

JAGUAR LAND ROVER COLOMBIA S.A.S.
Statement of Financial Position
(Expressed in thousands of Colombian pesos)

	Note	As of December 31	
		2019	2018
Assets			
Cash	14	\$ 11.916.587	12.864.133
Commercial debtors and other receivables	15	303.841	204.193
Accounts receivable related parties	28	5.591.825	5.798.783
Inventories, net	16	34.472.669	36.293.961
Current tax assets	17	2.717.217	1.866.587
Other non-financial assets	18	4.161.620	1.599.481
Total current assets		59.163.759	58.627.138
Non-current assets			
Equipment, net	19	284.365	-
Right-of-use assets	27	1.181.250	-
Deferred tax assets	13	8.915.849	6.210.452
Total non-current assets		10.381.464	6.210.452
Total assets		\$ 69.545.223	64.837.590
Liabilities			
Financial liabilities	21, 28	\$ 7.008.852	6.775.534
Commercial creditors and other payables	22	4.394.290	3.701.798
Contract liabilities	24	895.582	2.450.376
Accounts payable related parties	28	62.413.195	51.018.378
Other non-financial liabilities	23	1.660.164	963.387
Employee benefits	12	453.825	216.508
Estimated liabilities	25	4.189.798	3.804.762
Total current liabilities		81.015.706	68.930.743
Non-current liabilities			
Lease liabilities	27	1.261.753	-
Contract liabilities	24	2.810.275	2.375.535
Estimated liabilities	25	1.632.164	2.768.442
Total non-current liabilities		5.704.192	5.143.977
Total liabilities		\$ 86.719.898	74.074.720
Equity (equity deficit)			
Share capital	20	\$ 3.600.000	3.600.000
Profit of the period		(7.937.545)	(7.300.086)
Retained earnings		(12.837.130)	(5.537.044)
Total equity deficit		(17.174.675)	(9.237.130)
Total liabilities and equity deficit		\$ 69.545.223	64.837.590

The accompanying notes are an integral part of the financial statements.

Alejandro Sáenz Castillo
Legal representative (*)

Gloria Yuceli Arias Romero
Accountant (*)
Professional Card No. 245371 - T
Member of PricewaterhouseCoopers
Asesores Gerenciales Ltda.

Samuel Jerónimo Avendaño Armijo
Statutory Auditor
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(See my report from May 27, 2020)

(*) The undersigned Legal Representative and Accountant certify that we have verified the statements contained in these financial statements, and that they have been prepared with reliable information taken from the Company's accounting books.

JAGUAR LAND ROVER COLOMBIA S.A.S.
Statement of Comprehensive Income
(Expressed in thousands of Colombian pesos)

Years ended December 31	<u>Note</u>	<u>2019</u>	<u>2018</u>
Continuing operations			
Income from ordinary activities	6	\$ 61.826.228	68.885.085
Cost of sales	7	(49.702.054)	(56.946.399)
Gross income		\$ 12.124.174	11.938.686
Administration expenses	8	(5.372.697)	(5.304.370)
Cost of sales and distribution	9	(15.893.998)	(13.320.530)
Other income, net	10	292.198	1.438.178
Profit from operating activities		\$ (8.850.323)	(5.248.036)
Financial cost, net	11	(1.792.619)	(5.322.981)
Pre-tax loss		\$ (10.642.942)	(10.571.017)
Income tax	13	2.705.397	3.270.931
Total comprehensive income for the period		\$ (7.937.545)	(7.300.086)

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JAGUAR LAND ROVER COLOMBIA S.A.S.
Statement of Changes in Equity
(Expressed in thousands of Colombian pesos)

Years ended December 31, 2019 and 2018:	Note	Share capital	Profit of the period	Retained earnings	Total equity deficit
Final balance as of December 31, 2017		\$ 3.600.000	(5.326.232)	(210.812)	(1.937.044)
Changes in equity:					
Profit of the period		-	(7.300.086)	-	(7.300.086)
Transfer of profits previous periods		-	5.326.232	(5.326.232)	-
Final balance as of December 31, 2018	20, b.	<u>3.600.000</u>	<u>(7.300.086)</u>	<u>(5.537.044)</u>	<u>(9.237.130)</u>
Changes in equity:					
Profit of the period		-	(7.937.545)	-	(7.937.545)
Transfer of profits previous periods		-	7.300.086	(7.300.086)	-
Final balance as of December 31, 2019	20, b.	<u>\$ 3.600.000</u>	<u>(7.937.545)</u>	<u>(12.837.130)</u>	<u>(17.174.675)</u>

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JAGUAR LAND ROVER COLOMBIA S.A.S.
Statement of Cash Flows
(Expressed in thousands of Colombian pesos)

Years ended December 31:	<u>Note</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities			
Profit of the period		\$ (7.937.545)	(7.300.086)
Reconciliation between the profit of the period and net cash from operating activities			
Depreciation	19	9.841	-
Amortization of assets in use	27	785.036	-
Income Tax	13	-	416
Deferred tax	13	(2.705.397)	(3.271.347)
Inventory impairment	16	49.431	(429.897)
Unrealized exchange rate difference, net	11	1.266.859	4.516.170
Accrual recovery	10	(249.531)	(481.632)
Interest booked	21, 27	293.339	172.699
Changes in assets and liabilities:			
Commercial debtors and other receivables	15	(99.648)	356.678
Accounts receivable to related parties	28	422.980	(4.144.184)
Inventories	16	1.771.861	6.905.254
Other non-financial assets	18	(2.562.139)	2.531.841
Commercial creditors and other payables	22	677.002	1.433.325
Contractual liabilities	24	(1.120.054)	3.259.055
Accounts payable to related parties	28	10.010.713	(4.113.004)
Other non-financial liabilities	23	670.336	175.915
Employee benefits	12	237.317	105.229
Estimated liabilities	25	(501.711)	3.909.765
Paid taxes	27	(116.867)	-
Income tax receivable balance	13	(850.630)	(1.608.132)
Cash generated from operating activities		\$ 51.193	2.018.065
Net cash used in investing activities			
Acquisition of equipment	19	\$ (294.206)	-
Net cash used in financing activities			
Payment of lease liabilities	27	\$ (704.533)	-
Net (decrease) increase in cash		\$ (947.546)	2.018.065
Cash at the beginning of the period		12.864.133	10.846.068
Cash as of December 31		\$ 11.916.587	12.864.133

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JAGUAR LAND ROVER COLOMBIA S.A.S.
Notes to the Financial Statements
As of December 31, 2019 and 2018
(Figures in thousands of Colombian pesos)

1. Reporting entity

Jaguar Land Rover Colombia S.A.S. (the Company) was incorporated in accordance with the Colombian legislation by means of a private document of the shareholders meeting, registered on August 11, 2016 under Number 02133074 of Book IX. The Company has its place of business in Colombia at Carrera 14 # 93-68, Office 702, and it has an indefinite duration.

The company's business purpose is the exploitation or development of all kinds of businesses with motor vehicles, spare parts and accessories, as well as the import and export of such goods. In developing its business purpose, the company may sign and execute all types of contracts and transactions that are directly related to it. Similarly, the company may obtain and grant loans to third parties without being deemed as a financial entity. As of December 31, the controlling entity is Jaguar Land Rover Limited.

At the end of 2019 and 2018 Jaguar Land Rover Colombia SAS had twenty-five (25) and thirty (30) employees respectively.

1.1. Business development

As of December 31, 2019, the Company has accumulated losses for \$12,837,130 and had net losses of \$7,937,545, for a net balance of accumulated losses for \$20,774,675, which have reduced its equity to less than 50% of its capital stock and, therefore, it is in grounds for dissolution as provided by Article 34 of Act 1258 of 2008. The Company's directors are fully aware of the equity situation reported in the financial statements and have initiated the necessary plans to avoid the dissolution of the Company by adopting the necessary measures, which include the following:

- The Company has the financial support of its parent company to cover its operating expenses in case of financial difficulties for the operation in Colombia. The parent company, which is the sole shareholder of the company, capitalized \$22,000,000 in March 2020 to render ineffective the grounds for dissolution.
- The Company is reviewing with its parent company the possibility of making transfer pricing adjustments in order to eliminate the effect that the exchange rate difference has on the cost of vehicles and related party accounts payable.
- The company's strategy is focused on using the revenues from the operation to reduce the liabilities with its parent company.
- In the long term, the Company continues to develop the strategic plan according to the instructions of the Jaguar Land Rover Group, which includes the introduction in Colombia of vehicles with new generation technologies and new models with technological improvements.
- During the period that the Company has been in grounds for dissolution, it has not been in default with the obligations acquired with its employees and external suppliers.

