

JAGUAR LAND ROVER COLOMBIA S.A.S.

Financial Statements

As of December 31, 2017

(With comparative figures as of December 31, 2016)

With the report of the Fiscal Auditor

JAGUAR LAND ROVER COLOMBIA S.A.S.
 Statement of Financial Position
 As of December 31, 2017
 (With comparative figures as of December 31, 2016)
 (Expressed in thousands of Colombian pesos)

						<u>Unaudited</u>	
	<u>Note</u>		<u>December 31, 2017</u>		<u>December 31, 2016</u>		
Assets							
Cash	9	\$	10.846.068	\$	5.525.000		
Commercial debtors and other receivables	10		560.871		15.035.482		
Accounts receivable related parties	28		2.169.637		-		
Inventories	11		42.769.318		23.677.320		
Current tax assets	12		258.871		615.374		
Other non-financial assets	13		4.131.322		-		
Total current assets		\$	<u>60.736.087</u>	\$	<u>44.853.176</u>		
Deferred tax assets	27	\$	2.939.105	\$	1.000.928		
Total non-current assets			<u>2.939.105</u>		<u>1.000.928</u>		
Total assets		\$	<u>63.675.192</u>	\$	<u>45.854.104</u>		
Liabilities							
Financial liabilities	14-27	\$	6.071.335	\$	6.004.800		
Commercial creditors and other payables	15		2.269.244		2.973.854		
Deferred income	17		307.693		-		
Accounts payable related parties	28		51.661.750		30.840.652		
Other non-financial assets	16		786.701		-		
Tax liabilities			-		869.279		
Employee benefits	18		111.279		-		
Estimated liabilities	19		1.519.235		1.570.971		
Total current liabilities		\$	<u>62.727.237</u>	\$	<u>42.259.556</u>		
Deferred tax liabilities	17		1.259.163		-		
Estimated liabilities	19	\$	1.625.836	\$	205.360		
Total non-current liabilities			<u>2.884.999</u>		<u>205.360</u>		
Total liabilities		\$	<u>65.612.236</u>	\$	<u>42.464.916</u>		
Equity							
Share capital	20	\$	3.600.000	\$	3.600.000		
Profit of the period			(5.326.232)		(210.812)		
Retained profit			(210.812)		-		
Total equity			<u>(1.937.044)</u>		<u>3.389.188</u>		
Total liabilities and equity		\$	<u>63.675.192</u>	\$	<u>45.854.104</u>		

The accompanying notes on pages 1 to 29 are an integral part of the financial statements.

Alejandro Saenz Castillo
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 (See my report from XXXX XX, 2018)

*The undersigned legal representative and accountant certify that we have verified the contents of the financial statements, and that they have been taken faithfully from the company books.

JAGUAR LAND ROVER COLOMBIA S.A.S.
Statements of Comprehensive Income
For the year ended December 31, 2017

(With comparative figures for the period between August 11 (incorporation date) and December 31, 2016)

(Expressed in thousands of Colombian pesos)

Years ended December 31	<u>Note</u>	<u>2017</u>	<u>Unaudited</u> <u>2016</u>
Continuing operations			
Income from ordinary activities	21	\$ 55.292.993	\$ 14.422.083
Cost of sales	22	(47.584.291)	(12.125.192)
Gross income		<u>\$ 7.708.702</u>	<u>\$ 2.296.891</u>
Administration expenses	23	\$ (2.289.748)	\$ (509.552)
Cost of sales and distribution	24	(12.522.371)	(2.563.613)
Other income, net	25	189.430	-
Profit from operating activities		<u>\$ (6.913.987)</u>	<u>\$ (776.274)</u>
Financial (costs) income, net	26	\$ (650.405)	\$ 319.374
Net financial cost		<u>(650.405)</u>	<u>319.374</u>
Loss before taxes		<u>\$ (7.564.392)</u>	<u>\$ (456.900)</u>
Current income tax	27	\$ 2.238.160	\$ 246.088
Loss of the period		<u>\$ (5.326.232)</u>	<u>\$ (210.812)</u>

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JAGUAR LAND ROVER COLOMBIA S.A.S.

Statement of Changes in Equity

For the year ended December 31, 2017

With comparative figures for the period between August 11 (incorporation date) and December 31, 2016

(In thousands of Colombian pesos)

Years ended December 31, 2017 and 2016:	Note	Subscribed and paid-in capital	Profit of the period	Retained profits	Total equity
Initial balance as of January 1, 2016	20	\$ 3.600.000	-	-	3.600.000
Changes in equity:					
Profit of the period		-	(210.812)	-	(210.812)
Final balance as of December 31, 2016 (unaudited)		<u>3.600.000</u>	<u>(210.812)</u>	<u>-</u>	<u>3.389.188</u>
Changes in equity:					
Profit of the period		-	(5.326.232)	-	(5.326.232)
Transfer of profits previous periods		-	210.812	(210.812)	-
Final balance as of December 31, 2017		<u>3.600.000</u>	<u>(5.326.232)</u>	<u>(210.812)</u>	<u>(1.937.044)</u>

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JAGUAR LAND ROVER COLOMBIA S.A.S.
Statement of Cash Flows
For the year ended December 31, 2017

With comparative figures for the period between August 11 (incorporation date) and December 31, 2016

(Expressed in thousands of Colombian pesos)

Years ended December 31:	Note	2017	Unaudited 2016
Cash flows from operating activities			
Profit of the period		\$ (5.326.232)	\$ (210.812)
Adjustments to reconcile net profit with net cash provided for			
Current and deferred income tax	27	(2.238.160)	(246.088)
Inventory impairment	11	1.440.922	-
Unrealized exchange rate difference	26	312.462	323.668
Changes in assets and liabilities:			
Inventories	11	(20.532.920)	(23.677.320)
Commercial debtors and other receivables	12	14.474.611	(15.035.482)
Accounts receivable to related parties	28	(2.221.995)	-
Other non-financial assets	13	(4.131.322)	-
Commercial creditors and other payables	15	(704.610)	2.973.854
Accounts payable to related parties	28	20.602.326	30.840.652
Other non-financial liabilities	16	786.701	-
Employee benefits	18	111.279	-
Provisions	19	1.359.991	1.776.331
Deferred income	17	1.566.856	-
Paid taxes	12	(212.793)	(500.935)
Cash generated from operating activities		\$ 5.287.116	\$ (3.756.132)
Cash flows from financing activities			
Social contributions	20	\$ -	\$ 3.600.000
Increase of financial obligations	14	33.952	5.681.132
Net cash from financing activities		\$ 33.952	\$ 9.281.132
Net cash decrease			
Net cash increase		\$ 5.321.068	\$ 5.525.000
Cash at the beginning of the period		5.525.000	-
Cash as of December 31		\$ 10.846.068	\$ 5.525.000

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1. Reporting entity

Jaguar Land Rover Colombia S.A.S. is a company domiciled in Colombia, located at calle 93 # 13-24, 5th floor, with indefinite duration. It 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'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 the development of its business purpose, the company may sign and execute all types of contracts and transactions that are directly related to it. Likewise, 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.

