

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

Financial statements for the financial year ended
March 31, 2023

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Independent auditor's report on the financial statements

**To the management 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, 2023 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, 2023, 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 auditing 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 22, 2023

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, 2023 and 2022

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

Assets	Note	2023	2022	Liabilities and Equity	Note	2023	2022
Current				Current			
Cash and cash equivalents	4	215.536	105.844	Trade payables	11	578.474	584.474
Accounts receivable	5	53.887	33.948	Tax and social contribution payable	12	92.834	13.164
Inventories	6	368.570	237.861	Sales incentives payable	13	528	972
Taxes recoverable	7	55.918	76.390	Salaries and social charges		12.461	13.489
Payment of provision for tax, civil and labor risks		<u>3.281</u>	<u>5.420</u>	Provision for warranty, sales incentives and others	14	71.292	66.213
Total current assets		<u>697.192</u>	<u>459.463</u>	Deferred income	15	26.702	29.269
				Provision for current tax income		11.638	-
				Lease liabilities	24	2.463	1.653
				Other payables		<u>27.107</u>	<u>27.416</u>
				social contribution		<u>823.499</u>	<u>736.650</u>
Non-current				Non-current			
Long-term receivables				Provision for warranty, sales incentives and others	14	45.161	50.545
Taxes recoverable	7	4.070	4.268	Provision for tax, civil and labor risks	16	70.724	30.941
Judicial deposits	16	30.154	39.401	Deferred income	15	52.873	51.653
Deferred taxes assets	9	121.202	108.231	Lease liabilities	24	19.643	18.832
Payment of provision for tax, civil and labor risks	10	<u>2.645</u>	<u>515</u>	Total non-current liabilities		<u>188.401</u>	<u>151.971</u>
Total long-term receivables		<u>158.071</u>	<u>152.415</u>	Equity			
				Capital	17	616.628	616.628
Property, plant and equipment	8	<u>425.235</u>	<u>459.532</u>	Profit retention reserve		98.589	98.589
Total non-current assets		<u>583.306</u>	<u>611.948</u>	Accumulated deficit		<u>(446.619)</u>	<u>(532.427)</u>
Total assets		<u>1.280.498</u>	<u>1.071.411</u>	Total equity		<u>268.598</u>	<u>182.790</u>
				Total liabilities and equity		<u>1.280.498</u>	<u>1.071.411</u>

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

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

Profit and loss statement

For the years ended March 31, 2023 and 2022

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

	Note	2023	2022
Net operating revenue	18	1.891.049	1.540.151
Cost of products sold	19	<u>(1.585.844)</u>	<u>(1.307.651)</u>
Gross profit		<u>305.205</u>	<u>232.500</u>
Operating expenses			
Commercial	19	(84.653)	(107.574)
General and administrative	19	(100.853)	(104.445)
Impairment of accounts receivable	5	(43)	(2)
Other expenses	20	(48.422)	(16.832)
Other income	20	<u>15.253</u>	<u>30.178</u>
		<u>(218.718)</u>	<u>(198.675)</u>
Income before financial expenses net and taxes		86.487	33.825
Finance income	21	7.479	10.390
Finance expenses	21	<u>(5.682)</u>	<u>(9.988)</u>
Finance costs, net		1.797	402
Profit or loss before taxes		88.284	34.227
Income tax and social contribution			
Current	9	(15.447)	(30.203)
Deferred	9	<u>12.970</u>	<u>(11.361)</u>
Profit (loss) for the year, net		<u><u>85.807</u></u>	<u><u>(7.337)</u></u>

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

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

Statement of comprehensive income

For the years ended March 31, 2023 and 2022

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

	2023	2022
Profit (loss) for the year, net	85.807	(7.337)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>85.807</u></u>	<u><u>(7.337)</u></u>

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

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

Statement of changes in equity

For the years ended March 31, 2023 and 2022

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

	Capital stock	Profit reserves	Deficit accumulated	Total
Balances at March 31, 2021	<u>616.628</u>	<u>98.589</u>	<u>(525.089)</u>	<u>190.128</u>
Losses for the year	<u> </u>	<u> </u>	<u>(7.337)</u>	<u>(7.337)</u>
Balances at March 31, 2022	<u>616.628</u>	<u>98.589</u>	<u>(532.426)</u>	<u>182.791</u>
Profit for the year	<u> </u>	<u> </u>	<u>85.807</u>	<u>85.807</u>
Balances at March 31, 2023	<u>616.628</u>	<u>98.589</u>	<u>(446.619)</u>	<u>268.598</u>