2. Regulatory Technical Framework

The financial statements have been prepared in accordance with the Accounting and Financial Information Standards accepted in Colombia (NCIF), established by Act 1314 of 2009, regulated by the Single Regulatory Decree 2420 of 2015 modified by Decrees 2496 of 2015, 2131 of 2016 and 2170 of 2017, 2483 of 2018 and 2270 of 2019. NCIFs applicable in 2018 are based on the International Financial Reporting Standards (IFRS), along with their interpretations, issued by the International Accounting Standards Board – IASB. The base standards correspond to those officially translated into Spanish and issued by IASB as of the first semester of 2017.

JAGUAR LAND ROVER COLOMBIA S.A.S.
Notes to the Financial Statements

The Legal Representative approved the financial statements and the accompanying notes on May 7, 2020 to be presented to the shareholders for approval, who may approve or modify them.

The main accounting policies applied in the financial statements preparation are detailed in note 31.

3. Functional and presentation currency

The items included in the Company's financial statements are expressed in the currency of the primary economic environment in which the entity operates (Colombian pesos). The financial statements are presented "in Colombian pesos", which is the functional currency of the Company and the presentation currency. All information is presented in thousands of pesos and has been rounded to the closest unit.

4. Use of estimates and judgments

The Company's Management makes estimates and assumptions that affect the reported amount of assets and liabilities in future years. Such estimates and assumptions are continually assessed based on previous experiences and other factors, including expectations of future events that are expected under current circumstances.

The estimates and relevant assumptions are reviewed regularly. Reviews to accounting estimates are recognized in the period in which the estimate is reviewed and in any future period that may be affected.

The information on critical judgments in the application of accounting policies that have the most important effect on the financial statements is described in the following notes:

- Note 25 – Estimated liabilities - Guarantees
- Note 13 – Deferred tax - determination of tax losses

5. Changes in significant accounting policies

The Company applied IFRS 16 Leases as from January 1, 2019.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, comparative information presented for 2018 is not restated, i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Details of the changes in accounting policies are disclosed below. In addition, the disclosure requirements in IFRS 16 have generally not been applied to the comparative information.

A. Lease definition

Previously, the Company determined at the contract initiation whether an agreement was or contained a lease in accordance with IFRIC 4 – "Determining whether an agreement is or contains a lease". The Company now assesses whether an agreement is or contains a lease based on the lease definition as explained in Note 31.

In the transition to IFRS 16, the Company chose to apply the practical solution of not assessing which transactions are leases. The Company applied IFRS 16 only to contracts previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine whether a lease exists under IFRS 16. Therefore, the lease definition under IFRS 16 was applied only to contracts entered into or modified on or as from 1 January 2019.

B. As lessee

Previously, as a lessee, the company classified leases as operating or finance leases based on its assessment of whether the lease transfers substantially all risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and leasing liabilities, that is, these leases are booked in the balance sheet.

Initially or upon modification of a contract containing a lease component, the Company allocates the consideration in the contract to each lease component based on its separate relative price.

However, for property leases, the Company has chosen not to separate the non-lease components and account for the lease and associated non-lease components as a single lease component.

a. Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. In the transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental lending rate as of January 1, 2019 (see Note 31). Right-of-use assets are measured:

- At their carrying amount as if IFRS 16 had been applied from the start date, discounted using the Company's incremental lending rate at the date of initial application: The Company applied this approach to its property lease or
- At an amount equal to the lease liability, adjusted by the amount of any advance or accrued lease payments.

The Company has tested its right-of-use assets for impairment at the transition date and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used several practical solutions when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognize right-of-use assets and liabilities for leases whose term ends within twelve (12) months after the date of initial application;
- did not recognize right-of-use assets and lease liabilities for low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-to-use asset at the date of initial application and
- used retrospection in determining the lease term.

C. Impact on the financial statements

On transition to IFRS 16, the Company recognized additional right-of-use assets, including investment property and additional lease liabilities, with the difference being recognized in retained earnings. The impact on the transition is summarized below.

JAGUAR LAND ROVER COLOMBIA S.A.S.
Notes to the Financial Statements

	January 1, 2019
Right-of-use assets - property, plant and equipment	1.966.286
Lease liabilities	(1.966.286)

In measuring lease liabilities for leases that were classified as operating leases, the Company discounted the lease payments using its incremental lending rate as of January 1, 2019. The weighted average rate applied is 7.312%.

Results of the Year

6. Income from ordinary activities

A. Income flows

The Company generates income primarily from the sale of Jaguar and Land Rover vehicles and accessories to authorized dealers in Colombia.

The following is a breakdown of income from ordinary activities for the years ended December 31st:

	2019	2018
Sale of goods – Vehicles	\$ 54.330.479	63.981.345
Provision of services LACRO (1)	7.195.529	4.467.215
Other income	300.222	436.525
	\$ 61.826.228	68.885.085

(1) The LACRO recovery relates to income that the Company charges to its parent company for marketing support services to group companies in the LATAM region.

B. Contract balances

The following table provides information on accounts receivable, and contractual liabilities of contracts as of December 31st:

	2019	2018
Trade and other accounts receivable (note 15)	\$ 291.518	192.593
Contractual liabilities (service plan, note 24)	(3.705.857)	(4.825.911)
	\$ (3.414.339)	(4.633.318)

JAGUAR LAND ROVER COLOMBIA S.A.S.
Notes to the Financial Statements

7. Cost of Sales

The following is the detail of the selling costs for the years ending December 31st:

	<u>2019</u>	<u>2018</u>
Sale of goods (Vehicles)	\$ 48.832.124	54.970.683
Guarantee	228.160	2.284.965
Inventory impairment (recovery)	49.431	(429.897)
Other costs	592.339	120.648
	<u>\$ 49.702.054</u>	<u>56.946.399</u>

8. Administration expenses

The following is the detail of the administration expenses for the years ended December 31st:

	<u>2019</u>	<u>2018</u>
Staff expenses	\$ 1.250.319	1.657.456
Fees	942.876	664.232
Lease	800.006	505.586
Taxes	759.698	713.935
Utilities	570.350	469.400
Low value assets	258.138	25.083
Insurance	217.415	524.690
Travel expenses	109.958	375.827
Stationery and photocopies	26.844	27.487
Miscellaneous	437.093	340.674
	<u>\$ 5.372.697</u>	<u>5.304.370</u>

(1) The following is the breakdown of employee benefits:

	<u>2019</u>	<u>2018</u>
Salaries	\$ 666.774	1.120.430
Social security contributions	115.924	180.446
Bonus	111.960	19.330
Social benefits	62.124	130.339
Training	55.987	1.934
Parafiscal contributions	46.707	84.347
Housing allowance	46.487	30.803
Country allowance	45.598	-
Indemnity	40.495	9.226
Allowance	29.945	49.267
Setting allowance	25.680	12.000
Miscellaneous	2.638	19.334
	<u>\$ 1.250.319</u>	<u>1.657.456</u>

At the end of 2019, the Company had twenty-five (25) employees with an indefinite term contract.

JAGUAR LAND ROVER COLOMBIA S.A.S.
Notes to the Financial Statements

9. Sales and distribution expenses

The following is the detail of sales and distribution expenses for the years ended December 31st:

	2019	2018
Marketing and advertising	\$ 7.930.229	9.259.657
Staff expenses (1)	5.009.879	2.660.714
Travel expenses	782.495	645.825
Vehicle surcharges	563.210	318.572
Training	315.738	167.781
Utilities	292.519	4.658
Adaptation and installations	112.724	-
Contributions and affiliations	70.067	122.000
Lease	15.000	500
Depreciation expense	9.841	-
Legal expenses	8.781	20.057
Miscellaneous (2)	783.515	120.766
	\$ 15.893.998	13.320.530

(1) The following is the breakdown of staff expenses:

	2019	2018
Salaries	\$ 3.096.730	1.425.822
Setting allowance	433.030	265.903
Social security contributions	383.111	248.425
Social benefits	263.358	156.335
Rent allowance	227.250	-
Bonus	214.106	48.533
Parafiscal contributions	205.711	118.850
Country allowance	109.745	26.651
Allowance	69.375	67.067
Training	5.463	-
Medical leave	718	262.825
Miscellaneous	1.282	40.303
	\$ 5.009.879	2.660.714

(2) It relates mainly to expenses for \$616,248 associated with the lending of the brand's vehicles for a promotional event held in Peru in 2018. However, when the vehicles were returned to Colombia, they were damaged and repair expenses had to be incurred, which were approved by the parent company in 2019.