Going concern

Jaguar Land Rover Colombia SAS projects an increase in the sales curve for 2018, aligned with the expected performance of the luxury automotive market in Colombia and the economic dynamics that the country has been showing. The management's strategy to correct the results obtained during 2017 is based on the brand expansion through the opening of new car dealerships in the main cities of the country, with the aim of having a higher quality in the provision of sales and after-sales services in the different regions.

The projected increase in sales volume is three times higher than in 2017 and administration expenses are expected to stabilize with the consolidation of the offices in Bogotá.

Consequently, this strategy will result in a higher level of income, a stabilization of fixed costs and, therefore, an expectation of greater value generation by the organization in subsequent periods.

2. Regulatory Technical Framework

The financial statements have been prepared in accordance with the Accounting and Financial Information Standards accepted in Colombia (NCIF), established in Act 1314 of 2009, regulated by the Sole Regulatory Decree 2420 of 2015 modified by Decrees 2496 of 2015 and 2131 of 2016 and 2170 of 2017. The NCIFs applicable in 2017 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 December 31, 2015.

For legal purposes in Colombia, the individual financial statements are the main financial statements.

The main accounting policies applied in the preparation of the financial statements are detailed in point 6.

3. Measurement basis

The Financial Statements have been prepared based on historical cost.

4. Functional and presentation currency

The items included in the financial statements of the Company 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.

5. 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.

6. Significant accounting policies

The accounting policies and bases set forth below have been applied consistently in the preparation of the financial statements, in accordance with the accounting and financial reporting standards accepted in Colombia (NCIF), unless otherwise stated.

a) Transactions in foreign currency

Transactions in foreign currencies are converted to the functional currency using the exchange rates in effect on the transactions dates. Gains or losses in foreign currencies arising from these transactions and from the conversion to year-end exchange rates for monetary assets and liabilities in foreign currencies are recognized in the income statement.

Gains or losses in foreign currencies that relate to loans and cash are presented in the income statement in financial (costs)/income.

b) Financial Instruments

(i) Financial assets

Recognition, initial measurement and classification

The initial recognition of financial assets is at fair value. In case a financial asset is not carried at fair value through profit or loss, the transaction costs directly attributable to the acquisition of the financial asset are added.

Financial assets are classified at amortized cost or fair value based on:

- (a) the entity's business model for managing financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

(ii) Financial assets at fair value

Financial assets at fair value through profit or loss include financial assets not designated at the time of classification as at amortized cost.

(iii) Financial assets at amortized cost

A financial asset is measured at amortized cost using the effective interest method and net of impairment loss, if:

- The asset is held within a business model with the objective of holding the assets to obtain the contractual cash flows; and
- The contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest.

(iv) Derecognition of assets

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to the cash flows from the asset expire
The contractual rights to the cash flows from the asset are transferred or an obligation to pay all cash flows to a third party is assumed without significant delay through a transfer agreement;
- All the ownership risks and benefits of the asset have been substantially transferred
- The risks and benefits inherent in the ownership of the asset are substantially retained, but the control of the asset has been transferred.

Fair value measurements

Fair value hierarchy:

The table below analyzes the recurring assets and liabilities booked at fair value. The different levels are defined as follows.

Level 1: Quoted (non-adjusted) prices in active markets for assets or liabilities identical to those that the entity can have access to at the measurement date.

Level 2: data other than quoted prices included in Level 1, which are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: data for assets or liabilities that are not based on observable market data (non-observable variables).

Cash

Cash includes cash in banks.

c) Impairment of financial assets

At the end of each year, the Company evaluates whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or a group of financial assets is impaired and impairment losses have been incurred, if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets, which can be calculated reliably.

Impairment evidence may include indicators about a debtor or a group of debtors who are experiencing significant financial difficulties, who have not made their payments or who have delays in paying interest or principal, and who are likely to be bankrupt or undergo another financial reorganization, and that observable data, such as economic conditions related to arrears, indicate that there is a measurable decrease in the estimated future cash flows.

Some possible impairment indicators of accounts receivable are financial difficulties of the debtor, the probability that the debtor will initiate a bankruptcy or financial reorganization process and non-compliance or non-payment.

If, in a subsequent period, the amount of the impairment loss decreases and such a decrease can be objectively related to an event subsequent to the recognition of the impairment, the reversal of the previously recognized impairment loss is recognized in the income statement.

When an account receivable is deemed uncollectible, it is written off against the respective provision for doubtful accounts. The subsequent recovery of amounts previously written off is recognized with a credit to the "sales and marketing expenses" account in the income statement.

d) 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 course of business less applicable variable selling expenses.

The Company uses the specific identification method for the costing of its inventories, based on the average calculation of the components of each vehicle.

Acquisition costs include purchase price, tariffs and other taxes (non-recoverable), freight (transportation and handling costs) and other directly attributable costs, less 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. A provision for inventories is recognized when the net realizable value is identified as being less than the inventory cost.

e) 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 rendered 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.

f) Provisions

Provisions are recognized when the Company has a present legal or assumed obligation as a result of past events, and it is likely that an outflow of resources is required to settle the obligation and the amount has been reliably estimated. No provisions are recognized for future operating losses.

When there are several similar obligations, the probability that a cash outflow may be required is determined by considering the type of obligations as a whole. A provision is recognized even if the probability of the cash outflow regarding any item included in the same class of obligations may be small.

Provisions are valued at the present value of the disbursements expected to be necessary to settle the obligation using a pre-tax discount rate that reflects the current market assessments of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as a financial expense.

i) Guarantee

The Company offers guarantee coverage with regard to manufacturing defects that manifest one to five years after the purchase, depending on the market in which the vehicle was purchased.

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 management that would imply responding possible future claims, the good reputation of the brand and the replacement campaigns.

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

The timing of guarantee payments varies depending on the claims for manufacturing defects, which is usually up to five years.

ii) Fixed Marketing Expenses (FME)

Provision to cover the estimate for fixed marketing expenses as a basis for the impulse of the brand sales.

iii) Variable Dealer Margin (VDM)

Within the figures used by the company to stimulate sales through its dealer, a discount margin is provisioned based on business goals determined by the parent company. For the beginning of 2017, the calculation was made on the total sales by 5%. From October 2017, it reduced by 20%. Thus, the final provision is settled on the total sales by 4.25%.

iv) Variable Marketing Expenses (VME)

It relates to the estimate of obligations resulting from variable marketing expenses. The calculation originates from the parent company and disaggregates by brand and sales channel: Retail or Whole sales.

g) Capital

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of cash or other resources received or receivable, net of direct costs for the equity instruments issuance.

h) 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 the amount of income 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 dealers 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.

ii) Provision of services

The Company provides a Service Plan, which refers specifically to the value added by a technical and technologically specialized service plan for each sold vehicle, as well as the replacement of legitimate parts for

those that may have defects. This service is associated with the main purpose of the Company, which is the sale of motor vehicles. This income is included within the sale of each vehicle.

