Jaguar Land Rover México, S.A.P.I. de C.V.
Annual Audited Financial Statements
For the years ended For the years ended December 31, 2022 and 2021

Independent Auditors' Report

To the Board of Directors and Stockholders

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

Opinion

We have audited the accompanying financial statements of Jaguar Land Rover México, S. A. P. I. de C. V. (the Company), which comprise the statement of financial position as of December 31, 2022, the statement of income, statement of changes in stockholders' equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Jaguar Land Rover México, S. A. P. I. de C. V., as of December 31, 2022, and the results of operations and cash flows for the year then ended, in conformity with Mexican Financial Reporting Standards (MFRS) (Normas de Información Financiera (NIFs)).

Basis of the opinión

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described below in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are applicable to the audit of the financial statements subject matter hereof, in Mexico and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis paragraph

We draw attention to notes 3(m) and 7 to the financial statements, which describe that the Company carried out significant transactions with its related companies. Our opinion has not been modified in relation to this matter.

Responsibilities of management and those in charge of the Company´s governance related to the financial statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with FRS, and for such internal control, as management may determine, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as appropriate, matters related to an operating company and using the basis of accounting unless management intends to liquidate the Company or cease operations, or there is no other realistic alternative.

Those charged with governance, as aforesaid, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities to audit the financial statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance means a high degree of certainty but does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

As part of an audit in accordance with ISAs, we apply our professional judgment and maintain an attitude of professional excepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in connection with those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, deliberate misstatements, intentional misrepresentations, or the circumvention of internal control.

- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Assess the appropriateness of the accounting policies applied, the reasonableness of accounting estimates and the related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as an operative company. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to be a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communication with those charged with governance of the company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any material deficiencies in internal control that we identify in the course of our audit.

Other issues

The financial statements of Jaguar Land Rover México, S. A. P. I. de C. V., as of and for the year ended December 31, 2021, were not audited, and are presented for comparative purposes only.

KPMG CARDENAS DOSAL, S. C.

C.P.C. María del Rocío Becerra Ortega

Mexico City, May 26, 2023.

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

Statement of Financial Position

(Pesos)

		December 31 2022	December 31 2021 (unaudited)	January 1 2021 (unaudited)
Assets				
Current assets:				
Cash and cash equivalents (note 4)	$	340,825,134	152,055,045	184,818,980
Accounts receivable		18,604,229	4,542,347	48,058,106
Related parties (note 7)		17,456,820	19,024,388	-
Inventories, net (note 8)		278,379,944	173,194,652	272,291,573
Prepayments (note 9)		7,678,341	4,051,752	48,549
Recoverable taxes (note 17)		33,626,723	11,507,433	17,827,079
Total current assets		696,571,191	364,375,617	523,044,287
Property, plant and equipment, net (note 10)		1,478,131	235,521	510,952
Right-of-use assets (note 12)		2,979,629	-	-
Deferred income tax and ESPS (note 16)		73,160,384	64,635,950	46,107,042
Non-tangible assets, net (note 11)		1,474,729	1,611,096	1,747,463
	$	775,664,064	430,858,184	571,409,744

		December 31 2022	December 31 2021 (unaudited)	January 1 2021 (unaudited)
Liabilities and stockholders' equity (deficit)				
Current liabilities:				
Lease liabilities (note 12)	$	3,014,102	-	-
Suppliers		6,445,916	245,215	9,483,961
Employee Profit Sharing		211,893	6,856,865	-
Provisions (note 13)		23,841,276	30,993,146	33,396,488
Income taxes		-	17,051,534	-
Accrued expenses		3,684,373	4,237,545	5,749,728
Related parties (note 7)		393,106,848	74,826,699	241,301,864
Customer advances		2,108	-	19,297
Short-term contractual obligations (note 14)		58,739,945	46,078,011	56,349,975
Total current liabilities		489,046,461	180,289,015	346,301,313
Employee benefits (note 15)		6,255,459	5,091,380	1,340,401
Long-term contractual obligations (note 14)		51,493,225	60,509,959	66,027,084
Total liabilities		546,795,145	245,890,354	413,668,798
Stockholders' equity (deficit):				
Capital stock (note 18)		38,407,700	38,407,700	38,407,700
Retained earnings (deficit)		190,461,219	146,560,130	119,333,246
Total stockholders' equity (deficit)		228,868,919	184,967,830	157,740,946
Commitments and contingent liabilities (notes 22)				
	$	775,664,064	430,858,184	571,409,744

See accompanying notes to the financial statements.

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

Income Statement

Years ended December 31, 2022 and 2021

(Pesos)

		2022	2021 (unaudited)
Net sales (notes 19)	$	1,863,864,635	1,467,859,071
Cost of sales (notes 20)		1,781,959,303	1,363,788,347
Gross profit		81,905,332	104,070,724
Overhead:			
Sales (note 20)		36,593,799	41,987,942
Management (note 20)		71,406,370	48,738,276
Other income (note 21)		(58,935,494)	(35,426,874)
Other Expenses (note 21)		1,377,606	1,691,494
Total overhead		50,442,281	56,990,838
Operating income		31,463,051	47,079,886
Comprehensive financing result:			
Interest income		2,623,332	4,129,164
Foreign exchange gain, net		75,895	90,276
Comprehensive financing result, net		2,699,227	4,219,440
Income before income taxes		34,162,278	51,299,326
Income taxes (note 16):			
On tax basis		-	26,442,362
Deferred income tax		(9,738,811)	(2,369,920)
Total income taxes		(9,738,811)	24,072,442
Net income (loss)		**43,901,089**	**27,226,884**

See accompanying notes to the financial statements.

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

Statement of changes in stockholders' equity

Years ended December 31, 2022 and 2021

(Pesos)

			Retained earnings		
		Capital stock	Legal Reserve	Pending Application	Total stockholders' Equity
Balance as of December 31, 2020	$	38,407,700	7,681,540	111,651,706	157,740,946
Net income 2021		-	-	27,226,884	27,226,884
Balance as of December 31, 2021 (unaudited)		38,407,700	7,681,540	138,878,590	184,967,830
Net income 2022		-	-	43,901,089	43,901,089
Balance as of December 31, 2022	$	38,407,700	7,681,540	182,779,679	228,868,919

See accompanying notes to the financial statements.

