Jaguar Land Rover Servicios México, S. A. de C. V.
(formerly Servicios GDV México, S. A. de C. V.)

Financial statements

December 31, 2018 and 2017
(With comparative figures for 2017)

(With the report of the Statutory Auditor and
the report of the independent auditors)

Jaguar Land Rover Servicios México, S. A. de C. V.
(formerly Servicios GDV México, S. A. de C. V.)

Balance Sheet

As of December 31, 2018 and 2017

(Figures in Mexican Pesos)

Assets		**2018**	**2017**
Assets			
Current assets			
Cash	$	476,505	973,725
Jaguar Land Rover México, S.A.P.I. de C.V. (Note 7)		7,148,516	8,821,506
Other accounts receivable		178,797	1,000
Prepaid insurance		259,673	148,067
Total current assets		8,063,491	9,944,298
Improvements to leased premises		22,726	609,209
Deferred income tax (Note 12)		1,982,358	1,498,968
Secured deposits		598,021	541,031
Total assets	$	10,666,596	12,593,506
Liabilities and shareholders´ equity			
Current liabilities			
Accounts payable and accumulated liabilities	$	318,328	277,059
Tax and other contributions payable (Note 9)		2,706,323	3,334,945
Workers´ participation in profits		256,226	295,284
Provisions		2,408,947	4,921,218
Shareholders´ equity		5,689,824	8,828,506
Non-current liabilities			
Employee benefits (Note 11)		2,150,026	1,830,098
Total liabilities		7,839,850	10,658,604
Shareholders´ equity (Note 13):			
Common stock		50,000	50,000
Retained earnings		2,776,746	1,884,902
Total shareholders´ equity		2,826,746	1,934,902
Total liabilities and shareholders´ equity	$	10,666,596	12,593,506

See notes to the financial statements

Jaguar Land Rover Servicios México, S. A. de C. V.
(formerly Servicios GDV México, S. A. de C. V.)

Profit and Loss Statement

As of December 31 2018 and 2017

(Pesos)

		2,018	2,017
Services income (note 7)	$	41,816,988	47,566,615
Other income		76,610	27,311
		41,893,598	47,593,926
General expenses:			
Wages, salaries and benefits		29,478,371	38,820,316
Travel and representation expenses		2,677,198	1,112,219
Leases and maintenance		3,957,132	3,680,705
Professional services		1,561,608	670,512
Office and fuel expenses		816,563	691,204
Suscriptions and insurances		125,561	191,780
Workers´ participation in profits		256,226	295,284
Depreciation and amortization		586,484	586,484
Other (income) expenses, net		56,118	43,868
Other expenses		928,834	645,001
Training		8,311	18,330
Total general expenses		40,452,406	46,755,703
Financing result:			
Interest income		-	-
Exchange loss, net		16,490	422
Financing result, net		16,490	(422)
Profit before income tax		1,424,702	837,801
Income tax (note 12):			
Over tax base		1,016,248	1,152,908
Deferred		(483,390)	(491,708)
Total income tax		532,858	661,200
Net profit	$	891,844	176,601

See notes to the financial statements

Jaguar Land Rover Servicios México, S. A. de C. V.
(formerly Servicios GDV México, S. A. de C. V.)

Statement of Changes in Shareholders´ Equity

As of December 31 2018 and 2017

(Pesos)

		Common stoch	Retained earnings	Total shareholders´ equity
Balance as of December 31 2016	$	50,000	1,708,301	1,758,301
Comprehensive income		-	176,601	176,601
Balance as of December 31 2017		50,000	1,884,902	1,934,902
Comprehensive income		-	891,844	891,844
Balance as of December 31 2018	$	**50,000**	**2,776,746**	**2,826,746**

See notes to the financial statements

Jaguar Land Rover Servicios México, S. A. de C. V.
(formerly Servicios GDV México, S. A. de C. V.)

