Jaguar Land Rover México, S. A. P. I. de C. V.
(formerly GDV Imports México, S. A. P. I. de C. V.)

Financial Statements

December 31, 2018 and 2017

(Including the Report of the Independent Auditors)

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

Statement of financial position

December 31, 2018 and 2017

(Figures in Mexican pesos)

		As of December 31		
Assets		**2018**	**2017** (reformulated)	January 1st 2017 (reformulated)
Current assets				
Cash and equivalents (note 5)	$	96,140,462	228,051,539	113,603,527
Accounts receivable, net (note 7)		22,458,717	11,574,545	54,467,617
Inventories, net (note 10)		367,588,452	273,841,071	381,464,190
Recoverable taxes (note 18)		15,921,236	33,303,975	24,021,109
Advanced payments (note 11)		2,182,308	1,534,439	12,412,778
Incentives receivable (note 9)		-	28,199,118	44,051,814
Total current assets		504,291,175	576,504,687	630,021,035
Furniture and fixtures, net (note 12)		569,138	745,145	949,453
Deferred income taxes, net (note 17)		39,605,519	23,867,748	31,778,588
Intangible assets (note 13)		2,020,197	2,633,868	2,844,250
	$	546,486,029	603,751,448	665,593,326

See notes to the financial statements

Liabilities and shareholders´ equity		As of December 31 2018	2017 (reformulated)	January 1st 2017 (reformulated)
Current liabilities:				
Bank loans	$	-	-	72,757,724
Suppliers		18,245,663	11,738,382	17,023,365
Provisions (note 14)		30,678,295	18,024,539	17,413,590
Intercompany accounts payable (note 8)		275,238,205	417,041,677	259,881,548
Contract obligations, short-term (note 15)		57,425,248	53,038,531	76,422,632
Accrued liabilities		613,596	1,422,250	5,078,263
Income taxes		7,674,759	-	4,386,072
Customers advance		1,173	-	1,065,813
Total current liabilities		389,876,939	501,265,379	454,029,007
Employee benefits (note 16)		1,026,098	-	-
Contract obligations, long-term (note 15)		37,387,991	2,320,133	-
Total liabilities		428,291,028	503,585,512	454,029,007
Equity (note 19):				
Capital stock		38,407,700	38,407,700	38,407,700
Retained earnings		79,787,301	61,758,236	177,542,691
Total equity		118,195,001	100,165,936	215,950,391
Commitments and contingent liabilities				
	$	546,486,029	603,751,448	669,979,398

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

Profit and Loss Statement

Years ended December 31, 2018 and 2017

(Figures in Mexican pesos)

		2018	2017 (reformulated)
Net sales (note 20)	$	1,615,472,807	855,208,339
Cost of goods sold (note 21)		1,431,268,175	752,546,433
Gross profit		184,204,632	102,661,906
General expenses:			
Sale (note 21)		110,241,669	43,886,467
Administrative (note 21)		53,428,008	65,773,310
Other income (note 22)		(20,152,551)	(34,741,122)
Other expenses (note 22)		3,775,850	5,864,543
Total expenses		147,292,976	80,783,198
Operating profit		36,911,656	21,878,708
Financing result:			
Interest expense, net		(3,858,635)	(3,740,926)
Exchange profit, net		287,875	4,903,773
Financing result, net		(3,570,760)	1,162,847
Profit before income taxes		33,340,896	23,041,555
Profit before income taxes (note 17):			
Over tax base		32,055,629	782,211
Deferred		(16,743,798)	7,910,840
Total income taxes		15,311,831	8,693,051
Net profit		18,029,065	14,348,504

See notes to the financial statements.

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

Statement of Changes in Shareholders´ Equity

December 31, 2018 and 2017

(Figures in Mexican pesos)

	Common stock	Retained earnings: Legal reserve	Retained earnings: To be applied	Total shareholders´ equity
Balance as of December 31 2016	$ 38,407,700	7,681,540	169,861,151	215,950,391
Net profit	-	-	14,348,504	14,348,504
Dividendos decretados	-	-	(130,132,960)	(130,132,960)
Saldos al 31 de diciembre de 2017	38,407,700	7,681,540	54,076,695	100,165,935
Utilidad neta	-	-	18,029,065	18,029,065
Saldos al 31 de diciembre de 2018	$ 38,407,700	7,681,540	72,105,760	118,195,000

See notes to the financial statements.

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

Cash flow statements

Years ended December 31, 2018 and 2017

(Figures in Mexican pesos)

		2018	2017 (reformulated)
Operating activities:			
Profit before income taxes	$	33,340,896	23,041,556
Depreciation and amortization		789,678	1,627,834
Interest receivable		(5,219,641)	(786,108)
Interest payable		9,078,276	4,527,033
Sub-total		37,989,209	28,410,315
Customer accounts receivable		(10,884,172)	42,893,072
Incentives receivable		28,199,118	15,852,696
Recoverable taxes		(5,992,104)	(4,896,794)
Inventories		(93,747,381)	107,623,119
Advanced payments		(647,869)	10,878,339
Suppliers		6,507,281	14,582,632
Accrued liabilities		(807,481)	(3,656,715)
Provisions		12,653,756	610,949
Accounts payable to related parties		(121,678,605)	137,035,262
Paid income tax		-	(21,497,176)
Customers advance		-	(1,065,813)
Employee benefits		1,026,098	-
Contract obligations		39,454,575	(21,063,968)
Net cash flows from operating activities		(107,927,575)	305,705,918
Investing activities:			
Acquisitions of property, machinery and equipment		-	(1,213,144)
Charged interest		5,219,641	786,108
Net cash flows from investing activities		5,219,641	(427,036)
Cash to be used for financing activities		(102,707,934)	305,278,882
Financing activities:			
Loans received		-	20,124,867
Dividends paid		-	(130,132,960)
Interest paid		(9,078,276)	(4,527,033)
Loans principal payments		(20,124,867)	(76,295,744)
Net cash flows from financing activities		(29,203,143)	(190,830,870)
Net decrease of cash and cash equivalents		(131,911,077)	114,448,012
Cash and cash equivalents:			
At the beginning of the year		228,051,539	113,603,527
At the end of the year	$	96,140,462	228,051,539

See notes to the financial statements.

