Jaguar Land Rover Brazil Import and Vehicles Trade Ltd..

Financial Statements for the Year Ended March 31, 2016 and Independent Auditors' Report on the Financial Statements

Deloitte Touche Tohmatsu Independent auditors

INDEPENDENT AUDITORS REPORT ON THE FINANCIAL STATEMENTS

Shareholders and Directors of
Jaguar Land Rover Brazil Import and Vehicle Trade Ltda.
Sao Paulo – SP

We have audited the financial statements of Jaguar Land Rover Brasil Importação e Comércio de Veículos Ltda. (The "Company"), which comprise the balance sheet as of March 31, 2016 and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for financial statements

The Company's management is responsible for the preparation and fair presentation of financial statements in accordance with accounting practices adopted in Brazil and the internal control that management determines to be necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and international auditing standards. Those standards require that the auditors comply with ethical requirements and that the audit is planned and performed in order to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement in the financial statements, whether due to fraud or error. In this risk assessment, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls Society. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate for expressing our opinion.

Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Jaguar Land Rover Brasil Importação e Comércio de Veículos Ltda.. on March 31, 2016, the performance of its operations and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Emphasis

The Company makes significant transactions with related parties. As mentioned in Notes 1 and 9 to the financial statements, the Company's purchasing operations are substantially concentrated in imports of vehicles, parts and accessories from its related party Jaguar Land Rover Limited. Our opinion is not qualified in this matter.

Sao Paulo, ___ of ___________ 2016

DELOITTE TOUCHE TOHMATSU
independent auditors
CRC nº 2 SP 011609/O-8

João Eugenio Leitão Filho
Counter
CRC nº 1 SP 130990/O-4

1. GENERAL INFORMATION

Jaguar Land Rover Brasil Importação e Comércio de Veículos Ltda. (The "Company") is a limited liability company with its office registered at Avenida Ibirapuera, 2332 - Tower I - 10º andar, in São Paulo, State of São Paulo, whose main objectives are the import and trade of motor vehicles, machinery, tools , parts, components and accessories and provision of services related to the activities described.

Vehicles and other products resold by the Company are fully imported from the related party, Jaguar Land Rover Limited, located in England.

In October 2012, in order to introduce regulatory measures for the future of the automotive industry in Brazil, the Brazilian government issued Decree No. 7,819 / 12 - Innovate Program Auto, which regulates the Incentive Program for Technological Innovation of the Supply Chain of Motor Vehicles. The main objectives of the program are: (a) create conditions for competitiveness by improving the quality of production vehicles; (B) encourage companies to produce safer and cmore econcomical vehicles (energy efficiency); and (c) ensure investments in the supply chain, engineering, basic industrial technology, research and development and training. The underlying benefit of the program is to reduce the rate of the Tax on Industrialized Products - IPI on the sale of vehicles by 30 percentage points.

In October 2012, the Company filed the application with the relevant authorities for participation in the Innovation Program Auto, and since December 28, 2012, already enjoy its benefits, with the granting of an annual quota of 4,800 vehicles to be imported by the Company with the reduction of the IPI by 30 percentage points.

To maintain the benefits of the Innovate Program Auto, the Company must invest during the concession period of the benefit, between 0.65% and 1.5% of gross revenues from sales of goods and services, excluding taxes and contributions levied on the sale, in research, development, basic industrial technology and training providers. The program came into effect from January 1, 2013 and expires on 31 July 2017.

In December 2014, the Company started the construction of its plant in Itatiaia - RJ, with investments of approximately R $ 750 million with completion scheduled for 2016.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Declaration of conformity and basis of preparation

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil (BR GAAP).

The accounting practices adopted in Brazil comprise the practices set out in the Brazilian Corporate Law and technical pronouncements, instructions and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC).

The financial statements have been prepared based on historical cost, unless otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The significant accounting policies adopted in preparing the financial statements are as follows:

a) Functional currency and foreign currency conversion

The functional currency the Company is the same as that of the wider Jaguar Land Rover Group, Great British Pounds (GBP). The financial statements are presented in Brazilian reais - R $ (“the presentation currency”).

