Inventories	99,096,921	187,544,658
Advanced payments	(9,202,226)	6,088,118
Suppliers	(4,039,720)	(13,621,112)
Accrued liabilities	16,616,700	4,841,038
Provisions	(2,403,341)	14,526,375
Accounts payable to related parties	(170,294,186)	(272,529,073)
Paid income tax	(25,175,351)	15,889,467
Customers advance	6,856,865	(958,589)
Employee benefits	(19,297)	177,793
Contract obligations	3,750,979	<u>(395,256)</u>
Net cash flows from operating activities	<u>(31,193,235)</u>	<u>(3,918,895)</u>
Investing activities:		
Acquisition of property, machinery and equipment		54,528
Charged interest	<u>4,129,164</u>	<u>3,008,972</u>
Net cash flows from investing activities	<u>4,129,164</u>	<u>3,063,500</u>
Cash to be used for financing activities	<u>(27,064,071)</u>	<u>(855,395)</u>
Financing activities:		
Interest paid	(5,699,864)	(9,524,176)
Loans principal payments		-
Net cash flows from financing activities	<u>(5,699,864)</u>	<u>(9,524,176)</u>
Net increase (decrease) of cash and cash equivalents	(32,763,935)	(10,379,571)
Cash and cash equivalents:		
At the beginning of the year	<u>184,818,980</u>	<u>195,198,551</u>
At the end of the year	<u>\$ 152,055,045</u>	<u>\$ 184,818,980</u>

Notes to the financial statements
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(1) Company Activity and special business transactions

Jaguar Land Rover México, S. A. P. I. de C. V. (the Company), has as its main activity the performance of purchase and sale transactions of luxury cars and components for the domestic market under the Jaguar and Land Rover brands. The Company was incorporated on April 17, 2008, is a subsidiary of Jaguar Land Rover Limited and both carry out some of the transactions described in note 7 hereto. The Company is integrated to the Business Group where Tata Motors Limited is the main holding company.

The operating period and the fiscal year for the Company, run from January 1 to December 31.

(2) Authorization and basis for presentation

Authorization-

The financial statements and the notes thereto were authorized on May 12, 2021, by the Director of Finance, Mr. Luis Reyes. In accordance with the General Law of Commercial Companies ("LGSM") and the bylaws of the Company, the shareholders have the authority to amend the financial statements after they have been delivered.

Basis for presentation-

a) Compliance Representation

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 on 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 based on estimates made in the application of accounting policies that have the most material effect on the amounts recognized in the financial statements is described in the following notes:

- Notes 18 and 13- Revenue Recognition: Determining if the revenue for the sale of vehicles and spare parts, as well as the incentives to distributors, are verified over time or at a specific time;
- Note 14 – Measurement of obligations for defined benefits: key actuarial assumptions;
- Note 15- Income taxes (Income Tax (ISR)) - Deferred taxes;
- Note 12- Provisions: key assumptions to determine the expected expense.

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Assumptions and estimates uncertainty

The information on assumptions uncertainties that would have a significant risk in the event of resulting in a material adjustment to the amount of assets and liabilities in the following year, is included in the following notes:

— Note 16– Income Tax: Recognition of deferred tax assets.

Determination of fair value

Some of the Company's accounting policies and disclosures require to calculate the fair values of both financial and non-financial assets and liabilities.

When measuring the fair value of any asset or liability, the Company shall apply observable market data if at all is possible. Fair values are classified at different levels within a fair value level that is based on the input data used in the valuation techniques, as shown below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: input data different from quoted prices included in Level 1, which are observable for assets or liabilities, either directly (i.e., prices) or indirectly (i.e., from prices).

Level 3: data or inputs to calculate assets or liabilities that are not based on observable market data (unobservable input data).

If the input data used to calculate the fair value of an asset or liability are classified at levels other than the fair value level, then the calculated fair value is classified at the same level of the fair value level as the lowest observability variable that is material for the total calculation.

During 2021 and 2020, the Company did not transfer levels of the fair value level.

c) Functional currency and report currency-

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

For disclosure purposes in these notes, any reference to Pesos or “\$”, means Mexican Pesos, and any reference to Dollars, means Dollars currency of the United States of America, and any reference to Sterling Pounds, means Sterling Pounds of the United Kingdom.

d) Presentation of the statement of earnings

Taking into consideration that the Company is a commercial company, its regular costs and expenses are based on functionality, allowing to know the gross profit margin thereto.

Additionally, the operating income item herein is the result of decreasing net sales, other income, cost of goods sold and expenses, considering that such item contributes to a better understanding of the economic performance and financial position of the Company.

The Company presents the comprehensive result in a single statement that includes only the items that make up the net profit or loss called as the "Statement of Earnings", because during the year and the immediately preceding fiscal year presented for comparative purposes, the Company did not generate Other Comprehensive Results (ORI).

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(3) Summary of the main accounting policies

The accounting policies shown below have been applied consistently in the preparation of the financial statements and have been applied consistently by the Company.

a) Cash and cash equivalents

Cash and cash equivalents include deposits in bank accounts, foreign currencies and other same day funds. 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 recognition and calculation

Financial assets and liabilities – including accounts receivable and payable – are initially verified when such assets are purchased, or when the liabilities are contractually issued or assumed.

Financial assets and financial liabilities are initially calculated and verified at their fair value, although in the case of financial assets or liabilities not calculated at fair value with changes therein, they are carried through comprehensive income, transaction costs directly attributable to purchase thereof or issue, when subsequently calculated at redeemed cost. Accounts receivable without a significant financing component are initially calculated at the transaction price.

ii. Classification and subsequent calculation

Financial assets

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

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

The financial assets are classified based both on the business model and on the nature of the existing flows thereof. According to the business model, a financial asset or certain type 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 means of a sale transaction of the financial assets, which involves moving a combined processing model of such 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 recognition, unless the Company changes its business model, in which case any financial assets affected are reclassified to the new category when a change in the business occurs.