Once the Company estimates the portion of income attributable to services, the services are deferred for up to five years.

The Company realizes its deferred income as long as the 5-year coverage period expires, without the customer using the service.

i) Current and deferred income tax

The income tax expense for the period includes deferred and current taxes. The tax is recognized in the income statement, unless a change attributable to an item of income or expense, recognized as other comprehensive income, is also recognized directly in other comprehensive income.

Deferred income tax is recognized on temporary differences (other than temporary differences associated with unremitted profits of foreign subsidiaries and foreign affiliates to the extent that the investment is essentially permanent in duration, or temporary differences associated with the initial recognition or goodwill) that arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or credits. Deferred income taxes are determined by using tax rates and laws that have been enacted or that have been substantively enacted as of the reporting date.

The carrying amounts of deferred tax assets are reviewed on each reporting date and a provision is established for valuation against deferred tax assets in such a way that the net carrying amount equals the higher amount, which is more likely to be recovered based on future or current taxable income.

j) Leases

Leases in which, substantially, the lessor retains all the ownership risks and benefits are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement in a straight line over the lease period.

7. Financial risk 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 Group's financial position. The Management in Colombia does not use derivatives to cover these risks.

The central treasury department of the Group is responsible for risk management in accordance with the policies approved by the Board of Directors. The Group'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 risk general management and for investing liquidity surplus.

i) 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 objective of market risk management is to manage and control market risk exposures within reasonable parameters and at the same time optimize profitability.

At present, the Company is not significantly affected by market risks of instruments in other currencies, variable rate debts, among others.

Currency risk

The Company buys its inventory, motor vehicles and their accessories, abroad in foreign currency, which is why it is exposed to currency exchange risk resulting from 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. As of December 31, 2017, the representative market exchange rate was \$ 2984.00 per US \$1. The Company had the following liabilities in foreign currency, accounted for by its equivalent in thousands of pesos:

	December 31, 2017		Unaudited December 31, 2016	
	US\$	Equivalent in thousands of Colombian pesos	US\$	Equivalent in thousands of Colombian pesos
Current assets				
Accounts receivable to related parties (Note 28)	727.090	2.169.637	-	-
Total	727.090	2.169.637	-	-
Current liabilities				
Financial liabilities	(2.034.630)	(6.071.335)	(2.001.127)	(6.004.800)
Accounts payable to related parties (Note 28)	(17.312.919)	(51.661.750)	(10.277.785)	(30.840.652)
Total	(19.347.549)	(57.733.085)	(12.278.912)	(36.845.452)
Net exposure of the statement of financial position	(18.620.459)	(55.563.448)	(12.278.912)	(36.845.452)

The following exchange rates were applied during the fiscal year

	Average exchange rate		Exchange rate at the balance sheet date	
	2017	2016	2017	2016
USD 1\$	2.949,92	3.052,13	2.984,00	3.000,71

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 applied in the same way for 2016, although the variation reasonably possible in the foreign exchange rate was different, as indicated below.

In thousands of pesos	Exchange at the balance sheet date		
	Movement	2017	2016
Actual rate		2.984,00	3.000,71
Scenario (Strengthening)	2,00%	3.043,68	3.060,72
Scenario (Weakening)	-2,00%	2.924,32	2.940,70
Tax rate		40%	40%

Effect thousands of pesos	Equity		Profit and Loss	
	Strengthening	Weakening	Strengthening	Weakening
December 31, 2017 USD (2% movement)	(1.111.270)	1.111.270	(666.762)	666.762
December 31, 2016 USD (2% movement)	(736.859)	736.859	(442.115)	442.115

Fair value interest rate risk and cash flows

The Company has significant interest-bearing liabilities, and cash flows are substantially dependent on the interest rates changes in the market.

100% of the company's leverage is carried out with the parent company, Jaguar Land Rover UK.

In thousands of pesos	Exchange at the balance sheet date		
	Movement	2017	2016
Actual LIBOR rate		0,1626%	0,7717%
Scenario (Strengthening)	0,50%	0,1634%	0,8235%
Scenario (Weakening)	0,50%	0,1618%	0,8194%
Tax rate		40%	40%

Effect thousands of pesos	Equity		Profit and Loss	
	Strengthening	Weakening	Strengthening	Weakening
December 31, 2017 (0,5% movement)	(9.907)	(9.809)	(5.944)	(5.885)
December 31, 2016 (0,5% movement)	-	-	-	-

ii) Credit risk

The Company Management is responsible for establishing and supervising the Company's risk management structure. Management watches over 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, set limits and adequate risk controls, and to monitor risks and compliance with limits. Policies and risk management systems are reviewed regularly to reflect changes in the market conditions and Company activities.

The Company, through its regulations and management procedures, intends to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company Management supervises the way in which the organization monitors compliance with risk management policies and procedures and reviews whether the risk management framework is appropriate with regard to the risks faced by the Company.

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 transfer of risk to the bank if a client or counterparty in a financial instrument does not comply with its contractual obligations.

In the scenario, in which the Company does not manage credit risk through factoring, the exposure to December 31, 2017 is:

Credit risk exposure

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

<i>In thousands of pesos</i>	2017	Unaudited 2016
Cash (1)	10.846.068	5.525.000
Commercial debtors and other receivables	560.871	15.035.482
	11.406.939	20.560.482

- (1) The banking entity that supports the company 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 corresponds to 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 corresponds to the highest category in investment grades. 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 commercial debtors and other accounts receivable at the end of the reporting period is as follows:

Carrying amount:

	2017	2016
From 0 to 30	546.972	14.978.903
From 31 to 60	-	42.680
From 61 to 90	-	13.899
Greater than 91	13.899	-
	560.871	15.035.482

iii) Liquidity risk

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 Group'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 12 months are equivalent to their carrying amount since the discount impact is not significant.

December 31, 2016

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months
Non-derivative financial assets				
Commercial accounts	560.871	560.871	560.871	-
Accounts receivable to related parties	2.169.637	2.169.637	-	2.169.637
	2.730.508	2.730.508	560.871	2.169.637
Non-derivative financial liabilities				
Commercial creditors	2.269.244	2.269.244	2.269.244	-
To related companies	51.661.750	51.661.750	32.972.365	18.689.385
Financial liabilities	6.071.335	6.071.335	55.254	6.016.081
	60.002.329	60.002.329	35.296.863	24.705.466

**Unaudited
December 31, 2017**

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months
Non-derivative financial assets				
Commercial accounts	15.035.482	15.035.482	15.035.482	-
Accounts receivable to related parties	-	-	-	-
	15.035.482	15.035.482	15.035.482	-
Non-derivative financial liabilities				
Commercial creditors	2.973.854	2.973.854	2.973.854	-
To related companies	30.840.652	30.840.652	30.840.652	-
Financial liabilities	6.004.800	6.004.800	6.004.800	-
	39.819.306	39.819.306	39.819.306	-

iv) Capital management

Management's policy is to maintain a sound capital base to preserve the confidence of creditors and the market, and to sustain the future development of the business.