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

Cash Flow Statements

Years ended December 31, 2022 and 2021

(Pesos)

		2022	2021 (unaudited)
Operating activities:			
Income before income taxes	$	34,162,278	51,299,326
Depreciation and amortization		699,293	411,798
Amortization for right of use		2,234,721	-
Interest payable		(2,623,332)	(4,129,164)
Subtotal		34,472,960	47,581,960
Accounts receivable		(14,061,882)	43,515,759
Related parties		1,567,568	(19,024,388)
Recoverable taxes		6,148,550	6,319,646
Inventories		(105,185,292)	99,096,921
Prepayments		(3,626,589)	(4,003,203)
Suppliers		6,200,701	(9,238,746)
Provisions		(7,151,870)	(2,403,342)
Accrued expenses		(553,172)	(1,512,183)
Employee Profit Sharing		(5,430,595)	(9,302,123)
Accounts payable to related parties		318,280,149	(166,475,165)
Income tax paid		(45,319,374)	(9,390,828)
Customer advances		2,108	(19,297)
Employee benefits		1,164,079	3,750,979
Contractual obligations		3,645,200	(15,789,089)
Net cash flows from operating activities		190,152,541	(36,893,099)
Investment activities:			
Payments for right-of-use liabilities		(2,410,044)	-
Net cash flows from investing activities		(2,410,044)	-
Excess cash to be applied in financing activities			
Net (decrease) increase(a) in cash and cash equivalents		188,770,089	(32,763,935)
Cash and cash equivalents at the beginning of the year		152,055,045	184,818,980
Cash and cash equivalents at the end of the year	$	340,825,134	152,055,045

See accompanying notes to the financial statements.

(1) Company's business-

Jaguar Land Rover México, S. A. P. I. de C. V. (the Company), has as its principal activity the purchase and sale of luxury automobiles and components for the domestic market of the Jaguar and Land Rover brands. The Company was incorporated on April 17, 2008 and is a subsidiary of Jaguar Land Rover Limited, with whom it carries out certain operations described in note 7. The main holding company of the economic group of interests to which the Company belongs is Tata Motors Limited.

The Company's operating period and fiscal year runs from January 1 to December 31.

(2) Authorization and basis of presentation

Authorization

Presentation of the financial statements and related notes was authorized by the Chief Financial Officer, Lic. Luis Reyes, on May 26, 2023. In accordance with the General Law of Commercial Corporations ("LGSM") and the Company's by-laws, the stockholders are empowered to amend the financial statements after they are delivered.

In accordance with the General Law of Commercial Corporations (LGSM) and the bylaws of Jaguar Land Rover México, S. A. P. I. de C. V., the stockholders have the power to amend the financial statements after issuance. The financial statements will be submitted for approval at the next Stockholders' Meeting. The 2021 financial statements have been approved by the stockholders.

Basis of presentation

The accompanying financial statements have been prepared for information purposes of the Tax authority *(Tax Administration Service, SAT) and*, therefore, have been presented and classified in accordance with the formats and instructions designed for such purpose by the SAT, and may not be useful for other purposes. My opinion has not been subject to amendment in connection with this matter.

(a) Statement of compliance

The accompanying financial statements were prepared in accordance with Mexican Financial Reporting Standards (FRS).

(b) Assessments and assumptions-

The preparation of financial statements requires management to make assessments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from such estimates and assumptions.

Assessments

Information on assessments made in the application of accounting policies that have the most significant effect on the amounts recognized in the financial statements is described in the following notes:

— Notes 19 and 14 -- Revenue Appreciation: Determination of whether revenue from the sale of vehicles and spare parts, as well as dealer incentives, is recognized over time or at a specific time.

— Note 16 - Income taxes (Income Taxes (IT)) - Deferred taxes;
— Note 13 - Provisions: main assumptions to determine the expected expense.
— Note 12 - Leases: determination of whether an agreement includes a lease;

Assumptions and uncertainties in connection with estimates

Information about assumptions and uncertainties that have a significant risk in detriment of the assets and liabilities curried in the following year, is included in the following notes:

— Note 15 – Determination of defined benefit obligations; main actuarial assumptions;
— Note 16 - Income Taxes: Appreciation of deferred tax assets.

Determination of fair value

Certain of the Company's accounting policies and disclosures require calculation of the fair values of both financial and non-financial assets and liabilities.

When determining the fair value of any asset or liability, the Company applies market data whenever possible. Fair values are categorized into different levels within a fair value hierarchy based on the inputs applied in the valuation techniques, as shown below:

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

Level 2: inputs other than quoted prices included in Level 1 observed for the asset or liability, either directly (i.e., prices) or indirectly (i.e., from prices).

Level 3: data or inputs to determine the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability are classified in different levels of the fair value level, then the fair value measurement is classified in the same level of the fair value hierarchy as the lowest observable input that is significant to the overall measurement.

During 2022 and 2021, the Company made no transfers between fair value levels.

(c) Functional and reporting currency

The financial statements are presented in the Mexican peso reporting currency, which is the same as the recording currency and functional currency thereof.

For disclosure purposes, any reference to Pesos or "$" in the notes to the financial statements, means Mexican pesos, and when reference is to Dollars, it means Dollars of the United States of America.

(d) Income statement presentation-

Since the Company is a commercial enterprise, its ordinary costs and expenses are based on its function, which allows to know its gross profit margin.

Additionally, the operating income line item is presented, which is the result of reducing net sales, other income, cost of sales and expenses, considering that this line item contributes to a better understanding of the Company's economic and financial performance.

The Company presents comprehensive income in a single statement that includes only the items that comprise net income or loss and is called "Statement of Income", because during the year and the immediately preceding year (presented for comparative purposes), the Company did not generate Other Comprehensive Income (OCI).

(3) Summary of significant accounting policies

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

(a) Cash and cash equivalents

Cash and cash equivalents include deposits in bank accounts, foreign currencies and other similar cash equivalents of immediate realization. As of the date of the financial statements, interest earned, and valuation gains or losses are included in the results of operations as part of the comprehensive financing result.

(b) Financial instruments -

i. Initial appreciation and determination

Financial assets and liabilities - including accounts receivable and accounts payable - are initially recognized when such assets are originated or purchased, or when such liabilities are issued or assumed, both on an agreement basis.

Financial assets and financial liabilities are initially determined and recognized at fair value plus, (in the case of financial assets or liabilities not determined at fair value through comprehensive income), transaction costs directly attributable to their purchase or issue, when subsequently determined at redeemed cost. A receivable without a significant financing component is initially determined at the transaction price.

ii. Classification and subsequent calculation

Financial assets

On initial appreciation, financial assets are classified into the following categories, according to the business model and the specifications of the contractual cash flows thereof, as follows:

– Accounts receivable, which include accounts receivable from the sale of goods and services and other accounts receivable from activities other than the sale of goods and services.

The classification of financial assets is based on both the business model and the characteristics of the contractual flows of the assets. Based on the business model, a financial asset or a class of financial assets (a portfolio) can be managed under the assumptions mentioned in the following page.

- A model that seeks to recover the contractual cash flows (represented by the amount of principal and interest).