10. Other income, net

The following is the detail of the other income, net, for the years ended December 31st:

	2019	2018
<u>Other income:</u>		
Accrual recovery	\$ 249.531	481.632
Services	171.274	85.994
Recovery (1)	-	915.081
Miscellaneous	10	5
	\$ 420.815	1.482.712

JAGUAR LAND ROVER COLOMBIA S.A.S.
Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
<u>Other expenses:</u>		
Fines, sanctions and litigation	85.681	2.492
Assumed taxes	13.622	30.663
Miscellaneous	29.314	11.379
	<u>128.617</u>	<u>44.534</u>
\$	<u>292.198</u>	<u>1.438.178</u>

(1) It relates to travel and marketing expenses for \$584,264 associated with the lending of branded vehicles for a promotional event held in Peru, plus a marketing incentive recovery for \$330,817.

11. Financial costs, net

The following is the detail of financial costs, net, for the years ended December 31st:

	<u>2019</u>	<u>2018</u>
<u>Exchange rate difference, net:</u>		
Unrealized	\$ 1.266.859	4.516.170
Realized	(566.361)	(355.927)
\$	<u>700.498</u>	<u>4.160.243</u>
<u>Financial costs:</u>		
Bank charges	685.929	951.166
Interests	218.609	179.302
Interest on lease liabilities	116.867	-
Discounts	42.520	29.153
Commissions	28.196	3.117
	<u>1.092.121</u>	<u>1.162.738</u>
\$	<u>1.792.619</u>	<u>5.322.981</u>

Employee benefits

12. Employee benefits

The following is the detail of employee benefits as of December 31st:

	<u>2019</u>	<u>2018</u>
Bonus	\$ 257.143	63.419
Vacations	121.905	79.367
Severance payments	66.975	62.802
Interest on severance	7.802	5.760
Salaries payable	-	5.160
\$	<u>453.825</u>	<u>216.508</u>

Income tax

13. Income tax

In accordance with current tax regulations, the Company is subject to income and additional taxes. The applicable rate for 2018 and 2019 was 33%, plus a surcharge of 4% in 2018. This surcharge is applicable if the taxable base is greater than or equal to COP 800 million.

JAGUAR LAND ROVER COLOMBIA S.A.S.
Notes to the Financial Statements

Tax revenues from the windfall profit tax are taxed at the 10% rate.

The basis for determining income tax may not be less than 1.5% of its net worth on the last day of the immediately preceding taxable year (presumptive income).

Act 1819 of 2016 set forth by means of Article 22 that for fiscal year 2017 and subsequent years, the determination of income tax and additional taxes, on the value of assets, liabilities, equity, income, costs and expenses, for taxpayers of such taxes obliged to keep accounting records, will apply the recognition and measurement systems, in accordance with the technical accounting normative frameworks in force in Colombia, when the tax law expressly refers to them and in the cases where the law does not regulate the matter. In any case, the tax law may expressly provide for a different treatment, in accordance with Article 4 of Act 1314 of 2009.

In addition:

- i) The income tax returns for the taxable years 2018, 2017 and 2016 are open for tax review by the tax authorities. No additional taxes are expected in case an inspection is carried out.
- ii) Income tax returns for the income tax for equity (CREE) for 2016 are open for review by the tax authorities. No additional taxes are expected in case an inspection is carried out.
- iii) The following is a detail of the tax losses to be offset in the income tax at 31 December 2019:

Year of origin

2017	\$	3.988.886
2018		6.678.641
2019		8.823.557
	\$	19.491.084

The tax losses for 2017, 2018 and 2019 may be offset against the net income of the twelve (12) years following their occurrence.

- iv) The following is a detail of the excess of presumptive income on ordinary income, in the income tax as of December 31, 2019:

Year of origin

2017	\$	145.685
2018		1.260
	\$	146.945

Any excess of presumptive income on ordinary income may be offset against ordinary income obtained within five years of its occurrence.

The general term for the final acceptance of tax returns from 2016 onwards is three (3) years. For entities subject to transfer pricing, the term of final acceptance until the 2018 income tax return will be six (6) years. This term also applies for the returns in which tax losses are offset. For returns generating tax losses until the year 2018, the final acceptance will be twelve (12) years.

JAGUAR LAND ROVER COLOMBIA S.A.S.
Notes to the Financial Statements

With the modifications introduced by Act 2010 of 2019, the new term of final acceptance for the income tax and additional tax returns of the taxpayers that determine (settle) or offset tax losses, or that are subject to the transfer pricing regime, is reduced to five (5) years.

Reconciliation of the effective rate

There is no reconciliation of the effective tax rate is for the taxable years 2019 and 2018 considering that the income tax expense was determined by means of the presumptive income system and there is no relationship between the accounting profit and the tax settlement basis.

Income tax expense

The following is the detail of income tax expense for the years ended December 31st:

		2019	2018
Income tax (expense)	\$	-	(416)
Deferred tax		2.705.397	3.271.347
	\$	2.705.397	3.270.931

Deferred taxes

The differences between the carrying amounts of assets and liabilities and their tax bases give rise to the following temporary differences, which generate deferred taxes, calculated and booked in the periods ended December 31, 2019 and 2018, based on tax rates in force as reference for the years in which such temporary differences will be reversed.

		December 31, 2017	(Charge) to profit and loss	December 31, 2018	(Charge) to profit and loss	December 31, 2019
Property, plant and equipment	\$	8.417	(2.435)	5.982	(305.118)	(299.136)
Accruals		1.089.350	464.144	1.553.494	47.189	1.600.683
Inventory impairment		533.141	(199.503)	333.638	5.708	339.346
Exchange rate difference		141.049	1.009.472	1.150.521	41.449	1.191.970
Tax losses		1.119.072	2.003.662	3.122.734	2.915.090	6.037.824
Presumptive income surplus		48.076	(3.993)	44.083	1.079	45.162
	\$	2.939.105	3.271.347	6.210.452	2.705.397	8.915.849

Deferred tax assets to be offset are recognized to the extent that it is probable that the related tax benefit will be realized through future taxable profits. The Company has recognized all deferred tax assets and liabilities.

Uncertainties over open tax positions

As of December 31, 2019 and 2018, there are no tax uncertainties.

Transfer Pricing

In accordance with Acts 788 of 2002 and 863 of 2003, the Company prepared a transfer pricing study on the operations carried out with foreign economic affiliates during 2018. The study did not result in adjustments affecting the Company's revenues, costs and tax expenses.

Although the 2019 transfer pricing study is under preparation, no significant changes are expected from previous year's study.

Economic Growth Act - (Tax Reform)

In December 2018, the Colombian Tax Law was modified through Act 1943, gradually decreasing the income tax rate and gradually reducing the rate for the liquidation of presumptive income until its elimination as of the year 2021, among other various reforms.

Given the non-enforceability of Act 1943 as of January 1, 2020, the National Government issued on December 27, 2019 the 2010 Act, or Economic Growth Act, through which it gathers the provisions in favor of Act 1943 of 2018 and which were considered essential for economic growth and competitiveness in the country. It also introduces some modifications. Below are some of the most relevant aspects:

- For the taxable year 2019, the applicable income tax rate is 33%. The tax rates determined in law 1943 of 2018 are maintained for the year 2020, rate of 32%, year 2021, rate of 31% and from the year 2022, rate of 30%.
- The Economic Growth Act, for the purpose of calculating income tax under the presumptive income system, continues to gradually dismantle the 0.5% rate for the year 2020, and 0% as of the year 2021 and thereafter.
- 100% of the taxes, rates and contributions effectively paid in the taxable year, which have a causal relationship with the generation of income (except for income tax), continue to be deductible; 50% of the tax on financial transactions (GMF for its Spanish acronym) will be deductible, regardless of whether or not it has a causal relationship with the income generating activity.
- 50% of the industry and commerce tax may be treated as a tax break in the income tax in the taxable year in which it is actually paid and to the extent that it has a causal relationship with its economic activity. From 2022 onward, it may be discounted to 100%.
- VAT paid on the import, formation, construction or acquisition of real productive fixed assets including the services necessary for their construction and start-up continues to be a tax discount. This deduction may only be used by those who are responsible for filing the sales tax. (ii) The industry and commerce tax in the terms indicated in the previous paragraph.
- With regard to the tax on dividends, the following modifications were made:
 - The withholding tax rate on non-taxed dividends declared for the benefit of foreign companies and entities, non-resident individuals and permanent establishments increased to 10%.
 - The table applicable to non-taxed dividends declared for the benefit of individuals residing in the country and successions to be settled of residents of the country was modified, providing a marginal rate of 10% for dividends exceeding 300 UVT.
 - It was provided that the tax on taxed dividends will be determined: (i) by applying the income rate corresponding to the year in which they are decreed (33% year 2019; 32% year 2020; 31% year 2021; and 30% year 2022 onwards) and (ii) the rate corresponding to the non-taxed dividend will be applied to the remainder, depending on the beneficiary (if it is a natural person resident in the country or a succession to be settled of a resident taxpayer, the table will be applied and for other cases the 7.5% rate will be applied).
 - The system of withholding tax on dividends declared for the first time to national companies continues, which will be transferable to the final beneficiary, whether it is a resident individual or an investor resident abroad, at a 7.5% rate.