Jaguar Land Rover México, S. A. P. I. de C. V.
(formerly GDV Imports México, S. A. P. I. de C. V.)

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Figures in Mexican pesos)

(1) Company Activity

Jaguar Land Rover México, S. A. P. I. de C. V. (formerly GDV Imports 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 of the Jaguar and Land Rover brands. The Company was incorporated on April 17, 2008.

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

On October 2, 2017, through a unanimous resolution of the shareholders, it was resolved to approve the execution and fulfillment of the obligations and actions set forth in the share purchase agreement entered into by and between Jaguar Land Rover Limited and Jaguar Land Rover Holdings Limited, as purchasers, and on the other hand the shareholders of GDV Imports México, S. A. P. I. de C. V., as sellers.

Consequently, as of such date, Jaguar Land Rover Limited and Jaguar Land Rover Holdings Limited are shareholders for the Company.

On December 26, 2017 at the Shareholders' Meeting held on such date, it was resolved to change of corporate name of the Company to Jaguar Land Rover México, S. A. P. I. de C. V.

As of October 1, 2017, the Company has an employee, Mr. Raúl Peñafiel.who is the General Director.

(2) Authorization and basis for presentation

Authorization

The financial statements and the corresponding notes were authorized by the Finance Director, Mr. Alejandro Mejía, on May 31, 2019. In accordance with the General Law of Commercial Companies ("LGSM") and the bylaws of the Company, the shareholders have the power to amend the financial statements after they are delivered.

Basis for presentation-

a) Compliance Representation

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

b) Estimates and Assumptions

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.

Estimates

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:

- Note 9- 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 11- Provisions: key assumptions to determine the expected expense.
- Note 12- Income taxes (Income Tax (ISR)) - Deferred taxes;
- Note 10- Provisions: key assumptions to determine the expected expense.

Assumptions and estimates uncertainty

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

- Note 21– 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 apply observable market data whenever it 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 fair value calculated is classified at the same level of the fair value level as the lowest observability variable that is material for the total calculation.

During 2018 and 2017, the Company did not transfer levels of the fair value hierarchy.

c) Functional currency and report currency-

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

For disclosure purposes in the notes to the financial statements, any reference to pesos or "$", refers to Mexican Pesos, and any reference to dollars, means Dollars of the United States of America, and any reference to sterling pounds, means Sterling Pounds of the United Kingdom.

d) Presentation of unconsolidated financial statements

The above-mentioned unconsolidated financial statements were prepared for internal application by the Company's Management, as well as to comply with certain legal and fiscal requirements; therefore, the financial information contained therein does not include the consolidation of the financial statements of the related party Jaguar Land Rover Services Mexico, S. A. de C. V., since the effects of this deviation to NIF are not significant.

e) Presentation of the Statement of Earnings

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

Additionally, the operating income item herein considered 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 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 and is called 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).

(3) Summary of the main accounting policies

The accounting policies shown below have been applied consistently in the preparation of the financial statements presented 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 similar ones of immediate realization. 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

The financial assets and liabilities – including accounts receivable and payable – are initially verified when these 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 – Policy applicable as of January 1, 2018

In 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 a class of financial assets (portfolio) can be managed under:

- A model which endeavors to recover the existing flows (represented by the amount of capital and interest).

- A business model which endeavors both to recover the existing flows as in the previous model, and to obtain a profit by 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.

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.

The financial asset is calculated at its amortized cost if the two following conditions are met, and not classified in accord with its fair value through profit or loss:

- The financial assets are 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, or SPPI).

Financial assets: Evaluation of the business model – Policy applicable as of January 1, 2018

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

- policies and goals for the portfolio and the operation 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 duration of the financial assets with that of the liabilities being financed by such assets or the anticipated outgoings of cash, or effect cash flows through the sale of assets;

– how portfolio yield is evaluated and how this is reported to Company Management;

– the risks affecting the yield of the business model (and the financial assets maintained in the business model) and, specifically, the way such risks are handled;

– how the managers of the business 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 – Policy applicable prior to January 1, 2018

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:

Financial assets: Subsequent calculation and profit or loss – Policy applicable prior to January 1, 2018

Financial assets at fair value through profit or 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 losses due to impairment of income, interest and foreign currency differences in debt instruments, were verified in other comprehensive income within shareholders' equity. When these 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, subsequent calculation, gains and losses

Financial liabilities are initially recognized at their fair value and subsequently calculated at redeemed cost. Financial liabilities arising from financial debt instruments are initially verified at the fair value of the obligation they represent (at fair value) and will subsequently be remeasured under the accrued amortized cost method through the effective interest rate, where expenses, premiums and discounts related to the issuance are amortized through the effective interest rate. Interest income and gains and losses on conversion of foreign currency are verified as profit or loss. Any gain or loss on the 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 it transfers 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.

The Company participates in transactions in which it transfers the assets verified in its statement of financial position but retains all or substantially all the risks and benefits of the financial assets transferred. In these cases, the financial assets transferred are not cancelled.