– A business model that seeks both the recovery of contractual flows, as in the previous model, and to obtain a profit through the sale of financial assets, which leads to the displacement of a combined model for the management of such financial assets.

- A model that seeks to obtain the highest return through the purchase and sale of financial assets.

Financial assets are not reclassified after initial appreciation, except if the Company changes its business model, in which case all affected financial assets shall be reclassified to the new category at the time the change in the business model has occurred.

Reclassification of investments in financial instruments between categories is applied prospectively from the date of change in the business model, without amending any previously recognized gains or losses, such as interest or impairment losses.

Financial assets shall be determined at redeemed cost if the two conditions mentioned below are met and it is not classified as determined at fair value through profit or loss.

– the financial assets are held within a business model whose objective is to hold such financial assets to recover contractual cash flows; and

– the contractual terms of the financial assets give rise, at specified dates, to cash flows represented solely by payments of principal and interest outstanding (Principal and Interest Payment Only, or SPPI).

Financial assets: Business model evaluation

The Company evaluates the objective of the business model in which a financial asset is held at the portfolio level, as this best reflects the business management, and information is provided to Management. The information subject matter thereof includes the assumptions mentioned below:

– the policies and objectives outlined for the portfolio and the operation of those policies in practice. Such policies include whether management's strategy focuses on collecting contractual interest income, maintaining a particular interest rate profile or coordinating the term of financial assets with the term of the liabilities that those assets are funding or expected cash outflows, or realizing cash flows through the sale of assets;

– how portfolio performance is evaluated and reported to the Company's management;

– the risks affecting the performance of the business model (and the financial assets held in the business model) and, in particular, how those risks are managed;

– how business managers are compensated (e.g., whether compensation is based on the fair value of assets under management or on contractual cash flows earned); and

– frequency, volume, and timing of sales in prior periods, and the reasons for those sales and expectations about future sales activity.

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 continuing appreciation of the 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;

Financial assets: Subsequent calculation, and gains and losses

Financial assets at fair value through profit or loss	Determined at fair value with changes in income, including interest.
Financial assets held to maturity	Determined at redeemed cost using the effective interest method.
Loans and receivables	Determined at redeemed cost using the effective interest method.
Available-for-sale financial assets	Determined at fair value and changes in fair value, other than impairment losses on income, interest, and foreign currency differences on debt instruments, were recognized in other comprehensive income within stockholders' equity. When such assets were canceled, the cumulative gain or loss recognized in other comprehensive income in stockholders' equity was reclassified to earnings.

Financial liabilities: Classification, subsequent calculation, gains and losses

Financial liabilities are initially recognized at fair value and subsequently determined at redeemed cost. Financial liabilities arising from the assumption or offer of financial instruments are initially recognized at fair value of the obligation they represent and shall be subsequently predetermined under the redeemed cost method using the effective interest rate, where expenses, premiums and discounts related to the issuance are redeemed using the effective interest rate. Interest income and foreign currency conversion gains and losses are recognized in income. Any canceled gain or loss shall be included in the income.

iii. Accounts Write-off

Financial assets

The Company does not acknowledge financial assets when the contractual rights applicable to the cash flows from financial assets expire, or in the event of transfer of the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of the financial assets are transferred, or in which the Company neither transfers nor retains substantially all the risks and benefits of ownership and does not retain control over the financial assets.

Financial liabilities

The Company would write-off any financial liability when its contractual obligations are paid or canceled or have expired. The Company does not acknowledge a financial liability when the conditions are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability shall be recognized based on the new conditions at fair value.

In the event of write-off any financial liability, the difference between the carrying amount of the expired financial liability and the consideration paid (including non-cash assets transferred or liabilities assumed) is acknowledged in profits or losses.

iv. Compensation

Financial assets and financial liabilities shall be offset, and their net amount shall be presented in the statement of financial position, only when the Company has a legally enforceable right to offset the recognized amounts and intends to settle them on a net basis, or to realize the assets and settle the liabilities simultaneously.

Credit-impaired financial assets

As of the date of the financial statements, the Company shall consider whether financial assets carried at redeemed cost are credit impaired. A financial asset shall be considered as "credit-impaired" when one or more events have occurred and have a detrimental impact on the estimated future cash flows of the financial assets.

Credit-impaired includes the inputs listed below:

– significant financial problems of the issuer or the borrower.

– a default or an event of default for more than 90 days in the agreement;

– any loan or advances restructuring by the Company on terms that the Company would not otherwise consider;

– if the borrower is likely to incur bankruptcy or other financial reorganization; or

– Lack of an active market for the corresponding financial asset due to the existing financial constraints.

Presentation in the Statement of Financial Position of the allowance for projected credit losses,
Loss estimates for financial assets determined at the redeemed cost are deducted from the gross carrying amount of the assets.

Write-offs

The gross carrying amount of a financial asset is written off (partially or in full) to the extent that there is no realistic possibility of recovery. For customers, the Company has a policy of writing off the gross carrying amount when the financial asset has a maturity of 90 days based on historical experience of recoveries of similar assets. For corporate customers, the Company makes an individual assessment regarding the timing and amount of write-off based on whether there is a reasonable expectation of recovery. However, financial assets that are written off may be subject to legal action in order to comply with the Company's procedures for recovery of amounts due.

(c) Inventories and cost of sales

Inventories are stated at the lower of cost or net redeemable which is the estimated selling price less remaining selling costs. The cost of inventories of vehicles and spare parts is generally based on the specific identification method and average costs, respectively, and includes costs incurred in the acquisition of inventories, transportation to their current location and conditioning of inventories.

Cost of sales represents the cost of inventories at the time of sale, increased by reductions in the net redeemable value of inventories during the year, if applicable.

The Company records the necessary estimates to recognize decreases in the value of its inventories due to impairment, obsolescence, slow turnover and other events causing that the items included in the inventory will be less than the recorded value.

(d) Prepayments

Prepayments mainly include advances for advertising and marketing.

Prepayments are recognized for the amount paid at the time they are made, provided that the associated future economic benefit is expected to flow to the Company. Once the goods or service are received, the Company recognizes the amount related to prepayments as an asset or expense for the period, depending on whether or not it is certain that the good acquired will generate a future economic benefit.

The Company periodically evaluates the ability of prepayments to lose their ability to generate future economic benefits, as well as the recoverability thereof, the amount that is considered not recoverable is recognized as an impairment loss in the income statement for the period.

(e) Furniture and equipment

Furniture and equipment are initially recognized at acquisition cost, net of accumulated depreciation and accumulated impairment losses. The purchase value of furniture and equipment includes the costs incurred initially to acquire or construct them, as well as those incurred subsequently to replace them or increase their potential life. If any item of furniture and equipment is comprised of various components with different estimated useful lives, the individual major components are depreciated over their individual useful lives. Repair and maintenance costs are recognized in the statement of income as incurred.