The denominated in foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. The foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates at the end of the year relating to monetary assets and liabilities denominated in foreign currencies are recognized in current earnings.

b) Cash and cash equivalents

They include cash, funds available in bank accounts free movement and financial investments, which are represented by temporary investments of immediate liquidity (original maturities of 90 days or repurchase by the issuer / seller), recorded at cost plus income earned through the balance sheet dates, with insignificant risk of change in fair value.

c) Accounts receivable

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

The adjustment to account balance of this amount receivable is not relevant due to the short-term achievement.

d) Provision for doubtful accounts

Constituted on all claims not guaranteed in arrears for more than 90 days is considered sufficient by the Company's management to cover possible losses on these credits, which can be modified by virtue of the credit recovery in debtor clients or change in the financial situation customers.

e) Inventories

Recorded at average cost of acquisition / importation, adjusted for losses to net realizable value, where applicable. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and selling expenses. For items considered obsolete or slow-moving, a provision for obsolescence is recognised, considering the estimated future use.

f) Property, plant and equipment

Recorded at cost of acquisition or construction, reduced by accumulated depreciation and allowance for impairment, when the expected future cash generation is lower than the carrying amount of the asset.

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

Depreciation is recognized based on the estimated useful lives of the assets using the straight line method (see rates in Note 7), so that the cost value less its residual value after its useful life is fully written off.

Residual values and depreciation method 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 derecognized on disposal or when no future economic benefits are expected from its use. Any gains or losses on the sale or disposal of an item of fixed assets are determined by the difference between the amounts received and the carrying amount of the asset and are recognized in profit and loss.

g) Intangible assets

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

h) Current and non-current liabilities

Stated at known or estimated amounts including, when applicable, financial charges, inflation adjustments and exchange rate variations incurred to the balance sheet date.

i) Provision for warranty and recalls

Recorded at the time of sale of the vehicle, based on the estimated amount to be spent during the warranty period of three years. This estimate is based on historical information about the occurrence of warranty requests, taking into account the frequency and average cost of repairs by vehicle model. Expenses incurred with collateral are recorded as cost of goods sold. The expenses actually incurred to "recall" are reimbursed by the Company.

j) Provisions for risks

Recognized for present obligations (legal or not formalized) resulting from past events, where it is possible to estimate reliably the value of the obligation and where its settlement is probable.

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of each year, considering the risks and uncertainties surrounding the obligation. When the provision is measured based on estimated cash flows to settle the obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is virtually certain and the value can be measured reliably.

k) Income tax and social contribution and deferred

The income tax and social contribution expenses for the year include current and deferred taxes.

Current income tax and social contribution

The provision for current income tax and social contribution is calculated as prescribed by tax laws enacted or substantially enacted at the balance sheet dates. Taxable profit differs from profit before tax presented in the income statement because it excludes nontaxable and nondeductible items and excludes permanent differences. Current income tax and social contribution expenses are charged to profit and loss as incurred.

Income tax and social contribution charges current is calculated based on the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken by the Company in income tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate, based on the estimated amounts of payment to the tax authorities.

Deferred taxes

Deferred taxes are recognized by the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements including the amount of tax losses carried forwards, when applicable.

Deferred tax assets are recognized on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, to the extent that it is probable that future taxable income will be sufficient to absorb these tax credits. This assessment is made based on estimates of future results prepared and based on internal assumptions and future economic scenarios which may, therefore, change.

Deferred tax assets and liabilities are presented on a net basis when there is a legally enforceable right to offset current tax assets against current tax liabilities and when there is the intention to settle these balances on a net basis, as prescribed by tax laws.

l) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of vehicles and auto parts in the normal course of business of the Company. Revenue is presented net of taxes, returns, trade discounts and / or bonuses granted.

Product sales

The product sales revenue is recognized when all the following conditions are met:

- The Company transferred to the buyer the significant risks and rewards of ownership of the products.
- The Company retains no continuing managerial involvement to the degree usually associated with ownership, nor effective control over such products.
- The amount of revenue can be measure reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- The costs incurred, or to be incurred, related to the transaction can be measured reliably.

m) Accounting estimates

In applying the accounting principles described above, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be easily obtained from other sources. The estimates and associated assumptions are based on past experience and other factors considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects resulting from revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that year, and also in subsequent years, if the revision affects both the current year and future years.

The main items subject to judgment in applying accounting policies are the useful lives of fixed assets for depreciation, allowance for doubtful accounts, warranty accrual, provision for risks and projections to assess the realization of the balance of deferred taxes and the recoverable value of assets subject to impairment test, among others.

n) Financial Instruments

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

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the issue of financial assets and liabilities (except for financial assets and liabilities at fair value through profit) are added to or deducted from the fair value of financial assets or liabilities, if applicable, after initial recognition. Costs directly attributable transaction for the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit and loss.

(i) Financial assets

Financial assets are classified in the following categories: (1) at fair value through profit or loss; (2) held to maturity; (3) loans and receivables; and (4) available for sale. The classification depends on the nature and purpose of the financial asset and is determined at initial recognition.