Cash Flow Statement

As of December 31 2018 and 2017

(Pesos)

	2018	2017
Operating activities		
Profit before income tax	$ 1,424,702	837,801
Other accounting items that do not require cash:		
Amortization	586,484	586,484
	2,011,186	1,424,285
Changes in assets and liabilities from operations:		
(Increase) decrease in:		
Jaguar Land Rover México, S.A.P.I. de C.V.	1,672,990	213,298
Advanced payments and others	(168,596)	349,059
Increase (decrease) in:		
Accounts payable and accrued liabilities	(136,529)	(132,245)
Tax payable	(773,813)	(619,361)
Workers´ participation in profits (payable)	256,226	295,284
Workers´ participation in profits (paid)	(295,284)	(67,097)
Direct employee benefits	(2,512,271)	(1,709,296)
Employee benefits	319,928	629,862
Paid income tax	(871,057)	428,828
Net cash flow from operating activities	(497,220)	812,617
Cash increase	(497,220)	812,617
Cash at the beginning of the year	973,725	161,108
Cash at the end of the year	$ 476,505	973,725

See notes to the financial statements

Jaguar Land Rover Servicios México, S. A. de C. V.
(formerly Servicios GDV México, S. A. de C. V.)

Notes to the financial statements

For the years ended December 31, 2018 and 2017

(Figures in Mexican pesos)

(1) Company activity and principal accounting policies

I. Company activity

Jaguar Land Rover Servicios México, S. A. de C. V. (formerly Servicios GDV México, S. A. de C. V.) (the Company), was established on December 22, 2010, and its main activity is to perform all kinds of services in favor of third-parties including but not limited to advisory services, supervision and consulting, selection, hiring and administration of personnel, and accounting and fiscal services, to Jaguar Land Rover Mexico, S. A. de C. V. (formerly GDV Imports Mexico, S. A. P. I. de C. V.) (related party).

The period of operations of the Company and the fiscal year, comprise from January 1 to December 31, 2018.

On October 2, 2017, by a unanimous resolution of the shareholders, it was resolved to approve the execution and fulfillment of the obligations set forth in the shares purchase agreement entered by and between Jaguar Land Rover Limited and Jaguar Land Rover Holdings Limited, as purchasers and shareholders of Servicios GDV México, S.A. de C.V., as sellers. As of such date, Jaguar Land Rover Limited and Jaguar Land Rover Holdings Limited are shareholders of the Company. The main holding company of the economic entity to which the Company belongs is Tata Motors Limited.

On December 26, 2017, at the Shareholders Meeting, the amendment of corporate name of the Company was adopted by the new corporate name **Jaguar Land Rover Servicios Mexico, S. A. de C. V.**

(2) Authorization and grounds for presentation

On May 15, 2019, Lic. Alejandro Mejía, Director of Finance, authorized the issuance and delivery of the attached financial statements and their accompanying notes.

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

Grounds for presentation

a) Compliance Statement

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

b) Use of judgments and estimates

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

Judgments

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

- Note 9 – Measuring of obligations by benefits defined: key actuarial assumptions;
- Nota 12 – Profit taxes - Income tax (IT) and workers' participation in profits (WPP) – differed taxes.

c) Functional currency and report currency

The financial statements previously mentioned 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, where reference is made to pesos or "$", this refers to Mexican Pesos, and when reference is made to dollars, it means Dollars of the United States of America.

d) Presentation of the Statement of Earnings

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

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

(3) Summary of the main accounting policies

(a) Cash

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

(b) Financial instruments

i. Initial appreciation and measurement

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

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

ii. Subsequent classification and measuring.

Financial assets – policy applicable from January 1, 2018.

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

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

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

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

- A business model which endeavors both to recover the existing flows as in the previous model, and to obtain a profit by sale of the financial assets, which involves moving a combined processing model of those financial assets.

- A model which endeavors to obtain maximum returns by purchase and sale of the financial assets.

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

The reclassification of investments in financial instruments between categories is prospectively applicable as from the date of change in the business model, without amending any profit or loss previously recognized, such as interest or losses from deterioration.
A financial asset is measured at its redeemed cost if the two following conditions are met, and not classified in accord with its fair value with changes through results:

- The financial assets are retained within a business model the purpose of which is to maintain the financial assets in order to recover negotiated 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 the pending principal (Only Payment of Principal and Interest, or SPPI).