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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 due to impairment.

Financial assets are calculated at their redeemed cost if the following conditions are met, and may not be classified at fair value and changes through results thereof:

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

Financial assets: Evaluation of the business model –

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

- policies and goals for the portfolio and the performance of such policies. They include whether the strategy of Management is focused on collecting revenue from interest, maintaining a specific interest rate profile or coordinating the term of the financial assets with that of the liabilities being financed by such assets or the anticipated outgoings of cash, or carry 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 of the business model) and, specifically, the way such risks are handled;
- how the business managers are compensated (i.e. if compensation is based on the fair value of the assets handled or on the existing cash flows obtained); and
- frequency, volume, and opportunity of sales in previous periods, the reasons for such sales and expectations on the activity of future sales.

Transfers of financial assets to third parties in transactions that do not qualify for cancelation are not considered sales for this purpose, consistent with the Company's permanent acknowledgment of assets.

Financial assets –

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

- accounts receivable;
- held-to-maturity;
- at fair value through profit or loss, and within this category as provided hereinbelow:

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Financial assets: Post calculation and profit or loss –

Financial assets at fair value including changes in profit/loss	Calculated at fair value with changes, including interest income, in profit or loss.
Financial assets held-to-maturity	Calculated at redeemed cost using the effective interest method.
Loans and receivables	Calculated at redeemed cost using the effective interest method.
Financial assets available-for-sale	Calculated at fair value and changes thereto, which were not considered as losses due to impairment of income, interest and foreign currency differences in debt instruments, were verified in other comprehensive income within shareholders' equity. When such assets were cancelled, the cumulative gain or loss verified in other comprehensive income in shareholders' equity was reclassified to profit or loss.

Financial liabilities: Classification, post calculation, gains and losses

Financial liabilities are initially recognized at their fair value and subsequently at redeemed cost. Financial liabilities arising from financial debt instruments are initially verified at the fair value of the liability they represent (at fair value) and will subsequently be remeasured under the accrued redeemed cost method and the effective interest rate, where expenses, premiums and discounts related to the issuance are amortized through the effective interest rate. Interest income and exchange gains and losses are verified as profit or loss. Any gain or loss due to cancelation of accounts is verified in profit or loss.

iii. Written-off accounts

Financial assets

The Company may cancel a financial asset when the contractual rights over the cash flows of the financial asset expire, or when the Company Assigns the rights to receive the contractual cash flows in a transaction in which any risks and benefits are substantially transferred, or in which the Company does not transfer or retain substantially all the risks and benefits related to the property and does not retain control over the financial assets.

Financial liabilities

The Company writes-off financial liabilities when its contractual obligations are paid or canceled or have expired. The Company also writes-off a financial liability when its conditions are modified, and the cash flows of the modified liability are substantially different. In such a case, a new financial liability is verified based on the new conditions at fair value.

At the time of cancelation of a financial liability, the difference between the carrying amount of the expired financial liability and the consideration paid (including the non-cash assets transferred or liabilities assumed) is verified in profit or loss.

iv. Offsetting

Assets and a financial liabilities shall be subject to offsetting, so that its net amount is evidenced in the statement of financial position, when and only when the Company then has, the legally right to offset the amounts verified. and intends to settle for the net amount, or to realize the asset and settle the liability simultaneously.

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Financial assets with credit impairment

On the date of the financial statements, the Company evaluates whether the financial assets recorded at redeemed cost have credit impairment. A financial asset has "credit impairment" when one or more events have had a detrimental impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset has credit impairment includes the observable data mentioned below:

- significant financial difficulties of the issuer or the borrower;
- a breach of the agreement due to a default or event for default of more than 90 days;
- restructuring of a loan or advances in terms that the Company would not consider otherwise;
- It is likely that the borrower goes bankrupt or in a financial reorganization; or
- the active market disappears for the financial asset, due to financial difficulties.

Presentation of estimates for expected credit losses in the statement of financial position

The loss estimates for financial assets calculated at amortized cost are deducted from the gross carrying amount of the assets.

Penalties

The gross carrying amount of a financial asset is written off (partially or totally) to the extent that there is no realistic possibility of recovery. For customers, the Company normally has a policy for writing off the gross value in books when the financial asset has a maturity of 90 days based on the historical experience of recoveries of similar assets. For corporate customers, the Company conducts an assessment regarding the time and amount of the cancellation based on whether there is a reasonable expectation of recovery. However, the financial assets adversely affected may be subject to legal action to comply with the Company's procedures for the recovery of the amounts owed.

c) Inventories and sales cost-

Inventories are evaluated at cost or net sales value, the lowest. The net sales value is the estimated sale price minus the remaining sale costs. The cost of inventories of vehicles and spare parts is generally based on the specific identification method and average costs, respectively; and includes the costs incurred in the acquisition of inventories, transportation to their current location and preparation thereof.

The cost of goods sold represents the cost of the inventories at the time of sale, and increased, if applicable, by the reductions in the net sales value of the inventories during the year.

The Company records the required estimates to recognize decreases in the value of its inventories due to deterioration, obsolescence, slow-turnover and other events that reflect that the use or sale of the items that are part of the inventory will be lower than the recorded value.

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d) Advanced payments

Advanced payments mainly include advances for advertising and marketing transactions.

Advanced payments are verified for the amount paid at the time such payment is made, provided that the associated future economic benefit is estimated to flow to the Company. Once any good or service is received, the Company recognizes the amount related to the advanced payments as an asset or expense for the period, depending on whether there is certainty that the purchased good will generate a future economic benefit.