<u>Assets held at fair value through profit and loss</u>

Financial assets are measured at fair value through profit and loss when they are held for trading, or upon initial recognition are designated at fair value through profit and loss. A financial asset is classified as held for trading if it is:

- Acquired principally for the purpose of selling in the near term.

- Part of a portfolio of identified financial instruments that are managed together and has a recent actual pattern of short-term profits.

- A derivative that is not designated an effective hedging instrument in a hedge accounting situation.

A financial asset that is not held for trading can be designated at fair value through profit and loss upon initial recognition when:

• This designation eliminates, or significantly reduces, an inconsistency that might arise upon measurement or recognition.

• As part of a managed group of financial assets, liabilities, or both, its performance is evaluated based on the fair value according to the risk management or the Company documented investment strategy and the related information is provided internally on the same basis .

• It is part of a contract containing one or more embedded derivatives, and CPC 38 - Financial Instruments: Recognition and Measurement permits that the combined contract as a whole (assets or liabilities) be designated at fair value through profit and loss.

Financial assets at fair value through profit and loss have their gains or losses recognized in the income statement. Net gains or losses recognized in income include dividends or interest earned on the financial asset.

Assets held to maturity

Financial assets with fixed or determinable payments and fixed maturities, which the Company has the intent and ability to hold to maturity, are classified in this category. Financial assets held to maturity are measured at amortized cost using the effective interest method, less provision for impairment. Interest income is recognized by applying the method of effective interest rate.

Loans and receivables

These are financial assets with fixed or determinable payments, are not quoted in an active market and are measured at amortized cost using the effective interest method, less provision for impairment. Interest income is recognized by applying the method of effective interest rate.

Financial assets available for sale

Financial assets available for sale are those that are not derivatives that are designated as available for sale or are not classified into the categories above.

Financial assets available for sale are measured at fair value. Interest, monetary correction and exchange variation, when applicable, are recognized in income when incurred. Changes arising from measurement at fair value are recognized in a specific account of shareholders' equity when incurred, and are charged to the income statement at the time they are realized, or considered unrecoverable.

Effective interest method

This is the method of calculating the amortized cost of a financial asset or liability and allocating interest income or interest expenses over the relevant period. The effective interest rate is that which exactly discounts receipts or estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life the financial asset or, where appropriate, a shorter period.

(ii) Financial liabilities

Are classified as: (1) fair value through profit and loss; or (2) other financial liabilities.

Financial liabilities at fair value through profit

This category includes financial liabilities held for trading or measured at fair value through profit and loss.

A financial liability is classified as held for trading if it is:

- Incurred principally for the purpose of repurchasing in the near future.
- Part of a portfolio of identified financial instruments that are jointly managed and for which there is evidence of a recent actual pattern of short-term profit-making.
- A derivative that is not designated as an effective hedge instrument.

Financial liabilities that are not classified as held for trading can be designated at fair value through profit and loss upon initial recognition when:

- This designation eliminates or significantly reduces an inconsistency in measurement or recognition that might arise.
- They are part of a managed group of financial assets or liabilities, or both, whose performance is evaluated based on fair value, in accordance with the Company’s documented risk management or investment strategy, and whose related information is provided internally on that basis.
- They are part of a contract containing one or more embedded derivatives and allow the combined contract as a whole (assets or liabilities) be designated at fair value through profit or loss.

Financial liabilities at fair value through profit and loss are stated at fair value with gains or losses recognized in profit and loss. Net gains or losses recognized in profit and loss include any interest arising from the financial liability.

Other financial liabilities

They are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method. The effective interest method is a method that calculates the amortized cost of a financial liability and allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments precisely through the expected life of the financial liability or, when appropriate, a shorter period..

o) New standards and amendments and interpretations of standards

In the current year, the Company has applied several amendments and new interpretations to the "International Financial Reporting Standards - IFRS" issued by the "International Accounting Standards Board - IASB" and the CPC, which must come into force for financial years beginning on 1 January 2014.

The following is a summary of the main changes in standards and pronouncements that have entered into force:

Pronouncement or interpretation	Description
Amendments to IAS 32 - Financial Instruments: Presentation	Clarify the requirements related to offsetting financial assets and liabilities. Specifically, these amendments clarify the meaning of "currently has a legally enforceable right to offset 'and' simultaneous realization and settlement."
Amendments to IAS 36 - "Impairment" of assets	Add guidance on the disclosure of recoverable amounts of non-financial assets.
Amendments to IAS 39 - Financial Instruments: Recognition and Measurement	Add guidelines clarifying that there is no need to discontinue "hedge" if the derivative instrument is renewed, provided that certain criteria are met.
Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities	Amendments to IFRS 10 define an investment entity and require the reporting entity and meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Pronouncement or interpretation	Description
	Changes have been made as a result of IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.
IFRIC 21 - Fees	I t provides guidance on when to recognize a liability for a fee imposed by the government.