Financial assets: Evaluation of the business model – Policy applicable as from 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. The considered information includes:

- The policies and goals indicated for the portfolio and the operation of these policies in practice. They include whether the strategy of Management is focused on collecting revenue from interest, maintaining a specific interest rate profile or coordinating duration of the financial assets with that of the liabilities being financed by such assets or the anticipated outgoings of cash,, or 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 manner in which these risks are handled;

— How the managers of the business are compensated (for example if compensation is based on the fair value of the assets handled or on the existing cash flows obtained); and

— The frequency, the volume and the opportunity of sales in previous periods, the reasons for these sales and expectations on the activity of future sales.

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

Financial assets – Policy applicable prior to January 1, 2018

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

— Loans and accounts receivable;

— At fair value with changes in results and within this category, such as:

— Designed at fair value with changes in results.

Financial assets: Subsequent measuring and profits and losses – Policy applicable prior to January 1, 2018

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

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

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

iv. Written off Accounts

Financial assets

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

Financial liabilities

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

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

v. Compensation

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

(c) Advance payments

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

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

(d) Improvements to leased premises

The value of the improvements to leased premises, including the costs initially incurred in the purchase transaction. Repair and maintenance costs are appreciated in the statement of earnings as they are incurred. Amortization is determined by using the straight-line method (since Company Management considers that this method is the best for reflecting the use of such assets), based on their estimated useful life anticipated as period of 6 years, or contract termination, whichever is less.

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

In the years ending December 31, 2018 and 2017, there were no indications of deterioration.

(e) Rentals

When the risks and benefits inherent to ownership of the leased asset remain basically with the landlord, they are classified as operative rentals and the rents obtained are charged to results as they are incurred.

(f) Provisions

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

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

(g) Withdrawal benefits

Direct short-term benefits

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

Post-employment benefits

Defined benefit plans

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

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

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

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

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

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

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

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

(i) Appreciation of income

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

The Company provides administrative services to its related party. This service is provided for in a yearly contract.

The Company currently records the services as assistance, jointly using fair related values. The Company appreciates income from the service as it arises. According to the NIF D-1 "Income under Agreements with Customers", assignment shall be made based relative independent sales prices. As a result, assignment of the compensation and, as a result, the moment the income in connection with these sales is recognized, may be affected.

The Company concluded that the services are satisfied over the length of time since the client simultaneously receives and consumes the benefits provided by the Company. Therefore, in accordance with the NIF D-1, the Company would continue to recognize the income from these agreements over the length of time instead of doing so at a specific moment.

Company Management studied the new model of five steps for appreciation of income included in this norm; due to this study, no effects on the financial statements for its application were identified.

(j) Business concentration-

The Company obtained all its income from its related party Jaguar Land Rover México, S. A. P. I. de C.V. for the years ended December 31, 2018 and 2017.

(k) Results of financing (RF)-

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

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

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

(4) Accountng changes

The accounting changes appreciated by the Company in 2018, were derived from adoption of the following NIF and improvements to the NIF issued by the Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF):

Income and costs under agreements with customers

NIF D-1 "Income under agreements with customers and NIF D-2 "Costs under agreements with customers" - Establish the rules for accounting appreciation of the income and costs arising under agreements with customers and coming into effect for the periods commencing as from January 1, 2018. The NIF D-1 eliminates the supplementary action of International Accounting Norm (NIC) 18 "Income", the SIC 31 "Ingresos- Permutas de servicios de publicidad" (Income – Bartering of advertising service), the IFRIC 13 "Programas de Fidelización de clientes" (Client Loyalty Programs) and the IFRIC 18 "Transferencias de activos procedentes de clientes"(Transfer of assets coming from customers). Additionally this NIF, together with NIF D-2, repeal Bulletin D-7 "Contratos de construcción y de fabricación de ciertos bienes de capital" (Building and manufacture of certain capital agreements), and INIF 14 "Contratos de construcción, venta y prestación de servicios relacionados con bienes inmuebles"(Construction, sale and service agreement related to real estate).