The Company has 1 senior partner, who is headquartered in the UK, and its decisions are imparted through the Company's General Management. This partner is:

JAGUAR LAND ROVER LIMITED UK.

The Company seeks to maintain a solid balance sheet and solid liquidity to obtain the financial resources necessary to take prudent advantage of commercial, research and business development opportunities to enhance directly shareholder value through dividends.

The Company is committed to capitalizing on growth opportunities by maximizing line products and various forms of business development, seeking to generate profit growth and improve shareholder returns.

	2017	Unaudited 2016
Total liabilities	65.612.236	42.464.916
Less: Cash	(10.846.068)	(5.525.000)
Net Debt	54.766.168	36.939.916

Total assets	(1.937.044)	3.389.188
Less: accumulated amounts in equity for cash flow hedges	-	-
Adjusted capital	(1.937.044)	3.389.188
Debt-to-equity ratio adjusted as of December 31	52.829.124	33.550.728

8. NON-EFFECTIVE ISSUED STANDARDS

i) Rules and amendments applicable as from January 1, 2018.

In accordance with the provisions of Decrees 2496 of December 2015 and 2131 of December 2016, the standards issued applicable from 2018 onwards are listed below. The impact of the application of IFRS 9 and 15 is indicated in 9 (ii). With regard to the standards, the Company's management does not expect any significant impact on the financial statements:

Financial reporting standard	Subject of the standard or amendment	Details
IFRS 9 - Financial Instruments	Financial instruments (as revised in 2014).	<p>The replacement project refers to the following phases:</p> <ul style="list-style-type: none"> • Phase 1: Classification and measurement of financial assets and liabilities. • Phase 2: Impairment methodology. • Phase 3: Hedge accounting. <p>In July 2014, IASB completed the reform of the accounting for financial instruments and IFRS 9 - Financial instrument accounting (in its revised version of 2014) was issued, which will replace IAS 39 - Financial Instruments: recognition and measurement after the expiration of the effective date of the previous one.</p>
IFRS 15 - Revenue from customer contracts	Revenue from contracts with customers.	<p>It establishes a five-step model that applies to revenue from contracts with customers. It will replace the following standards and interpretations of entry after the effective date:</p> <ul style="list-style-type: none"> • IAS 18 - Revenue. • IAS 11 - Construction contracts. • IFRIC 13 - Customer Loyalty Programs. • IFRIC 15 - Agreements for Construction of Real Estate. • IFRIC 18 - Transfers of Assets from Customers. • SIC 31 - Barter transactions including advertising services.

Financial reporting standard	Subject of the standard or amendment	Details
IAS 7 - Statement of Cash Flows	Disclosure initiative	Requiring entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
IAS 12 - Income taxes	Recognition of Deferred Tax Assets for Unrealized Losses	Clarifying the deferred tax assets recognition requirements for unrealized losses on debt instruments measured at fair value.
IFRS 15 - Revenue from ordinary activities arising from customer contracts	Clarifications	The objective of these amendments is to clarify the intentions of IASB when developing the IFRS 15 requirements without changing its underlying principles.

The new standard IFRS 16 – Leases was issued in January 2016 by the IASB and it has been adopted in Colombia by Decree 2170 of December 2017 to be applicable in Colombia as from January 1, 2019.

ii) Impact of adopting new standards (IFRS 9 and IFRS 15)

The Company is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers as of January 1, 2018, which are not expected to have a material impact on the Company's financial statements in the initial application period.

The Company has assessed the estimated impact that the initial application of IFRS 9 (see (A)) and IFRS 15 (see (B)) will have on its financial statements. The estimated impact of the adoption of these standards on the Company's equity is based on the evaluations conducted to date and is summarized below.

The current impacts of adopting the standards as of January 1, 2018 could change because:

- Jaguar Land Rover has not completed the testing and evaluation of controls over its information technology systems, and the Company is in the process of assessing 100% of its portfolio against its risk profile and
- The new accounting policies are subject to changes until Jaguar Land Rover presents its first financial statements that include the initial application date.

A. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, issued in July 2014, establishes the requirements for the recognition and measurement of financial assets and liabilities and certain contracts for the purchase or sale of non-financial items. This standard supersedes IAS 39 Financial Instruments - Recognition and Measurement.

IFRS 9 incorporates:

- Fair value with changes in ORI as a new classification and subsequent measurement applicable to simple debt financial assets in relation to IFRS 9 (2013);
- New impairment requirements related to expected loss accounting, for which the requirements of IAS 39 on credit loss accounting under the incurred loss model were applied.
- New hedge accounting, for which the standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the requirements of IAS 39. This

is due to the fact that the macro-hedge accounting project has not yet been completed and the Company does not have hedge accounting.

i) Classification - Financial assets

IFRS 9 contains a new approach for the classification and measurement of financial assets that reflects the business model in which the asset is managed and the characteristics of its cash flows.

It contains three main categories of classifications of financial assets: measured at amortized cost, fair value with changes in ORIs and fair value with changes in profit and loss. The standard eliminates the existing categories under IAS 39 of held-for-sale, loans and receivables and available-for-sale.

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

1. The asset is held within a business model aimed at obtaining contractual cash flows and
2. The contractual terms of the financial asset establish specific dates for cash flows derived only from payments of principal and interests on the outstanding balance.

A debt instrument is measured at fair value through profit or loss with changes in ORI only if it meets the following two conditions and has not been designated first as fair value through profit or loss.

Under IFRS 9, derivatives embedded in contracts where the underlying is a financial asset within the scope of the standard are never bifurcated. In contrast, the hybrid financial instrument as a whole is assessed for its classification

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on the accounting for accounts receivable, loans, creditors and other payables. The Company does not book any investments in debt instruments or equity instruments as of December 31, 2017.

ii) Impairment – Financial assets and contract assets

IFRS 9 replaces the losses incurred model in IAS 39 with an “expected credit losses” (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs. This will be determined based on a weighted probability.

The new impairment model will apply to financial assets measured at amortized cost or at fair value with changes in ORIs, except for investments in equity instruments and contract assets.

According to IFRS 9, provisions for losses are measured on the following basis:

- 12-month ECLs are ECLs that result from possible events of default within 12 months of the reporting date and
- Full life ECL are ECLs that result from all possible events of default on the expected life of the financial instrument.

Full-life ECLs apply if the credit risks of a financial asset at the reporting date have increased significantly since initial recognition and 12-month ECL measurements apply if this has not occurred. An entity may determine that the credit risk of a financial asset has not increased significantly if the asset has a low credit risk at the reporting date. However, full life ECL measurements always apply to accounts receivable and contract assets with a significant financial component.

The Company will apply the full-life ECL basis (Simplified Approach) for its policies and will book expected credit losses over the life of its commercial receivables, contract assets and lease receivables. Consequently, the application of the new requirements will probably lead to an acceleration in the recognition of impairment losses on its financial assets, mainly commercial accounts with customers.