Standards and interpretations described new and revised, do not generate impacts on the financial statements of the Company::

Below, we describe the new standards and interpretations already issued but not yet effective:

Pronouncement or interpretation	Description
Amendments to IFRS 9 - Financial Instruments (effective for annual periods beginning on or after 1 January 2018)	IFRS 9 is the first standard issued as part of a broader process to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the combined measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the characteristics of the contractual cash flows of the financial asset. The guidance in IAS 39 on impairment of financial assets and accounting "hedge" is still applicable.
IFRS 15 - Customer Contracts Income (effective for annual periods beginning on or after January 1, 2017)	IFRS 15 replaces IAS 18, IFRIC 13 and SIC 31 (CPC 30 (R1)), IAS 11 (CPC 17 (R1)), IFRIC 15 (ICPC 02) and IFRIC 18 (ICPC 11). IFRS 15 specifies how and when an entity will recognize the measured revenue contracts and customer relations, and requires such entities to provide more detailed disclosures and relevant to users of financial statements. This standard provides, in a single document, principles for recognizing applicable to all types of income measured by contracts and / or relationships with customers.

Pronouncement or interpretation	Description
Amendments to IFRS 11 / CPC 19 (R2) - Contractual Agreement set (effective for annual periods beginning on or after January 1, 2016)	Amendments to IFRS 11 / CPC 19 (R2) provide instructions on how to account for the acquisition of a business together constituting a "business", according to the definition given by IFRS 3 / CPC 15 (R1) - Business Combinations. A business together also requires to be disclosed the relevant information required by IFRS 3 / CPC 15 (R1) and other rules of the business combination..
Amendments to IAS 16 / CPC 27 and IAS 38 / CPC 04 (R1) - Clarification of Acceptable Methods Depreciation and Amortization (effective for annual periods beginning on or after January 1, 2016)	Amendments to IAS 16 / CPC 27 prohibit companies from using the depreciation method based on revenue for the asset items. Amendments to IAS 38 / CPC 04 (R1) introduce a rebuttable assumption that revenue is not an appropriate basis for determining the amortization of an intangible asset.
Amendments to IAS 16 / CPC 27 and IAS 41 / CPC 29 - Agriculture: Production Plants (effective for annual periods beginning on or after January 1, 2016)	Amendments to IAS 16 / CPC 27 and IAS 41 / CPC 29 bring the definition of production plants that meet the definition of production plants that could be counted as assets in accordance with IAS 16 / CPC 27 instead of IAS 41 / CPC 29. the good growth in the production plant continues to be accounted for in accordance with IAS 41 / CPC 29.

Management has not yet assessed the possible impact of the changes to be introduced.

The CPC and the CFC have committed to issue new standards as soon as issued by the IASB and review and update all documents issued in order to keep the Brazilian accounting practices fully comply with international standards for the purpose of developing and presentation of financial statements individual financial Brazilian companies to legally complete convergence is possible or until there is change by the IASB.

The Company may apply a new IFRS, not mandatory yet, only when this IFRS allow early application, but subject to the approval of the pronouncement CPC..

3. CASH AND CASH EQUIVALENTS

	2016	2015
Cash and cash equivalents (a)	9.967	22.058
Bank Deposit Certificates (CDBs) (b)	201.646	79.769
Total	211.613	101.827

(a) The balance at March 31, 2016 held in cash and cash equivalents refers to funds that will be used to acquire vehicles at the beginning of April.

(b) Financial investments at March 31, 2016 correspond to floating indexed investments and / or indexed at rates ranging from 90% to 95% of the Interbank Deposit Certificate - CDI (90% on March 31, 2015). Investments may be redeemed at any time without risk of significant changes in their carrying amount.

4. TRADE ACCOUNTS RECEIVABLE

	2016	2015
Receivable from car dealers - vehicles	161.278	96.217
Receivable from dealers - parts	17.274	14.144
Provision for doubtful accounts	(27.222)	(4.528)
Total	151.330	105.833

The balances of accounts receivable by maturity are shown below:

	2016	2015
Current	138.391	86.193
Overdue:		
From 1 to 30 days	7.628	17.746
From 31 to 90 days	7.978	1.893
From 91 to 120 days	2.785	1.537
More than 121 days	21.770	2.992
Total	178.552	110.361

The average collection period in the sale to dealers is 28 days for sales of parts and two days in the sale of vehicles. No interest is charged.

