JAGUAR AND LAND ROVER BRASIL INDÚSTRIA E COMÉRCIO DE VEÍCULOS LTDA.

Financial statement for the financial year ended at March 31, 2020

KPDS 524922

Content

KPMG Auditores Independentes
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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, 2020 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, 2020, 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, June 29, 2020

KPMG Auditores Independentes
CRC SP014428/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, 2020 and 2019

(Amounts expressed in thousands of Reals - R$)

Assets	Accompanying note	2020	2019
Current assets			
Cash and cash equivalents	4	187,303	36,423
Trade receivables	5	57,103	71,633
Inventories	6	287,278	266,502
Taxes recoverable	7	74,543	56,251
Other accounts receivable		12,066	18,172
Total current assets		618,293	448,981
Non-current assets			
Trade receivables	5	1.074	4,653
Taxes recoverable	7	13.621	13,025
Escrow deposits		38.327	25,732
Deferred taxes	9	127.969	130,050
Total long-term receivables		180,991	173,460
Property, plant and equipment	8	493,818	495,624
Intangible assets	8	(256)	609
		493,562	496,233
Total non-current assets		674,553	669,693
Total assets		1,292,846	1,118,674

Liabilities and equity	Accompanying note	2020	2019
Current liabilities			
Trade payable	11	738,689	599,222
Tax and social contribution payable	12	25,320	17,603
Sales incentives payable	13	5,549	2,112
Wages and social charges		11,528	8,973
Provision for warranty, sales incentives and others	14	104,555	107,535
Deferred income	15	29,013	22,521
Provision for current income taxes		2,326	5,167
Lease liabilities	24	2,570	1,277
Other accounts payable		30,557	27,217
Total current liabilities		950,107	791,627
Non-current liabilities			
Provision for warranty, sales incentives and others	14	63,654	59,705
Provision for risks	16	23,291	25,238
Deferred income	15	85,332	76,029
Lease liabilities	24	14,280	12,119
Other accounts payable		-	44
Total non-current liabilities		186,557	173,135
Equity			
Share capital	17	616,628	616,628
Earnings reserve		98,589	98,671
Accumulated losses		(559,035)	(561,387)
Total equity		156,182	153,912
Total liabilities and equity		1,292,846	1,118,674

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, 2020 and 2019

(Amounts expressed in thousands of Reals - R$)

	Accompanying note	2020	2019
Net operating income	18	1,596,789	1,592,144
Cost of products sold	19	(1,265,261)	(1,284,817)
Gross profit		331,528	307,327
Operating expenses			
Selling expenses	19	(141,746)	(129,424)
General and administrative expenses	19	(133,309)	(158,354)
Other operating income (expenses), net	20	(7,466)	(8,316)
		(282,521)	(296,094)
Operating Loss Before Finance Income (Costs)		49,007	11,233
Finance income	21	205	2,177
Finance costs	21	(32,672)	(4,555)
Net finance expenses		(32,467)	(2,378)
Operating and non operating loss before income tax and social contribution		16,540	8,855
Current income tax and social contribution	9	(12,106)	(4,389)
Deferred income tax and social contribution	9	(2,082)	(8,446)
Profit / (Loss) for the year		2,352	(3,980)

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, 2020 and 2019

(Amounts expressed in thousands of Reals - R$)

	2020	**2019**
Profit / (Loss) for the year	2,352	(3,980)
Other comprehensive income	-	-
Total comprehensive income for the year	2,352	(3,980)

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 financial period ended at March 31, 2020 and 2019

(Amounts expressed in thousands of Reals - R$)

	Capital stock	Profit reserves	Accumulated deficit	TOTAL
Balances at April 1, 2018	616,628	98,671	(557,407)	157,892
Loss for the fiscal period	-	-	(3,980)	(3,980)
Balances at March 31, 2019	616,628	98,671	(561,387)	153,912
Adjustments to the adoption of Pronouncement 06 (R2) issued by the Brazilian Accounting Pronouncements Committee (CPC)	-	(82)	-	(82)
Profit for the year	-	-	2,352	2,352
Balances at March 31, 2020	616,628	98,589	(559,035)	156,182

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

Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda.
Statements of cash flows
For the financial period ended at March 31, 2020 and 2019
(Amounts expressed in thousands of Reals - R$)

