

Jaguar e Land Rover
Brasil Indústria e
Comércio de Veículos
Ltda.

Financial statements for the year ended in
March 31, 2019

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KPMG Auditores Independentes
Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A
04711-904 - São Paulo/SP - Brasil
Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brazil
Phone +55 (11) 3940-1500
kpmg.com.br

Independent Auditors' Report on the financial statements

To the Directors and Officers of
Jaguar e Land Rover Indústria e Comércio de Veículos Ltda.
São Paulo - SP

Opinion

We have examined the financial statements of Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda. (Company), which comprise the balance sheet at March 31, 2019 and respective statements of profit and loss, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying notes, including significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements fairly represent, in all material aspects, the equity and financial position of Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda. at March 31, 2019, the performance of its operations and its cash flows, for the financial year then ended, in accordance with the accounting practices adopted in Brazil.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section entitled "Auditor's Responsibilities for Auditing the Financial Statements". We are independent in relation to the Company in accordance with the relevant ethical principles set forth in the Accountant's Code of Professional Ethics and professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities in accordance with the same rules. We believe the audit evidence obtained is sufficient and appropriate to support our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies adopted in Brazil, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue operating, disclosing, when applicable, matters relating to its continuing business and the use of its accounting basis in the preparation of the financial statements, unless management intends to liquidate the Company or cease its operations, or has no realistic alternative to avoid ending the operations.

Auditors' responsibilities for the financial statements

Our purpose is to obtain reasonable assurance that the financial statements, taken as whole, are free from material misstatement, whether caused by fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted in accordance with Brazilian and international standards will always detect any material misstatements. The misstatements may be due to fraud or error and are considered material when, individually or jointly, they may, within a reasonable perspective, influence users' economic decisions based on these financial statements.

As part of the audit performed in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, we plan and perform audit procedures in response to such risks and obtain appropriate and sufficient audit evidence to support our opinion. The risk of not detecting material misstatement due to fraud is greater than that arising from error, as fraud may involve circumventing internal controls, collusion, falsification, omission or intentional misrepresentation.
- We gain an understanding of internal audit relevant controls to design audit procedures appropriate to the circumstances, but not to express an opinion on the effectiveness of the Company's internal controls.
- We assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern accounting basis and, based on the audit evidence obtained, whether there is material uncertainty regarding events or conditions that may raise significant doubt about the Company's going concern capability. If we conclude that there is a material uncertainty, we draw attention in our audit report to the related disclosures in the financial statements or include changes in our opinion if the disclosures are inadequate. Our findings are based on audit evidence obtained until the date of our report. However, future events or conditions may cause the Company to no longer remain as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the related transactions and events in a manner consistent with the objective of the appropriate presentation.

We communicate with management regarding, among other things, the intended scope, timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we have identified during our work.

São Paulo, July 31, 2019

KPMG Auditores Independentes
CRC 2SP014428/O-6

Kátia Dantas
Accountant CRC 1SP188864/O-3

Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda.

Balance sheet at March 31, 2019 and 2018

(Amounts expressed in thousands of Reals - R\$)

Assets	Accompanying note	2019	2018 restated	Liabilities and equity	Accompanying note	2019	2018 restated
Current assets				Current liabilities			
Cash and cash equivalents	5	36,423	120,593	Trade payable	13	599,222	653,548
Trade receivables	6	71,633	44,868	Tax and social contribution payable	14	17,603	52,693
Inventories	7	266,502	293,029	Sales incentives payable	15	2,112	3,622
Taxes recoverable	8	56,251	78,098	Wages and social charges		8,973	14,798
Other accounts receivable		<u>18,172</u>	<u>3,714</u>	Provision for warranty, sales incentives and others	16	107,535	109,515
Total current assets		<u>448,981</u>	<u>540,302</u>	Deferred income	17	22,521	16,008
				Provision for current income taxes		5,167	-
				Other accounts payable		<u>28,494</u>	<u>63,269</u>
				Total current liabilities		<u>791,627</u>	<u>913,453</u>
Non-current assets				Non-current liabilities			
Trade receivables	6	4,653	942	Provision for warranty, sales incentives and others	16	59,705	53,139
Taxes recoverable	8	13,025	12,214	Provision for risks	18	25,238	21,989
Escrow deposits	9	25,732	21,374	Deferred income	17	76,029	55,837
Deferred taxes	11	<u>130,050</u>	<u>138,496</u>	Other accounts payable		<u>12,163</u>	<u>18,878</u>
Total long-term receivables		<u>173,460</u>	<u>173,026</u>	Total non-current liabilities		<u>173,135</u>	<u>149,843</u>
Property, plant and equipment	10	495,624	506,510	Equity			
Intangible assets	10	<u>609</u>	<u>1,350</u>	Share capital	19	616,628	616,628
		<u>496,233</u>	<u>507,860</u>	Earnings reserve		98,671	98,671
				Accumulated losses		<u>(561,387)</u>	<u>(557,407)</u>
Total non-current assets		<u>669,693</u>	<u>680,886</u>	Total equity		<u>153,912</u>	<u>157,892</u>
Total assets		<u>1,118,674</u>	<u>1,221,188</u>	Total liabilities and equity		<u>1,118,674</u>	<u>1,221,188</u>

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

Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda

Statement of profit and loss

For the years ended March 31, 2019 and 2018

(Amounts expressed in thousands of Reals - R\$)

	Accompanying note	2019	2018 restated
Net operating income	20	1,592,144	1,468,405
Cost of products sold	21	<u>(1,284,817)</u>	<u>(1,467,582)</u>
Gross profit		<u>307,327</u>	<u>823</u>
Operating expenses			
Selling expenses	21	(129,424)	(132,921)
General and administrative expenses	21	(158,354)	(180,118)
Other operating income (expenses), net	22	<u>(8,316)</u>	<u>(9,757)</u>
		<u>(296,094)</u>	<u>(322,796)</u>
Operating Loss Before Finance Income (Costs)		11,233	(321,973)
Finance income	(23)	2,177	8,536
Finance costs	(23)	<u>(4,555)</u>	<u>(13,558)</u>
Net finance expenses		<u>(2,378)</u>	<u>(5,022)</u>
Operating and non operating loss before income tax and social contribution		8,855	(326,995)
Current income tax and social contribution	11	(4,389)	(2,736)
Deferred income tax and social contribution	11	<u>(8,446)</u>	<u>60,741</u>
Loss for the year		<u><u>(3,980)</u></u>	<u><u>(268,990)</u></u>

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

Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda.