Changes in allowance for doubtful accounts

	2016	2015
Balance at beginning of year	(4.528)	(466)
Addition	(22.694)	(4.062)
Balance at end of year	(27.222)	(4.528)

The allowance for loan losses was recorded in the income statement as "Other operating expenses, net" (Note 18). Amounts charged against the allowance refer to receivables for which there is no expectation of recovery.

5. INVENTORIES

	2016	2015
Vehicles for resale - Land Rover	169.966	120.172
Vehicles for resale - Jaguar	6.503	9.312
Fleet vehicles intended for sale - Land Rover	34.326	30.649
Fleet vehicles intended for sale - Jaguar	12.421	10.336
Parts and accessories	72.194	46.870
Imports in transit	82.241	62.689
Provision for losses and obsolete inventory items	(9.122)	(2.339)
Total	368.529	277.689

Changes in allowance for losses and obsolete inventories

	2016	2015
Balance at beginning of year	(2.339)	(4.768)
Addition	(10.841)	(3.267)
Usage	4.058	5.696
Reversal	-	-
Balance at end of year	(9.122)	(2.339)

6. RECOVERABLE TAXES

	2016	2015
ICMS (State sales tax)	31.338	19.830
IPI (Federal sales tax)	3.111	-
IRRF (withholding income tax)	488	24
PIS/COFINS (social taxes)	10.591	
CSLL (social income tax)	3	
ICMS-ST (State sales tax – tax replacement regime) (a)	17.623	18.412
Provision for losses on unrealizable ICMS-ST (b)	(17.623)	(3.979)
Total	59.175	34.287

	2016	2015
Current portion	45.531	20.643
Noncurrent	-	13.644
Total	59.175	34.287

(a) From November 2009 to October 2010, approximately 47% of the Company's sales were to car dealers outside the state of São Paulo, through its subsidiary in São Paulo, which received the imported vehicles through Cotia Vitória Services and Trade S.A. ("Cotia Trading") in the city of Vitória, State of Espírito Santo. Under the laws applicable to such activity, ICMS-ST is calculated under the reverse charge regime (a regime which consists of anticipating the tax burden of the next agents in the economic chain). Consequently, the Company paid ICMS-ST when: (i) vehicles imported by Cotia Trading were transferred from the State of Espírito Santo to the State of São Paulo; and (ii) the Company's branch in São Paulo sold vehicles to the branch of the car dealer located outside São Paulo state. For this reason, the Company filed a request with the tax authorities of the State of São Paulo to be authorized to offset these credits, which had been paid twice during the aforementioned period, by selling such credits to Cotia Trading, its major supplier, as allowed in CAT Adminstrative Rule 17/06. To date, this authorization has not been obtained..

(b) As of March 31, 2016, the Company recognized a provision of R$17,623 in order to reduce such assets to the expected realizable values.

The non-current portion is basically represented by ICMS, which expected realization in the long-term.

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

		2016			2015
	Annual rate depreciation/ amortization rate -%	Cost	Depreciation/ amortization accumulated	Net	Net
Property, plant and equipment:					
Vehicles (fleet)	20	-	-	-	-
Furniture and fixtures	10	-	(1.170)	(1.170)	1.938
IT equipment	20	35.458	(2.545)	32.913	1.612
Special tools	10	199	(66)	133	79
Improvements	4	5.153	-	5.153	1.130
Buildings		64.935	(70)	64.865	
Land		89.743	-	89.743	
Construction in progress (*)		403.991	-	403.991	57.891
		599.479	(3.851)	595.628	62.650
Intangible-					
Software	20	127	(125)	2	3
Total		599.606	(3.976)	595.630	62.653

(*) Refers to expenditure for the construction of the plant in Itatiaia, Rio de Janeiro, which is scheduled to be completed in 2016.

Changes in property, plant and equipment and intangible assets:

	2016	2015
Balance at beginning of year	62.653	12.490
Additions:		
Improvements	5.153	84
Vehicles (fleet)	-	-
Furniture and fixtures	-	866
IT equipment	35.458	1.336
Special tools	199	104
Buildings	64.935	
Land	89.743	
Construction in progress	403.991	49.833
Total additions	599.479	52.223
Write offs, net	-	(1.825)
Depreciation / amortization	(3.851)	(235)
Balance at end of year	595.628	62.653

8. INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution are based on taxable income determined in accordance with current legislation. The rate of income tax is 15%, with an additional 10% on annual taxable income exceeding R $ 240. Social contribution is calculated on taxable income at a 9% rate. for disclosure purposes, the combined rate is 34%.