The Company believes that impairment losses for assets within the scope of the impairment model in IFRS 9 are likely to increase and become more volatile.

iii) Classification - Financial liabilities

IFRS 9 retains largely the IAS 39 requirements for the classification of financial liabilities. Nevertheless, under IAS 39, all changes in the fair value of liabilities designated as changes in profit or loss are recognized in profit or loss, whereas under IFRS 9 these changes in fair value are generally presented as follows:

- The amount of the change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and
- The remaining amount of change in fair value is presented in profit or loss.

The Company has not designated any financial liabilities as at fair value through profit or loss and has no current intention to do so. The evaluation did not indicate any significant impact on the classification of financial liabilities as of January 1, 2018.

iv) Disclosures

IFRS 9 requires extensive new disclosures, particularly about hedge accounting, credit risk and ECLs.

The Company does not perform hedge accounting. Therefore, there is no expected impact on the Company from changes in hedge accounting standards under IFRS 9.

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively, except as described below:

- The Company will take advantage of the exemption that allows it not to restate comparative information from prior periods with regard to changes in classification and measurement (including impairment). Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 will be generally recognized in retained earnings at January 1, 2018.

- The following assessments should be made based on the existing facts and circumstances at the date of initial application.

- a. The determination of the business model in which a financial asset is held.
- b. The designation and revocation of prior designations of certain financial assets and liabilities measured at fair value through profit or loss.

The designation of certain investments in equity instruments not held for trading as at fair value with changes in other comprehensive income.

v) Final considerations:

Based on the analysis performed by the Company and taking into account the validation of its business model, it is determined that the changes in this standard will not have an impact on the recognition of its financial instruments, since its accounts receivable will be 100% recoverable. Therefore, no impairment is recognized, and its accounts payable are recognized at amortized cost, for which no associated costs were identified and, hence, its interest rate does not differ from the return rate.

B. IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining the amount and timing of income that is recognized. It replaces the existing revenue recognition guide, including IAS 18 Revenue from ordinary activities, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

i) Sales of goods

The Company sells all types of Jaguar and Land Rover vehicles and accessories to authorized dealers in Colombia. Sales of such assets are recognized in the financial statements when the ownership of the asset and all risks associated with it have been transferred. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue is recognized when a customer obtains control of the assets. The Company's evaluation indicates that the result of this will be revenue and the associated costs for these contracts are recognized at the same time as the motor vehicles are delivered and accepted by the dealers. Therefore, no impact on the Company's profit and loss is identified.

In some cases, the Company's contracts with the dealers allow returning vehicles as a guarantee. In accordance with IFRS 15, the income may be recognized for these contracts to the extent that it is probable that a reversal of a recognized amount of accumulated income will not occur. That is why the Company made estimates for the contracts with dealers where there was a regular return as of December 31, 2017.

The Company establishes the amount of the possible monthly guarantees to be executed under the Service Plan policy that were estimated and booked as a lower value of income during 2017, which is why there will not be a high impact on the adoption of IFRS 15 for the Company.

ii) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this recognized standard at the date of initial application (i.e. January 1, 2018). Accordingly, the Company will not apply the requirements of IFRS 15 to the comparative period presented.

iii. Standards and amendments applicable from January 1, 2019

In accordance with the provisions of Decree 2170 of December 2017, the standards issued applicable as from 2019 onwards are listed below. The Company's management is evaluating the impact of these standards:

Financial reporting standard	Subject of the standard or amendment	Detail
------------------------------	--------------------------------------	--------

IFRS 16 - Leases	Recognition, measurement, presentation and disclosure of leases	IFRS 16 Leases establishes the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that accurately represents those transactions. This information provides a basis for users of financial statements to assess the effect that leases have on the entity's financial position, financial performance and cash flows.
IAS 40 - Investment properties	Transfers of investment properties	It amends paragraph 57 to reflect the principle that a change of use would involve (a) an assessment of whether a property meets, or no longer meets, the definition of investment property; and (b) evidence to support that change of use has occurred. By applying this principle, an entity will transfer property under construction or development to or from investment property when, and only when, there is a change of use of this property supported by evidence.
IFRS 2 - Share-based Payment	Classification and measurement of share-based payment transactions.	Considerations to address accounting for a change in the terms and conditions of a share-based payment that changes the classification of a transaction from cash-settled to equity-settled, the classification of a share-based payment transaction with a net-settlement feature by the withholding of tax liabilities and the accounting for the effects of the conditions, for the irrevocability of the grant on the measurement of a share-based payment that is settled in cash.

IFRS 4 - Insurance Contracts	Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.	It addresses the concerns about the different effective dates of IFRS 9 and the forthcoming standard on insurance contracts. The amendments include a temporary exemption of IFRS 9 for insurers that meet specified criteria and an option to apply the overlap approach to designated financial assets.
Annual Improvements to IFRS Cycle 2014 - 2016	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.	Elimination of short-term exemptions for first-time adopters of IFRSs.
	Amendments to IFRS 12 Disclosures about interests in other entities	Clarification of the scope of the standard.
	Amendments to IAS 28 Investments in affiliated and joint ventures.	Fair value measurement of an affiliated or joint venture.

9. Cash

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

	2017	Unaudited 2016
Domestic banks	10.846.068	5.525.000
	10.846.068	5.525.000

As of December 31, 2017 and 2016, there are restrictions on cash.

10. Commercial debtors and other payables

The following is a detail of commercial debtors and other payables as of December:

	2017	Unaudited 2016
Domestic customers (1)	546.972	14.838.282
Deposits	13.899	13.899
Sundry debtors	-	183.301
	560.871	15.035.482

- (1) As of December 31, 2017, domestic customers correspond to the sale of motor vehicles to Premier Motor Group. The amount of the customer's accounts receivable has not been impaired. The variation corresponds to the payment of the outstanding invoices for financing of the dealer with Banco Santander, through a model based on discounting invoices through factoring, transferring the risk to the bank, so the bank pays the amount of each security in the short term, charging a financial commission.

11. Inventories

	2017	Unaudited 2016
Finished products	31.510.933	1.703.230
In-transit inventory	12.699.307	21.974.090
	44.210.240	23.677.320
Less net realizable value adjustment (1)	(1.440.922)	-
Carrying amount of inventories	42.769.318	23.677.320

(1) The movement in the estimate of the net realizable inventory adjustment is detailed below:

	2017	Unaudited 2016
Initial balance	-	-
Net realizable value adjustment (1)	(1.440.922)	-
Final balance	(1.440.922)	-

The estimate of net realizable value is based on taking the estimated selling price of the Company's inventories in the normal course of operations, less the estimated costs necessary to carry out sales.

12. Current tax assets

The following is a detail of tax assets as of December:

	2017	Unaudited 2016
Income tax self-withholding	241.481	-
Withholding at source	-	142.231
Surplus in private sales tax settlement	-	415.682
CREE surtax advance payment	-	57,461
Income surtax advance payment	17.390	-
	258.871	615.374

13. Other non-financial assets

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

	2017	Unaudited 2016
Advance payments	44.461	-
Surplus in private VAT settlement	-	-
Withholding at source	562.133	-
VAT credit balance	3.524.728	-
Total other non-financial assets	4.131.322	-

14. 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, whose expiration date December 31, 2018.