The Company periodically evaluates the ability of the advanced payments in connection with the capacity to generate future economic benefits, as well as the recoverability thereof, the amount that is considered non-recoverable is verified as an impairment loss in profit or loss for the year.

e) Furniture and equipment

Furniture and equipment are initially verified at their purchase value, net of accumulated depreciation and accumulated impairment losses. The purchase value of the equipment, furniture and fixtures includes the costs that were initially incurred to be purchased or built, as well as those incurred later to replace them or increase their potential service. If a piece of furniture and fixtures is composed of several components with different estimated useful lives, the individual major components are depreciated over their specific useful lives, repair and maintenance costs are verified in the income statement as incurred.

Depreciation of equipment, furniture and fixtures is determined using the straight-line method (when considered by the Company's management that such method best reflects the application of such assets) and based on its estimated useful life, using the following annual depreciation rates:

	<u>Rates</u>
Computers and fixture	30%
Office furniture and equipment	10%

Equipment and furniture are cancelled at the time of sale or when it is not expected to obtain future economic benefits for use or sale thereof. Any gain or loss at the time of cancelation of the asset (calculated as the difference between the net income from the sale of the asset and its book value), is included in the income statement when the asset is cancelled.

During the years ended December 31, 2021 and 2020, there were no signs of impairment.

f) Intangible assets

Licenses and software are registered at their acquisition cost. Amortization is calculated under the straight-line method based on the estimated useful life thereof; the amortization period varies from 1 to 20 years depending on the license. During the years ended on December 31, 2021 and 2020, there were no signs of impairment.

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g) Impairment of the recovery value of furniture and equipment

The Company considers the net book value of machinery and equipment, to determine if such value exceeds the recovery value thereof. The recovery value represents the amount of potential net income that is reasonably expected to be obtained due to use or sale of said assets. If it is determined that the net book value exceeds the recovery value, then the Company shall record the estimates and assumes the effect on the results for the year.

h) Provisions

Provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects the evaluations corresponding to the time value of the money quoted by the market, as well as the specific risk of the corresponding liability. The reversion of any discount is verified as a financial cost.

Guarantees	Provisions are verified for guarantees when vehicles are sold based on historical information on guarantees and evaluating possible results versus their associated probabilities
Expenses	Provisions are verified for expenses for those present obligations in which the transfer of assets or performance of services is virtually unavoidable and arises as a consequence of past events.

i) Benefits for Employees-

Short-term direct benefits

Benefits to direct employees in the short term are verified in the results of the period in which the services rendered by them are accrued. A liability is verified for the amount that is expected to be paid if the Company has a legal or assumed obligation to pay this amount as a result of the past services provided and the obligation can be estimated reasonably.

Post-employment benefits

Defined benefit plans

Net obligation of the Company corresponding to the defined benefit plans for seniority premium and termination of the employment relationship, is calculated separately for each plan, estimating the amount of future benefits that employees have earned in the current year and in previous years, discounting such amount.

The calculation of obligations for defined benefit plans is made annually by actuaries, using the projected unit credit method. If figures result in a possible asset for the Company, the verified asset is limited to the present value of the economic benefits available in the form of future reimbursements of the plan or reductions in future contributions to it. To calculate the present value of the economic benefits, any minimum financing requirement should be considered.

Labor cost of the current service, which represents the cost of the employee benefit period for having completed one more year of working life based on the benefit plans, is verified in operating costs and expenses. The Company determines the net interest expense (income) on the net liability (assets) for defined benefits of the period, multiplying the discount rate used to measure the benefit obligation defined by the net liability (asset) defined at the beginning of the annual period reported, taking into account changes in the net (active) liability for defined benefits during the period as a result of estimates of contributions and benefits paid.

Any changes to the plans that affect the cost of past services are verified in profit or loss immediately in the year in which the change occurs, with no possibility of deferral in subsequent years. Likewise, the effects of liquidation or

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reduction of obligations in the period, which significantly reduce the cost of future services and/or significantly reduce individuals subject to the benefits, respectively, are verified in profit or loss for the year.

Remeasurements (formerly actuarial gains and losses), resulting from differences between projected and actual actuarial assumptions at the end of the period, are verified within the period in which they are incurred in profit or loss for the year.

j) Exchange variations

Transactions in foreign currency are recorded at the exchange rate applicable on the date of execution. Assets and liabilities in foreign currency are reported at the exchange rate on the date of the statement of financial position.

The exchange variations between the date of execution and those of payment collection thereof, as well as those derived from the conversion of any balance in foreign currency on the date of the financial statements, are applied to results.

k) Income taxes-

Income taxes for the year

The income tax due in the fiscal year is determined in accordance with current tax provisions and is presented as a current liability net of any advance made during such year.

Deferred income taxes

Deferred income taxes are recorded in accordance with the asset and liability method, which compares the accounting and tax values of the same. Deferred income taxes (assets and liabilities) are verified for future tax consequences attributable to temporary differences between the values reflected in the financial statements of the existing assets and liabilities and their corresponding tax bases, and in the case of income taxes, for tax losses to be amortized and other tax credits to be recovered. Assets and liabilities for deferred income taxes are calculated using the rates established in the applicable law, which will be applied to the taxable profit in the years in which it is estimated that the temporary differences will be reversed. The effect of changes in tax rates on deferred income taxes is verified in the results of the period in which said changes are approved.

Taxes payable and deferred are presented and classified as profit or loss for the year, except those that originate from a transaction verified in other comprehensive income or directly as a concept of shareholders' equity.

l) Income from agreements with customers

Revenue is calculated based on the obligation to fulfill the provisions of certain agreement with a customer. The Company recognizes income when control over the goods or services is assigned to the customer.