	Accompanying note	2020	2019
Cash flows from operating activities			
Income before income tax and social contribution		16,540	8,855
Adjustments to reconcile the result of the exercise			
Provision for tax, civil and labor risks	16	5,652	6,613
Depreciation and amortization	8	16,881	45,618
Reversal (Provision) for obsolescence and loss of stock	6	11,970	(9,100)
Reversal (Provision) for impairment losses on accounts receivable	5	(707)	27
Residual value of property, plant and equipment/intangible assets written-off	8	1,613	4,072
Exchange rate variations		(30,182)	(2,664)
Deferred income	15	15,795	26,705
Provision for interests - CPC 06 (R2)		772	-
Changes in assets and liabilities			
Accounts receivable	5	18,816	(30,503)
Inventory	6	(32,746)	35,627
Taxes recoverable	7	(18,888)	21,036
Judicial deposits		(12,595)	(4,358)
Other accounts receivable		6,106	(14,458)
Suppliers		169,649	(51,662)
Tax and social contribution payable		7,717	(34,312)
Sales incentives payable		3,437	(1,510)
Wages and social charges payable		2,555	(5,825)
Payment of provision for tax, civil and labor risks	16	(7,599)	(3,364)
Provision for guarantee, sales incentives and others	14	969	4,586
Other accounts payable		3,100	(41,490)
Cash provided by (used in) operating activities, before income tax and social contribution		178,855	(46,107)
Income tax and social contribution paid		(14,948)	-
Net cash provided by (used in) operating activities		163,907	(46,107)
Cash flows from investing activities			
Purchases of property, plant and equipment/intangible assets	8	(10,784)	(38,063)
Net cash used in investing activities		(10,784)	(38,063)
Cash flows from financing activities			
Capital lease principal payment	24	(1,771)	-
Capital lease interests payment		(472)	-
		(2,243)	-
(Decrease)/increase in cash and cash equivalents		150,880	(84,170)
Cash and cash equivalents at the beginning of the year		36,423	120,593
Cash and cash equivalents at the end of the year		187,303	36,423
Increase (decrease) in cash and cash equivalents		150,880	(84,170)

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

Accompanying notes to the financial statements

(All amounts expressed in thousands of Reals 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 – RJ, with an assembly production capacity of up to 24,000 vehicles per year. In June 2016, the Company began with the production of Evoque and Discovery Sport models. The Company is currently manufacturing the Discovery Sport model with an average production of 2,000 per year.

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 2020 in the amount of R$331,814. 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 financial statements were prepared and are being presented in accordance with the accounting practices adopted in Brazil.

The issue of the financial statements was authorized by the Executive Board on June 29, 2020.

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 06 (R2) (Leases) was applied. Changes in the main accounting standards are described in Note 3.1.

All relevant information in the financial statements, and only them, are being disclosed, and correspond to those used by Management in its management.

b. Functional currency and presentation currency

The current 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 24** - Lease liabilities -Term of the lease if the Company is reasonably sure of exercising extension options.

(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, 2021, are included in the following notes:

Note 5 - Accounts receivable - provision for impairment of accounts receivable

- **Note 6** - Inventories - provision losses and obsolete inventories;
- **Note 8** - Property, plant and equipment - impairment analysis.
- **Note 9** - recording of deferred tax assets: availability of future taxable income against which temporary differences may be used;
- **Note 14** - Provision for guarantee, sales incentives and others
- **Note 16** - Provision for contingencies.

d. Foreign currency transactions and balances

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 generality 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. Accounts receivable

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. 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.

h. 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 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 will flow and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation is recognized based on the estimated useful life of each asset using the straight-line method (see rates in note 8).

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.

i. 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.

j. Current and non-current liabilities

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

k. 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.

l. 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.

m. Current and deferred income tax and social contributions

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.

n. Revenue recognition

Operating income is recognized when (i) the most significant risks and benefits inherent to ownership of the assets have been transferred to the buyer, (ii) it is probable that the financial economic benefits will flow to the Company, (iii) the associated costs and possible return of goods can be estimated reliably, (iv) there is no continuous involvement with the goods sold, (v) the amount of operating revenue can be measured reliably. Revenue is net of returns, commercial discounts and bonuses

o. 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.