	2016	2015
Opening balance payable	-	156
Total current income tax and social contribution expenses	-	(17.301)
Payments made during the year	-	26.397
Balance recoverable (non-current in 2015)	-	9.252

The reconciliation of income taxes and social contribution expenses for the years ended March 31, 2016 and 2015 is as follows :

	2016	2015
Income before income tax and social contribution	-	38.080
Combined rate		34%
Expected income tax and social contribution expenses at combined rate	-	(12.947)
Effect of income tax permanent differences:		
Transferpricing adjustment	2.404	(330)
Interest on equity	-	2.030
Others	261	428
Income tax and social contribution expense	-	(10.819)

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

	2016	2015
Deferred tax assets on temporary differences:		
Provision for losses and obsolete inventory items		-
Accrued bonuses	2.919	1.757
Provision for risks	4.515	3.692
Provision for warranty and technical assistance	33.825	37.873
Provision for incentive of marketing and sales	13.372	13.894
Allowance for doubtful accounts	6.265	1.540
Loss	15.574	-
Exchange variation	(19.645)	-
Others	737	4.264
Total	57.562	63.020

9. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Refers to transactions made with the controlling shareholder Jaguar Land Rover Limited.

	2016	2015
Transactions:		
Vehicle and spare parts purchases	1.175.505	1.205.588
Expenses refund	XXX	(8.251)
Balances:		
Trade accounts receiveable (a)	27.538	25.008
Trade accounts payable (b)	526.577	197.555
Interest on equity payable	6.136	6.136
Loans - related parties (see Note 11)	655.704	47.913

(a) Refers mainly to amounts receivable for reimbursement of expenses for services provided to related parties located in Latin America, with no fixed maturity or interest and charges, and reimbursement of costs incurred (parts and labor) to recall vehicles.

(b) Refers to amounts payable for the acquisition of vehicles and spare parts from the controlling shareholder Jaguar Land Rover Limited

Management's compensation

Management's compensation expenses for the year ended March 31, 2016 totaled R $ _____ (R $ 1,976 in 2014). This compensation consists of salaries and related charges, Christmas bonus, vacation rights and other short-term benefits, such as medical and dental assistance..

10. TAXES PAYABLE

	2016	2015
IPI (Federal VAT)	10.202	21.627
ICMS (State VAT)	5.824	-
ICMS-ST (State VAT – tax replacement regime)	21.681	25.770
Social Integration Program – PIS	1.322	89
Contribution to Social Security Financing - COFINS	8.214	455
Others	(40)	488
Total	47.203	48.429

11. LOANS – RELATED PARTIES

During 2016, the Company obtained a loan from the parent company to finance the construction of the plant. The amount recorded in "Loans - related parties", which bears interest charges at LIBOR 6 months plus 3.5% per year, denominated in pounds sterling and converted to real, is detailed as follows:

	interest rates	2016	2015
Loan - Jaguar Land Rover Limited	Libor 6 m + 3,5% a.a.	655.574	47.913

12. SALES INCENTIVES TO PAY

On March 31, 2016, the Company reported the following sales incentive amounts payable to dealers:

	2016	2015
“Variable Margin Expense” - VME payable - Land Rover	6.617	10.200
“Variable Margin Expense” - VME payable - Jaguar	76	1.396
Total	6.693	11.596

13. PROVISION FOR WARRANTY, SALES AND OTHER INCENTIVES

	2016	2015
Provision for warranty and technical assistance	109.300	111.393
Sales incentives	32.343	38.646
Accrued marketing expenses	4.362	2.219
Provision – Inovar AutoProgram	9.448	11.909
Total	155.453	164.167
Current portion	109.814	109.942
Noncurrent	45.639	54.225
Total	155.453	164.167

14. PROVISION FOR RISKS

	2016	2015
Labor and social security	1.202	1.440
Tax	-	-
Civil	12.076	9.420
Total	13.278	10.860
Current portion	-	-
Noncurrent	13.278	10.860
Total	13.278	10.860

Changes in provision for risks

	Balance in 2015	Additions	Reversals	Payments	Balance in 2016
Labor and social security	1.440	-	(238)	-	1.202
Tax	-	-	-	-	-
Civil	9.420	4.372	(1.382)	(334)	12.076
Total	10.860	4.372	(1.620)	(334)	13.278

	Balance in 2014	Additions	Reversals	Payments	Balance in 2015
Labor and social security	1.531	-	(91)	-	1.440
Tax	10.140	-	(10.140)	-	-
Civil	8.061	4.888	-	(3.529)	9.420
Total	19.732	4.888	(10.231)	(3.529)	10.860

The main risks provisioned according to the evaluation of the legal advisors of the Company and its management are detailed below :

- Labor and social security - refers to lawsuits claiming labor charges relating to independent contractors engaged by the Company..