The information on the nature and timing of satisfaction of obligations to be fulfilled, including the material terms of payment and the corresponding revenue recognition policies is shown below:

Product type	Nature and opportunity of satisfaction of the obligations to be fulfilled, including the material terms of payment	Revenue recognition policy
Luxury vehicles and spare parts	The customer has control of the car or of the spare parts when the products are invoiced. Invoices are issued at the time of the shipment to the distributor. Vehicles invoices are generally payable immediately or in advance. The parts invoices are generally payable within 30 days.	Revenues related to the sale of vehicles and parts are recognized when they are invoiced at the time of shipment to the distributor.

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m) Business concentration-

Concentrations arise when several counterparties conduct similar business activities, or activities in the same geographic region, or have economic features that would cause their ability to fulfill contractual obligations to be adversely affected due to changes in any economic, political or other conditions. The concentrations show the sensitivity of the Company's performance due to the changes that affect a specific industry.

To avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines focused on maintaining a diversified portfolio. The identified credit risk concentrations are controlled and managed as appropriate.

Credit risk in accounts receivable is diversified, due to the customer base and its geographical dispersion. Ongoing evaluations of customers' credit conditions are carried out and no collateral is required to secure recovery thereof.

The Company purchases most of its inventories from Jaguar Land Rover Limited, a related company and main parent. The Company's products are sold to many customers, without there being a significant concentration of such sales to a specific customer. On the other hand, the Company receives most of the administrative services required for its operation, from Jaguar Land Rover Servicios Mexico, S.A. de C. V. which is a related company.

n) Financing result (RF)

Financing result includes financial income and expenses that are integrated as follows:

- Interest income;
- Interest cost;
- gain or loss in foreign currency for financial assets and financial liabilities.

Transactions in foreign currency are recorded at the exchange rate in effect on the dates of execution or liquidation. Monetary assets and liabilities in foreign currency are converted at the exchange rate in effect on the date of the statement of financial position. Any exchange difference incurred in relation to assets or liabilities assumed in foreign currency are recorded as profit or loss for the year.

o) Cash flow statements-

The Company has resolved to present the statements of cash flows according to the indirect accounting method.

p) Contingencies

The significant liabilities losses related to contingencies are verified when there is a probability that their effects materialize and there exist reasonable elements for their quantification. If such reasonable elements do not exist, their disclosure is included qualitatively in the notes to the financial statements. Income, profits or contingent assets are verified until as there is certainty of their sale.

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(4) Cash and cash equivalents

As of December 31, 2021, and 2020, cash is described below:

	<u>2021</u>		<u>2020</u>
Cash and bank accounts	19,742,341		38,566,779
Investments (i)*	<u>132,312,704</u>	—	<u>146,252,201</u>
	<u>\$152,055,045</u>		<u>\$ 184,818,980</u>

- Overnight deposits payable on demand both principal and interest thereon

(5) Foreign currency position

As of December 31, 2021, and 2020, the Company does not have monetary assets and liabilities denominated in foreign currency.

As of December 31, 2021, and 2020, the amounts of \$(90,276) and \$1,276,046 corresponding to foreign exchange losses were recorded.

The exchange rates of the conversion processes in relation to the reporting currency as of December 31, 2021 and 2020, are as mentioned below:

<u>Country of Origin</u>	<u>Currency</u>	<u>Exchange Rate</u>	
		<u>2021</u>	<u>2020</u>
United States of America	US Dollar	20.7383	19.9487

As of December 31, 2021, the Company did not have instruments to protect against exchange risks.

(6) Financial Instruments-

a) Fair amounts-

The Company has investments in financial assets and financial liabilities not measured at fair value since their carrying amount approximates to fair value.

b) Management risk-

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

- credit risk,
- liquidity risk
- market risk

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Financial risk management policies

The Board of Directors is responsible for the implementation and supervision of the Company's risk management policies. The Board of Directors is responsible for developing and supervising the Company's risk management policies.

The Company's risk management policies are provided to identify and evaluate the risks faced by the Company, to determine adequate risk limits and controls, and to monitor risks and compliance of limits. Policies and systems for risk management are reviewed periodically to reflect changes in market conditions and in the Company's activities.

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

The Board of Directors oversees how the Administration monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management strategy in relation to the risks faced by the Company. The Company Committee is assisted in connection with the supervision activities from the Internal Audit department. The Internal Audit department conducts periodic reviews of risk management controls and procedures, the results of which are reported to the Committee.

Credit risk

Credit risk represents the potential loss that a financial instrument issuer may cause to the counterparty, by not fulfilling its obligations.

The accounting book amount of financial assets represents the maximum exposure to credit risk.

Accounts receivable.

The Company's exposure to credit risk is mainly affected by the individual aspects of each distributor. However, management also considers the factors that may affect the credit risk of its distributor base, including default risk of the industry and the sectors in which the distributor operates.

The Company has established a credit policy under which each new distributor is analyzed individually with respect to its solvency before offering the Company's standard payment and delivery conditions. The Company's review includes external ratings when available, financial statements, information from credit agencies, industry information and, in some cases, bank references. Sales limits are established for each distributor and reviewed regularly. Any sale that exceeds these limits requires the approval of the risk management committee.

The Company limits its exposure to credit risk related to accounts receivable by determining payment terms between 1 and 30 days. As of December 31, 2021, and 2020, account receivables are integrated as follows:

	<u>2021</u>	<u>2020</u>
Accounts receivable from customers	\$ 4,542,347	\$ 48,058,105
Impairment of accounts receivable	15,205,370	<u>0</u>
	<u>\$ 19,747,717</u>	<u>\$ 48,058,105</u>

Credit loss assessment expected for accounts receivable from customers

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The Company distributes the exposure of the credit risk ratings to a database that is determined to be predictive of the risk of loss (including, but not limited to, external ratings, audited financial statements, accounts and cash flow projections of management). and press information available about customers) and the application of experience and credit judgment. Credit risk ratings are defined using qualitative and quantitative factors that are indicative of the risk of default.