(ii) 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. The 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 assets - 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 derecognition is 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.

p. 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.

(iii) Estimated losses on doubtful accounts

According to CPC 48, the provision for losses is 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.

3 New standards, changes and interpretation of standards

The Company applied ICPC 22 - Uncertainty regarding the treatment of taxes on profit and CPC 06 (R2) - Leases. Due to the transition methods chosen by the Company in applying these standards, the comparative information in these financial statements has not been restated to reflect the requirements of the new standards.

3.1 Changes in the main accounting standards

a. New and revised standards and interpretations already issued and adopted from January 1, 2019

(i) CPC 06 (R2) (Leases)

CPC 06 (R2) introduces a unique balance sheet lease accounting model to lessees. its obligation to make lease payments 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 adopted a new standard as of April 1, 2019, considering that the fiscal year ends on March 31 of each year.

The Company applied CPC 06 (R2) using the modified prospective approach.

Impact on financial statements

In the transition to CPC 06 (R2), the Company recognized additional right-of-use assets, additional lease liabilities, recognizing the difference in the opening balance of accrued profits. The impact on the transition is summarized below.

	2020
Right-of-use assets - property, plant and equipment (Note 8)	5,039

Lease liabilities	(5,121)
Accrued profits	82

When measuring lease liabilities for those leases previously classified as operating leases, the Company discounted future lease payments using its incremental loan rate on April 1, 2019. The rate applied was:

Buildings	11.58 % p.a.

(ii) ICPC 22 - "Uncertainties in the treatment of income taxes"

Establishes aspects of recognition and measurement of standard CPC 32 - Taxes on Profit when there are uncertainties about the treatment of income tax related to assets or liabilities and current or deferred taxes, based on taxable profits, tax losses, tax bases, tax losses not used, unused tax credits and tax rates. This interpretation is effective for the financial years beginning on or after April 1, 2019. The Company had no significant impact on its Financial Statements.

b. New standards and interpretations not yet effective

A number of new standards will be effective for annual periods beginning after April 1, 2020.

The Company has not adopted these changes in the preparation of these financial statements. The following standards and interpretations not yet in effect, will not have a material impact on the Company's financial statements.

- Changes in references to the conceptual framework in IFRS standards.
- Definition of a business (changes to CPC 15/IFRS 3).
- Definition of materiality (amendments to CPC 26/IAS 1 and CPC 23/IAS 8).
- IFRS 17 Insurance Contracts

4 Cash and cash equivalents

	2020	**2019**
Cash and banks	183,503	35,790
DI investment fund (Banco do Brasil)	282	242
Bank Deposit Certificates - CDBs (*)	3,518	391
Total	187,303	36,423

(*) Financial investments at March 31, 2020 and March 31, 2019 correspond to indexed overnight investments at 30% from the Interbank Deposit Certificate variation.

5 Trade receivables

	2020	**2019**
Dealership receivables	57,810	71,633
Related party receivables (Note 10)	1,074	4,653

Provision for doubtful accounts	707	-
Total	58,177	76,286
Current portion	57,103	71,633
Non-current portion	1,074	4,653

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:

	2020	**2019**
Not yet due	33,888	42,943
Overdue:		
From 1 to 30 days	22,148	28,480
From 31 to 90 days	1,067	210
From 91 to 120 days	-	-
Above 121 days	707	-
Total	57,810	71,633

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

	2020	**2019**
Balance at the beginning of the year	-	(27)
Addition	707	(2)
Reversal	-	29
At year end	(707)	-

The provision for doubtful accounts was classified in the income statement was classified as "Other operating expenses, net" (note 20).