Statement of Comprehensive Income

For the years ended March 31, 2019 and 2018

(Amounts expressed in thousands of Reals - R\$)

	2019	2018
Loss for the year	(3,980)	(268,990)
Other comprehensive income	_____ -	_____ -
Total comprehensive income for the year	<u>(3,980)</u>	<u>(268,990)</u>

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

Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda.

Statement of changes in equity

For the years ended March 31, 2019 and 2018

(Amounts expressed in thousands of Reals - R\$)

	Share Capital	Earning reserve	Accumulated losses	Total
Balance at April 1, 2018	<u>616,628</u>	<u>98,671</u>	<u>(288,417)</u>	<u>426,882</u>
Loss for the year	<u>-</u>	<u>-</u>	<u>(268,990)</u>	<u>(268,990)</u>
Balance at March 31, 2018 (restated)	<u>616,628</u>	<u>98,671</u>	<u>(557,407)</u>	<u>157,892</u>
Loss for the year	<u>-</u>	<u>-</u>	<u>(3,980)</u>	<u>(3,980)</u>
Balance at March 31, 2019	<u>616,628</u>	<u>98,671</u>	<u>(561,387)</u>	<u>153,912</u>

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

Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda.

Statement of cash flows

For the years ended March 31, 2019 and 2018

(Amounts expressed in thousands of Reals - R\$)

	Accompanying note	2019	2018 restated
Cash flows from operating activities			
Profit (Loss) before income tax and social contribution		8,855	(326,995)
Adjustments to reconcile the income for the year			
Provision for tax, civil and labor risks	18	6,613	(320)
Depreciation and amortization	10	45,618	47,864
Provision for losses and obsolete inventories	7	(9,100)	(7,342)
Reversal (Provision) for doubtful accounts	6	27	(5,011)
Disposal of tangible and intangible assets	10	4,072	12,054
Exchange rate variation		(2,664)	(12,305)
Deferred income	17	26,705	27,694
Recoverable value of assets	10	-	157,175
Changes in assets and liabilities			
Trade receivables	6	(30,503)	(3,960)
Inventories	7	35,627	24,447
Taxes recoverable	8	21,036	23,300
Escrow deposits	9	(4,358)	(4,096)
Other accounts receivable		(14,458)	20,297
Trade payables		(51,662)	94,066
Tax and social contribution payable		(34,312)	9,672
Sales incentives payable		(1,510)	(378)
Wages and social charges		(5,825)	(4,231)
Payment of provision for tax, civil and labor risks	18	(3,364)	(4,460)
Provision for warranty, sales incentives and others	16	4,586	8,668
Other accounts payable		(41,490)	22,867
Cash (used in) generated by operations, before income tax and social contribution		(46,107)	79,006
Income tax and social contribution paid		-	(2,736)
Cash (used in) generated by operating activities		(46,107)	76,270
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	10	(38,063)	(32,823)
Net cash used in investing activities		(38,063)	(32,823)
(Decrease)/increase in cash and cash equivalents		(84,170)	43,447
Cash and cash equivalents at the beginning of the year		120,593	77,146
Cash and cash equivalents at the end of the year		36,423	120,593
(Decrease)/increase in cash and cash equivalents		(84,170)	43,447

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

Accompanying notes to the financial statements

(All amounts in thousands of Reals - R\$, unless otherwise stated)

1 Operating context

Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda. (“Company” or “JLR Brasil”) is a limited company, headquartered at Avenida Ibirapuera, 2332 - Torre I - 10th floor, in São Paulo, State of São Paulo, whose main objectives are the import and trade of motor vehicles, machinery, tools, parts, components and accessories, the provision of services related to the described activities and manufacturing of motor vehicles.

Vehicles and other products resold by the Company have been imported from the related party Jaguar Land Rover Limited (“Parent Company” or “JLR UK”), an entity organized in the United Kingdom.

In December 2014, the Company began the construction of a plant in Itatiaia - Rio de Janeiro, with an assembly production capacity of 24,000 vehicles per year. With investments in fixed assets of approximately R\$570,000, the Company manufactures the Evoque and Discovery Sport models, currently the bestselling in its product line, and started operations on June 14, 2016.

The ultimate parent company of the Jaguar and Land Rover Group is Tata Motors Limited, a publicly held company located in India with shares traded on the “New York Stock Exchange - NYSE” and “Bombay Stock Exchange”.

The Company shows an excess of liabilities over current assets at year-end 2019 in the amount of R\$342,646. To mitigate the risk of uncertainties regarding business continuity, the Company has financial support from its parent company Jaguar Land Rover Automotive PLC.

2 Presentation of financial statements and main accounting practices

a. Basis of preparation

Declaration of compliance and basis of preparation

The parent company financial statements were prepared in accordance with the accounting practices adopted in Brazil.

The issue of the financial statements was authorized by the Executive Board on July 31, 2019.

After its issue, only the members have the power to change the financial statements.

This is the first set of the Company’s annual financial statements in which CPC 47 - Customer Contract Revenue and CPC 48 - Financial Instruments were applied. Changes in the main accounting standards are described in Note 3.1.

All relevant information pertaining to the financial statements is being disclosed and corresponds to that used by Management in its management.

b. Functional currency and presentation currency

These financial statements are presented in Reals, which is the Company's functional currency. All balances have been rounded up to the nearest thousand, unless otherwise stated.

c. Use of estimates and judgments

(i) Judgments

Information on judgments made in applying the accounting policies that have significant effects on the amounts recognized in the financial statements are included in the following notes:

Note 10 - Property, plant and equipment

(ii) Uncertainties on assumptions and estimates

Information on uncertainties related to assumptions and estimates that pose a material risk of resulting in relevant adjustment for the year ending March 31, 2020, are included in the following notes:

Note 10 - Property, plant and equipment - impairment analysis

Note 11 - recording of deferred tax assets: availability of future taxable income against which temporary differences may be used;

d. Foreign Currency Transactions

Foreign currency transactions are translated into the Company's functional currency at the exchange rate on the transaction dates.