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- Dividends declared from profits from 2016 and previous years will be treated as of that time. Those corresponding to profits from 2017, 2018 and 2019 that are decreed as from 2020 will be governed by the rates set forth in the 2010 Act.
- The Economic Growth Act specifies that taxpayers may choose for the tax mechanism, as a way of eliminating the tax obligation, provided for in Article 238 of Act 1819 of 2016 or for the direct investment agreement mechanism established in Article 800-1 of the Tax Statute.
- The Growth Act provides that the term of final acceptance of income tax returns of taxpayers who determine or offset tax losses or who are subject to the transfer pricing regime will be five (5) years from the date of the income tax returns.
- The correction term for taxpayers who submit corrections that increase the tax or decrease the balance in favor, is modified as the term that the taxpayer had to voluntarily correct their tax returns was two (2) years, with the Growth Act. This term is modified and unified with the general term of the acceptance of the returns setting it at three (3) years.

The audit benefit is extended for the income tax returns for the taxable years 2020 and 2021, for which the increase in net income tax over the previous year is required to have the tax returns finally accepted in six months (30%) or twelve months (20%), as provided by Act 1943 of 2018 for the returns for the taxable years 2019 and 2020. It is specified that the provisions enshrined in Act 1943 of 2018, with regard to the audit benefit, will have the effects there provided for taxpayers who have availed themselves of the audit benefit for the taxable year 2019.

Assets

14. Cash

The following is a detail of cash balances as of December 31st:

	2019	2018
Banks	\$ 11.526.313	12.863.738
Clearing account	390.274	395
	\$ 11.916.587	12.864.133

As of December 31, 2019 and 2018, there are restrictions on cash.

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 26.

15. Trade debtors and other receivables

The following is a detail of trade debtors and other receivables as of December 31st:

	2019	2018
Domestic clients (1)	\$ 291.518	192.593
other receivables	5.667	9.378
Medical leave	4.237	2.142
Sundry debtors (2)	2.349	10
Deposits	70	70
	\$ 303.841	204.193

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(1) A \$94,139 amount corresponds mainly to sales invoices relating to incentive refunds and the sale of a vehicle for \$188,682. This balance will match the vehicle advertising services during 2020.

16. Inventories

The following is the inventories detail as of December 31st:

	<u>2019</u>	<u>2018</u>
Merchandise not manufactured by the company	\$ 29.892.591	14.509.334
In-transit inventory	5.640.534	22.795.652
	\$ 35.533.125	37.304.984
Inventory impairment (1)	(1.060.456)	(1.011.025)
	<u>\$ 34.472.669</u>	<u>36.293.961</u>

(1) The movement in impairment by net realizable value of inventories is detailed below:

	<u>2019</u>	<u>2018</u>
Balance as of December 31, 2018	\$ 1.011.025	1.440.922
Impairment recovery	-	(429.897)
Costs if the period	49.431	-
Balance as of December 31, 2019	<u>\$ 1.060.456</u>	<u>1.011.025</u>

17. Current tax assets

The following is the tax assets detail as of December 31st:

	<u>2019</u>	<u>2018</u>
Income tax receivable balance	\$ 1.849.185	800.938
Withholding at source	591.845	745.872
Income tax self-withholding	276.187	319.777
	<u>\$ 2.717.217</u>	<u>1.866.587</u>

18. Other non-financial assets

The detail of other non-financial assets at December 31st is as follows:

	<u>2019</u>	<u>2018</u>
VAT receivable balance	\$ 3.812.726	1.494.807
Advance payments	348.894	72.055
Industry and commerce tax	-	32.619
	<u>\$ 4.161.620</u>	<u>1.599.481</u>

19. Equipment, Net

The following is the equipment detail as of December 31st:

	<u>Machinery and equipment</u>
Balance as of December 31, 2018	\$ -
Additions (1)	294.206
Depreciation charge	(9.841)
Balance as of December 31, 2019	<u>\$ 284.365</u>

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- (1) Purchase of tools to be used by the dealership development area.

Liabilities and equity

20. Equity

a. Share capital

As of December 31, 2019 and 2018, 3,600,000 shares represent the subscribed and paid-in capital at a nominal value of \$1,000, each one for a total of \$3,600,000.

b. Profit distribution

On March 29, 2019, by means of Minute No. 10, the Shareholders' Assembly approved the transfer of the 2018 profit to the results of previous years.

On August 6, 2018, through Minute No. 8, the Shareholders' Assembly approved the transfer of the 2017 profit to the results of previous years.

21. Financial liabilities

The contract signed between Jaguar Land Rover Colombia S.A.S. and Jaguar Land Rover Limited is worth USD \$ 6,000,000. As of December 2016, USD \$ 2,000,000 were disbursed, and the initially agreed maturity date was December 31, 2018. On December 1, 2018, an addendum was signed amending the maturity date to December 31, 2019. The total payment of the loan will be due at its maturity date and the interests generated in the month will capitalize and be added to the amount of the principal. Interest will accrue daily. The reference rate will be the greater between zero percent (0%) or one (1) month USD LIBOR Reuters RIC Code. The reference rate will be updated on the first day of the calendar month and will be the closing rate on the last business day of the previous month. If this rate is not available, the Creditor will choose an alternative market rate that is appropriate to be applied to the loan. The following is the movement of the obligation during 2019:

	<u>2019</u>	<u>2018</u>
Balance as of January 1	\$ 6.775.534	6.071.335
Exchange rate difference	56.846	531.500
Booked interests	176.472	172.699
Balance as of December 31, 2019	<u>\$ 7.008.852</u>	<u>6.775.534</u>

22. Trade creditors and other payables

The following is the detail of trade creditors and other payables as of December 31st:

	<u>2019</u>	<u>2018</u>
Customs services	\$ 1.692.594	2.164.672
Marketing	963.054	547.434
Vehicle readiness	547.551	289.048
Fees	501.439	230.980
Insurance	149.637	-
Travel expenses	91.437	238.059
Leases	1.259	-
Other	447.319	231.605
	<u>\$ 4.394.290</u>	<u>3.701.798</u>

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23. Other non-financial liabilities

The detail of other non-financial liabilities at December 31st is as follows:

	<u>2019</u>	<u>2018</u>
Advance payments (1)	\$ 767.548	717.790
Consumer tax	436.932	75.348
Industry and commerce tax	215.720	-
Withholding at source	162.813	155.338
Sales tax withheld	64.405	2.047
Payroll Contributions	251	771
Industry and commerce tax withholding	12.495	12.093
	<u>\$ 1.660.164</u>	<u>963.387</u>

(1) It corresponds to advance payments received from the parent company to execute specific marketing activities.

24. Contract liabilities

As of December 31st, the detail of the contract liability (Service plan) is:

	<u>2019</u>	<u>2018</u>
Short-term	\$ 895.582	2.450.376
Long-term	2.810.275	2.375.535
	<u>\$ 3.705.857</u>	<u>4.825.911</u>

25. Estimated liabilities

The following is a detail of the estimated liabilities as of December 31st:

	<u>2019</u>	<u>2018</u>
<u>Current:</u>		
Guarantees	\$ 1.917.906	1.597.046
Variable Dealer Margin - VDM	1.071.259	1.100.348
Variable marketing expenses -VME	1.025.329	790.677
Cooperative Marketing	175.304	316.691
	<u>\$ 4.189.798</u>	<u>3.804.762</u>
<u>Non-current:</u> Guarantees	1.632.164	2.768.442
	<u>\$ 5.821.962</u>	<u>6.573.204</u>

26. Financial instruments

A. Accounting classifications

Except for inventories, the Company does not manage financial assets and liabilities measured at fair value. The following table shows the carrying amounts of financial assets and liabilities at cost.