The expected credit loss is calculated for each distributor based on the default status and the actual credit loss experience of the last year. Such rates are multiplied by scale factors to reflect the differences between the economic conditions during the period in which the historical data were collected, the current conditions and the Company's view of the economic conditions during the expected life of the accounts receivable.

The following table shows information on the exposure to credit risk and expected credit losses for accounts receivable from customers as of December 31, 2021 and 2020:

December 31, 2021	Weighted average loss rate	Gross book value	Allowance for loss	Credit impairment
Current (not due)	0%	6,953,801	-	No
1 - 30 days due	0%	11,779,821	-	No
31 - 60 days due	0%	(140)	-	No
61 - 90 days due	0%	-	-	No
More than 90 days due	100%	1,014,235	-	No
		19,747,717-		
December 31, 2020	Weighted average loss rate	Gross book value	Allowance for loss	Credit impairment
Current (not due)	0%	-	-	
1 - 30 days due	0%	47,453,372	-	No
31 - 60 days due	0%	-54,838	-	No
61 - 90 days due	0%	-241,198	-	No
More than 90 days due	100%	900,769	-	No
		48,058,105		

Liquidity risk

The liquidity risk represents the possibility that the Company faces some problems in complying with its obligations related to its financial liabilities that are settled through the delivery of cash or another financial asset. The Company's approach to managing its liquidity is to ensure, as far as possible, that it will have enough liquidity to cover liabilities at the date of maturity, both in regular events and under extraordinary conditions, without incurring unacceptable losses or jeopardizing the reputation of the Company.

The Company's intention is to maintain the level of its cash and cash equivalents in amounts exceeding the expected cash outflows for financial liabilities. The Company also monitors the level of expected cash inflows for accounts receivable together with the expected cash outflows by suppliers and other accounts payable. As of December 31, 2021, the cash flows expected from accounts receivable with maturities of 1 and 30 days amounted to \$98,26,424.

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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:

December 31, 2021	Book Amount	Total	Contractual Cash Flows			
			12 Months or less	1-2 Years	2-5 Years	5 Years or more
Non-derivative financial liabilities						
Suppliers	\$ 245,215	(245,215)	(245,215)	-	-	-
Related Parties	\$ 71,007,682	(71,007,682)	(71,007,682)	-	-	-
	\$ 71,252,897	(71,252,897)	(71,252,897)			
December 31, 2020	Book Amount	Total	Contractual Cash Flows			
			12 Months or less	1-2 Years	2-5 Years	5 Years or more
Non-derivative financial liabilities						
Suppliers	\$ 4,284,935	(4,284,935)	(4,284,935)	-	-	-
Related Parties	\$ 241,301,868	(241,301,868)	(241,3301,868)			
	\$ 245,586,803	(245,586,803)	(245,586,803)	-	-	-

Market risk

Market risk, such as variation in market prices, exchange rates, interest rates and commodities, may affect the Company's income.

Currency risk

The Company is not exposed to currency risk since his head quarter invoices the inventories in local currency (MXN), nevertheless, it does have some transactions with local suppliers in foreign currency, for these transactions there is a risk to the extent that there is an asymmetry between the currencies in which the transactions it carries out are denominated. Currencies in which such types of transactions are denominated mainly are the US dollar (USD).

Sensitivity evaluation

As of December 31, 2021, the Company does not have assets and liabilities denominated in foreign currency.

Interest rate risk

The Company adopts a policy to ensure that part of its exposure to interest rate risk is maintained on a fixed rate basis. This is achieved by subscribing fixed interest rate instruments and on the other, obtaining loans at a variable interest rate and using hedging instruments attributable to the interest rate risk.

The Company determines the existence of an economic relationship between the hedging instrument and the hedged item based on the reference interest rates, the terms, the dates of price and maturity reviews and the notional or nominal amounts.

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The Company does not account for financial assets and liabilities at a fixed rate at fair value through profit or loss and does not designate derivatives as hedging instruments according to a fair value hedge accounting model. Therefore, a change in the interest rates at the date of the financial statements would not affect the result.

(7) Related parties-

a) Accounts payable to related parties as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Jaguar Land Rover Servicios México, S.A. de C.V. ⁽ⁱ⁾	\$ -3,819,017	5,296,567
Jaguar Land Rover Limited ⁽ⁱⁱⁱ⁾	74,826,699	236,005,301
Spark 44, LLC	-	
	<u>\$ 71,007,682</u>	<u>241,301,868</u>

As of December 31, 2021, and 2020, balances payable to related parties correspond to balances of current accounts, without interest, payable in cash within a period of 180 days for which there are no guarantees.

As of December 31, 2021, and 2020, the following agreements with related parties had been entered:

- (i) Agreement entered with Jaguar Land Rover Servicios México, S.A. de C.V. (for the performance of administrative, accounting, legal, advisory, consulting and personnel supervision services. The term of such agreement was from January 1 to December 31, 2021, and is extended automatically at the expiration date thereof.