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

Jaguar e Land Rover Brasil Indústria e Comércio de Veículos Ltda.			
Statement of cash flows			
For the years ended March 31, 2023 and 2022			
<i>(Amounts expressed in thousands of Reals - R\$)</i>			
	Note	2023	2022
Cash flows from operational activities			
Income before income tax and social contribution		88.284	34.227
Adjustments to reconcile the result for the financial period			
Provision for tax, civil and labor risks	16	47.460	11.480
Depreciation and amortization	8	38.208	34.003
Reversal (Provision) for obsolescence and loss of stock	6	(551)	4.112
Reversal (Provision) for impairment losses on accounts receivable	5	(43)	(2)
Residual value of property, plant and equipment disposals	8	962	136
Exchange rate variations	21	1	5.049
Deferred income	15	(1.347)	(19.465)
Provision for interest on leases	24	5.124	9.371
Changes in assets and liabilities			
Accounts receivable	5	(19.896)	(12)
Inventories		(130.158)	(37.744)
Taxes recoverable	7	32.526	(24.063)
Judicial deposits	16	9.247	(453)
Payment of provision for tax, civil and labor risks		9	10.045
Trade payables		(6.000)	115.518
Tax and social contribution payable		79.670	(35.830)
Sales incentives payable		(444)	(5.762)
Salaries and social charges		(1.028)	60
Payment of provision for tax, civil and labor risks	16	(7.677)	(9.381)
Provision for guarantee, sales incentives and others		(305)	(30.161)
Other payables		(309)	(5.983)
Cash generated by operations, before income tax and social contribution		133.733	55.143
Income tax and social contribution paid		(15.665)	(32.205)
Cash from operating activities		118.068	22.938
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(3.369)	(11.327)
Net cash used in investing activities		(3.369)	(11.327)
Cash flows from financing activities			
Lease principal payment	24	(4.218)	(3.144)
Lease interests payment	24	(789)	(1.410)
Net cash used in financing activities		(5.007)	(4.554)
Increase in cash and cash equivalents		109.692	7.057
Cash and cash equivalents at the beginning of the financial period		105.844	98.787
Cash and cash equivalents at the end of the financial period		215.536	105.844
Increase in cash and cash equivalents		109.692	7.057

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

Accompanying notes to the financial statements

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

1 Operations

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

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

In December 2014, the Company began the construction of a plant in Itatiaia - Rio de Janeiro, with an assembly production capacity of 24,000 vehicles per year. In June 2016, the Company began producing the Evoque and Discovery Sport models, ceasing production of the Evoque model in 2019. The Company is currently producing the Discovery Sport model and in November 2021 began producing the Evoque model again with an average production of 2,000 units per year of both models.

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 financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its suppliers payment obligations. The Company shows an excess of liabilities over current assets at year-end 2023 in the amount of R\$126,307 (R\$277,187 in 2022). To mitigate the risk of uncertainties regarding business continuity, the Company has financial support from its parent company Jaguar Land Rover Automotive PLC.

2 Financial Statement Presentation and Significant 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 22th, 2023.

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

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 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 - Lease term if the Company is reasonably certain to exercise 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 period ending March 31, 2024, are included in the following notes:

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

Note 6 - Inventories - provision for 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 tax, civil and labor risks.

d. Foreign currency transactions

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

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

e. Inventories

Inventory balances are substantially comprised of finished products, raw materials and inventories in transit and are valued at average acquisition cost, which does not exceed the net realizable value. Inventories for resale have an estimated selling price corresponding to the net realizable value, less all estimated costs for completion and costs necessary to carry out the sale.

Provisions for slow-moving or obsolete inventories are made when considered necessary by Management. When evidence is identified and the average acquisition cost exceeds the net realizable value, a provision for loss is set up by adjusting the net carrying amount to the realizable value in profit or loss for the fiscal year.

f. Property, plant and equipment

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

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 on a straight-line basis (see rates in note 8).

Residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is written off upon 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 retirement of an item of property, plant, and equipment is recognized in the income statement, determined by the difference between the consideration received on the sale and the asset's carrying amount.

g. Current and non-current liabilities

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

h. Provision for guarantee, recall incentives and others

Established at the time of the vehicle's sale, based on the estimated amount to be spent during the three-year warranty period. This estimate is based on historical information about the occurrence of warranty situations, taking into account estimates of frequency and average cost of repairs per vehicle model. The estimated expenses that will be incurred with warranty are recorded as business expenses. Expenses actually incurred with *recall* are reimbursed by the parent company. Sales incentives are performance bonuses paid to dealerships at the time of vehicle sale, amounts are determined based on vehicle models and the performance rate stipulated in the sales policy.

i. 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 economic resources will be required to settle the obligation. Provisions are recorded based on the best estimates of the risk involved.

j. Current and deferred income tax and social contribution

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

Income tax and social contribution expenses for the period comprise current and deferred taxes. Current tax and deferred tax are recognized in the income statement unless they relate 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 taxable income for the reporting period and any adjustment to taxes payable with respect to prior reporting periods. It is measured based on tax rates enacted or substantively enacted on the balance sheet date.

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

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding values used for taxation purposes.

A deferred income tax and social contribution asset is recognized for unused tax losses, tax credits and deductible 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 tax rates that are expected to apply to temporary differences when they are reversed, based on the tax rates that have been enacted or substantively enacted by 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 carrying amount of its assets and liabilities.

Tax assets and liabilities are only offset if certain criteria are met.

k. Revenue recognition

Sales of goods

Standard CPC 47 brings the principles that a Company applies to determine the measurement of revenue and how and when it is recognized, based on five steps, namely: (i) identification of contracts with customers; (ii) identification of performance obligations provided for in contracts; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation provided for in the contracts; and (v) revenue recognition when the performance obligation is met.

Services rendered

Revenue and costs associated with the provision of services are recognized when services are provided, and processed materials are delivered to the customer.

Deferred revenue from services

The Company allocates a portion of the consideration received to the "service plan" program, which the customer opts for at the time of purchase and makes payments to obtain financial benefits (discounts) on future vehicle overhauls. The amount allocated to the plan is deferred and revenue is recognized upon payment of the amount disbursed by the customer for joining and using the contracted service during the period.

l. Financial instruments

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

(i) Financial assets - Initial recognition

Trade accounts receivables are initially recognized on the date they are 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 at FVTPL:

They are held within a business model whose objective is to hold financial assets to receive contractual cash flows; and

Their contractual terms generate, on specific dates, cash flows that are related only to the payment of principal and interest on the principal amount outstanding.

(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 - Classification, subsequent measurement, and gains and losses*

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

Upon derecognition of a financial liability, the difference between the extinct carrying amount and the consideration paid (including transferred assets that do not carry cash or liabilities assumed) is recognized in profit or loss.

m. *Impairment*

(i) *Financial assets measured 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.

According to CPC 48, 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 determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment, and considers forward-looking information.

(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 carrying amount of the asset or CGU exceeds its recoverable value.

Impairment losses are recognized in profit or loss. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would

have been determined, net of depreciation or amortization, if the impairment loss had not been recognized.

3 New standards and interpretations not yet effective

A number of amendments to the standards will be effective for reporting periods beginning after April 1, 2022. The Company assessed the changes and concluded that there was no impact with the changes and new requirements on the preparation of these financial statements.

Amendments to CPC 25 - Onerous Contracts - Costs to fulfill a contract. This amendment is effective for the reporting periods beginning on or after January 1, 2022.

Amendments to CPC 26 / IAS 1 - The amendments, issued in 2020, aim to clarify the requirements for determining whether a liability is current or non-current and apply to annual periods beginning on or after January 1, 2023. Because this standard is subject to future developments, the Company cannot determine the impact of these changes on the financial statements in the period of initial application. The Company is closely monitoring future developments.

Annual improvements to IFRS-2018-2020 standards. This improvement is effective for the reporting periods beginning on or after January 1, 2022.

Amendments to CPC 27 - Revenues before intended use. This amendment is effective for the reporting periods beginning on or after January 1, 2022.

Amendments to CPC 15- References to the conceptual framework. This amendment is effective for the reporting periods beginning on or after January 1, 2022. Other standards

The following new and amended standards are not expected to have a material impact on the Company's financial statements:

- IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to CPC 23/IAS 8).

4 Cash and cash equivalents

	2023	2022
Cash and banks	174,046	105,434
DI investment fund (Banco do Brasil)	493	250
Overnight investments (*)	40,997	160
Total	215,536	105,844

(*) Investments on March 31, 2023, and 2022 correspond to overnight investments indexed to 30% p.a. of the Interbank Deposit Certificate variation.