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 main loan. Interest will accrue daily. The reference rate will be the highest between zero percent (0%) or 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 apply it to the loan.

	2017	Unaudited 2016
Financial obligations – Parent Company	6.071.335	6.004.800
	6.071.335	6.004.800

15. Commercial creditors and other accounts payable

The following is the detail of commercial creditors and other payables as of December:

	2017	Unaudited 2016
Customs services	(1.098.287)	-
Vehicle preparation	(530.383)	-
Marketing	(335.272)	-
Fees	(207.205)	-
Other	(55.734)	-
Leases	(25.868)	(2.411.400)
Travel expenses	(16.495)	(562.454)
	(2.269.244)	(2.973.854)

This relates mainly to accounts payable associated with the expenses incurred by the Company for its sales, such as import and vehicle preparation expenses, which amount to 72%. In addition, the brand's marketing expenses were 15%. The remaining balance comprises fee obligations with a 9% and finally the lease of the administrative office, among other small expenses.

16. Other non-financial liabilities

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

	2017	Unaudited 2016
Industry and commerce	(6.472)	(114.439)
Industry and commerce withholding	(8.308)	-
Withholding at source	(57.384)	(754.840)
Consumption tax	(714.537)	-
	(786.701)	(869.279)

17. Deferred income

Deferred income corresponds to the recognition of those revenues from the service plan, which are not realized at the time of sale of the vehicle, but, according to Company policies, are deferred to 5 years, the maximum time in which the customer is expected to receive this service.

As of December 31, 2017 and 2016, the amount recognized as deferred income in the statement of financial

position was:

	2017	Unaudited 2016
Short-term deferred income	307.693	-
Long-term deferred income	1.259.163	-
	1.566.856	-

18. Employee benefits

The following is the detail of employee benefits as of December 31, 2017 and 2016:

	2017	Unaudited 2016
Severance	25.996	-
Vacations	20.189	-
Interests on severance	2.227	-
Extra legal bonus	62.867	-
	111.279	-

19. Estimated liabilities

The following is a detail of the estimated liabilities as of December 31, 2017 and 2016:

	2017	Unaudited 2016
<i>Estimated short-term liabilities</i>		
Guarantees	1.252.111	124.045
Variable dealer margin- VDM	-	711.156
Variable marketing expenses- VME	267.124	451.307
Fixed marketing costs- FME	-	284.463
	1.519.235	1.570.971
<i>Estimated long-term liabilities</i>		
Guarantees	1.625.836	205.360
	1.625.836	205.360
	3.145.071	1.776.331

20. Share capital

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.

21. Revenues from ordinary activities

The detail of revenues from ordinary activities is as follows:

	2017	Unaudited 2016
Vehicle Sales	55.194.449	14.442.083
Services	98.544	-
Total revenues	55.292.993	14.442.083

22. Cost of Sales

The following is a breakdown of cost of sales:

	2017	Unaudited 2016
Vehicle Sales	(47.584.291)	(12.125.192)
Total costs	(47.584.291)	(12.125.192)

23. Administration expenses

The following is the detail of the administrative expenses:

	2017	Unaudited 2016
Taxes (2)	612.899	137.539
Fees	594.531	152.869
Employee benefits (3)	409.541	-
Leases	204.926	41.258
Services	189.411	140.851
Sundry expenses (1)	90.755	35.656
Travel expenses	88.011	-
Insurance	55.858	-
Legal expenses	23.194	-
Contributions and affiliations	20.225	1.379
Maintenance and repair	397	-
Total	2.289.748	509.552

(1) The detail of sundry expenses is as follows:

	2017	Unaudited 2016
Stationery and photocopies	24.450	226
Car park	21.996	2.629
Vehicle shipping expenses	11.916	-
Low value assets	11.913	32.557

Logistics service	7.906	-
Fuels and lubricants	5.285	-
Taxi and bus	3.213	-
Accommodation and allowance	2.189	-
Casino and restaurant	1.812	-
Road toll	73	-
Other sundry expenses	-	244
	90.755	35.656

(2) Tax expenses increased mainly due to the sales growth, which is directly related to the industry and commerce tax. For 2016, it had an \$114,439 balance, whose growth for 2017 was 359,098, for a final balance of 473,537. On the other hand, the banking operational growth that increases the expenses for the tax on financial transactions went up from 22,862 in 2016 to 139,266 in 2017.

(3) The following is the detail of employee benefits:

	2017	Unaudited 2016
Salaries	231.587	-
Bonus by objectives	28.965	-
Contributions to family compensation funds	27.790	-
Contributions to health promoting entities	19.685	-
Severance	19.296	-
Service bonus	18.963	-
Medical insurance	15.100	-
Taxed food allowance	11.800	-
Vacations	9.652	-
Contributions to pension and severance funds	9.263	-
Contributions to I.C.B.F.	6.948	-
Contributions to Sena	4.632	-
Prepaid medicine	3.021	-
Interests on severance	1.629	-
Contributions to A.R.P.	1.210	-
	409.541	-

At the end of 2017, the Company had five employees with an indefinite term contract. For 2016, the Company operated a temporary services contract with the supplier ABX Petra domiciled in Bogotá bringing in two people in the administrative area and two people in the sales area, under such contract.

24. Sales and distribution expenses

The following is the detail of the sales and distribution expenses:

	2017	Unaudited 2016
Services (1)	11.445.823	2.539.580
Car cost overrun (2)	544.383	-
Employee benefits	394.946	-
Travel expenses	80.412	-
Fees	25.800	21.900

Sundry expenses	25.561	2.133
Insurance	5.316	-
Maintenance and repair	126	-
Legal expenses	4	-
	12.522.371	2.563.613

(1) It corresponds mainly to the company expense for its marketing activities. Marketing expenses for \$ 9,295,918 and advertising expenses for \$ 756,400 constitute more than 80% of the sales expenses.

(2) Vehicle cost overruns correspond to all expenses incurred by the Company for costs associated with the maintenance and preparation of available inventory for sale. Among the most important concepts are storage, washing etc.

25. Other revenues, net

The detail of other revenues, net, is as follows:

	2017	Unaudited 2016
Recovery of provisions	279.839	-
Assumed taxes	(14.039)	-
Fines, sanctions and litigation	(6.853)	-
Other, sundry expenses	(69.517)	-
	189.430	-

26. Financial income and costs, net

The following is a detail of financial costs and income, net:

	2017	Unaudited 2016
Unrealized exchange rate difference	8.196.399	2.131.343
Realized exchange rate difference	105.610	-
Financial income	8.302.009	2.131.343
Unrealized exchange rate difference	7.883.937	1.807.675
Realized exchange rate difference	75.066	-
Bank expenses	871.671	124
Interests	119.180	3.931
Commissions	2.560	239
Financial costs	8.952.414	1.811.969
Costs, financial income	(650.405)	(319.374)

27. Income taxes

In accordance with current tax regulations, the Company is subject to income and additional a taxes. The applicable rates will be the following: 34% in 2017 and 33% in 2018 and following years, plus a 6% surtax in 2017 and 4% in 2018.