Financial liabilities

The Company derecognizes a financial liability 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 this 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 extinguished financial liability and the consideration paid (including the non-cash assets transferred or liabilities assumed) is verified in profit or loss.

iv. Offsetting

An asset and a financial liability will be subject to offsetting, so that its net amount is presented in the statement of financial position, when and only when the Company has, at the current time, the legally enforceable right to offset the amounts verified. and intends to settle for the net amount, or to realize the asset and settle the liability simultaneously.

Financial assets with credit impairment

At the date of the financial statements, the Company evaluates whether the financial assets recorded at amortized 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 contract, such as a default or event of default of more than 90 days;
- the restructuring of a loan or advances by the Company in terms that it would not consider otherwise;
- It is likely that the borrower goes bankrupt or in another form of financial reorganization; or
- the disappearance of an active market for the financial asset in question, due to financial difficulties.

Presentation of the estimate 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 completely) 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 30 days based on the historical experience of recoveries of similar assets. For corporate customers, the Company conducts an individual assessment regarding the time and amount of the cancellation based on whether there is a reasonable expectation of recovery. However, the financial assets that are punished may be subject to legal action to comply with the Company's procedures for the recovery of the amounts owed.

Policy applicable prior to January 1, 2018

Non-derivative financial assets

Financial assets not classified at fair value through profit or loss were evaluated in each report to determine if objective evidence of impairment existed.

The objective evidence that the financial assets were impaired included:

- default or default by a debtor;
- restructuring of an amount owed to the Company in terms that it would not consider in other circumstances;
- indications that a debtor or issuer would declare bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- disappearance of an active market for an instrument due to financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows of a group of financial assets.

Financial assets calculated at redeemed cost	The Company considered the evidence of impairment of these assets at both a specific and collective level. All individually significant assets were individually assessed for impairment. Those that were not impaired were evaluated collectively for impairment that would have been incurred but not yet identified individually. Assets that were not individually significant were evaluated for collective impairment. The collective evaluation grouped assets with similar risk characteristics. In evaluating collective impairment, the Company used historical information about the timing of recoveries and the amount of the loss incurred and made an adjustment if current economic and credit conditions made it likely that actual losses were greater or less than those suggested by historical trends. An impairment loss was calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted with the original effective interest rate of the financial asset. The losses were verified in profit or loss and were reflected in an allowance account. When the Company considered that there were no realistic possibilities of recovering the asset, the amounts involved were penalized. If subsequently the amount of the impairment loss decreased, and the decrease could be objectively related to an event that occurred after the impairment was verified, the previously verified impairment loss was reversed in results

c) **Inventories and cost of goods sold**

Inventories are evaluated at cost or net realizable value, the lowest. The net realizable 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 of the same.

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 realization 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 indicate that the use or realization of the items that are part of the inventory will be lower than the recorded value.

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 fixtures**

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

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

	Rates
Transportation equipment	**25%**
Computer equipment	**30%**
Furniture and office equipment	**10%**

Furniture and fixtures are cancelled at the time of its sale or when it is not expected to obtain future economic benefits for its use or sale. 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, 2018 and 2017, 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, 2018 and 2017, there were no signs of impairment.

g) 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, spare parts or underlying services 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.

***h)* *Retirement* benefits**

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 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 benefit payments.

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

i) Exchange fluctuations

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

The exchange differences 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.

j) Lease payments

Payments made under operating leases are verified in profit or loss on a straight-line basis over the lease term.

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) Concentration of risk

Concentrations arise when several counterparts engage in similar commercial activities, or activities in the same geographical area, or have economic items that would cause their ability to comply with contractual obligations to be similarly affected due to changes in economic, political or economic conditions of a different type. The concentrations show the relative sensitivity of the Company's performance to the changes that affect the industry.

In order 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.

The credit risk in accounts receivable is diversified, due to the customer base and its geographical dispersion. Continuous evaluations of customers' credit conditions are carried out and no collateral is required to guarantee their recovery.

The Company has one key supplier, abroad, for the development of its operations. If he decided to suspend its operations with the Company, the results of the Company will be adversely affected. The main supplier of cars and spare parts of the Company is Jaguar Land Rover Limited, which as of October 2, 2017 is the main shareholder.

m) Revenue 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 it transfers control over the goods or services to the customer.

The information on the nature and timing of satisfaction of obligations to be fulfilled, including the significant 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 significant terms of payment	Revenue recognition under NIF D-1 (applicable as of January 1, 2018)	Revenue recognition under NIC 18 (by supplementary provision prior to January 1, 2018)
Luxury cars and spare parts	The customer has control of the car or of the spare parts when the products are invoiced. Invoices are generated at the time of delivery to the distributor. Invoices are generally payable within 30 days.	Revenues related to the sale of vehicles and parts are recognized when they are invoiced	Revenues related to the sale of vehicles and parts were recognized as they were billed to customers and risks and benefits were transferred to them.
Included services	The Company offers a five-year package for maintenance (after-sales services). Invoices are delivered at the time vehicle is billed.	The 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 they expire. On the other hand, costs related to these services are verified in the period in which they are incurred. Services are verified in income when they are provided	Revenues from services were verified as deferred income and are released to the income statement as they were provided to customer

n) Financing result (RF)

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

- Interest income;
- Interest expense;
- 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 denominated in foreign currency are converted at the exchange rate in effect on the date of the statement of financial position. Differences in changes incurred in relation to assets or liabilities assumed in foreign currency are taken to 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.

q) Contingencies

The significant obligations or 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 such time as there is certainty of their realization.