- Tax – refers basically to the recognition of a provision on the ICMS-ST difference calculated on the methodology applicable to the automakers "versus the percentage rate of 30%, as prescribed by the ICMS Regulation. This difference was provisioned and was reversed in 2015 due to the expiration of the legal deadline

- Civil – refers to lawsuits filed by consumers claiming compensation for pain and suffering and financial losses.

On March 31, 2016, the lawsuits assessed as possible losses by legal counsel and by management refer to civil proceedings in the amount of R $ 267,827 (R $ 19,908 in 2015).

According to current tax legislation, the income statements of the last five years and the taxes and social contributions are subject to review and approval by the competent authorities for varying periods of time. However, the Company believes that, on March 31, 2016, there are no other known material contingencies that should be reflected in the financial statements.

15. CAPITAL

The capital of the Company, subscribed and paid in, is R $ 59,231 on March 31, 2016 (R $ 59,231 in 2015), represented by 59,231,335 shares with a nominal value of R $ 1.00 each, held by the following shareholders:

	Shares	
Shareholders	2016	2015
Jaguar Land Rover Limited	59.231.334	59.231.334
JLR Nominee Company Limited	1	1
Total	59.231.335	59.231.335

Foreign capital registered on behalf of Jaguar Land Rover Limited with the Central Bank of Brazil (BACEN) amounts to US $ 7.809 thousand and £ 9.038 thousand on March 31, 2016 (£ 9.038 thousand and US $ 7.815 thousand in 2015). The remittance of dividends, capital repatriation and foreign reinvestments are subject to BACEN's regulations.

During the year ended March 31, 2016, profit distribution was approved as follows :

- Accounting to minutes of the shareholders meeting on February 10, 2016, it was approved the financial statements for the year ended March 31, 2014, which indicated the existence of profit in the amount of R $ 117,380 and the allocation of $ 40,000 to increase capital.

- According to minutes of the shareholders meeting on December 28, 2014, the distribution of interest on capital of R $ 5,970 was approved (IRRF retention of R $ 896).

16. NET OPERATING REVENUE

	2016	2015
Domestic sales	2.315.096	2.324.548
Taxes on sales	(702.014)	(642.789)
Returns, discounts and rebates	(145.440)	(181.174)
net earnings	1.467.042	1.500.585

17. EXPENSES BY NATURE

	2016	2015
Raw materials and consumables used	(1.281.463)	(1.245.742)
Depreciation and amortization	(1.250)	(411)
Personnel costs and expenses	(99.775)	(38.381)
Structure and maintenance costs	(22.853)	(13.883)
Insurance, warranty, fees and charges	(86.725)	(68.551)
Information technology and projects	(3.483)	(3.460)
Outside services and other	(81.375)	(23.723)
Advertising, promotions and selling expenses	(96.032)	(71.322)
Total cost of goods sold and selling expenses, general and administrative and personnel expenses	(1.672.956)	(1.465.473)
Cost of goods sold	(1.364.266)	(1.314.695)
Selling, general, administrative and personnel expenses	(308.690)	(150.778)
Total	(1.672.956)	(1.465.473)

18. OTHER INCOME (EXPENSES), NET

	2016	2015
Extraordinary losses (write-off of uncollectible receivables and ICMS and IPI credits, and out of court agreements)		(1.075)
Provision for doubtful accounts		(4.062)
Reversal (provision) for risks		5.343
Others		2.426
Total		2.632

19. FINANCIAL RESULTS

	2016	2015
Bank expenses	(90)	(62)
Income from temporary cash investments	13.376	5.905
Discounts granted to car dealers	-	(11)
Exchange losses, net	63.850	(4.145)
Others	(9.125)	(1.351)
Total	68.011	336

20. FINANCIAL INSTRUMENTS

The Company enters into transactions involving financial instruments, basically short-term investments, all recorded in balance sheet accounts, in order to maintain its investment capacity and growth strategy..

a) The main assets and liabilities are presented by category as follows: :

	2016	2015
Financial assets -		
Loans and receivables stated at amortized cost:		
Cash and cash equivalents	10.901	22.058
Short-term investments	200.710	79.769
Trade accounts receiveable	153.717	105.833
Related parts	5.863	25.009
Financial liabilities -		
Loans and receivables stated at amortized cost:		
Trade accounts payable – third parties	76.227	25.974
Trade accounts payable - related parties	509.442	197.555
Loans - related parties	664.750	47.913

b) General considerations and policies

These risks are managed through the definition of strategies designed and approved by management in conjunction with controls and limits for exposures. Transactions using financial instruments are not conducted for speculative purposes.