Monetary assets and liabilities denominated and determined in foreign currencies at the balance sheet date are converted to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities measured at fair value in foreign currency are converted to the functional currency at the exchange rate on the date in which the fair value was determined. Foreign currency differences resulting from the conversion are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in foreign currency are converted.

e. Cash and cash equivalents

These include cash, funds available in bank accounts and short-term investments, which are represented by temporary investments with immediate liquidity (original maturity of up to 90 days or repurchase commitment by issuer/seller), recorded at cost, plus income earned to the balance sheet date, with insignificant risks of change in value.

f. Trade receivables

Recorded at the nominal value of the securities representing these credits, due to the short term of receipt, less allowance for doubtful accounts.

Adjustment to present value of trade accounts receivable is not material due to short-term realization.

g. Provision for doubtful accounts

It consists of all unsecured loans in arrears for more than 90 days, being considered sufficient by the Company's Management to cover any losses on the realization of these credits, which may be modified due to the recovery of credits or change in the financial situation of customers. Qualitative approach is performed as described in section 3 of the new standard, CPC 48.

h. Inventories

Inventory balances are substantially comprised of finished goods, raw materials and inventories in transit and are stated at average acquisition cost, which shall not exceed the net realizable value. Inventories for resale have an estimated selling price corresponding to the net realizable value, less all estimated completion costs and costs necessary to make the sale. Provisions for slow-moving or obsolete inventories are recorded when deemed necessary by Management. When evidence is identified and the average acquisition cost exceed the net realizable value, a provision for loss is recognized by adjusting the net book value to the realizable value in profit or loss for the year.

i. Property, plant and equipment

Recorded at acquisition, formation or construction cost, reduced by accumulated depreciation and provision for realization of assets when future cash generation is lower than the book value of the asset.

Subsequent costs are included in the book value of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the item's cost can be reliably measured. All other repairs and maintenance are charged to the income statement when incurred.

Depreciation is recognized based on the estimated useful life of each asset using the straight-line method (see rates in note 10).

Residual values and depreciation methods are reviewed at the end of each year and the effect of any changes in estimates is accounted for prospectively.

An item of property, plant and equipment is written off at the time of disposal or when there are no future economic benefits resulting from the continued use of the asset. Any gain or loss on the sale or write-off of an item of property, plant and equipment is recognized in profit or loss, determined by the difference between the consideration received on sale and the book value of the asset.

j. Intangible

Intangible assets with a finite useful life acquired separately are recorded at cost, less amortization and, when applicable, estimated impairment losses. Amortization is recognized on a straight-line basis based on the estimated useful lives of the assets. The estimated useful life and amortization method are reviewed at the end of each year and the effect of any changes in estimates is accounted for prospectively.

k. Current and noncurrent liabilities

Stated at known or estimated amounts, plus, when applicable, related charges and exchange and monetary variations incurred through the balance sheet dates.

l. Provision for warranty and recall

Made at the time of sale of the vehicle, based on the estimate of the amount to be spent during the three-year warranty period. This estimate is based on historical information on the occurrence of warranty situations, taking into account frequency estimates and average cost of repairs per vehicle model. Estimated expenses that will be incurred with warranty are recorded as selling expenses. The expenses actually incurred with *recall* are reimbursed by the parent company.

m. Provision for tax, civil and labor risks

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow will be required to settle the obligation. Provisions are recorded based on the best estimates of the risk involved.

n. Current and deferred income tax and social contribution

Current and deferred income tax and social contribution are calculated based on tax rates of 15%, plus an additional 10% on taxable income in excess of R\$240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social contribution, limited to 30% of actual income.

The income tax and social contribution for the year comprise current and deferred taxes. Current tax and deferred tax are recognized in profit or loss unless they are related to the business combination, or to items directly recognized in equity or other comprehensive income.

(i) Current tax

Current tax is the estimated tax payable on the taxable income for the year and any adjustment to taxes payable in respect of prior years. It is measured based on the tax rates enacted or substantively enacted at the balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred Tax

Deferred tax is recognized in respect of temporary differences between the book value of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes.

Deferred income tax and social contribution assets are recognized in respect of unused tax loss carryforwards, tax credits and temporary differences to the extent that it is probable that future taxable profits will be available, against which they will be used. Deferred income tax and social contribution assets are reviewed at each balance sheet date and are reduced to the extent that their realization is no longer probable.

Deferred tax is measured based on the rates expected to be applied to temporary differences when they are reversed, based on the rates that have been enacted or substantively enacted until the balance sheet date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects to recover or settle the book value of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

o. Revenue recognition

The Company initially adopted CPC 47 at April 1, 2018. Information on the changes introduced by the standard as well as the main effects of its application and form of recognition are described in note 3.1.

p. Financial instruments

The Company classifies financial assets and financial liabilities in the amortized cost category.

(i) Financial Assets - Initial Recognition

Trade accounts receivable and debt securities issued are initially recognized on the date on which they originated. All other financial assets and liabilities are initially recognized when the Company becomes party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus, for an item not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Trade accounts receivable without a significant financing component are initially measured at the transaction price.

(i.i) Subsequent classification and measurement

On initial recognition, a financial asset is classified as measured at amortized cost.

Financial assets are not reclassified subsequent to initial recognition, unless the Company changes its business model to financial asset management, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured by the FVTPL:

is maintained within a business model aimed at maintaining financial assets to receive contractual cash flows; and

their contractual terms generate, on specific dates, cash flows that relate solely to the payment of principal and interest on the outstanding principal.

(iii) Financial assets - Subsequent measurement and gains and losses

These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(iv) Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities were classified as measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on recognition is also recognized in profit or loss.

(v) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows of the asset expire, or when the Company transfers the contractual rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor substantially retains all risks and rewards of ownership of the financial asset nor does it retain control over the financial asset.

The Company conducts transactions in which it transfers assets recognized in the balance sheet but retains all or substantially all risks and rewards of the assets transferred. In such cases, financial assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligation is withdrawn, canceled or expires. The Group also derecognizes a financial liability when the terms are modified and the cash flows of the modified liabilities are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including non-cash transferred assets or liabilities assumed) is recognized in profit or loss.

q. Impairment

(i) Impairment of financial assets recorded at amortized cost

The Company considers evidence of impairment of assets measured at amortized cost at both the individualized and collective levels. All individually significant assets are valued for impairment. Those identified as not being individually impaired are then collectively assessed for any impairment that has occurred but has not yet been identified. Assets that are not individually significant are collectively assessed for impairment based on the grouping of assets with similar risk characteristics.