(4) Accounting changes and reclassifications

Accounting changes initially verified by the Company as of January 1, 2018, were derived from the adoption of the following NIFs and Improvements to the NIF issued by the Mexican Council of Financial Information Standards (Consejo Mexicano de Normas de Información Financiera. A.C.) (CINIF).

Revenue and costs for agreements with customers

NIF D-1 "Revenue from agreements with customers and NIF D-2 "Costs for agreements with customers" - They establish the standards for the accounting recognition of revenue and costs that arise from agreements with customers and they begin to apply for the years that begin on January 1st, 2018. NIF D-1 eliminates the supplementary application of the International Accounting Standard (NIC) 18 "Revenues", SIC 31 "Revenue- Swaps of advertising services", IFRIC 13 "Customer Loyalty Programs" ", And IFRIC 18" Transfers of assets from customers ". Additionally, this NIF, together with NIF D-2, revokes Bulletin D-7 "Contracts for the construction and manufacture of certain capital goods" and INIF 14 "Contracts for the construction, sale and performance of services related to real estate.

NIF D-1 provides a comprehensive framework to determine if, how much and when revenues are verified. Revenue is verified when a customer assumes control of the goods or services. The determination of the date when the transfer of control takes place - at a point in time or over time - requires judgment.

NIF D-2 provides that the costs for agreements with customers are verified now in which the transfer to the customer of the control over the goods or services is carried out and, therefore, its obligation to comply is fulfilled.

The implementation of NIF D-1 had no significant impact on the Company's accounting policies, with respect to the other income lines.

The Company has adopted, as of January 1, 2018, the following regulations regarding financial instruments:

– NIF C-3 "Accounts receivable"
– NIF C-16 "Impairment of financial instruments receivable"
– NIF C-19 "Financial instruments payable"

The requirements of these standards represent a significant change from the previous regulations.

i. Impairment of the value of financial assets

The new regulation replaces the "incurred loss" model, which was accessed through IAS-39 for supplementary conditions, by a new model called "expected credit loss" (PCE). The new impairment model is applied to financial instruments receivable (IFC), a classification that includes accounts receivable and other accounts or income receivable, as well as other contractual collection rights other than credit; to the IFCPIs; to IFCVs and provisions attributable to irrevocable loan commitments, to customers that expose the Company to potential credit risk and to IFC obtained from financial guarantee agreements in effect. Unlike the previous regulations on the impairment of financial assets (supplementary IAS-39), under the new regulations, credit losses are verified at the time of initial recognition of the financial asset, provided that it is subsequently calculated at redeemed cost.

ii. Classification of financial assets and financial liabilities

NIF C-2, C-3 and C-20 contain a change in the manner of classifying financial assets, eliminating the intention to acquire and prospect of holding financial assets, requiring instead, and for categorization purposes, analyzing and defining the business model used by the Company when owning financial assets, analyzing aspects of the contractual flows from the financial assets in position, in such a way that they exclusively represent principal and interest that are commonly found in the credit agreements.

NIF C-2 includes three classification categories for financial assets: financial instruments for collecting principal and interest (IFCPI, addressed through NIF C-20 and their potential impairment through NIF C-16), which they are calculated subsequently at their redeemed cost; financial instruments to collect or sell (IFCV and its potential impairment, is addressed through NIF C-16), which are calculated at fair value with changes in other comprehensive income (ORI); and negotiable financial instruments (IFN, their valuation must be consistent with NIF B-17, which must capture the potential impairment for valuation purposes), which are calculated at fair value with changes in results.

The classification of financial assets under NIF Standard C-2 is made considering the business model defined by the Company based on the management of financial assets, as well as the elements of SPPI in their contractual flows. The rule eliminates the previous categories: from instruments held-to-maturity and available-for-sale.

Under NIF C-10, derivative financial instruments incorporated explicitly or implicitly (as in the case of structured notes), in agreements in which the principal is a financial asset within the scope of the standard, are never separated or bifurcated. Instead, the classification of the hybrid financial instrument taken as a whole (which includes the financial asset and the derivative financial instrument (s)) is evaluated.

The table below shows the original calculation categories under the previous regulations and the new calculation categories under the new regulations for each class of financial assets and financial liabilities of the Company as of January 1, 2018:

	Note	**Original classification under the previous Standard**	**New classification**	**Original book value**	**New book value**
Financial assets					
Cash and cash equivalents	*5*	Loans and receivables	Amortized cost	228,051,539	228,051,539
Accounts receivable	*7*	Loans and receivables	Amortized cost	11,574,545	11,574,545
Total financial assets				**239,626,084**	**239,626,084**

	Note	Original classification under the previous Standard	New classification	Original book value	New book value
Financial liabilities					
Suppliers		Other financial liabilities	Other financial liabilities	(11,738,382)	(11,738,382)
Total financial liabilities				**(11,738,382)**	**(11,738,382)**

The adoption of NIF C-19 has not had a significant effect on the Company's accounting policies for financial liabilities.

Improvements to NIF 2018

NIF B-2 "*Statement of cash flows*"- Requires new disclosures about liabilities associated with financing activities, whether they have required the use of cash or cash equivalents, preferably through a reconciliation of the initial and final balances thereof. This improvement came into force for the years starting from the 1st. January 2018. The accounting changes that arise should be acknowledged retrospectively. The application of this standard did not have a significant impact on the Company's financial statements.

NIF C-14"*Transfer and cancelation of financial assets*"- Eliminates the requirement to acknowledge in profit or loss the effects of the subsequent recognition at fair value of a transferred asset and of the associated liability since it represented a contradiction with the requirement in the same standard that such recognition is made based on the relative standards, depending on the type of asset. This improvement came into force for the years that start from the 1st. January 2018. The application of this standard did not have a significant impact on the Company's financial statements.