The main expenses transactions with related parties for the year ended December 31, 2021 and 2020, are shown below:

	<u>2021</u>	<u>2020</u>
Administrative services received:		
Jaguar Land Rover Servicios México, S.A. de C.V. ⁽ⁱ⁾	\$ 20,578,352	\$ 36,085,774
Purchase of inventory:		
Jaguar Land Rover Limited	\$ 1,088,908,777	\$ 896,559,512
Other:		
Jaguar Land Rover Limited	\$ (7,070,632)	\$ (14,719,516)
Spark 44, LLC	3,646,292	5,601,482
LACRO expenses recharge:		
Jaguar Land Rover Limited	\$ 9,921,060	\$ 0

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(8) Inventories-

a) As of December 31, 2021, and 2020, inventories are integrated as shown below:

	2021	2020
Car inventory	\$24,426,019	\$67,251,399
Cars in transit	93,740,934	146,578,572
Inventory of spare parts	49,852,246	40,250,747
Spare parts in transit	11,530,874	19,515,423
Inventory of advertising items	946,363	946,363
	180,496,436	274,542,504
Allowance for obsolescence and slow-turnover goods	(7,301,784)	(2,250,931)
	173,194,652	272,291,573

b) For the years ended December 31, 2021 and 2020, the allowance for obsolescence and slow-turnover of spare part amounts to \$7,301,784 and \$2,080,998, respectively.

c) During 2021 and 2020, the Company determined an estimate relative to the decrease in value of the Jaguar and Land Rover vehicles that are held for exhibition and demonstration, since such units, once sold on the market, will lose their price market value in the amount of \$0 and \$169,933, respectively.

(9) Advanced payments

a) As of December 31, 2021, and 2020, advanced payments are integrated below:

	2021	2020
Advanced amounts to Suppliers	4,051,752	\$148,872
Advanced amounts for Insurance		48,549
	4,051,752	\$197,421

For the year ended December 31, 2021 and December 31, 2020, the amortization expense of the insurance paid as advance was \$ 104,515 y \$0, respectively.

(10) Furniture and Equipment, net

a) As of December 31, 2021, and 2020, the concept of furniture and fixtures is integrated as follows:

	December 31 2021	December 31 2020	January 1st 2020
Investment:	1,348,958	1,348,958	1,348,958
Furniture and office fixtures	\$ 1,219,150	1,219,150	1,273,677
Computer devices	1,159,462	1,159,462	1,159,462
Other assets		3,727,570	3,782,097
	3,727,570		

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	December 31 2021	December 31 2020	January 1 st 2020
Accrued depreciation:			
Furniture and office equipment	\$ 1,230,743	1,095,887	960,992
Computer equipment	1,101,844	961,268	866,437
Other assets	1,159,462	1,159,463	1,158,939
	3,492,049	3,216,618	2,986,368
Furniture and fixtures, net	235,521	510,952	795,729

b) For the years ended December 31, 2021 and 2020, depreciation expense amounted to \$275,431 y \$284,779..

(11) Intangible assets

a) As of December 31, 2021, and 2020, intangible assets are integrated as follows:

	2021	2020
Licenses	\$ 8,792,393	\$ 8,792,393
Less:		
Accumulated amortization	7,181,297	7,044,930
Net	\$ 1,611,096	\$ 1,747,463

b) For the years ended December 31, 2021, and 2020, amortization expense was \$136,367, and \$136,367 respectively.

(12) Provisions

Provisions are integrated as shown below:

	Guarantees (i)	Expenses (ii)	Other (iii)	Total
Balances as of December 31, 2020	\$ 2,604,910	11,852,125	5,243,843	19,700,878
Increases charged to profit or loss/cancellation		34,257,148	44,444,098	78,701,245
Payments	(2,145,825)	(28,800,948)	(46,946,348)	(77,893,121)
Balances as of December 31, 2021	\$ 459,085	17,308,325	2,741,592	20,509,002

(i) The provision related to guarantees includes guarantees for services and loyalty warranty. The service warranty is calculated based on the vehicles that were sold within the last three years and that suffered some damage or were submitted to repairs incurred by distributor, to solve the customer's warranty. The loyalty warranty is calculated based on the vehicles sold in the last 3 years and that suffered some damage or had to be submitted to repairs and that the customer is no longer subject to the warranty for services.

(ii) The provision relating to expenses is recorded for all the expenses and agreements that the Company has at year-end and for which they have been accrued during the year.

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(iii) Includes roadside assistance services and employee benefits. The roadside assistance service is calculated based on a fixed amount for each unit sold. Employee benefits include those that have been accrued during the year.

(13) Obligations by agreement

Obligations by agreement come from the following program:

- Car maintenance after-sales paid in advance by customers
- Sales incentives granted to distributors in accordance with the performance bonus policy and monthly newsletters.

Income from after-sales services is verified when the customer performs this right, or such right expires. Depending of maturity, the amounts of the agreements are classified in the short and long term. The profile of the enforceability of the obligations by such types of agreements is as follows:

		Prepaid Services	Sales Incentives	Total
	\$	22,892,863	23,185,148	46,078,011
2022				
2023 and after		60,509,959	0	60,509,959
	\$	83,402,822	23,185,148	106,587,970

The connection of balances of the obligations by agreement is shown below:

		Prepaid Services	Sales Incentives	Total
Beginning balance 2021	\$	80,800,370	41,576,689	122,377,059
Additions		9,855,911	179,657,067	189,512,977
Payments		(7,253,459)	(198,048,608)	(205,302,067)
Ending balance	\$	83,402,822	23,185,148	106,587,969

The contractual obligation is calculated based on the current incentives that the Company has towards its distributors, among the main ones are preferential exchange rate, discount in cash, financing for months without interest, bonus for the distributor and for the seller in the sale of a unit, such incentives are published in monthly bulletins. The above includes obligation for contract related to performance bonus.

The Company offers a five-year package for car maintenance services (after-sales services). Charges derived from these services are deferred as an obligation by contract and are verified at the time when the consumer performs his rights, or when such right expires. On the other hand, costs related to such services are verified in the period in which they are incurred.

Services are verified in income when they are provided.

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(14) Employee benefits

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 Company has a defined benefit plan for seniority premium and termination that covers its own personnel. The benefits are based on years of service and the amount of employee compensation. The Company's policy is to fund the pension plan to the extent that the obligations are due.