In assessing the impairment loss collectively, the Company uses historical recovery period trends and the loss amounts incurred, adjusted to reflect Management's judgment as to whether current economic and credit conditions are such that actual losses will likely be larger or smaller than those suggested by historical trends.

An impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the asset. Losses are recognized in profit or loss and reflected in a provision account. When the Company considers that there are no reasonable expectations of recovery, the amounts are written off. When a subsequent event indicates an impairment loss, the impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than income tax and deferred social contribution assets are reviewed at each balance sheet date to determine if there is any indication of impairment. If such indication occurs, then the recoverable amount of the asset is estimated.

For impairment tests, assets are grouped into the smallest possible group of assets that generate cash inflows through their continued use, mostly independent of cash inflows from other assets, or Cash Generating Units ("CGUs").

The recoverable amount of an asset or CGU is the higher of its value in use or its fair value less costs to sell. Value in use is based on estimated future cash flows discounted to present value using a pre-tax discount rate that reflects current market assessments of the value of money over time and the specific risks of the asset or CGU.

An impairment loss is recognized if the book value of the asset or CGU exceeds its recoverable value.

Impairment losses are recognized in profit or loss. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment loss had not been recognized.

3 New standards, amendments and interpretation of standards

3.1 Changes in the main accounting standards

(i) *CPC 48 - Financial instruments*

CPC 48 - Financial Instruments sets forth requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard supersedes CPC 38 - Financial Instruments: Recognition and Measurement.

CPC 48 contains three main classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (FVTCI) and at fair value through profit or loss (FVTPL). The standard eliminates existing categories in CPC 38 from held to maturity, loans and receivables and available for sale.

The following table explains the original CPC 38 measurement categories and the new CPC 48 measurement categories for each class of financial assets of the Company at January 1, 2018:

Category of financial instruments	Classification according to CPC 38	Classification according to CPC 38
Cash and banks	Loans and receivables	Amortized cost
Trade accounts receivable	Loans and receivables	Amortized cost
Suppliers	Loans and receivables	Amortized cost

Impairment - financial assets and contract assets

CPC 48 replaces CPC 38's "loss incurred" model with an expected credit loss model. The new model of impairment applies to financial assets measured at amortized cost and those measured at FVTCI. According to CPC 48, credit losses are recognized earlier than in accordance with CPC 38. Financial assets at amortized cost consist of accounts receivable and cash and cash equivalents. In accordance with CPC 48, provisions for losses are measured on one of the following bases:

Expected credit losses for 12 months: These are credit losses that result from possible default events within 12 months after the balance sheet date; and

Expected lifetime credit losses: These are credit losses that result from all possible default events over the expected life of a financial instrument.

For accounts receivable, the calculation methodology was updated to take into account expected losses based on the aging profile and also a qualitative analysis of overdue securities. The adoption of the expected loss approach did not result in a significant change in the impairment provision for any financial asset considering that the Company does not have a history of losses considering its area of activity.

(ii) CPC 47 - Customer Contract Revenue

CPC 47 introduces a comprehensive framework for determining if and when a revenue is recognized, and how revenue is measured. CPC 47 replaces current revenue recognition standards, including CPC 30 Revenue, among others.

CPC 47 establishes a five-step model for accounting for revenue from customer contracts, such that revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer.

The 5 steps are: 1) identify customer contracts; 2) identify contract performance obligations; 3) determine the price of the transaction; 4) allocate the transaction price for contract performance obligations; and 5) recognizing revenue when (or to the extent that) the entity meets performance obligations.

As the transfer of risks and benefits generally coincides with the transfer of control of products, the timing of recognition of product sales revenue was not impacted by the adoption of this new standard.

The Company has with certain customers a commercial agreement that allows some special discounts, which were accounted for at the time of recognition of revenue as “selling expenses” and at 2019 are being accounted for as a reduction of sales revenue. The Company recorded as a reduction of sales revenue for the year ended March 31, 2019, the amount of R\$ 37,473.

3.2 New Standards and Interpretations not yet in force

A number of new standards will be effective for annual periods beginning after April 1, 2019. The Company has not adopted these changes in the preparation of these financial statements.

Among the standards not yet in effect, it is expected that CPC 06 (R2)/IFRS 16 will not have a material impact on the Company's financial statements in the initial period of application.

(i) CPC 06 (R2) (Leases)

CPC 06 (R2) introduces a unique balance sheet lease accounting model to lessees. A lessee recognizes a right-of-use asset that represents its right to use the leased asset and a lease liability that represents its obligation to make lease payments. Optional exemptions are available for short term leases and low value items. Lessor accounting remains similar to the current standard, i.e., lessors continue to classify leases as financial or operating.

The standard is effective for annual periods beginning on or after January 1, 2019.

The Company intends to initially apply CPC 06 (R2) using the modified prospective approach.

Due to the fact that analyzes and activities involving relevant judgments are still ongoing, such as the methodology for calculating the discount rate, the Company considers that the possible impact of the application of CPC 06 (R2) on the Company's financial statements is not reasonably estimable from the date of initial adoption (April 1, 2019) on the date of these financial statements.

There are no other IFRS standards or IFRIC interpretations that have not yet entered into force that could have a material impact on the Company's financial statements.

4 Error rectification

The balances for the year ended March 31, 2018, presented in the financial statements of that year, are being restated in accordance with CPC 23 - Accounting Policies, Changes in Estimates and Error Correction and CPC 26 (R1) - Presentation of Financial Statements, due to the identification of errors in the period subsequent to the issue.

The Company identified that the amounts of its property, plant and equipment and intangible assets were erroneously presented in its financial statements for the year ended March 31, 2018. The misstatement occurred due to the fact that the recoverable amount measured by the entity in accordance with CPC 01 (R1) - Asset Impairment, had previously been compared to an amount less than the carrying amount of non-current assets at the date base. Consequently, the balance of property, plant and equipment and intangible assets for the year ended March 31, 2018 was overstated, as it did not reflect impairment of these assets, and the deferred taxes due to this adjustment had not been recognized. Errors were corrected by restating the amounts in the previous year affected.