Depreciation of furniture and equipment is determined using the straight-line method (since the Company's management considers that this method best reflects the use of such assets) and based on their estimated useful lives, using the following annual depreciation rates:

	Fees
Computer equipment	30%
Office furniture and equipment	10%

Furniture and equipment are canceled upon sale or when no future economic benefits are expected from their use or sale. Any gain or loss on cancelation (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in the statement of income when the asset is canceled.

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

(f) Intangible assets-

Licenses and software are recorded at acquisition cost. Amortization is calculated under the straight-line method based on their estimated useful lives; the amortization period fluctuates from 1 to 20 years depending on the license. In the years ended December 31, 2021 and 2020, there were no indications of impairment.

(g) Impairment of recoverable value of furniture and equipment -

The Company considers the net book value of machinery, equipment and intangible assets to determine whether there is an indication that such value exceeds its recoverable amount. The recoverable amount represents the amount of potential net income reasonably expected from the use or sale of such assets. If it is determined that the net book value exceeds the recoverable amount, the Company shall record sufficient estimates recognizing the effect on the results for the period.

(h) Leases

The Company carried out a transaction of assignment of rights and obligations on the lease agreement signed for the office facility previously retained on behalf of the group's service company, applied this FRS from April 1, 2022, the comparative information presented for 2021 was not restated. Details of the changes are disclosed on the following sheet.

The Company elected to apply the solution contained in FRS D-5 to assess which transactions are leases, applying the requirements of FRS D-5 only to agreements that were previously identified as leases. Agreements that were not identified as leases under Bulletin D-5 and IFRIC 4 were not reassessed to determine whether a lease exists under FRS D-5.

As a lessee, the Company only leases its corporate offices. Previously, the Company classified leases as operating leases or capital leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company. In accordance with FRS D-5, the Company recognizes right-of-use assets and lease liabilities, i.e., such leases are included in the statement of financial position.

At the inception or modification of an agreement containing a lease component, the Company allocates the consideration to each lease component because of its relative independent price.

Impacts as of the date of lease assignment.

The Company recognized additional right-of-use assets and lease liabilities. The effects of the lease assignment are summarized below:

As of April 1, 2022		
Assets from rights of use	$	5,214,350
Lease liabilities		5,214,250
Operating lease commitments as of April 1, 2022, as disclosed in the financial statements as of that date	USD	262,513
Discounted using the incremental funding rate as of January 1, 2019.	USD	262,513
Exchange rate as of April 1, 2022		19.8632
Lease liability recognized as of April 1, 2022	**$**	**5,214,350**

(i) Provisions-

Provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects the assessments corresponding to the time value of money as quoted in the market, as well as the specific risk of the related liability. The unwinding of the discount is recognized as a finance cost.

Warranties	A provision for warranties is recognized when vehicles are sold, based on historical warranty information and a weighting of possible outcomes versus their associated probabilities.
Expenses	A provision for expenses is recognized for those obligations where the transfer of assets or performance of services is virtually unavoidable and arises as a result of past events.

(j) Employee benefits

Short-term direct benefits

Short-term direct benefits are recognized in profit or loss in the period in which the employee services are accrued. A liability is recognized for the amount expected to be paid if the Company has a legal or constructive obligation to pay this amount because of past services provided and the obligation can be reasonably estimated.

Post-Employment Benefits

Defined Benefit Plans

The Company's net obligation corresponding to defined benefit plans for seniority premium and termination of employment is calculated separately for each plan, estimating the amount of future benefits that employees have earned in the current and prior periods, discounting such amount.

The calculation of defined benefit plan obligations is performed annually by actuaries using the projected unit credit method. When the calculation results in a possible asset for the Company, the asset recognized is limited to the present value of the economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of the economic benefits, any minimum funding requirement should be considered.

The labor cost of current service, which represents the cost of the employee benefit period for having completed one more year of service based on the benefit plans, is recognized in operating costs and expenses. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by multiplying the discount rate used to measure the defined benefit obligation by the net defined benefit liability (asset) at the beginning of the annual reporting period, considering changes in the net defined benefit liability (asset) during the period because of estimates of contributions and benefit payments.

Amendments to the plans that affect the cost of past services are recognized in the income statement immediately in the year in which the amendment occurs, without the possibility of deferral in subsequent years. Likewise, the effects of settlement events or reduction of obligations in the period, which significantly reduce the cost of future services and/or significantly reduce the population subject to benefits, respectively, are recognized in the results of the period.

Remeasurements (formerly actuarial gains and losses) resulting from differences between projected and actual actuarial assumptions at the end of the period are recognized in the period in which they are incurred in the results for the period.

(k) Income taxes and employee statutory profit sharing (PTU)

Taxes on income for the period –

Income tax and ESPS payable for the year is determined in accordance with current tax regulations and is presented as a short-term liability net of advances made during the year.

Deferred income taxes and deferred ESPS

Deferred income taxes and deferred ESPS are recorded according to the asset and liability method, which compares the book and tax values of such assets and liabilities. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of income taxes, for tax loss carryforwards and other recoverable tax credits. Deferred income tax assets and liabilities are calculated using the rates established in the related law, which will be applied to taxable income in the years in which the temporary differences are expected to reverse. The effect of changes in tax rates on deferred income taxes is recognized in the results of the period in which such changes are enacted.

(l) Revenues from agreements with customers

Revenue is determined based on the obligation to perform specified in a contract with a customer. The Company recognizes revenue when it transfers control over the goods or services to the customer.

Information about the nature and timing of the satisfaction of performance obligations under agreements with customers, including significant payment terms and related revenue appreciation policies is shown below:

Type of product	Nature and satisfaction timing of the obligations to be fulfilled, including significant terms of payment	Revenue appreciation policy
Luxury automobiles and spare parts	The customer obtains control of the automobile or parts when the products are invoiced upon shipment to the distributor. In the case of automobiles, invoices are generally due immediately or collected in advance. In the case of parts, invoices are generally payable within 30 days.	Revenues related to the sale of vehicles and spare parts are recognized when invoiced before shipment to the distributor and on such date any risk or benefit shall be transferred to the dealer

Type of product	Nature and timing of the satisfaction of the obligations to be fulfilled, including significant terms of payment	Revenue appreciation policy
Services included	The Company offers a three-year maintenance service package (after-sales services).	Charges from such services are deferred as a contractual obligation and are recognized at the time the consumer activates his rights or when they expire. On the other hand, costs related to such services are recognized in the period in which they are incurred.

(m) Concentration of business.

Concentrations arise when several counterparties engage in similar business activities, or activities in the same geographic region, or have economic aspects that would cause their ability to meet contractual obligations to be similarly affected due to changes in economic, political or other conditions. Concentrations show the relative sensitivity of the Company's performance to changes affecting a particular industry.