Las hipótesis económicas utilizadas fueron:

	2021	2020
Interest rate	8.19%	5.93%
Discount rate	8.19%	5.93%
Increase salary rate	5.50%	5.50%
Minimum wage salary increase rate	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:

	Seniority premium		Legal compensation		Total	
	2021	2020	2021	2020	2021	2020
Defined benefits obligation	\$257,157	\$10,770	\$4,834,223	\$1,329,631	\$5,091,380	\$1,340,401
Plan assets	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net liability (or assets) of defined benefits	\$257,157	\$10,770	\$4,834,223	\$1,329,631	\$5,091,380	\$1,340,401

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

	Seniority premium		Legal compensation		Total	
	2021	2020	2021	2020	2021	2020
Actual cost of the labor cost	\$27,663	\$2,957	\$356,194	\$239,912	\$383,857	\$242,869
Past cost of the labor cost	\$253,001	\$0	\$2,486,369	\$0	\$2,739,371	\$0
Gain (or loss) for LAO	\$0	\$0	\$0	\$0	\$0	\$0
Total cost of the service	\$280,664	\$2,957	\$2,842,564	\$239,912	\$3,123,228	\$242,869
Interest cost of the OBD	\$6,878	\$423	\$134,774	\$77,527	\$141,652	\$77,949
Income interest of the plan assets	\$0	\$0	\$0	\$0	\$0	\$0
Net interest of PNBD	\$6,878	\$423	\$134,774	\$77,527	\$141,652	\$77,949
Net cost of the period (NCP)	\$287,542	\$3,380	\$2,977,338	\$317,439	\$3,264,879	\$320,818
Retunrs of the PNBD to be recognize in the NCP	(\$41,155)	\$983	\$527,255	(\$144,008)	\$486,100	(\$143,026)
Cost (or income) of the defined benefits	\$246,387	\$4,363	\$3,504,592	\$173,430	\$3,750,979	\$177,793

Derived from the Labor Reform, the Company received through personnel transfer on July 1, 2021 employees with recognition of seniority, as a result, the Company recognized a past service labor cost of \$2,739,371 corresponding to the liability accrued at the date of transfer .

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

	Seniority premium		Legal compensation		Total	
	2021	2020	2021	2020	2021	2020
Net liability (or assets) of defined benefits	\$10,770	\$6,407	\$1,329,631	\$1,156,201	\$1,340,401	\$1,162,608
Net Cost (or income) of the period	\$287,542	\$3,380	\$2,977,338	\$317,439	\$3,264,879	\$320,818
Pay of Benefits	\$0	\$0	\$0	\$0	\$0	\$0
Remeasurements of PNBD	(\$41,155)	\$983	\$527,255	(\$144,008)	\$486,100	(\$143,026)
Final net liability (or asset) of defined benefits	\$257,157	\$10,770	\$4,834,223	\$1,329,631	\$5,091,380	\$1,340,401

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(15) Income taxes**a) Income Tax (ISR)**

For fiscal years 2021 and 2020, according to the Income Tax Law (LISR), the corporate tax rate of the Income Tax is 30%.

The Income Tax Law provides criteria and limits for the application of some deductions, such as the possible non-deductibility of payments made to related parties in case of non-compliance with certain requirements.

b) As of December 31, 2021, and 2020, the Income Tax charged to income is included as follows:

	2021	2020
Current income tax	\$ 26,442,362	5,985,870
Deferred income tax	(2,369,920)	(129,138)
Deferred PTU	(16,158,988)	0
Total	7,913,454	\$ 5,856,732

c) As of December 31, 2021, and 2020, the deferred income tax is integrated as follows:

	2021	2020
Deferred tax assets:		
Provisions and contract obligations	\$44,749,861	\$ 44,160,032
Allowance for bad debt	0	0
Allowance for obsolescence and slow movement	2,190,535	675,279
Advance from customers and fixed assets and intangibles	1,536,567	1,896,031
	48,476,963	46,731,342
Less: Allowance for deferred income tax assets	0	624,300
Deferred income tax, net	48,476,963	\$46,107,042

The estimate for deferred tax assets covers 100% of the assets that arise for the allowance for uncollectible accounts and the allowance for obsolescence and slow turnover.

The net change in the valuation allowance, for the years ended December 31, 2021 and 2020, was a reduction of \$624,301 and an increase of \$271,942, respectively. To evaluate the recovery of deferred assets, Management considers that part or all of them will not be recovered. The final sale of the deferred assets depends on the generation of taxable income during the periods in which the temporary differences are deductible. In carrying out this evaluation, Management considers the expected reversal of deferred liabilities, projected taxable income, and planning strategies.

d) The following is a reconciliation between the tax rate established by law and the effective rate of income tax verified by the Company.

	2021	2020
"Expected" expense		\$ 1,731,316
	53,669,247	
Annual adjustment for inflation	0	1,074,367
Non-deductible expenses	2,664,661	402,299
Changes in the allowance of deferred assets of bad debt recovery	0	139,017
Other items	28,437,226	(1,682,965)
Income taxes expense	84,771,134	1,664,035
Effective rate	29%	23%

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(16) Recoverable taxes

The concept of other taxes to be recovered is included in the items described in the following table:

	<u>2021</u>	<u>2020</u>
Income tax	\$16,364,569	16,825,991
Value added tax	<u>21,651,558</u>	<u>1,001,088</u>
Total	<u>\$38,061,127</u>	<u>\$ 17,827,079</u>

(17) Shareholders' equity

- a) Capital stock as of December 31, 2021 and 2020, is represented by common, registered shares, without par value, fully subscribed and paid, as shown below:

Series	Capital	Shares	Amount
I	Minimum, fixed	50,000	\$ 50,000
II	Variable	<u>38,357,700</u>	<u>38,357,700</u>
		38,407,700	\$ 38,407,700

b) In accordance with the provisions of the General Law of Commercial Companies, the Company must segregate from the net profit of each year at least 5% to increase the legal reserve until it reaches 20% of the capital stock. As of December 31, 2021, and 2020, the legal reserve amounts to \$7,681,540 which is included in retained earnings.

c) Profits distributed in excess of the balances of the CUFIN (Cuenta de Utilidad Fiscal Neta, by its initials in Spanish) account (Net Tax Profit Account), will be subject to the corporate Income Tax at the rate in effect on the date of distribution. Payment of such tax may be credited against the Income Tax.

d) Dividends paid to individuals and corporate entities resident abroad on profits generated as of 2014 are subject to a 10% withholding as an additional tax.