Effects by adoption and reclassification-

The financial statements as of December 31, 2017 include certain effects for adoption and reclassification in the statements of financial position, results and flows in order to compare them with the classification corresponding to the 2018 fiscal year. Such effects are shown on the next page.

Statements of financial position	**Previously reported figures**	**Adoption effects D-1**	**Reclassification**	**Rephrased Figures**
Recoverable taxes	$ 36,022,072	-	(2,718,097)	33,303,975
Provisions	73,073,480	(55,358,664)	309,723	18,024,539
Contract obligations, short-term	-	53,038,531	-	53,038,531
Employee benefits short-term	333,056	-	(333,056)	-
Accrued liabilities	-	-	1.422.250	1.422.250
Tax payable	4,117,014	-	(4,117,014)	-
Contract obligations, short-term	-	2,320,133	-	2,320,133

Profit or loss	Previously reported figures	Adoption effects D-1	Reclassification	Reclassified Figures
Income	$ 841,860,314	(4,577,229)	17,925,254	855,208,339
Other income	8,322,175	-	(8,322,175)	-
Cost of goods sold	733,249,702	1,371,477	17,925,254	752,546,433
Sales expenses	23,416,224	20,470,241	3	43,886,467
Administrative expenses	65,186,886	-	586,424	65,773,310
Other income	5,864,543	(26,418,948)	(14,186,718)	(34,741,122)
Other expenses	-	-	5,864,543	5,864,543
Interest expense	(4,327,352)	-	586,426	(3,740,925)

Cash flow statements	Previously reported figures	Adoption effects D-1	Reclassification	Reclassified Figures
Profit before income taxes	$ 23,041,555		1	23,041,556
Recoverable interest	-	-	(786,108)	(786,108)
Unrealized exchange loss	4,928,909	-	(4,928,909)	-
Interest payable	4,334,931	-	192,102	4,527,033
Incentives receivable	-	-	15,852,696	15,852,696
Recoverable taxes	(7,614,891)	-	2,718,097	(4,896,794)
Advance payments and other assets	26,731,035	-	(15,852,696)	10,878,339
Suppliers	130,622,297	23,334	(116,062,999)	14,582,632
Accrued liabilities	-	-	(3,656,715)	(3,656,715)
Provisions	(20,429,686)	21,040,635	-	610,949
Accounts receivable from related parties	(213,298)	-	137,248,560	137,035,262
Taxes payable	15,367,644	-	(15,367,644)	-
Contract obligations	-	(21,063,969)	-	(21,063,968)

(5) Cash and cash equivalents

As of December 31, 2018, and 2017, cash is described below:

	2018	2017
Cash and bank accounts	$ 22,087,152	$ 19,377,474
Investments	74,053,310	208,674,065
	$ 96,140,462	**$ 228,051,539**

(6) Foreign currency position

Monetary assets and liabilities denominated in foreign currency converted to the reporting currency, as of December 31, 2018 and 2017, are indicated in the following page.

		2018	**2017**
Assets:			
Current	$	-	38,102,126
		-	**38,102,126**
Liabilities:			(36,735,280)
Current	$	-	
			(36,735,280)
		-	
			1,366,846
Active (passive) position, net	**$**	**-**	38,102,126

The exchange rates of the conversion processes in relation to the reporting currency as of December 31, 2018 and 2017, are as mentioned below:

		Exchange rate	
Country of origin	**Currency**	**2018**	**2017**
United States of America	US Dollar	19.6829	19.1792
United Kingdom	Sterling Pound	25.0696	25.0125

As of December 31, 2018, the Company did not have instruments to protect against exchange risks.

(7) Risk management-

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

— credit risk,
— liquidity risk
— market risk

Financial risk management policies

The Board of Directors is responsibile for the establishment 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 established to identify and analyze 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 its training and administration procedures, aims 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 carrying 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 characteristics 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 15 days. As of December 31, 2018, and 2017, accounts receivable are integrated as follows:

	2018	**2017**
Accounts receivable from customers	$ 22,608,513	$ 11,642,312
Impairment of accounts receivable	(149,796)	(67,767)
	$ 22,458,717	**$ 11,574,545**

Credit loss assessment expected for accounts receivable from customers as of January 1 and December 31, 2018

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 clients) and the application of experience and experienced 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. These 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, 2018:

December 2018	Weighted Average Loss Rate	Gross Book Value	Allowance for losses	Credit impairment
Current (not due)	0%	-	-	No
1 - 30 days due	0%	20,746,928	-	No
31 - 60 days due	0%	1,603,125	-	No
61 - 90 days due	0%	4,266	-	No
More than 90 days due	100%	250,987	149,796	Sí
		22,605,306	149,796	

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, 2018, the cash flows expected from accounts receivable with maturities of two months amounted to $ 22,458,717.

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 exposed to currency 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) and the sterling pound (GBP).

Sensitivity analysis

As of December 31, 2018, 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.

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.