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<i>Financial assets not measured at fair value</i>			
Trade accounts receivable and other	15	\$ 303.841	204.193
Cash	14	11.916.587	12.864.133
		<u>\$ 12.220.428</u>	<u>13.068.326</u>

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Financial liabilities not measured at fair value

Financial liabilities	21	7.008.852	6.775.534
Trade creditors and other payables	22	4.394.290	3.701.798
Accounts payable to related parties	28	62.413.195	51.018.378
		\$ <u>73.816.589</u>	<u>61.496.481</u>

B. Financial risk management

The Company is exposed to the following risks related to the use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, as well as its capital management.

Risk management framework

The Company's activities expose it to a variety of financial risks: market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company adjusts its risk management strategies to the programs that have been set worldwide by the Parent Company of the Group to minimize the adverse effects on the Company's financial position. The Management in Colombia does not use derivatives to cover such risks.

The Group's central treasury department is responsible for risk management in accordance with the policies approved by the Parent Company. The Company's treasury identifies, evaluates and covers financial risks in close coordination with the Company's management. The Parent Company provides written principles and policies for general risk management and for investing any liquidity surplus.

Credit Risk

Credit risk is the risk of financial loss faced by the Company, if a customer or counterpart to a financial instrument does not comply with its contractual obligations and it arises mainly from the Company's accounts receivable to customers.

The Company's management is responsible for establishing and monitoring the Company's risk management structure. Management ensures the development and monitoring of the Company's risk management policies.

The Company's risk management policies are established in order to identify and analyze the risks faced by the Company, to establish adequate risk limits and controls, and to monitor risks and compliance with limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Company's activities.

The Company, through its management policies and procedures, intends to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's management oversees how management monitors compliance with risk management policies and procedures and reviews the

appropriateness of the risk management framework with regard to the risks faced by the Company.

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Accounts receivable turnover:

The Company's model for executing its assets for customers is based on discounting invoices through factoring, where the management guarantees that the free circulation of the invoices issued is not hindered.

The Company transfers ownership of the invoice to the bank, so it pays the amount of each security in the short term, charging a financial commission. This can be evidence of the risk transfer to the bank if a client or counterparty in a financial instrument does not comply with its contractual obligations.

In a scenario in which the Company does not manage credit risk through factoring, the exposure at December 31, 2019 is:

Credit risk exposure

The maximum credit risk exposure at the balance sheet date was:

	2019	2018
Cash (1)	\$ 11.916.587	12.864.133
Trade debtors and other receivables	303.841	204.193
	\$ 12.220.428	13.068.326

- (1) The bank entity that supports the company's operations is the Santander Group, whose credit risk rating is A for the long term, R-1 for the short term and in its outlook remains stable:

Long Term, A: High credit quality. It is a solid credit quality with regard to other issuers or issuances in the country. However, changes in circumstances or economic conditions may affect the ability to pay its financial commitments timely to a greater degree than for those financial obligations rated with higher categories.

Short Term, R-1: It is the highest category in investment grades. It indicates that the entity is highly likely to pay for the obligations in the agreed terms. The liquidity of the entity and/or company, as well as the protection for third parties is good. Additionally, the ability to pay will not be affected by industry or economy variations.

The aging of trade debtors and other accounts receivable at the end of the reporting period is:

	2019	2018
From 0 to 30	\$ 188.682	192.603
From 31 to 60	94.306	11.520
From 61 to 90	8.696	-
Over 91	12.157	70
	\$ 303.841	204.193

As of December 31, 2019, the Company was not impacted by the credit risk associated with its financial assets.

Liquidity risk

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Prudent liquidity risk management involves maintaining sufficient cash and marketable securities, and the availability of financing through an adequate number of committed sources of financing. Due to the dynamic nature of the businesses and transactions, the Company's treasury maintains flexibility in financing through the availability of committed credit lines.

Management supervises the projections of the Company's liquidity reserve based on the expected cash flows. The Company's liquidity management policy includes: i) projections of cash flows in the main currencies and considers the level of liquid assets necessary to meet these projections; ii) monitoring of liquidity ratios in the balance sheet; and iii) maintaining debt financing plans.

The following tables analyze the Company's financial liabilities by common maturity groups considering the time that remains from the balance sheet date until maturity. The amounts presented in the chart are the contractual undiscounted cash flows. Balances that mature in twelve (12) months are equivalent to their carrying amount because the discount impact is not significant.

December 31, 2019	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months
Financial assets				
Trade accounts	\$ 303.841	303.841	295.755	8.086
Accounts receivable to related parties	5.591.825	5.591.825	5.591.825	-
	\$ 5.895.666	5.895.666	5.887.580	8.086
Financial liabilities				
Trade creditors	4.394.290	4.394.290	4.347.295	46.995
To related companies	62.413.195	62.413.195	4.900.548	57.512.647
Financial liabilities	7.008.852	7.008.852	-	7.008.852
	\$ 73.816.337	73.816.337	9.247.843	64.568.494
December 31, 2018				
Financial assets				
Trade accounts	\$ 204.193	204.193	204.193	-
Accounts receivable to related parties	5.798.783	5.798.783	5.798.783	-
	\$ 6.002.976	6.002.976	6.002.976	-
Financial liabilities				
Trade creditors	3.701.798	3.701.798	3.701.798	-
To related companies	51.018.378	51.018.378	12.912.744	38.105.634
Financial liabilities	6.775.534	6.775.534	-	6.775.534
	\$ 61.495.710	61.495.710	16.614.542	44.881.168

As of December 31, 2019, the Company had no impact on the liquidity risk associated with its financial instruments.

Market risk

Market risk is the risk that changes in market prices, for example, in exchange rates and interest rates will affect the Company's revenues or the value of the financial instruments it holds. The market risk management objective is to manage and control market risk exposures within reasonable parameters and at the same time optimize profitability.

As of December 31, 2019, the Company was not affected by the risks derived from changes in market prices.

Currency risk

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The Company buys its inventory, motor vehicles and their accessories, abroad in foreign currency, which is why it is exposed to the exchange risk resulting from the exposure of the Colombian peso to the United States dollar. The exchange rate risk arises when future commercial transactions and recognized assets or liabilities are denominated in currencies other than the functional currency. The Company's financial area periodically controls the net position of current assets and liabilities in United States dollars.

The Company had the following assets and liabilities in foreign currency, accounted for by its equivalent in thousands of pesos:

	December 31, 2019		December 31, 2018	
	US\$	Thousands of pesos	US\$	Thousands of pesos
Current assets				
Accounts receivable to related parties (Note 28)	\$ 1.657.062	5.430.425	1.784.378	5.798.783
Current liabilities				
Financial liabilities	\$ (2.138.710)	(7.008.852)	(2.084.940)	(6.775.534)
Trade creditors and other payables	(94.752)	(310.514)	-	-
Accounts payable to related parties (Note 28)	(19.045.019)	(62.413.195)	(15.681.118)	(50.959.714)
	<u>(21.278.481)</u>	<u>(69.732.561)</u>	<u>(17.766.058)</u>	<u>(57.735.248)</u>
Net exposure of the statement of financial position	\$ (19.621.419)	(64.302.136)	(15.981.680)	(51.936.465)

The following exchange rates were applied during the fiscal year:

		Average exchange rate		Exchange rate at the balance sheet date	
		2019	2018	2019	2018
		USD	\$	3.280,66	2.956,55

As of December 31, 2019, the Company does not have any currency risk associated that could have an impact on the Financial Statements figures.

Sensitivity analysis

The peso strengthening (weakening) against all the other currencies as of December 31 would have affected the measurement of financial instruments denominated in a foreign currency and would have increased (decreased) equity and earnings in the amounts shown below. This analysis is based on a variation in the foreign exchange rate that the Company considers reasonably possible at the end of the reporting period. This analysis assumes that all other variables, particularly interest rates, remain constant. The analysis is carried out similarly for 2019, although the variation reasonably possible in the foreign exchange rate was different, as indicated below.

	Exchange rate at the balance sheet date		
	Movement	2019	2018
Actual rate		3.277,14	3.249,75
Scenario (Strengthening)	3,22%	3.382,76	3.314,75
Scenario (Weakening)	-3,80%	3.152,61	3.184,76
Tax rate		33%	37%

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	Equity		Profit and Loss	
	Strengthening	Weakening	Strengthening	Weakening
December 31, 2019				
USD (3,51% movement)	\$ (1.829.249)	2.156.755	(1.225.597)	1.445.026
December 31, 2018				
USD (2% movement)	\$ (1.038.809)	1.038.730	(623.285)	623.238

Fair value interest rate risk and cash flows

The Company has significant interest-bearing liabilities. Cash flows are substantially dependent on the interest rates changes in the market. 100% of the company's leverage is carried out with its parent company, Jaguar Land Rover UK.