6 Inventories

	2020	**2019**
Vehicles	176,678	133,188
Parts and accessories	102,113	133,356
Imports in transit	32,790	36,231
Provision for losses and obsolete inventories	(24,303)	(36,273)
Total	287,278	266,502

The items are segregated as follows:

	2020	**2019**
Finished product	248,174	212,421
Product in process	3,403	3,180
Raw material	35,701	50,901
Total	287,278	266,502

Changes in the provision for obsolescence and obsolete inventories

	2020	2019
Balance at the beginning of the year	(36,273)	(27,173)
Addition	(5,012)	(13,615)
Write offs/consumption	16,982	4,515
At year end	(24,303)	(36,273)

7 Tax and social contribution recoverable

	2020	2019
ICMS recoverable **(a)**	42,571	40,552
ICMS on fixed assets	18,162	17,367
IPI recoverable **(a)**	18,036	6,409
PIS recoverable	387	2
Income Tax Withheld at Source - IRRF	2,231	2,432
Others	6,777	2,514
Total	88,164	69,276
Current portion	74,543	56,251
Non-current portion	13,621	13,025
Total	88,164	69,276

(a) The balance will be recovered as we decrease our import volume and reduce the inventory volume during the next fiscal year.

8 Property, plant and equipment and intangible assets

		2020			2019
	Annual rate of depreciation amortization - %	Cost	Depreciation/ Amortization Accrued	Net	Net
Property, plant and equipment:					
Right-of-use assets	11.58	5,039	(1,069)	3,970	-
Land	-	92,002	-	92,002	92,002
Buildings	4	258,888	(48,167)	210,721	214,889
Furniture and fittings	10	2,672	(1,154)	1,518	2,122
Machinery and equipment	10	165,822	(54,655)	111,167	110,373
IT equipment	20	36,901	(15,761)	21,140	22,613
Special tools	10	28,113	(23,763)	4,350	4,567
Water treatment station	6	14,398	4,463	9,935	10,456
Motor vehicles	11	600	(94)	506	572
Fixed assets in progress	-	38,509	-	38,509	38,030
Intangible assets:					
Software		4,189	(4,445)	(256)	609
Total		647,133	(153,571)	493,562	496,233

Changes in property, plant and equipment and intangible assets

	2020	**2019**
Balance at the beginning of the year	496,233	507,860
Active recognition of right-of-use in the initial application of CPC 06 (R2)	5,039	-
Balance at the beginning of the year	501,272	507,860
Additions:		
Buildings	932	1,398
Furniture and fittings	45	125
Machinery and equipment	3,534	17,711
IT equipment	571	3,193
Special tools	1,520	1,077
Software	-	53
Motor vehicles	-	600
Fixed assets in progress	4,182	13,906
Total additions	10,784	38,063
Net losses	(1,613)	(4,072)
Recoverable value of assets (*)	-	-
Depreciation/amortization (a) - note 19	(16,881)	(45,618)
At year end	493,562	496,233

(a) There was a decrease in the total depreciation and amortization for the year due to the recoverable amount of assets recorded at March 31, 2018. The annual depreciation was overestimated, which required an adjustment for the current year.

Impairment Rating

The Company annually calculates the impairment loss of fixed assets. As of March 31, 2020, there were no expectations of additional losses on the recovery of its assets, based on projected future operating and cash results.

Additionally, there was no change in the business assumptions and scenario. The Company has a single cash generating unit (CGU).

The recoverable value of the CGU is determined based on the calculation of the value in use using discounted cash flow projections based on a ten-year financial budget and a nominal discount rate of 11.20% per year.

Cash flow projections for the ten-year period, such as growth in sales, costs, expenses, fixed investments and working capital investments, are based on the strategic plan approved by Management.

The main assumptions used in the free cash flow projection are:

- Revenues: projected from 2021 to 2030 in line with the UGC's growth history, as well as the macroeconomic scenario estimated for the coming years.

- Operating costs and expenses: projected based on the Company's historical performance and the scenario evaluated in its strategic plan.

- Fixed investments: the fixed investment projections aim at replacing the operating fixed asset base.

- Working capital investments: projected based on revenue growth.

For both March 31, 2020 and March 31, 2019, the Company updated the analysis, but no significant deviations were identified in relation to the accounted balances and no addition or reversal of the provision was recorded.