In addition, Management timely assesses the Company's position and monitors the financial results obtained based on analysis of future projections, in order to ensure compliance with the defined business plan and monitoring the risks to which the Company is exposed.

The Company's risks are described below:

(i) Market Risk

The main market risk faced by the Company is fluctuations in exchange rates that impact the cost of imports of vehicles and parts. However, from April 1, 2012, the Company started to import vehicles and spare parts in Brazilian reais from the controlling shareholder in England; as a result, it is no longer exposed to this risk.

(ii) Foreign Exchange Risk

During 2015, the Company obtained a loan amounting to £ 10,000,000 with the parent company, which is an amount of £ 10.017 million on March 31, 2016.

<u>Foreign currency sensitivity analysis</u>

Based on the financial position of March 31, 2016, it is estimated that an increase or a reduction of 10% in the real exchange rate against the British Pound would result in a gain or loss in the Company before income tax and social contribution in the amount of R $ 4,800.

(iii) Credit Risk

The sales policy of the Company considers the credit risk level it is willing to accept in the course of business. Risk limits for each customer are determined according to the proportion of their total assets and based on financial information and current credit. The use of credit limits is regularly monitored.

Management does not expect any significant loss from customer default. Additionally, the Company has no customer representing more than 10% of its sales.

With regard to temporary cash investments and other investments, the Company carries out transactions with financial institutions with good ratings assigned by risk-rating agencies.

(iv) Liquidity Risk

Cash flow forecasting is performed by the Treasury, which monitors rolling forecasts of the Company's liquidity requirements to ensure that there is sufficient cash to meet operational needs.

The Treasury department invests excess cash in short-term deposits, choosing instruments with appropriate maturities or sufficient liquidity to meet its cash needs.

(v) Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to offer returns for its shareholders and benefits for other stakeholders.

(vi) Fair Value Estimates

The Company uses, where applicable, CPC 40 - Financial Instruments: Disclosures for financial instruments measured in the balance sheet at fair value, which requires disclosure of fair value by hierarchy level. On March 31, 2016, the Company only has assets quoted in Level 3.

21. INSURANCE COVERAGE

On March 31, 2016, the Company has the following insurance policies contracted with third parties:

	Insured amounts
vehicles	XXX
various risks	XXX
Civil responsability	XXX
Transport	XXX
Total	XX.XXX

22. BANK GUARANTEES

On March 31, 2016 and 2015, based on existing contracts, bank guarantees had the following compositions :

Modality	2016	2015
Guarantee for Rent – Deutsche Bank		515
Guarantee for Rent – Industrial Bank		1.136
Guarantee for Rent – Santander		-
Total		1.651

23. OTHER MATTERS

a) Law No. 12.973/14

On May 13, 2014, Law No. 12,973 was enacted, amending the federal tax legislation on Corporate Income Tax - IRPJ, Social Contribution on Net Income - CSLL, the contribution to the Social Integration Program / Program training the Civil Service Assets - PIS / PASEP and Contribution to Social Security Financing - COFINS and repealing the Transition Tax Regime - RTT introduced by Law 11,941 / 09.

This law addresses the differences between the tax books and the statutory accounting records arising from the adoption of IFRS in the past and which had been addressed by the so-called Transitory Tax Regime (RTT). The new law requires the precise identification of such GAAP differences and detailed records of the activity of such assets and liabilities from the implementation of IFRS in 2008.

The Company would have to prepare all the necessary analyzes and detailed records for the purposes of 2016 tax disclosure. Management assessed the requirements and concluded that no details or analyzes are required taking into account that the application of IFRS did not require any new accounting practice, which would be different from what was used until December 31, 2007. Therefore, there are no differences of GAAP to control.

b) E-social

From the calendar year 2015, the Company will deliver the E-social, which is a federal government project to unify the transmission of information due by employers towards their employees, in the form of specific files that make up the System Public Digital Bookkeeping - SPED tax, social security and labor obligations. The Company's management is responsible for the preparation and submission of information and is working to meet deadlines and requirements satisfactorily.

24. APPROVAL OF FINANCIAL STATEMENTS

Management of the Company has reviewed and approved the financial statements for the year ended March 31, 2016 on _____ of _____ 2016.