The table below summarizes the impacts on the financial statements:

	2018		
	Previously presented	Adjustments	Restated
Assets			
Current assets			
Total current assets	540,302	-	540,302
Non-current assets			
Trade receivables	942	-	942
Taxes recoverable	12,214	-	12,214
Judicial deposits	21,374	-	21,374
Deferred taxes	85,057	53,439	138,496
Property, plant and equipment	663,159	(156,650)	506,510
Intangible assets	1,876	(525)	1,350
Total non-current assets	784,622	(103,736)	627,447
Total assets	1,324,924	(103,736)	1,221,188

	2018		
	Previously present	Adjustments	Restated
Cash flows from operating activities			
Loss before income tax and social contribution	(169,820)	(157,175)	(326,995)
Adjustments to reconcile profit before income tax and social contribution:			
(Reversal) / Provision for tax, civil and labor risks	(320)	-	(320)
Depreciation and amortization	47,864	-	47,864
Provision for losses and obsolete inventories	(7,342)	-	(7,342)
Reversal of provision for doubtful accounts	(5,011)	-	(5,011)
Provision for sales incentives	-	-	-
Write off of fixed and intangible assets	12,054	-	12,054
Exchange rate variation	(12,305)	-	(12,305)
Deferred income	27,694	-	27,694
Recoverable value of assets	-	157,175	157,175
Decrease (increase) in operating assets			
Trade receivables	(3,960)	-	(3,960)
Inventories	24,447	-	24,447
Taxes recoverable	23,300	-	23,300
Judicial deposits	(4,096)	-	(4,096)
Other accounts receivable	20,297	-	20,297
Increase (decrease) in operating liabilities			
Trade accounts payable	94,066	-	94,066
Tax and social contribution payable	9,672	-	9,672
Sales incentives payable	(378)	-	(378)
Wages and social charges	(4,231)	-	(4,231)
Payment of provision for tax, civil and labor risks	(4,460)	-	(4,460)
Provision for warranty, sales incentives and others	8,668	-	8,668
Customer advances	-	-	-
Other accounts payable	22,867	-	22,867
Cash used in operations before income tax and social contribution	79,006	-	79,006
Interest paid	-	-	-
Income tax and social contribution paid	(2,736)	-	(2,736)
Cash used in operating activities	<u>76,270</u>	<u>-</u>	<u>76,270</u>
Purchase of property, plant and equipment	(32,823)	-	(32,823)
Cash flows from Investing Activities	<u>(32,823)</u>	<u>-</u>	<u>(32,823)</u>
Net increase (decrease) in cash and cash equivalents	<u>43,447</u>	<u>-</u>	<u>43,447</u>
Cash and cash equivalents at April 1st	77,146	-	77,146
Cash and cash equivalents at March 31	<u>120,593</u>	<u>-</u>	<u>120,593</u>
Net increase (decrease) in cash and cash equivalents	<u>43,447</u>	<u>-</u>	<u>43,447</u>

5 Cash and cash equivalents

	2019	2018
Cash and banks	36,032	1,453
Bank Deposit Certificates - CDBs (*)	<u>391</u>	<u>119,140</u>
Total	<u><u>36,423</u></u>	<u><u>120,593</u></u>

(*) Financial investments at March 31, 2019 and March 31, 2018 correspond to floating rate and/or indexed investments at rates ranging from 90% to 95% of the Interbank Deposit Certificate variation. Investments may be redeemed at any time based on formal repurchase commitments by the issuing institution with insignificant loss of face value of such instruments.

6 Trade receivables

	2019	2018
Dealerships receivables	71,633	44,895
Related party receivables (Note 12)	4,653	942
Provision for doubtful accounts	<u>-</u>	<u>(27)</u>
Total	<u><u>76,286</u></u>	<u><u>45,810</u></u>
Current portion	71,633	44,868
Noncurrent portion	4,653	942

Accounts receivable are recorded in the balance sheet at the nominal value of the securities and deducted by the provision for expected losses, which is established considering the individual credit assessment, the economic conjuncture analysis and the history of losses recorded in previous years by maturity:

The accounts receivable balances by maturity are as follows:

	2019	2018
Becoming due	42,943	32,635
Overdue:		
From 1 to 30 days	28,480	11,313
From 31 to 90 days	210	920
From 91 to 120 days	-	3
Above 121 days	-	24
Total	<u><u>71,633</u></u>	<u><u>44,895</u></u>

The average receipt period for sales to dealers is 28 days for the sale of parts, without interest, and 2 days for the sale of vehicles.

Changes in the provision for doubtful accounts

	2019	2018
Balance at beginning of year	(27)	(5,038)
Addition	(2)	(5,120)
Reversal	29	10,131
	<u> </u>	<u> </u>
Balance at year end	<u> </u> -	<u> </u> (27)

The provision for doubtful accounts was classified in the income statement as “Other operating expenses, net” (note 22).

7 Inventories

	2019	2018
Vehicles	133,188	153,420
Parts and accessories	133,356	119,698
Imports in transit	36,231	47,084
Provision for losses and obsolete inventories	<u>(36,273)</u>	<u>(27,173)</u>
Total	<u>266,502</u>	<u>293,029</u>

The following items are segregated as follows:

	2019	2018
Finished product	212,421	243,080
Product in process	3,180	6,285
Raw material	<u>50,901</u>	<u>43,664</u>
Total	<u>266,502</u>	<u>293,029</u>

Changes in the provision for losses and obsolete inventories

	2019	2018
Balance at beginning of year	(27,173)	(34,515)
Additions	(13,615)	(12,295)
Write offs/consumption	4,515	19,637
Year-end balance	<u>(36,273)</u>	<u>(27,173)</u>

8 Tax and social contribution recoverable

	2019	2018
ICMS recoverable	40,552	41,515
ICMS on fixed asset	17,367	16,286
IPI recoverable	6,409	9,437
COFINS recoverable	-	14,011
PIS recoverable	2	2,752
Withholding Income Tax - IRRF	2,432	1,903
Other	<u>2,514</u>	<u>4,408</u>
Total	<u>69,276</u>	<u>90,312</u>
Current portion	56,251	78,098
Noncurrent portion	<u>13,025</u>	<u>12,214</u>
Total	<u>69,276</u>	<u>90,312</u>

9 Escrow deposits

	2019	2018
Escrow deposits - other	<u>25,732</u>	<u>21,374</u>
Total	<u>25,732</u>	<u>21,374</u>