9 Income tax and social contribution

As mentioned in Note 2, item k, income tax and social contribution expenses for the year comprise current and deferred taxes. Income taxes are recognized in the statement of profit and 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, 2020 and 2019 is as follows:

	2020	**2019**
Profit before income tax and social contribution	16,540	8,855
Tax rate	34%	34%
Income tax and social contribution according to tax rate	(5,624)	(3,011)
Effect of income tax on permanent differences:		
Transfer price adjustment	(9,061)	(1,239)
Unrecognized deferred income tax and social contribution credits	(663)	(9,400)
Other	1,160	815
Total income tax and social contribution expenses	(14,188)	(12,835)
Current	(12,106)	(4,389)
Deferred	(2,082)	(8,446)
Effective tax rate	(86%)	(145%)

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

	2020	**2019**
Deferred taxes on temporary differences:		
Bonus provision	7,516	8,014
Risk provisions	8,732	9,164

Warranty and technical assistance provision	36,511	36,901
Provision for sales incentives and marketing	12,296	12,737
Provision for employees	428	610
Inventory provision	832	1,236
Provision investments	78	240
Provision for accounts payable	8,102	2,389
Recoverable value of assets	53,439	53,439
Other	35	5,320
Total	127,969	130,050

Unrecognized deferred tax assets

Deferred tax assets were not recognized for the following items at March 31, 2020 and 2019:

	2020	**2019**
Accumulated tax loss and negative social contribution base	270,505	261,754
	270,505	261,754

Accumulated tax loss carryforwards and negative basis of social contribution amounted to R$270,505 at March 31, 2020 (R$261,754 at March 31, 2019). 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), because the company does not have a sufficient estimate of future taxable profit to use these amounts.

10 Related parties

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

	2020	**2019**
Balance:		
Receivables (1) - Note 5	1,074	4,653
Trade accounts - relate party receivables (b) - Note 11	710,830	586,971

(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.

	2020
Operations:	
Acquisitions of parts and vehicles	837,089
Import products sales	664,150

Management compensation

Management compensation expenses during the year ended March 31, 2020 totaled R$3,195 (R$3,630 in 2019). 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.

11 Suppliers

	2020	2019
Suppliers	27,859	12,037
Foreign suppliers - related parties (Note 10)	710,830	586,971
Other	-	214
Total	738,689	599,222

12 Tax and social contribution payable

	2020	2019
PIS	1,408	-
COFINS	6,965	998
IRRF	107	110
ICMS-ST	16,370	15,961
Other	470	534
Total	25,320	17,603

13 Sales incentives payable

At March 31, 2020 and 2019, the Company presented the following amounts of sales incentives payable to dealers:

	2020	2019
Variable margin expenses payable - Land Rover	5,072	1,748
Variable margin expenses payable - Jaguar	477	364
Total	5,549	2,112

14 Provision for warranty, sales incentives and others

	2020	2019
Provision for warranty and technical assistance (a)	121,193	108,321
Sales incentives (b)	43,918	52,835
Provision for marketing	3,098	6,084
Total	168,209	167,240
Current portion	104,555	107,535
Non-current portion	63,654	59,705
Total	168,209	167,240

(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

15 Deferred revenue

	2020	2019
Deferred revenue - land (a)	21,000	21,000
Deferred revenue - “Service plan” (b)	93,345	77,550
Total	114,345	98,550

	2020	2019
Current portion	29,013	22,521
Non-current portion	85,332	76.029
Total	114,345	98,550

(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.

16 Provision for Tax, Civil and Labor risks

	2020	**2019**
Civil	23,291	25,238
Total	23,291	25,238

Change in the provision for risks

	Balance in 2019	**Additions**	**Reversals**	**Payments**	**Balance in 2020**
Civil	25,238	13,492	(7,840)	(7,599)	23.291
Total	25,238	13,492	(7,840)	(7,599)	23.291

At March 31, 2020, the contingencies assessed by the Company's legal advisors and management as possible risk of loss amounted R$292,919 (R$262,587 in 2019). Possible loss proceedings are spread and have a tax (R$231,940) and civil (R$60,976) nature.