There were no effects arising from the adoption of this rule.

The Company has adopted, as of January 1, 2018, the following rules with respect to financial instruments (new normativity):

- **NIF C-16 “Deterioro de los instrumentos financieros por pagar”(Deterioration of financial instruments payable)**
- **NIF C-19 “Instrumentos financieros por pagar”(Financial instruments payable)**

Adoption of the NIF C-19 has had no significant effect on the accounting policies of the Company as regards financial liabilities.

The new regulations replaces the “loss incurred” model, which was accessed as a supplement through IAS-39, with a new model entitled “pérdida crediticia esperada” (PCE) (Anticipated credit loss). The new deterioration model is applied to financial instruments receivable (IFC), a classification which includes accounts receivable and the other accounts or income receivable, together with other collection rights other than credit; the IFCPI; the IFCV and the provisions attributable to commitments for the granting of irrevocable credit, to customers who expose the Company to a potential credit risk and to IFC obtained from financial guarantee agreements granted. As opposed to the previous regulations on the deterioration of financial assets (supplement IAS-39), under the new rules credit losses are appreciated at the initial appreciation of the financial asset, always providing this is subsequently measured at redeemed cost.

(5) Foreign currency position and conversion-

As of December 31, 2018 and 2017, the Company had no monetary assets and liabilities denominated in foreign currency.

As of December 31, 2018, and 2017, $16,490 and $422, respectively, were recorded as Exchange loss.

The Exchange rates used in the several exchange processes as compared with the currency of the report as of December 31, 2018 and 2017, are the following:

			Exchange rate	
Country of origin	**Currency**		**2018**	**2017**
United States of America	Dollars	$	19.6829	19.7354

As of December 31, 2018, the Company had no instruments of protection against Exchange loss.

(6) Financial instruments

(a) Fair values

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

(b) Management of financial risks

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

- Credit risk
- Financial capacity risk
- Market risk

Management of financial risk policies

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

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

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

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

<u>Credit Risk:</u>

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

Accounts receivable with related parties.

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

Financial Capacity Risk:

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

Market Risk:

The market risk is the risk that changes in the market prices, such as rates of exchange, interest rates and raw materials, could affect the income of the Company.

Currency risk

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

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

(7) Operations and balances with related parties

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

The corresponding agreement is valid for one year and was renewed on January 1, 2018.

As of December 31, 2018, and 2017, the Company received income from Jaguar Land Rover México, S.A.P.I. de C.V. in the amount of $41,816,988 and $47,566,615, respectively. At the same time the Company, as of December 31, 2018 and 2017, holds accounts receivable in an amount of $7,148,516 and $8,821,506, respectively.

As of December 31, 2018, and 2017, the receivable balances from related parties are made up of current account balances, without interest, payable in cash in a term of 30 days for which no guaranties exist. These balances with related parties are considered recoverable, therefore, for the years ended December 31, 2018 and 2017, there was no expense deriving from the uncollectible balances with related parties.

(8) Improvements to leased premises

Improvements to leased premises is as follows:

		31 December 2018	31 December 2017	1o. January 2017
Investment	$	3,520,307	3,520,307	3,520,307
Less:				
Accrued amortization		3,497,581	2,911,098	2,324,614
Net	$	**22,726**	**609,209**	**1,195,693**

For the periods ended December 31, 2018 and 2017, the amortization cost amounted to $586,484.