10 Property, plant and equipment and intangible assets

	<u>2019</u>			<u>2018</u>	
Annual rate of depreciation/ amortization - %	Cost	Depreciation/ Amortization Accrued	Net	Net	
Property, plant and equipment:					
Land	-	92,002	-	92,002	93,962
Buildings	4	257,202	(42,313)	214,889	227,684
Furniture and fixtures	10	4,276	(2,154)	2,122	2,593
Machine and IT equipment	10	159,477	(49,104)	110,373	104,587
	20	36,302	(13,689)	22,613	23,116
Special tools	10	26,639	(22,072)	4,567	22,724
Water treatment station	6	14,398	(3,942)	10,456	11,638
Motor vehicles	11	600	(28)	572	-
Fixed assets in progress	-	<u>38,030</u>	<u>-</u>	<u>38,030</u>	<u>20,205</u>
Intangible: Software		<u>5,315</u>	<u>(4,706)</u>	<u>609</u>	<u>1,350</u>
Total		<u>634,241</u>	<u>(138,008)</u>	<u>496,233</u>	<u>507,860</u>

Changes in property, plant and equipment and intangible assets

	2019	2018
Balance at beginning of year	507,860	692.128
Additions:		
Buildings	1,398	3,086
Furniture and fixtures	125	166
Machinery and equipment	17,711	5,045
IT equipment	3,193	3,061
Special tools	1,077	24,198
Software	53	2,974
Motor vehicles	600	-
Asset under construction	<u>13,906</u>	<u>(5.706)</u>
Total additions	38,063	32,824
Net losses	(4,072)	(12,053)
Recoverable value of assets (*)	-	(157,175)
Depreciation/amortization	<u>(45.618)</u>	<u>(47.864)</u>
Balance at year end	<u>496,233</u>	<u>507,860</u>

Impairment Rating

The Company annually calculates the impairment loss of fixed assets. Management's analysis is both for assessing the recoverable value based on the calculation of value in use using discounted cash flow projections based on the financial budget as well as the fair value analysis of assets based on the conclusions of experts contracted by the management. At March 31, 2018, an expectation of impairment of its assets was recorded, based on the fair value of property, plant and equipment, in the amount of R\$157.2 million, considering that between the two calculation methodologies this was the highest value.

The assessment conducted by the expert hired by management was based on a depreciated replacement cost methodology and indicated a lower fair value than the book value of properties in Brazil.

Based on the replacement cost review performed, there was an indication of impairment of buildings by R\$ 84.7 million. It is important to point out that this is the most recent review by an external expert, and therefore, it is considered the best estimate of recoverable value.

The book value of Land and Buildings represents 60% of JLR Brazil's total assets. Based on the valuation of the facilities indicating a lower valuation than the book value, it is assumed to represent a similar deterioration indicator for the remaining asset base. This happens because the decline in the Brazilian automotive market, which has impacted property appreciation, is also impacting the remaining fixed assets in a similar manner. With this in mind, an indicator of impairment of 28% of book value of plant and machinery, furniture and accessories and computers, was used to estimate the percentage of impairment applied to other categories of tangible and intangible fixed assets. The impact on the other categories is assumed to be the same due to the similar characteristics of the plants and machinery. Accordingly, we have an amount of R\$157.2 million recognized in our "Cost of Sales" at March 31, 2018, due to our assessment of the recoverable value of JLR Brazil's assets."

At March 31, 2019, the Company updated the analysis, but no significant deviations were identified in relation to the recorded balances and no provision was added or reversed.

11 Income tax and social contribution

As mentioned in Note 2, item k, income tax and social contribution expenses for the period comprise current and deferred taxes. Income taxes are recognized in the statement of profit or loss.

Current income tax and social contribution are presented net in liabilities when there are amounts payable, or in assets when amounts prepaid exceed the total due on the reporting date.

Income tax is calculated based on the tax rate of 15% on taxable income, plus the additional 10%, and existing tax losses are being offset when necessary. Social contribution on income is calculated at the rate of 9% on adjusted accounting profit, also considering the offsetting of negative bases when applicable. The aggregate rate is 34%.

The deferred income tax and social contribution are recognized using the liability method on temporary differences arising from mismatches between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In practice, the inclusion in the accounting profit of expenses, or the exclusions of revenues, both temporarily non-taxable, generate the recording of deferred tax credits or debts.

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable income will be available against which temporary differences can be used. Deferred income tax assets and liabilities are presented net in the balance sheet when there is a legal right and an intention to offset them when current taxes are calculated.

The reconciliation of income tax and social contribution expense for the years ended March 31, 2019 and 2018 is as follows:

	2019	2018
Profit before income tax and social contribution	8,855	(326,995)
Tax rate	<u>34%</u>	<u>34%</u>
Income tax and social contribution according to tax rate	(3,011)	111,178
Effect of income tax on permanent differences:		
Transfer price adjustment	(1,239)	(2,483)
Unrecognized deferred income tax and social contribution credits	(9,400)	(50,690)
Other	<u>815</u>	<u>-</u>
Total income tax and social contribution expenses	<u>(12,835)</u>	<u>58,005</u>
Current	(4,389)	(2,736)
Deferred	<u>(8,446)</u>	<u>60,741</u>
Effective tax rate	(145%)	(18%)

The balance of deferred income tax and social contribution assets is shown as follows:

	2019	2018
Deferred tax on temporary differences:		
Bonus provision	8,014	8,693
Risk provision	9,164	9,062
Warranty and technical assistance provision	36,901	35,534
Provision for sales incentives and marketing	12,737	12,386
Employee provision	610	1,219
Inventory provision	1,236	2,675
Provision for investments	240	93
Provision for accounts payable	2,389	9,668
Recoverable value of assets	53,439	53,439
Other	<u>5,320</u>	<u>5,727</u>
Total	<u><u>130,050</u></u>	<u><u>138,496</u></u>

Deferred charges are not recorded on the provisions for obsolescence of cars and parts because they are of a purely accounting nature, since the amounts recorded therein have a certain net loss (there is no expectation of realization). It is also not deferred on the tax loss carryforwards and negative basis of CSLL recorded in ancillary obligations established by tax legislation, since there is no expectation of obtaining taxable income in future calculations.

Unrecognized deferred tax assets

Deferred tax assets were not recognized for the following items at March 31, 2019 and 2018:

	2019	2018
Accumulated tax loss and negative social contribution base	<u>261,754</u>	<u>234,108</u>
	<u><u>261,754</u></u>	<u><u>234,108</u></u>

Accumulated tax loss carryforwards and negative basis of social contribution amounted to R\$261,754 at March 31, 2019 (R\$234,108 at March 31, 2018). Accumulated tax loss carryforwards and negative basis of social contribution do not expire in accordance with prevailing tax legislation. Deferred tax assets were not recognized in respect of these items (preponderant), considering that in the years they were constituted it was not probable that future taxable profits would be available for the Company to use.