17 Share capital

The subscribed and paid-in capital of the Company is R$616,628 at March 31, 2020 (R$616,628 in 2019), represented by 616,627,735 shares with par value of R$1.00 each, belonging to the following shareholders:

	Shares	
Shareholders	**2020**	**2019**
Jaguar e Land Rover Brasil	616,627,734	616,627,734
JLR Nominee Company Limited	1	1
Total	616,627,735	616,627,735

18 Net operating income

	2020	**2019**
Domestic sales	2,691,754	2,700,268
Taxes levied on sales	(896,193)	(885,978)
Returns, discounts and rebates	(198,772)	(222,146)

Net operating income	1,596,789	1,592,144

19 Costs and expenses by nature

	2020	2019
Raw materials and consumables used	(1,248,380)	(1,239,199)
Depreciation and amortization costs and expenses (Note 8)	(16,881)	(45,618)
Employee costs and expenses	(78,675)	(104,825)
Structure and maintenance expenses	(11,179)	(11,174)
Insurance, warranty, fees and charges expenses	(25,923)	(21,338)
IT and projects expenses	(7,771)	(8,512)
Expenses with third-party services and others	(9,761)	(12,505)
Advertising, promotions and sales expenses	(141,746)	(129,424)
Total cost of goods sold and selling, general, administrative and personnel expenses	(1,540,316)	(1,572,595)
Cost of products sold	(1,265,261)	(1,284,817)
General and Administrative Expenses	(275,055)	(287,778)
Total	(1,540,316)	(1,572,595)

20 Other operating expenses

	2020	2019
Reversal (Provision) for doubtful accounts	(709)	5
Risk provisions	(5,144)	(7,026)
Asset retirement	(1,613)	(1,295)
Total	(7,466)	(8,316)

21 Net finance costs

	2020	2019
Finance expenses:		
Banking expenses	(3)	(1)
Other finance expenses	(2,487)	(1,890)
Exchange rate variations	(30,182)	(2,664)
Total Finance expenses	(32,672)	(4,555)
Finance income:		
Income from financial investments	205	2,177
Finance income	205	2,177
Net finance expenses	(32,467)	(2,378)

22 Financial instruments

22.1 Accounting classification 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, 2020 and 2019.

		2020			
	Note	**Assets carried at amortized cost**	**Liabilities carried at amortized cost**	**Total at March 31 2020**	**Fair value**
Assets					
Cash and cash equivalents	4	187,303	-	187,303	187,303
Accounts receivable	5	58,177	-	58,177	58,177
		245,480	**-**	**245,480**	**245,480**
Liabilities					
Suppliers	11		(738,689)	**(738,689)**	**(738,689)**
Leasing liabilities	24		(16,850)	(16,850)	(16,850)
		-	(755,539)	(755,539)	(755,539)

		2019			
	Note	**Assets carried at amortized cost**	**Liabilities carried at amortized cost**	**Total at March 31 of 2019**	**Fair value**
Assets					
Cash and cash equivalents	4	36,423	-	36,423	36,423
Accounts receivable	5	76,286	-	76,286	76,286
		112,709	**-**	**112,709**	**112,709**
Liabilities					
Suppliers	11	-	(599,222)	**(599,222)**	**(599,222)**
Leasing liabilities	24	-	(13,396)	(13,396)	(13,396)
		-	(612,618)	(612,618)	(612,618)

22.2 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 depositary of funds or financial investments, the Company only conducts operations with low risk financial institutions rated by rating agencies.

	2020	**2019**
Financial assets		
Measured at amortized cost		
Cash and cash equivalents	187,785	36,423
Accounts receivable	57,103	71,633
Receivables - related parties	1.074	4,653

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, 2020 which considers the following:

			Effects on income	Effects on income
Operating exposure	**2020**	**2019**	**2020**	**2019**
Suppliers - related parties	(710,830)	(586,971)	(30,182)	(2,664)
Total exposure	**(710,830)**	**(586,971)**	**(30,182)**	**(2,664)**

Exposure	**Probable scenario (I)**	**Scenario (II) 25% appreciation**	**Scenario (II) 25% appreciation**
Operating	(30,182)	(37,727)	(45,273)
	(30,182)	**(37,727)**	**(45,273)**

- Scenario I: (Maintenance of the conversion rate in relation to 2020).
- •Scenario II: (25% devaluation of the Real) parity R$/GBP 8.00
- •Scenario II: (50% devaluation of the Real) parity R$/GBP 9.59.

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.

	2020	**2019**
Financial liabilities		
Impairment of financial assets recorded at amortized cost:	Less than 1 year	Less than 1 year
Suppliers	27,859	12,251
Suppliers - related parties	710,830	586,971
Leasing liabilities	2,570	1,277

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.