(9) Taxes and other contributions payable

The balances of taxes and contributions payable are made up as follows:

		2018	2017
Contributions to IMSS, SAR and Infonavit	$	502,698	417,483
Value-added		1,210,512	1,738,738
Taxes withheld		758,779	488,398
Profit taxes		145,191	626,781
Payroll taxes		89,143	63,545
Total	**$**	**2,706,323**	**3,334,945**

(10) Provisions

Provisions are made up as shown below:

		Bonus	Vacations and vacation bonus	Other	Total
Balances as of December 31, 2017	$	4,049,474	802,913	67,831	**4,920,218**
Increases charged to results		1,070,088	1,297,413	-	**2,367,501**
Payments		(4,542,223)	(268,718)	(67,831)	**(4,878,772)**
Balances as of December 31, 2018	**$**	**577,339**	**1,831,608**	**-**	**2,408,947**

(11) Employee benefits

The Company has a benefit plan defined by seniority bonus and termination which covers its personnel. Benefits are based on the years of service and the amount of compensation of the employees. The policy of the Company is to fund the pension plan to the extent the obligations are enforceable.

As of December31, 2018, in order to take advantage of existing conditions deriving from new Management practices related to payment of retirement benefits, the Company considered an additional indemnity component as part of the conditions used to determine the labor liability.

The components of the defined benefit costs for the years ended December 31, 2018 and 2017, are shown below:

		Seniority Bonus		Legal Indemnity	
		2018	**2017**	**2018**	**2017**
Cost of current service (CLSA)	$	13,747	12,223	155,376	110,406
Net interest over the PNBD*		5,141	3,893	114,009	75,056
Remeasuring of the PNBD or appreciated in results for the period		1,627	3,305	30,028	424,979
Cost of defined benefits		**20,515**	**19,421**	**299,413**	**610,441**
Initial balance of PNBD		75,116	55,695	1,754,982	1,144,541
Cost of defined benefits		20,515	19,421	299,413	610,441
Final balance of PNBD	**$**	95,631	75,116	2,054,395	1,754,982

	2018	**2017**
Discounts of labor obligations	9.00%	7.25%
Salary increase	5.50%	5.00%
Inflation rate	4.00%	4.00%

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

Profit tax

a) For the 2018 and 2017 tax periods, under the Income Tax Law (ITL), the ITL corporate tax is 30%.

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

b) As of December31, 2018 and 2017, the profit tax charged to results is made up as follows:

		2018	2017
Applicable Income Tax	$	1,016,248	1,152,908
Deferred Income Tax		(483,390)	(491,708)
Total	$	**532,858**	**661,200**

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

		2018	2017
"Anticipated" Expenses	$	427,411	251,340
Increase (reduction) resulting from:			
Tax effect of the inflation, net		(107,057)	(220,403)
Non-deductible expenses		168,168	425,331
Other		44,336	204,932
Expense for profit taxes	**$**	**532,858**	**661,200**
Effective rate		**37%**	**78%**

d) The deferred taxes shown on the balance sheets are made up of:

		2018	2017
Assets for deferred taxes:			
Labor liabilities	$	521,012	436,111
Provisions		595,025	288,080
WPP payable		72,265	84,494
Fixed assets		906,131	751,781
		2,094,433	1,560,466
Liabilities for deferred taxes:			
Advance payments		(112,075)	(61,498)
Deferred asset tax, net	$	**1,982,358**	**1,498,968**

WPP

a) The IT Law provides that, as from the 2014 tax period, the base for determining the WPP for the period shall be the tax profit determined for calculating the IT for the period, with some adjustments considered by the IT itself.

b) The Company is committed to pay WPP, in addition to compensations and existing benefits. The rate for 2018 and 2017 was 10% over the tax profit of the Company, after eliminating certain items indicated by the Income Tax Law. For the periods ended December 31, 2018 and 2017, the Company determined a WPP cost of $256,226 and $295,284, respectively, which was appreciated in the administration expenses.

c) As of December31, 2018 and 2017, the Company had appreciated deferred WPP over the following temporary entries:

		2018	2017
Deferred assets:			
Provisions	$	198,342	96,027
Labor liabilities		173,671	145,370
Fixed assets		302,044	250,594
		674,057	**491,991**
Deferred liabilities:			
Advance payments		(37,359)	(20,499)
		(37,359)	(20,499)
Deferred asset WPP, net		636,698	471,492
Valuation reserve		(636,698)	(471,492)
Deferred asset WPP, net	$	-	-

The valuation reserve of assets or WPP deferred to January 1, 2018 and 2017 was $636,698 and $471,492. The net change in the valuation reserve for the years ended December 31, 2018 and 2017, was an increase of $165,206 and $141,212, respectively. In order to evaluate recovery of the deferred assets, Management considered the probability that part or all of these are not recovered. The ultimate realization of deferred tax assets depends on the generation of taxable profit in the periods in which the temporary differences are deductible. On making this assessment, Management considers the reversal of deferred tax liabilities, projected future taxable income and tax planning strategies.