(8) Related parties

The companies mentioned in this note are considered as affiliates, since the shareholders of such entities are also shareholders of the Company.

a) Accounts payable to related parties as of December 31, 2018 and 2017 are integrated below:

	2018	2017
Jaguar Land Rover Servicios México, S.A. de C.V. (i)	$ 7,148,516	$ 8,821,506
Jaguar Land Rover Limited (iii)	266,714,671	408,220,171
Spark 44, LLC	1,375,018	-
	$ 275,238,205	$ **417,041,677**

As of December 31, 2018, and 2017, balances payable to related parties correspond to balances of current accounts, without interest, payable in cash within a period of 60 days for which there are no guarantees.

b) As of December 31, 2018, and 2017, the following agreements with related parties had been entered:

(i) Professional services agreement with Jaguar Land Rover Servicios México, S.A. de C.V. (formerly Servicios GDV México, S.A. de C.V.) for the performance of administrative, accounting, legal, advisory, consulting and personnel supervision services. The term of such agreement is was from January 1 to December 31, 2017. For the years ended December 31, 2018 and 2017, the fee was $41,816,988 and $47,566,615, leaving an account payable as of December 31, 2018 and 2017 equal to $7,148,516 and $8,821,506, respectively.

(ii) Advisory and commercial supervision agreement in Mexico entered with Global Distribution Ventures LLC. The terms of this agreement provide that the Company must absorb any expense arising from advice activity regarding market analysis and supervision, among other expenses, in connection with products owned by Jaguar Land Rover Mexico, S. A. P. I. de C. V., and sold in Mexico. For the years ended on December 31, 2017 the amount of these transactions was $4,388,814. This agreement ended on October 2017.

(iii) Agreement entered with Jaguar Land Rover Limited in connection with car and spare parts purchase transactions. For the year ended December 31, 2018 and 2017 the amount of this transactions was $$1,345,608,999 and $346,528,150, respectively.

c) The main expenses transactions with related parties are shown below:

	2018	2017
Administrative services received:		
Jaguar Land Rover Servicios México, S.A, de C.V. (i)	$ 41,816,988	$ 47,566,615
Purchase of inventory:		
Jaguar Land Rover Limited	1,345,608,999	346,528,150

Other:		
Jaguar Land Rover Limited	11,620,704	20,140,707
Spark 44, LLC	1,375,018	-
Interest on loanx:		
Jaguar Land Rover Limited	194,837	334,596

	2018	**2017**
Technical assistance received:		
Global Distribution Ventures, LLC (ii)	-	3,573,091
Reimbursement:		
Global Distribution Ventures LLC (ii)	-	815,723

(9) Incentives payable

The amount receivable as of December 31, 2017 for $28,199,118 is borne by Jaguar Land Rover Limited and corresponds to financial support to cover incentives granted to Distributors, and marketing expenses of the Company. As of December 31, 2018, the Company does not submit a balance corresponding to this type of support.

(10) Inventories-

a) As of December 31, 2018, and 2017, inventories are integrated as shown below:

	2018	**2017**
Automobile inventory	$ 95,747,646	$ 120,635,922
Cars in transit	231,999,351	114,026,532
Inventory of spare parts	42,713,660	36,246,509
Spare parts in transit	6,089,918	8,448,138
Inventory of advertising items	842,476	1,800.651
	377,393,051	281,157,752
Allowance for obsolescence and slow-turnover goods	(9,804,599)	(7,316,681)
	$ 367,588,452	**$ 273,841,071**

b) For the years ended December 31, 2018 and 2017, the allowance for obsolescence and slow-turnover amounts to $7,931,241 and $5,165,751, respectively.

c) During 2018 and 2017, 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 these units, once sold on the market, will lose their price market value in the amount of $ 1,873,358 and $ 2,150,930, respectively.

d) During the years ended December 31, 2018 and 2017, net realizable value tests were carried out and it was concluded that there were no losses due to impairment of inventories.

(11) Advanced payments

a) As of December 31, 2018, and 2017, advanced payments are integrated below:

	2018	2017
Advanced amounts for advertising and marketing activities	$ 2,182,308	$ 1,534,439
	$ 2,182,308	**$ 1,534,439**

For the year ended December 31, 2018, the amortization expense of the insurance paid as advance was $572,345.

(12) Furniture and fixtures, net

a) As of December 31, 2018, and 2017, the concept of furniture and fixtures is integrated as follows:

		December 31 2018	December 31 2017	January 1st 2017
Investment:				
Furniture and office fixtures	$	1,348,958	1,348,958	1,344,168
Computer devices		805,090	805,090	776,868
Other assets		1,159,462	1,159,462	1,096,525
		3,313,510	**3,313,510**	**3,217,561**
Accumulated depreciation:				
Furniture and office equipment	$	826,096	691,200	556,424
Computer equipment		781,904	765,646	724,124
Other assets		1,136,372	1,111,519	987,560
		2,744,372	**2,568,365**	**2,268,108**
Furniture and fixtures, net		**569,138**	**745,145**	**949,453**

b) For the years ended December 31, 2018 and 2017, depreciation expense amounted to $176,007 and $300,257.

(13) Intangible assets

a) As of December 31, 2018, and 2017, intangible assets are integrated as follows:

	2018	2017
Licenses	$ 8,792,393	$ 8,792,393
Minus:		
Accumulated amortization	6,772,196	6,158,525
Net	**$ 2,020,197**	**$ 2,633,868**

b) For the years ended December 31, 2018 and 2017, amortization expense amounted to $613,671 and $1,327,577, respectively.

(14) Provisions

Provisions are integrated as shown below:

		Guarantees	Expenses	Other	Total
Balances as of December 31, 2017	$	3,005,973	5,778,840	9,239,726	18,024,539
Increases charged to profit or loss		20,797,298	34,259,597	2,282,086	57,338,982
Payments		(19,954,641)	(16,013,134)	(5,605,870)	(41,573,645)
Cancellations		(237,292)	-	(2,874,289)	(3,111,580)
Balances as of December 31, 2018	**$**	**3,611,338**	**24,025,303**	**3,041,654**	**30,678,295**

(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, in order to solve the customer's warranty. The loyalty warranty is calculated based on the vehicles sold in the last 4 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.