(18) Revenue

During the years of 2021 and 2020, the Company's revenue is as follows:

	Luxury Cars	Spare parts	Warranties and Discounts	Total
2021	1,451,076,960	130,502,530	(106,026,646)	1,475,552,844
2020	1,293,544,424	101,565,985	(130,902,748)	1,264,207,661

As of December 31, 2021, revenues that are expected to be verified within the next five years related to performance obligations not yet paid, is \$83,402,822. Such revenues come from almost all short- and long-term maintenance and service agreements.

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(19) Costs and operating expenses

The main items that comprise costs and operating expenses as of December 31, 2021 and 2020 are shown hereinbelow:

		2021	
	Costo de	Gastos de	Gastos de
	venta	venta	administración
Cost of vehicles and spare parts, net	\$ 1,224,439,072	-	-
Transportation and storage	22,443,379	-	-
Customs and import expenses	101,964,438	-	-
Subscriptions and insurance	(30,055)		421,445
Advertising and marketing	-	33,527,665	-
Public relations	-	300,000	-
Customer Care Center	-	2,362,435	-
Training	-	5,429,057	1,118,213
Administrative services	-	-	30,960,592
Wages, salaries and benefits	-	-	19,692,149
Professional services	-	-	4,253,698
Employee benefits	-	-	433,262
Depreciation and amortization	-	-	411,798
Travel expenses	-	-	308,802
Social security expenses	-	-	2,970,084
<u>Other</u>	16,965,419	368,785	4,327,220
Total	\$ <u>1,365,782,253</u>	<u>41,987,942</u>	<u>64,897,263</u>

	Sales Cost	Sales Expenses	Administrative Expenses
Cost of vehicles and spare parts, net	\$ 1,086,696,735	-	-
Transportation and storage	22,966,442	-	-
Customs and import expenses	15,430,712	-	-
Subscriptions and insurance	4,366,208	-	-
Advertising and marketing	-	41,663,486	(91,885)
Public relations	-	1,504,869	-
Customer Care Center	-	1,403,734	-
Training	-	4,891,590	144,049
Administrative services	-	-	36,085,774
Wages, salaries and benefits	-	-	3,898,857
Professional services	-	-	3,898,857
Employee benefits	-	-	2,338,967
Depreciation and amortization	-	-	177,793
Travel expenses	-	-	421,146
Social security expenses	-	-	253,798
<u>Other</u>	<u>18,494,408</u>	<u>3,749,895</u>	<u>3,382,539</u>
Total	\$ <u>1,147,954,506</u>	<u>53,213,572</u>	<u>46,678,100</u>

Notes to the financial statements
For the years ended December 31, 2021 and 2020
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(20) Other income and other operating expenses

As of December 31, 2021, and 2020, the concept of other income and other expenses is composed as follows:

	2021	2020
Other income:		
Car rental	\$ 198,840	202,807
Shielding	1,514,176	1,184,916
Expenses reimbursement	4,654,611	7,989,955
Other	29,059,247	5,457,341
	\$ 35,426,874	14,835,019
	2021	2020
Other Expenses:		
Loss of Demo Units	\$ 1,419,929	(593,932)
Damage Claims		(310,679)
Movement and repair of units		
Product displays	-	-
Training	-	-
Other expenses		
	271,565	287,805
	\$ 1,691,494	(616,805)

(21) Contingencies and commitments

a) The Company has entered into agreements for the provision of services with related companies, wherein such companies undertake to provide the administrative services required for their operation. Such agreements have no expiration date. The amounts paid for this concept were of \$ 32,246,451 in 2021 y \$36,802,186 in 2020 and such amounts were included in the administrative expenses in the statements of comprehensive income.

b) There is a contingent liability derived from employee benefits; it is mentioned in Note 3 (i).

c) In accordance with the current tax legislation, the competent authorities have the power to review up to five fiscal years prior to the last income tax return filed.

d) In accordance with the Income Tax Law, companies that carry out transactions with related parties are subject to tax limitations and obligations, in terms of determining agreed prices, since they must be comparable to those that would be used with independent parties in comparable transactions. If the tax authorities review the prices and reject the amounts determined, they could request, in addition to the applicable tax and corresponding legal accessories (adjustments and overdue interest), and fines on the omitted contributions, which could be up to 100% on the updated amount of contributions.

e) On November 28, 2018, the General Director of Inspection to Sources of Pollution of the Federal Attorney for Environmental Protection sanctioned the Company through according to the provisions of official communication No. PFPA03.2 / 2C27.1 / 00082/18/0027 providing a fine of \$15,000,063. In December 19, 2018, the Company filed a judicial review against the abovementioned fine.

Notes to the financial statements
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On January 20, 2020, the Federal Attorney for Environmental Protection resolved by means of an Administrative Resolution, the nullity of the administrative resolution in terms of official communication number PFPA03.2 / 2C27.1/00082/18/0027, in order for the authority to issue a new administrative resolution duly founded and motivated considering the economic conditions of the Company

(22) Subsequent Event –

Due to the implementation of the labor reform, Jaguar Land Rover Servicios SA de CV migrated its employees to its related party Jaguar Land Rover Mexico SAPI de CV. 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.



Luis Reyes
Finance Director



Martín Galvez
General Accountant