5 Accounts receivable

	2023	2022
Accounts receivable from dealerships	53,932	33,950
Provision for impairment losses	<u>(45)</u>	<u>(2)</u>
Total	<u>53,887</u>	<u>33,948</u>

Accounts receivables are recorded in the balance sheet at the nominal value of the negotiable instruments and deducted by the provision for expected losses, which is established considering the individual credit assessment, the economic outlook analysis, and the history of losses recorded in previous reporting periods by maturity.

The accounts receivable balances by maturity are as follows:

	2023	2022
Not yet due	45,596	25,175
Overdue:		
From 1 to 30 days	8,291	8,227
From 31 to 90 days	-	546
From 91 to 120 days	45	2
Total	<u>53,932</u>	<u>33,950</u>

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

Changes in the provision for impairment losses

	2023	2022
Balance at the beginning of the year	(2)	-
Addition	(45)	(2)
Reversal	<u>2</u>	<u>-</u>
Balance at the end of the year	<u><u>(45)</u></u>	<u><u>(2)</u></u>

6 Inventories

	2023	2022
Vehicles	177,753	56,368
Parts and accessories	130,567	120,030
Imports in transit	73,143	73,805
Provision for obsolescence and loss of stock	<u>(12,893)</u>	<u>(12,342)</u>
Total	<u>368,570</u>	<u>237,861</u>

Changes in the provision for obsolescence and loss of stock

	2023	2022
--	-------------	-------------

Balance at the beginning of the year	(12,342)	(16,454)
Addition	(10,627)	(8,055)
Write-off	10,076	12,167
Balance at the end of the year	<u>(12,893)</u>	<u>(12,342)</u>

7 Taxes recoverable

	2023	2022
ICMS recoverable (a)	55,554	48,830
ICMS on fixed assets	4,070	4,268
Cofins recoverable (b)	-	19,546
PIS recoverable(b)	-	6,876
Income Tax Withheld at Source - IRRF	364	206
Other	-	932
Total	<u>59,988</u>	<u>80,658</u>
Current portion	55,918	76,390
Non-current portion	4,070	4,268
Total	<u>59,988</u>	<u>80,658</u>

- (a) The ICMS balance in the São Paulo establishments will be used in a few months after the implementation of the transfer of vehicles from Itaitiaia to São Paulo, and subsequent resale to dealerships located in that state. The SAP system adaptation was concluded in March 2023 and sales started in April 2023; it is estimated that the credits will be consumed by December 2023. In 2022, the Company had the plan to sell part of the credits and a discount of R\$4,863 was recorded, but with the conclusion of the adaptation of the system and the feasibility of the consumption of the credits, the discount was reverted in 2023 (note 20).
- (b) In June 2021, the amounts related to the exclusion of ICMS from the PIS COFINS Calculation Basis were recognized in the PIS and COFINS accounts, according to Writ of Mandamus No. 5002520-60.2017.4.03.6100 lodged by JLR on March 14, 2017, which decision has been made final and unappealable. Thus, the Company obtained the right to offset the amounts unduly collected in the five (5) years prior to the filing. The principal amount of R\$25,016 was recorded under other income and the monetary restatement amount of R\$5,028 is recorded under financial income.

The credits were consumed over 2022.

8 Property, plant and equipment

	Annual rate of depreciation/ amortization - %	2023			2022	
		Cost	Depreciation / Amortization Accumulated	Net	Cost	Depreciation / Amortization Accumulated
Property, plant and equipment:						
	16.1					
Right-of-use assets	7	7,952	(4,855)	3,097		1,501
Land	-	101,431	-	101,431		101,431
Buildings	4	291,194	(85,082)	206,112		218,411
Furniture and fixtures	10	3,257	(1,933)	1,324		1,416
Machinery and equipment	10	166,427	(87,523)	78,904		88,917
IT equipment	20	42,636	(27,221)	15,415		19,123
Special tools	10	61,430	(60,558)	872		9,767
Water treatment plant	6	14,398	(12,532)	1,866		2,718
Motor vehicles	11	645	(296)	349		372
Construction in progress	-	15,865	-	15,865		15,876
Total		<u>705,235</u>	<u>(280,000)</u>	<u>425,235</u>		<u>459,532</u>

Changes in property, plant and equipment

	2023	2022
Balance at the beginning of the year	459,532	482,342
Additions:		
Buildings	503	604
Furniture and fixtures	150	-
Motor vehicles	46	-
Machinery and equipment	985	-
IT equipment	616	-
Special tools	1,081	-
Construction in progress (transfer)	(12)	10,723
Total additions	3,369	11,327
Right of use	1,504	-
Net write-offs	(962)	(136)
Depreciation/amortization - note 19	(38,208)	(34,003)
Balance at the end of the year	<u>425,235</u>	<u>459,532</u>

Impairment valuation

Every year the company calculates the *impairment* losses of its fixed assets.