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

The credit risk in accounts receivable is diversified, due to the customer base and its geographic dispersion. Ongoing evaluations of customer credit conditions are performed, and no collateral is required to guarantee recovery.

The Company makes most of its inventory purchases from Jaguar Land Rover Limited, a related company and principal holding company. The Company's products are offered to a large number of customers, with no significant concentration with any specific customer. On the other hand, the Company receives most of its administrative services from Jaguar Land Rover Servicios Mexico, S. A. de C. V., a related company.

(n) Financing result (RF)-

The FR includes financial income and expenses, comprised of the following:

— interest income;
— interest expense;
— foreign currency gain or loss on financial assets and financial liabilities;

Transactions in foreign currencies are recorded at the exchange rate in effect at the dates of execution or settlement. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect on the date of the statement of financial position. Exchange differences incurred in connection with assets or liabilities assumed in foreign currencies are taken to income for the year.

(o) Presentation in the cash flow statements

The Company has elected to present the statements of cash flows under the indirect method.

(p) Contingencies-

Significant obligations or losses related to contingencies are recognized when the effects will materialize and there are reasonable elements for their quantification. If such reasonable elements do not exist, qualitative disclosure is included in the notes to the financial statements. Contingent revenues, earnings or assets are recognized until their sale is certain.

(4) Cash and cash equivalents

As of December 31, 2022 and 2021, cash is described below:

	2022	2021 (unaudited)

Cash and deposits in bank accounts:			
Cash equivalents	$	8,200,526	19,742,341
Investments (i)		332,624,608	132,312,704
	$	**340,825,134**	**152,055,045**

(i) Investments on demand with daily availability of principal and interest.

(5) Foreign currency position

As of December 31, 2022 and 2021, the Company had no monetary assets and liabilities denominated in foreign currencies.

As of December 31, 2022, and 2022, $75,895 and $90,276 of foreign exchange profits were recorded.

The exchange rates used in the different conversion processes in relation to the reporting currency as of December 31, 2022, and 2021 are as follows:

			Exchange Rate	
Country of Origin	**Currency**		**2022**	**2021 (unaudited)**
United States of America	U.S. Dollar	$	19.3615	20.7383

As of December 31, 2022, the Company had no foreign currency hedging instruments.

(6) Financial instruments

Reasonable values

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

Risk management

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

- credit risk,
- liquidity risk
- market risk

Financial risk management policies

The Board of Directors has overall responsibility for oversighting 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 identify and analyze the risks faced by the Company, establish appropriate risk limits and controls, and monitor risks and compliance. Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the Company's activities.

The Company, through training and management procedures, maintains a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management 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's Committee is assisted by the Internal Audit department which 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 an issuer of a financial instrument may cause to the counterparty by not meeting its obligations.

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

Accounts receivable

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

The Company has established a credit policy under which each new distributor is reviewed individually for creditworthiness prior to offering the Company's standard payment and delivery terms. The Company's review includes external ratings where available, financial statements, credit bureau information, industry information and, in some cases, bank references. Sales limits are established for each distributor and are reviewed regularly. Any sales in excess of such limits require the approval of the risk management committee.

The Company limits its exposure to credit risk related to accounts receivable by establishing payment terms between 1 and 30 days. As of December 31, 2022 and 2021, accounts receivable consist of the following:

		2022	**2021 (unaudited)**
Accounts receivable from customers	$	18,604,229	4,542,347
	$	**18,604,229**	**4,542,347**

Evaluation of expected credit loss for accounts receivable from customers

The Company allocates credit risk rating exposure based on data determined to be predictive of risk of loss (including, but not limited to, external ratings, audited financial statements, management's cash flow statements and projections and available press information on customers) and the application of experienced credit judgment and experience. Credit risk ratings are defined using qualitative and quantitative factors that are indicative of the risk of default.

Expected credit loss is calculated for each dealer based on delinquency status and actual credit loss experience for the past year. Such rates are multiplied by scaling factors to reflect differences between economic conditions during the period in which historical data has been collected, current conditions and the Company's view of economic conditions over the expected life of the receivables.

The following table shows information about credit risk exposure and expected credit losses for trade receivables as of December 31, 2022 and 2021:

December 31, 2022	Weighted average loss rate		Gross carrying amount	Provision for loss	Credit deterioration
Current (not past due)	-	$	17,590,134	-	No
Overdue between 1 - 30 days	-		-	-	No
Overdue between 31 - 60 days	-		-	-	No
Past due between 61 - 90 days	-			-	No
Over 90 days past due	100%		1,014,095	-	No
		$	**18,604,229**		

December 31, 2021	Weighted average loss rate		Gross carrying amount	Provision for loss	Credit deterioration
Current (not past due)	-	$	3,528,112	-	No
Overdue between 1 - 30 days	-		-	-	No
Overdue between 31 - 60 days	-		-	-	No
Past due between 61 - 90 days	-		-	-	No
Over 90 days past due	100%		1,014,235	-	No
		$	**4,542,347**		

Liquidity risk:

Liquidity risk represents the possibility that the Company will find trouble in meeting its obligations related to its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing its liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and extraordinary conditions, without incurring unacceptable losses or jeopardizing the Company's reputation.

The Company's intention is to maintain the level of cash and cash equivalents at an amount that exceeds the expected cash outflows from financial liabilities. The Company also monitors the level of expected cash inflows from accounts receivable along with expected cash outflows from suppliers and other payables. As of December 31, 2022, expected cash flows from accounts receivable with maturities between 1 and 30 days amounted to $18,604,229.

Liquidity risk exposure

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

				Contractual cash flows			
December 31, 2022		**Carrying amount**	**Total**	**12 months or less**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities:							
Suppliers	$	(6,445,916)	(6,445,916)	(6,445,916)	-	-	-
Related parties		(393,106,848)	(393,106,848)	(393,106,848)	-	-	-
Lease liabilities		(3,014,102)	(3,014,102)	(3,014,102)			
	$	**(402,566,866)**	**(402,566,866)**	**(402,566,866)**	**-**	**-**	**-**

			Contractual cash flows			
December 31, 2021 (unaudited)	**Carrying amount**	**Total**	**12 months or less**	**1-2 years**	**2-5 years**	**Más de 5 years**

Non-derivative financial liabilities:							
Suppliers	$	245,215	(245,215)	(245,215)	-	-	-
Related parties		74,826,699	(74,826,699)	(74,826,699)	-	-	-
	$	**(75,071,914)**	**(75,071,914)**	**(75,071,914)**	**-**	**-**	**-**

Market risk:
Market risk means changes in market prices, such as exchange rates, interest rates and commodities, that may affect the Company's revenues.