(13) Total equity

(a) Structure of the capital stock-

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

(b) Restrictions on the capital stock-

In accordance with the Business Corporations Law, the Company must set aside at least 5% of net profits each year to increase the legal reserve until this is equivalent to 20% of the capital stock. As of December31, 2018 and 2017, the legal reserve amounted to $10,000, which is included in the accrued results.

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

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

(14) Commitments and contingent liabilities-

(a) The Company has formalized service agreements with related companies, in which it undertakes to render them personnel administration services. These agreements are for an indefinite term. Total income for this item was $41,816,988 in 2018 and $47,566,615 in 2017.

(b) The Company has entered into an operative lease for the building where the offices are located with Corporativo Plaza del Parque, S. A. de C. V., for a period of 5 years as from December 1, 2018. The lease contains an option for renewal for a period to be agreed. The minimum amounts to be paid are adjusted based on inflation in the United States of America and the exchange rate. Minimum future payments for the duration of the lease are estimated to be US$144,564 annually and US$132,517 for the last year.

The amount charged to income for operative leasing amounted $ 2,723,965 in 2018 and $2,635,243 in 2017.

(c) There is a contingent liability deriving from employee benefits, as mentioned in note 3(g).

Under current tax legislation, the authorities are empowered to review up to five tax periods prior to the last income tax return filed.

(d) Under the IT Law, companies engaging in operations with related parties are subject to tax restrictions and obligations insofar as concerns agreed prices, since these must be comparable to those which would be used with or between independent parties in comparable operations. Should the tax authorities check the prices and reject the amounts determined, they could demand, in addition to charging the tax and corresponding accessories (updating and surcharges), fines over the contributions omitted, which could amount to up to 100% over the updated amount of the contributions. .

(15) Recently-issued regulatory declarations-

The Consejo Mexicano de Normas de Información Financiera, A. C. (CINIF) has issued the NIF and Improvements mentioned below, which are applicable to annual periods:

NIF D-5 *"Leases"*- Comes into force for the periods commencing as from January 1, 2019. Advance application is allowed for those using NIF D-1 "Ingresos por contratos con clientes" (Income under agreements with customers) and NIF D-2 "Costos por contratos con clientes" (Costs under agreements with customers), prior to the initial application date of this NIF. Bulletín D-5 "Arrendamientos" (Leases) is revoked. Application of this NIF for the first-time results in accounting changes to the financial statements mainly for the lessee and provides different options for their appreciation. Principal changes include the following:

- The classification of leases is eliminated as operative or capitalized for a lessee, and the latter should recognize a liability for lease at the current value of the payments, and an asset for the right of use in the same amount, for all leases having a duration of over 12 months, unless the underlying asset is of low value..
- A cost is appreciated for depreciation or amortization of the assets for right of use and a cost for interest over leasing liabilities.
- Presentation of the related cash flows is modified since outgoing cash flows from operating activities are reduced, with an increase in the outgoing cash flows of the financing activities.
- The appreciation of profits or losses is modified when a lessee seller transfers an asset to another entity and leases this asset on return.
- Accounting appreciation by the lessor is unchanged in relation to previous Bulletin D-5, and only some requirements for disclosure are added.

Management is currently in the process of determining the anticipated effects of adopting this rule.

Improvements to NIF 2019

In December 2018 the CINIF issued a document entitled "Mejoras a las NIF 2019" Improvements to NIF 2019) , which contains minor changes to some already-existing NIF. The changes made to the NIF involve no accounting changes to the annual financial statements.