This surcharge is applicable when the taxable base of the tax is greater than or equal to \$800 million pesos.

Tax revenues for occasional gains are taxed at a 10% rate.

The base for determining the income tax cannot be less than 3.5% of its net assets on the last day of the immediately preceding taxable year (presumptive income).

In accordance with article 165 of Act 1607 of 2012 and Regulatory Decree 2548 of 2014, for tax purposes, the references contained in the tax rules to accounting standards will continue to be valid for four (4) years following the coming into force of the International Financial Reporting Standards. Nevertheless, such an Act and Regulatory Decree were repealed according to article 22 of Act 1819 of 2016, which added a new article to the National Tax Statute, which provides the following for the 2017 and subsequent periods: "for the determination of the tax on income and additional taxes, in the amount of assets, liabilities, equity, income, costs and expenses, the taxpayers subject to this tax required to keep accounting records will apply the recognition and measurement systems, in accordance with the regulatory technical accounting frameworks in force in Colombia, whenever the tax law expressly refers to them and in cases where this does not regulate the matter. In any case, the tax law may expressly provide a different treatment in accordance with Article 4 of Act 1314 of 2009."

The income tax breakdown is as follows:

	2017	Unaudited 2016
Loss before income tax provision	(7.564.392)	(456.900)
Use of provisions	3.736.661	2.362.843
Taxes	(99.950)	114.439
Property, plant and equipment	251	32.014
Tax on financial transactions	69.633	11.431
Non-taxable income	-	(56.726)
Fixed assets depreciation	(6.511)	
Exchange rate difference	381.215	-
Interests	3.120	-
Non-deductible expenses	88.846	
Net income	(3.391.127)	2.007.101
Net ordinary income	(3.391.127)	2.007.101
Presumptive income	145.685	-
Income tax rate	34%	25%
Income tax for equality "CREE" rate	0%	9%
"CREE" tax surcharge	0%	6%
Income tax provision	-	(501.775)
Income tax for equality "CREE" provision	-	(180.639)
Provision for "CREE" tax surcharge	(49.533)	(72.426)
Deferred tax	1.938.177	1.000.928
Previous years income tax adjustments	211.926	-
Previous years "CREE" tax adjustments	137.590	-
	2.238.160	246.088

Current tax provisions applicable to the Company stipulate that:

- Income tax rates for 2017, 2018 and 2019 and following periods are 40%, 37% and 33% respectively (including the income tax surcharge, only for 2017 at 6% and 2018 at 4%). For 2016, the income tax and CREE rate was 40%.

Tax reform

On December 29, 2016, Act 1819 of 2016 was enacted, through which new rules on tax matters are introduced. The most relevant aspects of which are presented below:

- As from 2017, the income tax for equality CREE is eliminated and the income and additional taxes are unified. The applicable rates will be the following: 34% in 2017 and 33% in 2018 and 2019, with a corresponding surtax of 6% in 2017 and 4% in 2018. This surcharge is applicable when the taxable base is greater than or equal to \$800 million pesos.
- The presumptive income percentage increased to 3.5%, which will continue to be settled on liquid assets.
- The taxation system is modified on the profits generated as from 2017 to be converted as a dividend, which will be taxed on behalf of the company and the partner. As for profits that, according to articles 48 and 49 of the Tax Statute, are "not taxed", the following rates must be applied, considering the quality of the beneficiary:
 - Marginal rates between 0%, 5% and 10% in the payment or credit to resident natural persons.
 - 5% rate on payment or credit to non-residents, foreign companies and branches of foreign companies.

The treatment of the payment or credit made to national companies did not change.

Profits classified as "taxed" will be initially subject to a 35% tax. Once this tax has diminished, the 0%, 5% and 10% rates will be applied for the resident natural persons or 5% for non-resident natural persons, foreign companies and branches of foreign companies.

- Tax losses can only be offset against the net income obtained within the following 12 taxable periods and the possibility of readjusting tax credits derived from presumptive income surplus and tax losses is eliminated. The amount of the tax losses and presumptive income surpluses generated before 2017 in the income and additional taxes and/or in the income tax for equality "CREE" will be offset proportionally and will not be limited in time.

The following is the detail of tax credits for the 2017 period:

In thousands of pesos

Tax Losses	3.390.727
Presumptive income surplus	145.685
	<u>3.536.412</u>

Presumptive income surpluses will continue to be amortized within a term of five (5) years.

- The general term of acceptance of the tax returns was established in three (3) years. For the entities subject to a transfer price study, the term will be six (6) years, which will also apply for tax returns offsetting tax losses. The acceptance of tax returns in which tax losses are generated will be the same time there is to offset them, i.e., twelve (12) years. However, if the taxpayer offsets the loss in the last two years they have to do so, the term will be extended for three (3) more years from that offset in relation to the tax returns in which such a loss was settled. That is why the period for inspection could be 15 years.
- Withholding rates are modified for payments abroad, remaining at 15% for capital and labor income, consulting, technical services, technical assistance, payments to parent companies for administration concepts and financial returns, inter alia. As for the exploitation of computer programs, the 33% rate over 80% of the payment or credit is maintained.
- In terms of sales tax, the general rate was modified from 16% to 19% and the tax-generating event was modified, including the sale or transfer of rights over intangible assets associated with industrial property and services provided from abroad. To this end, the services rendered and intangibles acquired or licensed from abroad will

be deemed as provided, acquired or licensed in the national territory, when the direct beneficiary or recipient has his fiscal residence, domicile, permanent establishment or main office of his economic activity in the national territory.

- The deferred tax expected to revert from 2018 has been calculated using the applicable tax rates in Colombia for each period (42% for 2018, 43% for 2019 and 34% from 2020 onwards).

The Company did not present a reconciliation of the effective tax rate because as of December 31, 2017 it had a tax loss. Tax expense was determined by the presumptive income system and there is no reconciliation between the tax settlement bases and the accounting profit.

Deferred tax assets

The differences between the carrying amount of the assets and liabilities and their tax bases give rise to the following temporary differences that generate deferred taxes, calculated and booked in the periods ended December 31, 2017 and December 31, 2016, based on current tax rates as reference for the years in which such temporary differences will be reversed.