Currency risk
The Company is not exposed to currency risk, since its parent company invoices its inventories in local currency (MXN); however, it has some transactions with local suppliers denominated in foreign currency, and therefore it is exposed to such items to the extent that there is an asymmetry between the currencies in which the transactions it carries out are denominated. The currency in which such transactions are mainly denominated is the U.S. dollar (USD).

Interest rate risk
The Company adopts a position in order to ensure that part of its exposure to interest rate risk is maintained on a fixed rate basis. This is achieved by subscribing to fixed interest rate instruments and also by borrowing at variable interest rates and using hedging instruments attributable to interest rate risk.
The Company determines the existence of an economic relationship between the hedging instrument and the hedged item based on reference interest rates, terms, repricing, and maturity dates and notional or nominal amounts.

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

(7) Related parties

Accounts receivable from related parties as of December 31, 2022 and 2021 are summarized as follows:

		2022	**2021 (unaudited)**
Jaguar Land Rover Limited	$	13,010,200	9,921,060
Jaguar Land Rover Servicios México S. A. de C. V.		4,446,620	9,103,328
	$	**17,456,820**	**19,024,388**

Accounts payable to related parties as of December 31, 2022 and 2021 are summarized as follows:

		2022	**2021 (unaudited)**
Jaguar Land Rover Limited	$	393,106,848	74,826,699

As of December 31, 2022 and 2021, balances payable to related parties correspond to current account balances, without interest, payable in cash within 180 days for which there are no guarantees.

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

Transactions with related parties in the years ended December 31, 2022 and 2021 were as follows:

		2022	2021 (unaudited)
Purchase of auto and spare parts inventories:			
Jaguar Land Rover Limited	$	1,764,931,523	1,088,908,777
Cost recovery			
Jaguar Land Rover Servicios México, S. A, de C. V. (i)	$	1,667,404	20,578,352
Other services performed:			
Jaguar Land Rover Limited	$	9,736,053	-
Miscellaneous Income:			
Jaguar Land Rover Limited	$	17,586,258	7,070,632
Limited Spark 44, LLC		-	3,646,292
Income from LACRO-RECHARGE expense reimbursements			
Jaguar Land Rover Limited	$	37,077,559	9,921,060

(8) Inventories-

As of December 31, 2022 and 2021, inventories are summarized as follows:

		2022	2021 (unaudited)
Inventory of automobiles	$	45,161,397	24,426,019
Automobiles in transit		121,055,576	93,740,934
Spare parts inventory		41,471,829	49,852,246
Spare parts in transit		71,401,863	11,530,874
Inventory of advertising items		946,364	946,363
		280,037,029	180,496,436
Estimate for obsolescence and slow turnover		(1,657,085)	(7,301,784)
	$	**278,379,944**	**173,194,652**

In fiscal 2022 and 2021, the Company did not determine an estimate related to the impairment of Jaguar and Land Rover vehicles held for display and "demo" purposes, as no loss of market value is expected.

(9) Prepayments

As of December 31, 2022 and 2021, prepayments are summarized as follows:

		2022	2021 (unaudited)
Advance payments to suppliers	$	5,617,327	2,566,048
Prepaid insurance		2,061,014	1,485,704
	$	**7,678,341**	**4,051,752**

(10) Furniture and equipment, net

As of December 31, 2022 and 2021, furniture and equipment consists of the following:

		December 31, 2022	December 31, 2021 (unaudited)	January 1, 2021 (unaudited)
Investment:				
Office furniture and equipment	$	1,456,298	1,348,958	1,348,958
Computer equipment		2,917,344	1,219,150	1,219,150
Other assets		1,159,463	1,159,462	1,159,462
	$	**5,533,105**	**3,727,570**	**3,727,570**
Accumulated depreciation:				
Office furniture and equipment	$	1,336,882	1,230,743	1,095,887
Computer equipment		1,558,630	1,101,844	961,268
Other assets		1,159,462	1,159,462	1,159,463
		4,054,974	3,492,049	3,216,618
Furniture and equipment, net	$	**1,478,131**	**235,521**	**510,952**

For the years ended December 31, 2022 and 2021, depreciation expenses amounted to $562,925 and $275,431, respectively.

(11) Intangible assets

As of December 31, 2022 and 2021, intangible assets are summarized as follows:

		2022	2021 (unaudited)
Licenses	$	8,792,393	8,792,393
Less:			
Accumulated depreciation		7,317,664	7,181,297
Net	$	**1,474,729**	**1,611,096**

For the years ended December 31, 2022 and 2021, amortization expense amounted to $136,367 and $136,367, respectively.

(12) Right to use assets; lease liabilities

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

Information about leases where the Company is the lessee.

Assets under lease (right-of-use assets)

Assets under lease recognized as of December 31, 2022 consist of the following:

		Office
Balance as of April 1, 2022	$	5,214,350
Depreciation for the year		(2,234,721)
Balance as of December 31, 2022	$	**2,979,629**

Amounts recognized in income

The amounts recognized in income are summarized as follows:}

Leases under FRS D-5		**2022**
Depreciation of Assets under lease	$	(2,234,721)
Interest on lease liabilities		(209,796)
Unrealized foreign exchange gain		17,137

Lease liabilities

Lease liabilities as of December 31, 2022 consist of the following:

		Future Minimum Payments	Interest	Present Value
2023	$	2,891,645	122,457	3,014,102

Interest earned is calculated at a rate of 7.56%, which was used to determine the present value of the lease payments during the term thereof.

Total lease cash outflows during 2022 were $2,410,044.

(13) Provisions-

Provisions are summarized as shown below:

		Warranties(i)	Expenses (ii)	Employee benefits (iii)	Interest on floor plan (iv)	Others (iii)	Total
Balances as of December 31, 2021 (unaudited)	$	459,085	17,308,325	1,750,941	3,282,794	8,192,001	30,993,146
Increases charged to income/(write-offs)			29,952,369	36,121,430	6,687,230	2,886,100	75,647,129
Cancellations		(433,310)	-	-	-	-	(433,310)
Payments		(25,775)	(37,146,760)	(33,005,462)	(9,222,611)	(2,965,081)	(82,365,689)
Balances as of December 31, 2022	$	-	**10,113,934**	**4,866,909**	**747,413**	**8,113,020**	**23,841,276**

(i) Service warranty is calculated based on vehicles sold in the last three years that were damaged or had to be repaired by the distributor to satisfy the customer's warranty. The loyalty warranty is on vehicles sold in the last three years that were damaged or had to be repaired and the customer is no longer subject to the service warranty.

(ii) Recorded for all expenses and agreements that the Company has at year-end and accrued during the year.

(iii) Includes employee benefits.

(iv) Roadside assistance on the basis of a fixed amount for each unit sold. Employee benefits include benefits that have been accrued during the year.