23 Bank guarantees

At March 31, 2020 and 2019, based on the agreements in force, the bank guarantees were as follows:

Modality	2020	2019
Guarantee for rent and purchase and sale of energy - Banco Santander	1,027	1,540
Guarantee referring to ICMS debts - Banco Itaú	812	768
Rent letter of guarantee - Banco Itaú	-	300
Purchase and sale of electricity from an incentive source - Banco Itaú	-	312
Total	1,839	2,920

24 Lease liabilities

When initiating or modifying a contract, the Company assesses whether a contract is or contains a lease.

The lease liability is initially measured at the present value of lease payments that are not made on the start date, discounted at the interest rate implicit in the lease or, if that rate cannot be determined immediately, at the Company's incremental loan rate.

ii) Lease liabilities

a) Change in Lease liabilities

April 1, 2019	**13,396**
Additions	5,225
Payments	(1,771)
March 31, 2020	**16,850**

b) Liability maturity schedule regarding lease obligations

Lease payable		**R$**
	2020	14,376
	2021	11,958
	2022	10,087
	2023	8,371
	2024	6,846
	2025 onwards	5,398

Total liabilities with lease

Current	2,570
Non-current	14,280

25 Subsequent events

At January 31, 2020, the World Health Organization (WHO) announced that COVID-19 (“coronavirus”) is a global health emergency. The outbreak triggered significant decisions by governments and private sector entities, which added to the potential impact of the outbreak, increased the degree of uncertainty for economic agents and may have significant impacts on the amounts recognized in the financial statements.

This event ended up affecting the world economy and will certainly generate impacts, to some extent, on the Company's operations. We believe that it is still not possible to measure the economic effects resulting from the spread of the Coronavirus (COVID-19) and the governmental measures taken to prevent it.

In order to mitigate the effects of this calamity on operations, we established the Crisis Committee formed by the main executives, responsible for monitoring, analyzing scenarios and defining and implementing preventive and occurrence measures (Contingency Plans), such as:

- Protocol for suspicions and occurrences;
- Review of cleaning measures and procedures;
- Cancellation of internal events and travel;
- Suspension of supplier visits;
- Supply of personal protective equipment to field technicians;
- Focus on cleaning critical areas;
- Intensification of cleaning in other environments;
- Social isolation practices, adhering to telework (home office) and remote meeting;
- Suspension of classroom training;
- Control and monitoring of suspected cases;
- Reduction of working hours and 25% of the salary of plant employees for 3 months, according to Provisional Measure 936/2020;
- Temporary suspension of 70% of plant employees for 2 months;
- Postponement of the FGTS and division into 6 installments, starting in July/2020;
- INSS payment only from third parties in the month, the rest will be collected from August onwards, without interest;
- Reduction of System S (SeSi 1.00 % to 0.5% and Senai 1.5% to 0.75%) for 3 months;
- Postponement of 1/3 vacation pay in the months of May and June, extending for discharge until November/2020, not anticipating the advance of 13th salary during vacation;
- Postponement of the employees' bonus in June/20, to be paid by March 31/2021;
- Agreement to postpone the rent expense, resulting in a 50% discount, applicable to offices for 3 months;
- Review and reduction of expenses in all departments;
- Extension of Accounts Payable terms for some suppliers from 30 to 90 days;
- Close collaboration with Financial Institution, in order to allow greater flexibility in the wholesale financing conditions of resellers (extension of the financing period as an example) to ensure their financial health.

The objectives are to ensure the health and safety of our employees, as well as to guarantee the continuity of our operations. To date, we had impacts on operations due to social isolation and consequent temporary closure of dealers in some states. We had a reduction in revenues in April and May, although we continued with online sales, as well as cost and import reductions. During the month of June some dealers have already returned to operate.

With respect to the measurement metrics of assets and liabilities, we have not yet identified situations or relevant changes in the estimates of recoverability of assets, provision for credit losses, net realization of inventories.

* * *

Executive Board

Frédéric Roger Maurice Yannick Drouin
Chief Executive Officer

Margareth Licnerski Gonçalves
Financial Officer

Accountant
Marcelo Suzigan Prudente Ramos
CRC- 1SP237411/O-