(15) Obligations by contract

Obligations by contract come from the following program:

- Car maintenance after-sales services paid in advance by customers

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 these types of agreements is shown below:

		Prepaid Services	Sales Incentives	Total
2019	$	4,567,393	52,857,855	57,425,248
2020 and after		37,387,991	-	37,387,991
	$	**41,955,384**	**52,857,855**	**94,813,239**

The connection of balances of the obligations by contract is presented below:

Prepaid Services	Sales Incentives	Total

Beginning balance 2018	$ 2,899,289	52,459,375	**55,358,664**
Additions	39,056,095	109,805,806	**148,861,901**
Payments	-	(109,407,326)	**(109,407,326)**
Ending balance	**$ 41,955,384**	**52,857,855**	**94,813,239**

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, payable to distributors, and it is determined by applying up to 6% of vehicle purchase corresponding to the last quarter of 2018. The amount to be paid based on the Performance Bonus will be calculated according to the performance of each distributor in the areas of Sales Objectives, Compliance of technical and sales personnel training of the Distributor, and improvement in their Customer Service Indicators.

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.

(16) Employee benefits

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.

As of December 31, 2018, in order to take advantage of the existing conditions derived from new practices of Management in connection with retirement benefits, the Company considered an additional compensation component as part of the assumptions to determine the labor liability.

The components of the defined benefit cost for the years ended December 31, 2018 are shown below:

	Senority Premium	**Legal Compensation**	**Total**
	2018	**2018**	**2018**
Cost of Actual Service (CLSA)	$ 2,281	1,017,342	1,019,623
Net interest on PNBD*	-	-	-
Remeasurements of the PNBD or verified in profit or loss for the year	594	5,881	6,475
Cost of defined benefits	**2,875**	**1,023,223**	**1,026,098**
Initial balance of PNBD	-	-	-

Cost of defined benefits		2,875	1,023,223	1,026,098
Ending balance of PNBD	**$**	**2,875**	**1,023,223**	**1,026,098**

	2018
Discounts of labor commitments	9.00%
Salary increase	5.00%
Inflation rate	4.00%

(17) Income taxes

a) Income Tax (ISR)

For fiscal years 2018 and 2017, 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, 2018, and 2017, the Income Tax charged to income is included as follows:

		2018		2017
Current income tax	$	31,049,602	$	782,211
Deferred income tax		(15,737,771)		7,910,840
Total	**$**	**15,311,831**	**$**	**8,693,051**

c) As of December 31, 2018, and 2017, the deferred income tax is integrated as follows:

		2018		2017
Deferred tax assets:				
Provisions and contract obligations	$	37,590,486	$	21,942,565
Allowance for bad debt		44,939		20,330
Allowance for obsolescence and slow movement		2,379,372		1,549,725
Advance to customers and fixed asset and intangibles		2,015,033		1,925,183
		42,029,830		25,437,803
Minus: Allowance for deferred income tax assets		2,424,311		1,570,055
Deferred income tax, net	**$**	**39,605,519**	**$**	**23,867,748**

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, 2018 and 2017, was an increase of $854,256 and a reduction of $349,732, respectively. To evaluate the recovery of deferred assets, Management considers that part or all of them will not be recovered. The final realization 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.

		2018		2017
"Expected" expense	$	10,002,269	$	6,912,467
Annual adjustment for inflation		3,298,569		1,125,778
Non-deductible expenses		909,236		1,032,510
Changes in the allowance of deferred assets of bad debt recovery		1,068,541		679,831
Non-cumulative income		-		(1,603,079)
Other items		33,216		545,544
Income taxes expense		15,311,831		8,693,051
Effective rate		46%		38%

(18) Recoverable taxes

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

		2018		2017
Income tax	$	-	$	27,190,578
Value added tax		15,921,236		6,113,397
Total	$	15,921,236	$	33,303,975

(19) Shareholders' equity

a) Capital stock as of December 31, 2018 and 2017, is represented by common, registered shares, without par value, fully subscribed and paid, as shown below:

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

b) In accordance with 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, 2018, and 2017, the legal reserve amounts to $7,681,540 which is included in retained earnings.

c) On June 22, 2017 at the Ordinary General Shareholders' Meeting it was resolved to declare dividends for US $1,500,000 ($27,190,500 pesos). Such dividends were paid on June 22, 2018.

d) On September 25, 2017 at the Ordinary General Shareholders' Meeting it was agreed to declare dividends for US $5,800,000 ($102,942,460 pesos). Such dividends were paid on September 25, 2018.

e) 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.

f) 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.

(20) Revenue

During the years of 2018 and 2017, the Company's revenue is as shown below:

	Luxury Cars	**Spare parts**	**Warranties and Discounts**	**Total**
2018	1,609,365,227	125,589,976	(125,272,066)	**1,609,683,137**
2017	780,051,357	138,564,101	(81,332,373)	**837,283,085**

As of December 31, 2018, revenues that are expected to be verified within the next five years related to performance obligations not yet paid, is $41,955,384. Such revenues come from almost all short- and long-term maintenance and service agreements.