(v) Recorded for all roadside assistance and marketing expenses mainly.

(14) Contractual obligations

The contractual obligations arise from the following program:

		Prepaid services	Sales incentives	Total
2023	$	28,986,401	29,753,544	58,739,945
2024 and later		51,493,225	-	51,493,225
	$	**80,479,626**	**29,753,544**	**110,233,170**

On the other hand, the connection of obligation balances and behavior by contract is presented below:

		Prepaid services	Sales incentives	Total
Opening balance 2022	$	83,402,822	23,185,148	106,587,970
Additions		20,321,974	92,535,258	112,857,232
Applied to results		(23,245,170)	(85,966,862)	(109,212,032)
	$	**80,479,627**	**29,753,544**	**110,233,170**

The contractual obligation calculated based on the Company's current incentives to its distributors, among others, are discount on cash payment, interest-free monthly financing, bonus for the distributor and for the salesperson on the sale of a unit, and such incentives are published in monthly bulletins, and includes a performance bonus obligation.

The Company offers a five-year service package (after-sales services). The applicable service charges are deferred as a contractual obligation and are recognized at the time the consumers activate their rights or at expiration thereof. On the other hand, costs related to such services are recognized in the period in which they are incurred.

Services are appreciated in income when they are performed.

(15) Employee benefits

In accordance with the Federal Labor Law, the Company has obligations for severance indemnities and seniority premiums payable to employees who cease working for the Company, under certain circumstances.

The Company records annually the net periodic cost to create the net defined benefit liability (NPL) for severance indemnities and seniority premiums as accrued in accordance with actuarial calculations performed by independent actuaries. Such calculations are based on the projected unit credit method. Therefore, a provision shall be made for the liability that, at present value, will cover the defined benefit obligation on the estimated retirement date of all employees working at the Company.

The economic assumptions were:

	2022	**2021 (unaudited)**
Interest rate	9.62%	8.19%
Discount rate	9.62%	8.19%
Salary increases rate	5.50%	5.50%
Minimum wage increase rate	4.00%	4.00%
Long-term inflation rate	8.50%	4.00%

As of December 31, 2022, and 2021, the balances of labor obligations for severance indemnities and seniority premiums are shown as follows:

The cost of defined benefits is summarized as follows, in accordance with the items required to be disclosed by current FRS D-3:

		Seniority premium		**Indemnification**		**Total**	
		2022	**2021**	**2022**	**2021**	**2022**	**2021**
Labor cost of current service	$	48,119	27,663	521,442	356,194	569,561	383,857
Past service labor cost		-	253,001	-	2,486,369	-	2,739,370
Loss (or gain) per LAO		-	-	-	-	-	-
Total service cost	$	**48,119**	**280,664**	**521,442**	**2,842,563**	**569,561**	**3,123,228**
OBD Interest Cost	$	19,759	6,878	366,037	134,774	385,796	141,652
Interest Income from Plan Assets		-	-	-	-	-	-
Net interest on GNPD	$	**19,759**	**6,878**	**366,037**	**134,774**	**385,796**	**141,652**

		Seniority premium		Indemnification		Total	
		2022	**2021 (unaudited)**	**2022**	**2021 (unaudited)**	**2022**	**2021 (unaudited)**
Net cost for the period (CNP)	$	67,878	287,542	887,479	2,977,337	955,357	3,264,879
PNBD (or ANBD) remeasurements to be recognized in CNP		144,742	(41,155)	63,980	527,255	208,722	486,100
Defined benefit cost	$	**212,620**	**246,387**	**951,459**	**3,504,592**	**1,164,079**	**3,750,979**

		Seniority premium		Indemnification		Total	
		2022	**2021**	**2022**	**2021**	**2022**	**2021**
Initial balance	$	257,157	9,771	4,834,223	1,329,630	5,091,380	1,339,401
Definined benefits cost	$	212,620	247,387	951,459	3,504,592	1,164,079	3,750,979
Liabilities (or assets) net from defined benefits	$	**469,777**	**257,158**	**5,785,682**	**4,834,222**	**6,255,459**	**5,091,380**

(16) Utility taxes

Income Taxes (ISR)

For the 2022 and 2021 tax years, according to the Income Tax Law (LISR), the corporate income tax rate is 30%.

The Income Tax Law (LISR) establishes criteria and limits for the application of certain deductions, such as the possible non-deductibility of payments made to related parties if certain requirements are not met.

As of December 31, 2022 and 2021, income tax charged to income is summarized as follows:

		2022	**2021 (unaudited)**
Income tax incurred (ISR)	$	-	26,442,362
Deferred income tax (ISR)		**(9,738,811)**	(2,369,920)
Total	$	**(9,738,811)**	**24,072,442**

Tax expense attributable to income from continuing operations before income taxes and ORI was different from that which would result from applying the 30% income tax rate to income before income taxes as a result of the items mentioned on the following page.

		2022	**2021 (unaudited)**
Expected" expense	$	10,248,684	10,542,102
Increase (decrease) resulting from:			
Tax effect of inflation, net		1,762,434	799,398
Non-deductible expenses		950,708	-
General import taxes refunded		(17,828,601)	

Other, net		4,866,775	12,730,942
Income tax expense	$	**(9,738,811)**	**24,072,442**

As of December 31, 2022 and 2021, deferred income tax is summarized as follows:

		2022	2021 (unaudited)
Deferred tax assets:			
Contractual obligations	$	33,069,951	31,976,391
Provisions		7,152,383	9,297,973
Employee profit sharing		63,568	2,057,060
Employee benefits		1,876,638	1,527,414
Estimate for obsolescence and slow turnover		497,126	2,190,535
Customer advances and fixed assets and intangible assets		2,196,095	1,536,567
Leases		10,342	-
Tax loss carryforwards (2022)		13,381,942	-
		58,248,045	48,585,940
Deferred liabilities			
Prepayments		618,304	445,711
Deferred PTU assets		4,418,423	4,608,317
		5,036,727	5,054,028
Insufficiency		5,004,455	4,945,051
Deferred tax assets, net	$	**58,215,773**	**48,476,963**

The allowance for deferred income tax assets covers 100% of the assets arising from the allowance for doubtful accounts and the allowance for obsolescence and slow-moving assets.

In assessing the capability to recover deferred assets, Management considers that some or all of them will not be recovered. Realization of deferred assets depends on the generation of taxable income in the periods in which the temporary differences are deductible. In making this assessment, management considers the expected reversal of deferred liabilities, projected taxable income and planning strategies.