12 Related parties

These refer to transactions made with the parent company (Jaguar Land Rover Limited).

	2019	2018
Balances:		
Receivables (a) - Note 6	4,653	942
Trade payables - relate party (b) - Note 13	586,971	588,879

- (a) These refer substantially to amounts receivable for reimbursement of expenses for services rendered to related parties located in Latin America, with no fixed maturity or incidence of charges, and for reimbursement of expenses incurred (parts and labor) with respect to recall of vehicles.
- (b) These refer to amounts payable for the purchase of vehicles, parts and accessories with the Parent Company, denominated in local currency.

Management Compensation

Management compensation expenses during the year ended March 31, 2019 totaled R\$3,630 (R\$3,503 in 2018). This compensation consists of salaries and charges, including 13th salary and vacation pay, and short-term benefit plans, such as medical and dental care, among others.

13 Suppliers

	2019	2018
Suppliers	12,037	64,442
Foreign suppliers - related party (Note 12)	586,971	588,879
Other	214	227
Total	<u>599,222</u>	<u>653,548</u>

14 Tax and social contribution payable

	2019	2018
IPI	-	26,801
COFINS	998	-
IRRF	110	35
ICMS-ST	15,961	24,261
Other	534	1,596
Total	<u>17,603</u>	<u>52,693</u>

15 Sales incentives payable

At March 31, 2019 and 2018, the Company presented the following amounts of sales incentives payable to dealers:

	2019	2018
Variable margin expenses payable - Land Rover	1,748	3,471
Variable margin expenses payable - Jaguar	364	151
Total	<u>2,112</u>	<u>3,622</u>

16 Provision for warranty, sales incentives and others

	2019	2018
Warranty and technical assistance provision (a)	108,321	104,279
Sales incentives (b)	52,835	54,144
Provision for marketing	<u>6,084</u>	<u>4,231</u>
Total	<u>167,240</u>	<u>162,654</u>
Current portion	107,535	109,515
Noncurrent portion	<u>59,705</u>	<u>53,139</u>
Total	<u>167,240</u>	<u>162,654</u>

- (a) Made at the time of sale of the vehicle, based on the estimate of the amount to be spent during the three-year warranty period. This estimate is based on historical information on the occurrence of warranty situations, taking into account frequency estimates and average cost of repairs per vehicle model. Estimated expenses that will be incurred with warranty are recorded as selling expenses.
- (b) Performance bonus paid to dealers at the time of vehicle sale, amounts are determined based on vehicle models and performance rate stipulated in sales policy.

17 Deferred revenue

	2019	2018
Deferred revenue - land (a)	21,000	21,000
Deferred revenue - "Service plan" (b)	<u>77,550</u>	<u>50,845</u>
Total	<u>98,550</u>	<u>71,845</u>
Current portion	22,521	16,008
Noncurrent portion	<u>76,029</u>	<u>55,837</u>
Total	<u>98,550</u>	<u>71,845</u>

- (a) Deferred revenue related to the benefit received from a plot of land donated by the Rio de Janeiro state government as an investment grant to build its factory in the state. The fair value of this land was recorded as deferred revenue and part of the revenue was offset against factory construction costs incurred in the year ended March 31, 2016 (R\$20,500) and the amount of R\$21,000 will be offset against the costs of personnel to be incurred in the approximate period of 20 years, in accordance with the fulfillment of the mandatory considerations established, such as job creation, investment in research and development, investment in social, cultural, environmental, science and technology projects and vocational technical education. The amount must remain unchanged until the factory reaches the minimum number of 400 employees.
- (b) Deferred revenue from service, which the customer chooses at the time of purchase and makes payments to obtain financial benefits (discounts) on future vehicle checkups.

18 Provision for Tax, Civil and Labor Risks

	2019	2018
Labor and social security	-	1,287
Civil	<u>25,238</u>	<u>20,702</u>
Total	<u>25,238</u>	<u>21,989</u>

Change in the provision for risks

	Balance in 2018	Additions	Reversals	Payments	Balance in 2019
Labor and social security	1,287	-	(1,287)	-	-
Civil	<u>20,702</u>	<u>16,976</u>	<u>(9,076)</u>	<u>(3,364)</u>	<u>25,238</u>
Total	<u>21,989</u>	<u>16,976</u>	<u>(10,363)</u>	<u>(3,364)</u>	<u>25,238</u>

	Balance in 2017	Additions	Reversals	Payments	Balance in 2018
Labor and social security	878	409	-	-	1,287
Tax	10,873	-	(10,873)	-	-
Civil	<u>15,018</u>	<u>16,484</u>	<u>(6,340)</u>	<u>(4,460)</u>	<u>20,702</u>
Total	<u>26,769</u>	<u>16,893</u>	<u>(17,213)</u>	<u>(4,460)</u>	<u>21,989</u>

At March 31, 2019, the contingencies assessed by the Company's legal advisors and management as possible risk of loss amounted R\$262,587 (R\$214,988 in 2018). Possible loss proceedings are spread and have a tax (R\$201,868) and civil (R\$60,719) nature.

19 Share Capital

The subscribed and paid-in capital of the Company is R\$616,628 at March 31, 2019 (R\$616,628 in 2018), represented by 616,627,735 shares with par value of R\$1.00 each, belonging to the following shareholders:

	Shares	
Shareholders	2019	2018
Jaguar Land Rover Limited	616,627,734	616,627,734
JLR Nominee Company Limited	<u>1</u>	<u>1</u>
Total	<u>616,627,735</u>	<u>616,627,735</u>

20 Net operating income

The effect of adopting CPC 47 on revenues from contracts with the Company's customers is described in note 3. Due to the transition method used in applying CPC 47, comparative information has not been restated to reflect the new requirements.