	Exchange rate at the balance sheet date		
	Movement	2019	2018
Actual LIBOR rate		1,76%	2,61%
Scenario (Strengthening)	0,50%	1,77%	2,62%
Scenario (Weakening)	0,50%	1,75%	2,60%
Tax rate		33%	37%

	Equity		Profit and Loss	
	Strengthening	Weakening	Strengthening	Weakening
December 31, 2019				
(0,5% movement)	\$ (119.846)	(118.653)	(80.297)	(79.498)
December 31, 2018				
(0,5% movement)	\$ (177.726)	(175.957)	(111.967)	(110.853)

Other information

27. Leases

A. Leases as a lessee (IFRS 16)

The Company leases office facilities. Leases are generally established for a period of 3 years, with an option to renew the lease after that date. Lease payments are renegotiated each year to reflect market lease prices. Some leases provide for additional lease payments based on changes in local price indexes.

The Administrative Office Lease was signed to begin on July 1, 2018 and end on June 30, 2021. Previously, these leases were classified as operating leases under IAS 17. The lease expires in 2021.

Information on leases for which the Company is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as rights of use.

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	Land and buildings
Balance January 1, 2019	
Asset recognition for rights of use	\$ 1.966.286
Amortization charge	(785.036)
Balance as of December 31, 2019	\$ 1.181.250

ii. Amounts recognized in profit and loss

	2019
2019 - Leasing under IFRS 16	
Interest on lease liabilities	\$ 116.867
Expenses related to short-term leases	14.970
	\$ 131.837
2018 - Operating leases under IAS 17	
Leasing expenses	\$ 505.586

iii. Amounts recognized in the cash flow statement

	2019
Lease payments	\$ 704.533
Interest on leases paid	116.867
	\$ 131.837

28. Related parties

The following are the accounts receivable from and payable to the Company's related party, Jaguar Land Rover Limited (UK):

		December 31, 2019		December 31, 2019	
		Currency		Currency	
		Origin	Local	Origin	Local
Accounts receivable:	USD	\$ 1.657.062	5.430.425	1.784.378	5.798.783
	COP	-	161.400	-	-
	\$	1.657.062	5.591.825	1.784.378	5.798.783
Financial liabilities:	USD	\$ (2.138.710)	(7.008.852)	(2.084.940)	(6.775.534)
Accounts payable:	USD	(19.045.019)	(62.413.195)	(15.681.118)	(50.959.714)
	COP	-	-	-	(58.664)
	\$	(19.045.019)	(62.413.195)	(15.681.118)	(51.018.378)

The following are the transactions with the Company's related party, Jaguar Land Rover Limited (UK) during the years ended December 31:

	2019	2018
Income from services rendered	\$ 7.102.445	4.467.179
Inventory purchases (vehicles)	40.626.102	41.552.017

During 2019 and 2018, there were no financial liability transactions, as this liability corresponds to a loan received from the parent company in previous years.

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During the years ended December 31, 2019 and 2018, the Company's transactions with key management personnel and directors were for performance bonds of \$71,832 and \$63,419, respectively.

29. Subsequent events

- i. In order to render ineffective the grounds for dissolution of the Company (see note 1.1), the sole shareholder approved in February 2020 a capitalization for \$22,000,000 and the decrease in capital by \$3.500.001.
- ii. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 Coronavirus a pandemic because of its rapid spread around the world, affecting more than 150 countries. Most governments are taking restrictive measures to contain the spread, including isolation, confinement, quarantine and restriction on the free movement of people, closure of public and private facilities except for basic and sanitary facilities, closure of borders and drastic reduction of air, sea, rail and land transport. In Colombia, the Government has adopted various legislative measures to alleviate the adverse human and economic-financial effects, that might arise, if any, from the health crisis caused by COVID-19.

The legislative measures adopted, along with the existing restrictions on mobility and the need to increase protection measures to ensure the safety of its workers and customers in the new scenario, have so far resulted in the network of establishments of the distributors authorized by the Company being in suspended operation, except for the provision of certain maintenance services which are classified within the exceptions authorized by the rule. This had an effect on the Company, which caused a decrease in vehicle sales between March and April 2020.

The Company maintains priority in managing its liquidity. In this sense, it has implemented internal work programs to reduce its expenses and costs significantly, with priority in the next quarter of the year (April-June).

As a contingency plan and in accordance with instructions from the parent company, the Company is evaluating in the short term, whether it needs to open a credit line with financial entities to support its operation.

To date, it is not possible to establish with certainty if the restriction measures decreed by the Government will extend beyond the established period of time, and therefore, significant consequences are expected on the economic activity of the Company and, therefore, will affect its financial situation, financial performance and cash flows in the future. Although the Company and its parent company are taking measures to address the impacts of this situation, it is not possible to determine or quantify the effect that such subsequent event may have on the Company, as it will depend on future national and international events, which are uncertain.

30. Measurement basis

The financial statements have been prepared on the historical cost basis

31. Significant accounting policies

The accounting policies and the bases set forth below have been applied consistently in the financial statements preparation, in accordance with the Accounting and Financial Information Standards accepted in Colombia (NCIF), unless otherwise indicated.

The Company has consistently applied the accounting policies and bases, except as indicated in note 5.

a) Transactions in foreign currency

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Foreign currency transactions are translated into the Company's respective functional currency on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate of that date.

The foreign currency translation gain or loss on monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted for interest and effective payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Differences in foreign currency arising during translation are recognized in profit and loss.

b) Income

Income comprises the fair value of the consideration received or to be received for the sale of goods in the normal course of the Company's activities. Income is shown net of the value-added tax, returns, reimbursements and discounts.

The Company recognizes income when its amount can be measured reliably, it is likely that future economic benefits will flow to the Company, and specific criteria are met for each of the activities, as described below.

i) Sales of goods

The company sells all types of motor vehicles and their accessories of the Jaguar and Land Rover brands to authorized car dealerships in Colombia. The sales of these assets are recognized in the financial statements when the ownership of the asset and all associated risks have been transferred.

Sale price of goods

The sale price of new vehicles includes the maintenance service plan concept, which is recognized as deferred income for a five-year term.

Clarification regarding performance obligations.

The contracts deem as a performance obligation the sale of vehicles and/or parts, which are evaluated, analyzed and accrued according to the corporate policy and the distributor's compliance evidence. The sale of parts is not carried out by the Company. However, for purposes of determining the achievement of goals, the performance of the parts business that each of the car dealerships has is taken into consideration. The parts that are sold to the car dealerships are sold directly by the parent company.

The Company ensures the availability of the vehicles according to client requirements and contract provisions. The control transfer takes place with the physical dispatch of the products.

Price determination

The total prices per product are detailed in each of the contracts. The company management sets the prices and approved by its Parent Company and include the base prices of the vehicles and their options as the suggested sale price. The Company shares the prices of available inventory with each of the car dealerships.

Variable consideration

In case of returns and discounts of goods sold, they should also be considered as a variable component.

Price distribution in performance obligations

In order to identify the sale price for each of the performance obligations, the Company evaluates the amounts associated with the Service Plan concept for each type of product to be sold. It is determined by identifying the cost of the Service Plan and associating a margin to which the impact of inflation and market rates is added. This methodology applies to all products sold by the Company based on the associated cost for each new model. The price allocated to the vehicle sale corresponds to the difference between the total price of the product and the price allocated to the Service Plan.

The Company evaluates the amounts of discounts and refunds in previous years in order to recognize the corresponding performance obligation and support their calculation under IFRS 15.

ii) Service provision

Scheduled Service – Maintenance Plan: It is an agreement with the end customer to provide scheduled services and/or maintenance for an established term (typically between 1 to 5 years). This may include service plans, maintenance plans, wear and tear plans, etc., and is incremental to the standard vehicle guarantee.

c) Employee benefits

Employee benefits include all types of compensation that the Company provides to employees, including senior management, in exchange for their services.

The benefits to which employees are entitled as a result of the services provided to the entity, whose payment will be made within the twelve months following the end of the period are recognized at the reporting date as a liability after deducting the amounts that have been paid directly to employees against an expense.

d) Financial income and costs

The Company's interest income and interest costs include the following:

- Interest expense
- Bank charges
- Discounts
- Interest
- Commissions
- Gain or loss on translation of financial assets and liabilities in foreign currency

Interest income or expense is recognized using the effective interest method.

e) Recognition of expenses

The Company and its subordinates recognize their costs and expenses to the extent that the economic events occur in such a way that they are systematically booked in the corresponding accounting period (accounting record), independent of the flow of monetary or financial resources (cash).