	Unaudited		
	December 31, 2016	(Charge) or pay to results	December 31, 2017
Property, plant and equipment	254.888	246.472	8.417
Provisions	746.040	(343.311)	1.089.351
Inventory impairment	-	(533.141)	533.141
Exchange rate difference	-	(141.049)	141.049
Tax losses	-	(1.119.072)	1.119.072
Presumptive income surplus	-	(48.076)	48.076
Deferred asset income	1.000.928	(1.938.177)	2.939.105

The net movement of deferred taxes during the period is as follows:

	Unaudited	
	December 31, 2017	December 31, 2016
Initial balance	1.000.928	-
Credit to income statement	1.938.177	1.000.928
Balance as of December 31	2.939.105	1.000.928

28. Related Parties

The accounts payable and receivable to related parties are:

Accounts receivable balances:

	December 31, 2017		Unaudited December 31, 2016	
	US\$	Equivalent in thousands of Colombian pesos	US\$	Equivalent in thousands of Colombian pesos
Jaguar Land Rover Limited (UK)	727.090	2.169.637	-	-
	727.090	2.169.637	-	-

Accounts payable balances:

	December 31, 2017		Unaudited December 31, 2016	
	US\$	Equivalent in thousands of Colombian pesos	US\$	Equivalent in thousands of Colombian pesos
Jaguar Land Rover Limited (UK)	(2.034.630)	(6.071.335)	(2.001.127)	(6.004.800)
Jaguar Land Rover Limited (UK)	(17.312.919)	(51.661.750)	(10.277.785)	(30.840.652)
	(19.347.548)	(57.303.904)	(12.278.911)	(36.845.452)

The following are the transactions carried out during 2017 and 2016:

	Purchase of merchandise not manufactured by the company	
	2017	Unaudited 2016
Jaguar Land Rover Limited	59.429.786	31.659.223
	66.677.289	31.659.223

The following are transactions with key management personnel and directors:

	2017	2016
Performance bonus	62.867	-
	62.867	-

29. Subsequent events

Between December 31, 2017 and the issuance date of these financial statements, no significant events that could affect the financial situation of the Company have occurred.

30. Approval of the financial statements

On July 6, 2018, the Legal Representative approved the financial statements and the accompanying notes to present them to the sole shareholder for approval, who may approve or modify them.

Certification of the Company's Legal Representative and Accountant

July 6, 2018

The undersigned legal representative and public accountant of Jaguar Land Rover Colombia S. A. S., hereinafter the "Company", certify that for the issuance of the financial statements as of December 31, 2017 the statements contained therein have been previously verified and that the figures have been taken faithfully from the books.

- a) All assets and liabilities included in the Company's financial statements as of December 31, 2017 do exist and all transactions included in those statements have been carried out during the year ended on that date.
- b) All economic events carried out by the Company during the year ended on December 31, 2017 have been recognized in the financial statements.
- c) Assets represent probable future economic benefits (rights) and liabilities represent probable future economic sacrifices (obligations), obtained or paid by the Branch as of December 31, 2017.
- d) All the items have been recognized for their appropriate amounts in accordance with the generally accepted accounting principles in Colombia.
- e) All economic events affecting the Company have been correctly classified, described and disclosed in the financial statements.

The certification is limited to each of the parties who sign it to the functions that are within their competence. In accordance with the above and as for the certification by the accountant, an officer of PricewaterhouseCoopers Asesores Gerenciales Ltda. (PwC AG), the certifications are limited exclusively to accounting matters and the certification is subject to their knowledge taking into account the

information provided by the Branch to PwC AG for the development of its Accounting Outsourcing functions.

Alejandro Saenz Castillo
Legal Representative
(See attached certification)

Diego Clavijo Forero
Accountant
Professional Card No. 103096-T
Member of PricewaterhouseCoopers Ltda.
(See attached certification)

Fiscal Auditor's Report

Shareholders

Jaguar Land Rover Colombia S.A.S.:

Report on the financial statements

I have audited the financial statements of Jaguar Land Rover S.A.S. (the Company), which include the statement of financial position at December 31, 2017 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date and their respective notes, which include significant accounting policies and other explanatory information.

Responsibility of the administration in relation to the financial statements

The administration is responsible for the adequate preparation and presentation of these financial statements in accordance with Accounting and Financial Information Standards accepted in Colombia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements free of errors of material importance, whether due to fraud or error; selecting and applying the appropriate accounting policies, as well as establishing reasonable accounting estimates in the circumstances.

Responsibility of the fiscal auditor

My responsibility is to express an opinion on the financial statements based on my audit. I obtained the necessary information to fulfil my duties and performed my examination in accordance with the International Auditing Standards accepted in Colombia. Such standards require that you comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the judgement of the fiscal auditor, including the evaluation of the risk of errors of material importance in the financial statements. In this risk assessment, the fiscal auditor takes into account the internal control relevant to the preparation and presentation of the financial statements, in order to design auditing procedures that are appropriate and assess the reasonableness of the accounting estimates made by the administration and how to evaluate the presentation of financial statements in general.

I believe that the audit evidence that I obtained provides a reasonable basis to support the opinion I express below.

Opinion

In my opinion, the financial statements mentioned, taken faithfully from the books and attached to this report, reasonably present, in all aspects of material importance, the financial situation of the company as of December 31, 2017, the results of its operations and their cash flows for the year ended on that date, in accordance with Accounting and Financial Information Standards accepted in Colombia, applied uniformly with the previous year.

Emphasis paragraph

Without qualifying my opinion, I call attention to note 1.1 to the financial statements, which indicates that the accumulated losses at December 31, 2017 reduce the net equity of the Company to less than 50% of the subscribed capital therefore, the Company is in cause of dissolution, as established in article 34 of Law 1258 of 2008; this cause may be enervated by adopting the measures that may take place within eighteen months following the date on which the meeting recognizes its occurrence.

Other matters

The financial statements at and for the period between August 11 (date of incorporation) and December 31, 2016 are presented exclusively for comparison purposes and were not audited because the Company was not required to have a fiscal auditor.

Report on other legal and regulatory requirements

Based on the results of my tests, in my opinion during 2017:

- a) the accounting of the company has been carried out in accordance with the legal rules and the accounting technique
- b) the transactions recorded in the books are in accordance with the bylaws and decisions of the Shareholders' Meeting
- c) the correspondence, the vouchers of the accounts and the books of minutes and of registry of actions take and are conserved properly
- d) there is concordance between the accompanying financial statements and the management report prepared by the administrators, including the constancy on the part of the administration on the free circulation of the invoices issued by the vendors or suppliers
- e) the information contained in the declarations of self-assessment of contributions to the integral social security system, in particular that relating to the affiliates and their base income for contributions, has been taken from the accounting records and supports. The Company is not in default due to contributions to the integral social security system.

To comply with the requirements of articles 1.2.1.2. and 1.2.1.5. of Sole Regulatory Decree 2420 of 2015, modified by articles 4 and 5 of Decree 2496 of 2015, respectively, in the development of the responsibilities of Statutory Auditor contained in numerals 1) and 3) of article 209 of the Commercial Code, related to the evaluation of whether the acts of the Company's directors are in accordance with the bylaws and the orders or instructions of the Shareholders' Meeting and if there are adequate measures for internal control, preservation and custody of the assets of the Company or of third parties in their possession, issued a separate report on July 13, 2018.

Ana María Corredor Merchan
Fiscal Auditor of Jaguar Land Rover Colombia S.A.S.
T.P. 132425-T
Member of KPMG S.A.S.