PTU

a) Employees' Profit Sharing Ratio

The PTU generated during the period was 10%, and the limits stablished in the local legislation, by the amount of PTU determined by applying the statutory rate of 10% and multiplying the result by the same statutory rate in effect. During the year 2021 the Company determined a tax loss.

b) As of December 31, 2022 and 2021 the Company has recognized deferred ESPS on the following temporary items:

	2022	2021

			(Unaudited)
Deferred tax assets:			
Contractual obligations	$	11,023,317	10,658,797
Provisions		2,384,128	3,099,324
Employee benefits		625,546	509,138
Estimate for obsolescence and slow turnover		165,709	730,178
Customer advances and fixed assets and intangible assets		732,032	512,189
Leases		3,447	-
Excess of prior year's provision		216,532	797,931
		15,150,711	16,307,557
Deferred liabilities			
Prepayments		206,101	148,570
Deferred employee profit sharing, net	$	**14,944,610**	**16,158,987**

(17) Recoverable taxes

Other recoverable taxes consist of the items described in the following table:

		2022	2021 (Unaudited)
Income tax	$	28,289,092	
Value added tax		5,337,631	11,507,432
Total	$	**33,626,723**	**11,507,432**

(18) Stockholders' equity

As of December 31, 2022 and 2021, capital stock is represented by fully subscribed and paid-in common registered shares, without par value, as shown below:

Class	Capital	Shares		Amount
I	Minimum Fixed Capital	50,000	$	50,000
II	Variable Capital	38,357,700		38,357,700
		38,407,700		**38,407,700**

In accordance with the General Corporations Law, the Company shall set aside at least 5% of net income during each year to increase the legal reserve until it reaches 20% of capital stock. As of December 31, 2022 and 2021, the legal reserve amounts to Ps.7,681,540, and is presented in retained earnings.

Profits distributed more than the balances of the CUFIN account (net tax profit account) will be subject to corporate income tax at the rate in effect at the time of distribution. Payment of such tax may be credited against ISR.

Dividends paid to individuals and corporations domiciled abroad based on profits generated as of 2014 are subject to an additional 10% withholding tax,

(19) Income-

In 2022 and 2021, the Company's revenues are as shown below:

		Luxury cars	Spare parts	Discounts and guarantees	Total
2022	$	1,817,468,233	144,982,250	(98,585,848)	1,863,864,635
2021	$	1,451,076,960	127,298,079	(110,515,968)	1,467,859,071

As of December 31, 2022, revenues expected to be recognized within the next five years related to unsatisfied performance obligations amount to $110,233,170. Such revenues are substantially all derived from short- and long-term maintenance and service agreements.

(20) Operating costs and expenses

The main items comprising operating costs and expenses as of December 31, 2022 and 2021 are shown below.

			2022	
		Cost of sales	Cost of sales	Total
Cost of vehicles and parts, net	$	1,632,444,467	-	-
Transportation and storage		24,569,340	-	-
Customs and import charges		114,599,581	-	-
			-	
Total, (next sheet)	$	1,771,613,388	-	-

			2022	
		Cost of sales	Cost of sales	Administrative expenses
Total, from previous sheet	$	1,771,613,388	-	-
Subscriptions and insurance		3,414,231	-	2,409,910
Advertising and marketing		-	24,883,884	-
Public relations		-	1,057,812	-
Customer Service Center		-	2,487,914	-
Training and coaching		-	5,269,489	1,839,435
Administrative Services		-	-	3,042,542
Wages, salaries and benefits		-	-	39,645,337
Professional Services		-	-	7,163,016
Employee benefits		-	-	1,164,079
Depreciation and amortization		-	-	699,292
Travel expenses		-	-	2,590,969
Social security expenses		-	-	5,680,550
Various		6,931,684	2,894,700	7,171,240
Total	$	**1,781,959,303**	**36,593,799**	**71,406,370**

			2021 (unaudited)	
		Cost of sales	**Cost of sales**	**Administrative expenses**
Cost of vehicles and parts, net	$	1,225,480,205	-	-
Transportation and storage		22,443,378	-	-
Customs and import charges		101,964,438	-	-
Subscriptions and insurance		(30,056)	-	421,445
Advertising and marketing		-	33,527,667	-
Public relations		-	300,000	-
Customer Service Center		-	2,362,435	-
Training and coaching		-	5,429,057	1,118,213
Administrative Services		-	-	14,801,604
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
Various		13,930,382	368,783	4,327,221
Total	$	**1,363,788,347**	**41,987,942**	**48,738,276**

(21) Other operating income and expenses-

As of December 31, 2022 and 2021, other income and expenses are summarized as follows:

		2022	2021 (unaudited)
Other income:			
Automobile leasing	$	285,661	198,840
Commissions on oil purchase		3,123,413	1,514,176
Reimbursement of expenses		6,583,472	4,654,611
Reimbursment of the Import Tax			
Others (a)		48,942,948	29,059,247
	$	**58,935,494**	**35,426,874**
Other expenses:			
Lost “Demo” Units	$	-	1,419,929
Other miscellaneous expenses		1,377,606	271,565
	$	**1,377,606**	**1,691,494**

(a) Includes costs reimbursed (Jaguar Land Rover Servicios México, S.A. de C.V.) for $37,077,559 (See Note 7)

(22) Contingencies and commitments –

(a) There is a contingent liability arising from employee benefits, which is mentioned in note 3(j).

(b) In accordance with current tax laws, the authorities have the power to review up to five tax years prior to the last income tax return filed.

(c) In accordance with the Income Tax Law, companies that carry out transactions with related parties are subject to tax limitations and obligations regarding the determination of the agreed prices, since such must be comparable to those that would be used with or between independent parties in comparable transactions. If the competent tax authorities review the prices and reject the amounts determined, they may require, in addition to the collection of the corresponding tax and other items (restatement and surcharges), penalties on the omitted taxes, which could be up to 100% of the restated tax amounts.

(d) On January 23, 2023, the General Director of Pollution Inspection to the Federal Bureau of Environmental Protection sanctioned the Company in terms of official letter PFPA03.2/2C27.1/0018/23/0001 imposing a fine of $4,843,636.81. On March 7, 2023, the Company filed a review lawsuit against the aforementioned sanction.

(e) On February 22, 2023, the administration unit of foreign trade audit, based in Mexico City, notified the resolution, imposing a fine of Ps. 357,780. On April 14, 2023, the company filed a lawsuit before the Federal Court of Administrative Matters. This amount is recorded within the Company's liabilities at year-end 2022.

(23) Subsequent event

At the Extraordinary General Stockholders' Meeting held on February 9, 2023, it was resolved to distribute a dividend of Ps. 138,878,590 among the Company's stockholders in the proportion of their stock ownership. It was resolved that the dividend be paid no later than February 14, 2023.

(24) Improvements to FRS 2023

In December 2022, the CINIF issued the Policy "Improvements to FRS 2023", with specific amendments to some existing FRS.