(21) Costs and operating expenses

The main items that comprise costs and operating expenses as of December 31, 2018 and 2017 are shown hereinbelow:

		2018	
	Cost of Goods Sold	**Sales Expenses**	**Administrative Expenses**
Cost of vehicles and spare parts, net	$ 1,382,265,339	-	-
Transportation and storage	23,937,412	-	-
Customs and import expenses	12,906,058	-	-
Subscriptions and insurance	4,910,449	-	648,355
Advertising and marketing	-	80,569,367	-
Public relations	-	5,896,979	-
Customer Care Center	-	4,421,672	-
Training	-	2,392,538	95,500
Administrative services	-	-	41,816,988
Wages, salaries and benefits	-	-	4,196,018
Professional services	-	-	3,159,150
Employee benefits	-	-	1,026,098
Depreciation and amortization	-	-	789,678
Travel expenses	-	-	259,259
Social security expenses	-	-	254,201

Other	1,459,247	1,619,155	1,182,761
Total	**$ 1,425,478,505**	**94,899,711**	**53,428,008**

	2017			
	Cost of Goods Sold	**Sales Expenses**	**Administrative Expenses**	
Cost of vehicles and spare parts, net	$ 689,873,664	-	-	-
Transportation and storage	19,200,489	-	-	-
Customs and import expenses	8,841,499	-	-	-
Estimation of obsolescence of inventories	6,188,052	-	-	-
Subscriptions and insurance	5,748,411	-	206,704	
Public relations	-	9,584,167	-	
Customer Care Center	-	2,947,032	-	
Advertising and marketing	-	2,841,363	-	
Training	-	1,487,324	-	
Administrative services	-	-	47,566,615	
Professional services	-	-	7,648,763	
Wages, salaries and benefits	-	-	2,823,618	
Depreciation and amortization	-	-	1,627,834	
Travel expenses	-	-	902,292	
Social security expenses	-	-	162,907	
Other	4,769,064	607,632	4,834,579	
Total	**$ 734,621,179**	**17,467,518**	**65,773,312**	

(22) Other income and other operating expenses

As of December 31, 2018, and 2017, the concept of other income and other expenses is composed as follows:

	2018	2017
Other income:		
Car rental	$ 91,626	$ 41,064
Shielding	829,597	1,028,593
Balance cancellation	-	3,691,758
Expenses reimbursement	2.420.361	1,985,453
Other	1,459,009	1,575,307
	$ 4,810,593	**$ 8,322,175**

	2018	2017
Other expenses:		
Products display	$ 903,183	$ -
Car donation	-	569,641
Training	108,406	326,480
Movement and repair of units	124,660	146,485
Other expenses	2,639,601	4,821,937
	$ 3,775,850	**$ 5,864,543**

(23) 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 $49,819,828 in 2018 and $55,527,081 in 2017 and such amounts were included in the administrative expenses in the statements of comprehensive income.

b) The Company has entered into service agreements with DHL Metropolitan Logistics SC Mexico, S.A. de C. V., in which the latter assumes the obligation to provide storage services, and distribution and administration of inventories, as required by the Company´s operations. Such agreements have no expiration date. The total amount paid for these services was $10,525,311 in 2018 and $10,645,600 in 2017 and is included in the cost of goods sold in the statements of comprehensive income.

c) There is a contingent liability derived from employee benefits, mentioned in Note 3 (h).

d) 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.

e) 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. In the event that 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.

f) On June 23, 2015, the General Director of Pollution Inspection, Bureau of Environmental Protection ordered an inspection visit to the Company where they recorded several facts or omissions based on such inspection. Due to the fact that the Company did not file those documents that would invalidate the facts, such authority imposed sanctions on August 8, 2017 as evidenced in official communication PFPA03.2/2C27.1/0011/16/0015 with a global fine of $3,652,000, pesos. The Company provisioned an amount equal to 100% of the total fine.

g) 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 communication No. PFPA03.2 / 2C27.1 / 00082/18/0027 with a fine of $ 15,000,063 , to which the Company provisioned an amount of $1,820,000 equivalent to 12% of the fine. Additionally, the Jaguar Land Rover Limited´s main shareholder, entered into a guarantee deposit for US $ 3,000,000 equivalent to more than 100% of the total fine.

On January 23, 2017, the Company filed an action with the PFPA, requesting the revocation of such resolution, and response of the authority is currently pending.

To guarantee such fine, the Company purchased a bond of $154,297 on March 10, 2017 and it was renewed on February 16, 2018.

(24) Regulatory pronouncements issued recently

The Mexican Council of Financial Information Standards, (Consejo Mexicano de Normas de Información Financiera, A. C.) (CINIF) has issued the NIF and Improvements that are mentioned below and that are applicable for annual periods.

NIF D-5 ***"Leases"-*** Effective for the years starting from the 1st. January 2019. Early application is permitted for those who use NIF D-1 "Revenues from agreements entered with customers" and NIF D-2 "Costs from agreements entered with customers", before the date of initial application of this NIF. Disregards Bulletin D-5 "Leases". The application for the first time of this NIF generates accounting changes in the financial statements mainly for the lessee and grants different options for recognition. The main changes are as follows:

- Eliminates the classification of leases as operative or capital for a lessee, and the latter must recognize a lease liability to the present value of payments and an asset for the right of use, for the same amount, of all the leases with a term greater than 12 months, unless the underlying asset is low valued.

- Expenses are acknowledged for depreciation or amortization of assets in connection with the right of use and an interest expense on lease liabilities.

- Amends the presentation of the related cash flows due to a reduction of the cash outflows from operating activities and an increase in the cash outflows from the financing activities.

- Amends verification of the gain or loss when a seller-lessee transfers an asset to other entity and leases that asset back to back.

- The accounting verification by the lessor does not change in relation to the previous Bulletin D-5, and only some disclosure requirements are added.

Management believes that the adoption of this new NIF will not generate important effects.

Improvements to NIF 2019
On December 2018 the CINIF issued a document called "Improvements to NIF 2019", which contains specific amendments to some existing NIFs. The improvements made to the NIF do not generate accounting changes in the annual financial statements.