An expense is recognized immediately when a disbursement does not generate future economic benefits or when it does not meet the necessary requirements for its booking as an asset.

f) Taxes

i) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit and loss, except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

ii) Current taxes

The current tax is the amount payable or recoverable for current income and additional taxes and is calculated based on the tax laws enacted at the date of the statement of financial position. Management periodically evaluates the position assumed in tax returns with respect to situations in which the tax laws are subject to interpretation and, if necessary, makes accruals for the amounts it expects to pay to tax authorities.

In determining the provision for income and additional taxes, the Company makes its calculation based on the greater of taxable income or presumptive income (minimum profitability on equity for the previous year that the law presumes to establish income tax).

The Company only offsets current income tax assets and liabilities if it has a legal right to do so before the tax authorities and intends to settle the resulting debts for their net amount, or to realize the assets and settle the debts simultaneously.

iii) Deferred taxes

Deferred tax is recognized using the liability method, determined on temporary differences between the tax bases and the carrying amount of assets and liabilities included in the financial statements.

Deferred tax liabilities are the amounts of future income taxes payable in respect of taxable temporary differences, whereas deferred tax assets are the amounts of future income taxes recoverable due to deductible temporary differences, negative taxable basis that may be offset, or deductions pending to be applied. A temporary difference is understood to be the difference between the carrying amount of assets and liabilities and their tax base.

Recognition of taxable temporary differences

Deferred tax liabilities arising from taxable temporary differences are recognized in all cases, except if:

- They arise from the initial recognition of the goodwill or an asset or liability in a transaction that is not a business combination and the date of the transaction does not affect the accounting profit or taxable profit
- They relate to differences associated with investments in subsidiaries, associates and joint ventures over which the Company has the ability to control the timing of their reversal and it is not probable that the reversal will occur in the foreseeable future.

Recognition of deductible temporary differences

Deferred tax assets arising from deductible temporary differences are recognized provided that:

- It is probable that sufficient future taxable profit will be available to offset them, except where the differences arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and at the date of the transaction do not affect accounting profit or taxable income;
- They relate to temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that the temporary differences will reverse in the foreseeable future and future taxable income is expected to be generated to offset the differences;

Deferred tax assets that do not meet the above conditions are not recognized in the statement of financial position (separate or consolidated). The Company reconsiders at year-end whether the conditions for recognition of previously unrecognized deferred tax assets are met.

Tax planning opportunities are only considered in assessing the recovery of deferred tax assets if the Company intends to adopt them or is likely to do so.

Measurement

Deferred tax assets and liabilities are measured using the tax rates applicable in the years when the assets are expected to be realized or the liabilities are expected to be settled, based on the regulations that have been or are about to be enacted, and after considering the tax consequences that will arise from the manner in which the Company expects to recover the assets or settle the liabilities.

The Company reviews the carrying amount of deferred tax assets at the end of the year to reduce the value of such assets to the extent that it is not probable that sufficient taxable profit will be available in the future to offset the deferred tax assets.

The Company's non-monetary assets and liabilities are measured in terms of their functional currency. If tax losses or gains are calculated in a different currency, changes in exchange rates give rise to temporary differences and the recognition of a deferred tax liability or asset, and the resulting effect is charged or credited to the income statement for the period.

Offsetting and Classification

The Company only offsets deferred tax assets and liabilities if there is a legal right of set-off against the tax authorities and the assets and liabilities relate to the same tax authority, and the same taxpayer, or to different taxpayers who intend to settle or realize the current tax assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously, in each of the future periods in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognized in the statement of financial position (separate or consolidated) as non-current assets or liabilities, regardless of the expected date of realization or settlement.

iv) Contingent taxes

The recognition, measurement and disclosure of contingent taxes is made in accordance with IAS 37 and IFRIC 21.

v) Industry and commerce tax

In accordance with Article 76 of Act 1943 of 2018, the Company recognized as an expense for the year the total industry and commerce tax booked in the year, the amount that can be imputed as a tax discount is treated as a non-deductible expense when determining the year's income tax, the tax discount applied reduces the amount of the current income tax expense for the period. As for the balances that can be applied as a tax discount for the following year, a deferred tax asset was recognized.

g) Cash

Cash consists of balances in banks and clearing accounts with original maturities of three months or less from the date of acquisition, which are subject to insignificant risk of changes in fair value and are used by the Company in managing its short-term obligations.

h) Inventories

Inventories are initially measured at cost. After initial recognition, inventories are measured at the lowest amount between cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary development of the business minus applicable variable selling expenses.

The Company uses the specific identification method for its inventories costing, based on the calculation of the components of each vehicle, which includes the additional costs of nationalization that are assigned in proportion to the total cost of the vehicle plus its options.

Acquisition costs include purchase price, tariffs and other taxes (non-recoverable), freight (transportation and handling costs) and other directly attributable costs, minus trade discounts, rebates and similar items. The total of inventories is composed of goods that are not manufactured by the Company and are imported from its Parent Company to make them available to its customers.

The Company periodically analyzes its inventories to determine if the occurrence of internal events, such as physical damage and expiration, or external events such as technological innovations or market conditions, could have caused obsolescence or deterioration. An inventories accrual is recognized when the net realizable value is identified as being lower than the inventory cost.

i) Equipment

i) Recognition and measurement

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenses that are directly attributable to the acquisition of the asset.

Gains and losses on the sale of an equipment item are recognized net in profit and loss.

ii) Subsequent costs

The cost of replacing part of an equipment item is capitalized, if the future economic benefits are likely to be received and its cost can be measured reliably. The carrying amount of the replaced part is written off. The costs of maintaining the equipment are recognized in profit and loss when incurred.

iii) Depreciation

Depreciation is calculated on the depreciable amount, which corresponds to the cost of the asset.

Depreciation is recognized in profit and loss based on the straight-line method over the estimated useful lives of each piece of equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership at the end of the lease term.

The estimated useful lives for the current and comparative periods for the equipment (Tools) is 10 years.

The Company activates for depreciation equipment valued at more than GBP 4,000 (sterling pound).

Depreciation methods and useful lives are reviewed each year and adjusted if necessary.

j) Financial Instruments

(i) Recognition and initial measurement

Financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a commercial receivable without a significant financing component) or a financial liability is measured initially at fair value plus, for an item that is not at fair value through profit or loss, transaction costs which are directly attributable to their acquisition or issuance. A trade account receivable without a significant financing component is initially measured at transaction price.

(ii) Classification and subsequent measurement

Financial assets

Upon initial recognition, a financial asset is classified as measured at: amortized cost; fair value with changes in other comprehensive income - debt investment; fair value with change in other comprehensive income - equity or fair value with change in profit and loss.

Financial assets are not reclassified after initial recognition, unless the Company changes its business model to manage financial assets. In that case, all affected financial assets are reclassified on the first day of the first reporting period following the business model change.

A financial asset is measured at amortized cost if it meets the following two conditions and is not designated as at fair value through profit or loss:

- It is held in a business model whose goal is to maintain assets to collect contractual cash flows and
- Its contractual terms give rise on specific dates to the cash flows that are only payments of the principal and interest on the outstanding principal amount.

All financial assets not classified as measured at amortized cost or at fair value with changes in other comprehensive income, as described above, are measured at fair value through profit or loss. Upon initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through changes in other comprehensive income as at fair value through profit or loss if doing so eliminates or it significantly reduces an accounting mismatch that would otherwise arise.

(iii) Devaluation in accounts

Financial Assets

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

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains all or substantially all the risks and rewards of ownership of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are released, paid off or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any assets not transferred or liabilities assumed) is recognized in income.

(iv) Offset

Assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or realize the asset and settle the obligation simultaneously.

k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effect.

l) Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Company recognizes the accruals for expected credit loss (ECL) in:

- Financial assets measured at amortized cost
- Debt investments measured at fair value with changes in other comprehensive income and
- Contract assets

The Company measures accruals for losses in an amount equal to the expected credit losses during useful life, except for the following ones, which are measured in expected credit loss of twelve (12) months:

- The debt securities that are determined to have a low credit risk at the reporting date and
- Other debt securities and bank balances for which credit risk (that is, the risk of default during the expected useful life of the financial instrument) has not increased significantly since the initial recognition.

Loss accruals for trade accounts receivable and contract assets are always measured in an amount equal to the expected credit loss during their useful life.

In determining whether the credit risk of a financial asset has increased significantly since the initial recognition and estimating the expected credit losses, the Company considers reasonable and sustainable information that is relevant and available without undue cost or effort. This includes both quantitative and

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qualitative information and analysis, based on the Company's historical experience and on an informed credit assessment, and including forward-looking information.