	2019	2018
Domestic sales	2,700,268	2,502,979
Taxes levied on sales	(885,978)	(853,964)
Returns, discounts and rebates	<u>(222,146)</u>	<u>(180,610)</u>
Net operating income	<u><u>1,592,144</u></u>	<u><u>1,468,405</u></u>

21 Costs and expenses by nature

	2019	2018
Raw materials and consumables used	(1,239,199)	(1,262,581)
Depreciation and amortization costs and expenses	(45,618)	(47,826)
Recoverable value of assets	-	(157,175)
Employee costs and expenses	(104,825)	(132,419)
Structure and maintenance expenses	(11,174)	(14,570)
Insurance, warranty, fees and charges	(21,338)	(10,644)
IT expenses and projects	(8,512)	(9,571)
Expenses with third party services and others	(12,505)	(12,820)
Advertising, promotions and sales expenses	<u>(129,424)</u>	<u>(133,015)</u>
Total cost of goods sold and selling, general, administrative and personnel expenses	<u><u>(1,572,595)</u></u>	<u><u>(1,780,621)</u></u>
Cost of products sold	(1,284,817)	(1,467,582)
General and administrative expenses	<u>(287,778)</u>	<u>(313,039)</u>
Total	<u><u>(1,572,595)</u></u>	<u><u>(1,780,621)</u></u>

22 Other operating expenses

	2019	2018
Reversal (provision) for doubtful accounts	5	4,221
Risk provision	(7,026)	(13,903)
Asset retirement	<u>(1,295)</u>	<u>(75)</u>
Total	<u><u>(8,316)</u></u>	<u><u>(9,757)</u></u>

23 Net finance expenses

	2019	2018
Finance costs:		
Bank expenses	(1)	(21)
Other financial expenses	(1,890)	(1,232)
Net exchange rate variation	<u>(2,664)</u>	<u>(12,305)</u>
Total finance expenses	<u>(4,555)</u>	<u>(13,558)</u>
Finance income:		
Income from financial investments	2,177	8,536
Total finance income	<u>2,177</u>	<u>8,536</u>
Net finance expenses	<u><u>(2,378)</u></u>	<u><u>(5,022)</u></u>

24 Financial instruments

The effect of the initial application of CPC 48 on the Company's financial instruments is described in note 3. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

24.1 Account assignment and fair values

For all transactions, Management considers that fair value is equivalent to the carrying amount, since for these transactions the carrying amount reflects the settlement value at that date due to the short maturity of these transactions. Accordingly, the carrying amounts recorded in the balance sheet relating to cash and cash equivalents, short-term investments, trade accounts receivable and trade payables do not differ from their respective fair values at March 31, 2019 and 2018.

2019					
		Asset at amortized cost	Liability at amortized cost	Total at March 31, 2019	Fair Value
Assets					
Cash and cash equivalents	5	36,423	-	36,423	36,423
Trade receivables	6	<u>76,286</u>	-	<u>76,286</u>	<u>76,286</u>
		<u>112,709</u>	-	<u>112,709</u>	<u>112,709</u>
Liabilities					
Trade payables	13	-	<u>599,222</u>	<u>599,222</u>	<u>599,222</u>

		2018			
		Loans and receivables	Liability at amortized cost	Total at March 31, 2019	Fair Value
Assets	Note				
Cash and cash equivalents	5	120,593	-	120,593	120,593
Trade receivables	6	45,810	-	45,810	45,810
		166,403	-	166,403	166,403
Liabilities					
Trade payables	13	-	(653,548)	(653,548)	(653,548)

24.2 Risk management of financial instruments

Credit risk

Credit risk is the risk that the Company will incur financial loss if a customer or a counterparty to a financial instrument fails to comply with its contractual obligations. This risk arises mainly from the Company's trade accounts receivable and financial instruments.

The book value of financial assets represents the maximum credit exposure.

In order to mitigate the risk that the Company may incur losses resulting from the default of its financial institutions depository of funds or financial investments, the Company only conducts operations with low risk financial institutions rated by rating agencies.

	2019	2018
Financial assets -		
Measured at amortized cost:		
Cash and cash equivalents	36,423	120,593
Accounts receivables	71,633	44,868
Accounts receivable - related parties	4,653	942

Exchange rate risk

Exchange rate risk exposures are managed in accordance with the following parameters according to the policies established by the Company.

This risk arises from the possibility that the Company may incur losses due to fluctuations in exchange rates, which may reduce or increase the amounts of related party suppliers. The following is an exposure in pounds sterling at March 31, 2019 which considers the following equity values:

			<u>Effects on result</u>	<u>Effects on result</u>
	2019	2018	2019	2018
Operating exposure				
Suppliers - related parties	(586,971)	(588,879)	(2,664)	(12,305)
Total exposure	<u>(586,971)</u>	<u>(588,879)</u>	<u>(2,664)</u>	<u>(12,305)</u>
Exposure		Scenario probable (I)	Scenario (II) Appreciation of 25 %	Scenario (III) Appreciation of 50 %
Operating		(2,664)	(3,330)	(3,996)
		<u>(2,664)</u>	<u>(3,330)</u>	<u>(3,996)</u>

Scenario I: (Maintenance of the conversion rate in relation to 2019).

Scenario II: (25% devaluation of the Real) parity R\$/GBP 6.35.

Scenario II: (50% devaluation of the Real) parity R\$/GBP 7.62.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in complying with its obligations associated with its financial liabilities that are settled with cash payments or another financial asset. The Company's liquidity depends mainly on cash generated by operating activities. Liquidity risk management considers the assessment of liquidity requirements to ensure that the Company has sufficient cash to meet its capital and operating expenses. The table below analyzes the Company's liabilities by maturity, which comprises the remainder of the balance sheet period to the contractual maturity date. The figures presented do not include contractual discount rate.

	2019	2018
Financial assets		
Impairment of financial assets recorded at amortized cost:	Less than 1 year	Less than 1 years
Trade accounts	12,251	64,669
Trade accounts - related parties	586,971	588,879

Interest rate risk

The purpose of the Company's interest rate risk management policy is to minimize the possibility of losses due to interest rate fluctuations related to short-term investments in current assets.

25 Bank guarantees

At March 31, 2019 and 2018, based on the agreements in force, the bank guarantees were as follows:

Modality	2019	2018
Guarantee for rent and purchase and sale of energy - Banco Santander	1,540	2,903
Guarantee referring to ICMS debts - Banco Itaú	768	-
Rent letter of guarantee - Banco Itaú	300	-
Purchase and sale of electricity from an incentive source - Banco Itaú	<u>312</u>	<u>-</u>
Total	<u><u>2,920</u></u>	<u><u>2,903</u></u>

* * *

Board

Frédéric Roger Maurice Yannick Drouin
Managing Director

Margareth Licnerski Gonçalves
Finance Director

Accountant

Marcelo Suzigan Prudente Ramos
CRC 1SP237411/O-8