The Company assumes that the credit risk in a financial asset has increased significantly if it is over than 90 days past due.

The Company considers that a financial asset is in default when:

- It is unlikely that the borrower will pay its credit obligations to the Company in full without the Company resorting to actions such as obtaining guarantees (if any is maintained); or
- The financial asset is more than 90 days past due.

The expected credit losses of twelve (12) months are the part of the expected credit losses that result from the predetermined events that are possible within twelve (12) months after the reporting date (or a shorter period if the expected useful life of the instrument is less than twelve (12) months).

The maximum period considered when estimating expected credit losses is the maximum contractual period during which the Company is exposed to credit risk.

Measurement of expected credit losses

The expected credit losses are a weighted estimate of the probability of credit losses. Credit losses are measured as the present value of all cash deficits (i.e., the difference between the cash flows owed to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The expected credit losses are discounted at the effective interest rate of the financial asset.

Impaired financial assets

At each reporting date, the Company evaluates whether financial assets accounted for at amortized cost and debt securities at fair value with changes in other comprehensive income have credit impairment. A financial asset has "credit impairment " when there have been one or more events that have a detrimental impact on the estimated future cash flows of the financial asset.

The evidence that a financial asset undergoes credit impairment includes the following observable data:

- Significant financial difficulties of the borrower or issuer;
- A breach of contract, such as a payment default or any other type of default over 90 days past due;
- The restructuring of a loan or advance payment by the Company in terms that the Company would not otherwise consider;
- It is likely that the borrower goes bankrupt or undergoes a financial reorganization; or
- The vanishing of an active market for a security due to financial difficulties.

Presentation of the accrual for ECL in the statement of financial position

Deductions for loss of financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company does not have reasonable expectations of recovering a financial asset in its entirety or a part thereof. The Company does not expect a significant recovery of the amount written off. However, financial assets that are written off may still be subject to compliance activities in order to comply with the Company's procedures for recovery purposes of the amounts owed.

m) Contractual liabilities

Contractual liabilities are measured at cost, corresponding to estimated amounts that are used for the service plan after the vehicle sales (Service Plan), which are not made at the time of sale, but are deferred to 5 years, the maximum period in which customers can use this service.

n) Accruals

An accrual is recognized if: it is the result of a past event, the Company has a legal or implicit obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be necessary to resolve the obligation. Accruals are determined by discounting the cash flow expected in the future at the pre-tax rate, which reflects the current market assessment of the value of money over time and the specific risks of the obligation. The reversal of the discount is recognized as a financial cost.

Sales accruals

The accrual is recognized when the products are sold. The accrual is based on historical data and a weighting of all possible results against the associated probabilities.

i. Guarantee

The Company offers guarantee coverage for manufacturing defects that are covered in a three-year term or 100.000 kilometers, whichever occurs first.

The estimated liability for vehicle guarantee is recognized when vehicles are sold, or new guarantee programs are initiated. These estimates are established using historical information on the nature, frequency and average cost of claims. Other variables to be considered in the calculation are the handling that would imply responding possible future claims, the goodwill of the brand and the replacement campaigns.

The discount on the guarantee accrual is calculated by using a risk-free discount rate, since liability-specific risks, such as inflation, are included in the calculation base.

The timing for guarantee payments varies to the extent that manufacturing defects claims arise.

ii. Variable Dealer Margin (VDM)

This policy is aimed at achieving commercial goals by the car dealerships. The granting of 4,25% of the total purchases made by each dealerships the Company is contractually signed provided the dealership achieves the goals in terms of sales volumes established by the Company's commercial team. The commercial behavior of the dealerships is evaluated at each quarter and the respective bonus are approved or denied.

This policy does not cover the purchase of used or test-drive vehicles with payment terms higher than fifty-five (55) days nor to courtesy vehicles.

iii. Variable Marketing Expenses (VME)

This policy is aimed at the commercial actions previously defined with the parent company through a document called QMSP (Quarterly marketing sales program). Once finalized each month, the car dealership confirms to the Company which units have been sold to the final customer. Based on this, the Company approves or rejects the bonus payment, as a reimbursement, for this concept.

iv. Cooperative Marketing:

Cooperative marketing is a corporate figure in which the Company commits, (accrues), 2% of its monthly wholesaler sales, to marketing activities. At the same time, as the accrual is set, each dealer is billed 1% on the same base (wholesale sales). As of October 2019, the company changes the accrual for this item, constituting only 1% of the dealership.

o) Leases

The Company has applied IFRS 16 using the modified retrospective approach and, therefore, comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. Details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable as from January 1, 2019

At the beginning of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the lease definition in IFRS 16.

This policy applies to contracts entered into on or after January 1, 2019.

As lessee

At the inception or upon modification of a contract containing a lease component, the Company assigns the consideration in the contract to each lease component on a separate relative price basis. However, for property leases, the Company has chosen not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

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The Company recognizes a right-of-use asset and a lease liability at the inception date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the inception date, plus initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or restore the underlying asset or site to its condition, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company at the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the life of the underlying asset, which is determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced for impairment losses, if applicable, and adjusted for certain new measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments not paid at the inception date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental lending rate. Generally, the Company uses the incremental lending rate as the discount rate.

The Company determines its incremental lending rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of leased asset.

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

- fixed payments, including in essence fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the start date;
- amounts expected to be paid as residual value security; and
- the use of a call option that the Company is reasonably certain to exercise, lease payments on an optional renewal period if the Company is reasonably certain to use an extension option and penalties for early termination of a lease unless the Company is reasonably certain that it will not be terminated early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase option, extension or termination, or if there is a fixed lease payment that is substantially reviewed.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset or recorded in earnings if the carrying value of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "loans and obligations" in the statement of financial position.

Policy applicable before January 1, 2019

As for contracts entered into before January 1, 2019, leases in which the lessor retains substantially all the risks and rewards of ownership were classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to profit and loss on a straight-line basis over the lease term.

p) Fair value determination

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

ii) Fair value hierarchy

When measuring the fair value of an asset or liability, the Company uses observable market data whenever possible. Fair values are classified at different levels in a fair value hierarchy that is based on the input data used in the valuation techniques. The chart below analyzes the assets and recurring liabilities booked at fair value. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for assets or liabilities identical to those that the entity can have access to at the measurement date.
- Level 2: data different from quoted prices included in Level 1, which are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices).
- Level 3: data for the asset or liability that are not based on observable market data (unobservable variables).

If the variables used to measure the fair value of an asset or liability can be classified at different levels of the fair value hierarchy, then the fair value measurement is classified entirely at the same level of the fair value hierarchy as the lowest level variable that is significant for the total measurement.

The Company recognizes transfers between the fair value hierarchy levels at the end of the reporting period during which the change occurred.

Note 16 – inventories. It includes additional information about the assumptions made when measuring fair values.

32. Non-effective issued standards

Standards and modifications applicable as from January 1, 2020.

In accordance with Decree 2270 of 2019, the amendments and interpretations issued by the IASB during 2018, applicable as of January 1, 2020, are listed below. The impact of these amendments and interpretations is being assessed by the Company's management. However, they are not expected to have a significant impact on the Company's financial statements (separate/consolidated).

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Financial reporting standard	Subject of the standard or amendment	Detail
Conceptual Framework for Financial Reporting – Modifications to References to the IFRS Conceptual Framework.	Complete modification to the previous conceptual framework.	<p>A new conceptual framework is established for entities applying full IFRSs (Group 1) for the preparation of general-purpose financial information.</p> <p>The new conceptual framework is much aligned with current IFRS and incorporates concepts not established in the previous framework, such as the objectives and principles of disclosure, account unit, derecognition, contracts pending execution, among others.</p> <p>In the modifications to the Conceptual Framework References under IFRS, some of these references and citations are updated so that they refer to the 2018 Conceptual Framework and other modifications are made to clarify which version of the Conceptual Framework is being referred to.</p>
IAS 1 – Presentation of Financial Statements. IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.	The materiality definition is modified.	The modification provides guidance to assist entities in making judgements about materiality or materiality, rather than making substantive changes to the materiality definition. Accordingly, in September 2017, the IASB issued Practice Paper No. 2 "Making Materiality Judgements".
IFRIC 23 - Uncertainty in the Treatment of Income Tax.	Clarification of the application of the recognition and measurement requirements of IAS 12 when there is uncertainty about tax treatments.	These recognition and measurement requirements apply to the determination of taxable profit or tax loss, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty about the treatments of taxes under IAS 12.