At March 31, 2018, the Company recorded an impairment loss based on the fair value of fixed assets in the amount of R\$157.2 million.

At March 31, 2023 and March 31, 2022, the Company updated the analysis, but there was no need to supplement the existing amount; therefore, no addition or reversal of the provision was recorded.

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

The recoverable amount of the CGU is determined based on a value-in-use calculation using discounted cash flow projections based on a ten-year financial budget and a nominal discount rate of 17.5% as the average over the period.

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

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

Revenues: Projected from 2024 to 2033 in line with CGU's growth history, as well as the estimated macroeconomic scenario 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: Fixed investment projections aim at replacing the operational fixed asset base.

Working capital investments: Projected based on revenue growth.

Terminal Value: Estimated based on the discounted cash flow projection taking into account projected expectations from 2024 to 2033 and average discount rate for the period.

9 Income tax and social contribution

The reconciliation of income tax and social contribution expense for the years ended March 31, 2023 and 2022 is as follows:

	2023	2022
Profit or loss before taxes	88,284	34,227
Tax rate	34%	34%
Income tax and social contribution at the rate	<u>(30,016)</u>	<u>(11,637)</u>
Income tax effect on permanent differences:		
Transfer price adjustment	(28,865)	(16,983)
Unrecognized deferred income tax and social contribution credits	41,187	(14,263)
Negative income tax balance (a)	11,856	-
Other	<u>3,361</u>	<u>1,319</u>
Total income tax and social contribution expense	<u>(2,477)</u>	<u>(41,564)</u>
Current	(15,447)	(30,203)
Deferred	<u>12,970</u>	<u>(11,361)</u>
Effective rate	(3%)	(121%)

- (a) The Corporate Income Tax (IRPJ) negative balance was verified at the end of the period along with the Digital Bookkeeping Public System (SPED) for 2021, and an overpayment of Income Tax was identified in August 2022.

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

	2023	2022
Deferred tax assets on temporary differences:		
Provision for impairment losses	15	-
Bonus provision	4,251	4,515
Provision for risks	25,749	12,223
Provision for warranty and technical assistance	30,454	33,283
Provision for sales and marketing incentives	5,137	2,251
Payroll provisions	1,210	1,891
Inventory provision	564	311
Provision for investments	383	318
Impairment	<u>53,439</u>	<u>53,439</u>
Total	<u>121,202</u>	<u>108,231</u>

Changes in the balances of deferred tax assets

	Balance at April 1	Recognized in the 2022 profit or loss	Balance 2022	Recognized in the 2023 profit or loss	Balance 2023
Provision for impairment losses	-	-	-	15	15
Bonus provision	11,453	(6,938)	4,515	(264)	4,251
Provision for risks	11,509	714	12,223	13,526	25,749
Provision for warranty and technical assistance	35,631	(2,348)	33,283	(2,829)	30,454

Provision for sales and marketing incentives	5,217	(2,966)	2,251	2,886	5,137
Payroll provisions	1,955	(64)	1,891	(681)	1,210
Inventory provision	166	145	311	253	564
Provision for investments	224	94	318	65	383
Recoverable amount of assets	<u>53,439</u>	<u>-</u>	<u>53,439</u>	<u>-</u>	<u>53,439</u>
Net tax asset	<u>4</u>	<u>(11,363)</u>	<u>108,231</u>	<u>12,971</u>	<u>121,202</u>

Management considers that the deferred assets arising from temporary differences will be realized in proportion to the final resolution of the events.

Unrecognized deferred tax assets

Tax losses carried forward and negative social contribution base amounted to 225,824 at March 31, 2023 (257,141 at March 31, 2022). According to the tax legislation in force, the tax loss carried forward and negative base of social contribution do not expire. Deferred tax assets were not recognized with respect to these items, as the Company does not have sufficient estimate of future taxable income to use these amounts.

10 Related parties

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

	2023	2022
Balances:		
Other accounts receivable (a)	2,645	515
Suppliers - related parties (b) - Note 11	557,088	557,012

- (a) Refers substantially to amounts receivable due to reimbursement of expenses and reimbursement of expenses incurred (parts and labor) with respect to *recall* of vehicles, with no fixed maturity or incidence of charges.
- (b) Refers to amounts payable for the acquisition of vehicles, parts and accessories to the Parent Company, denominated in local currency.

	2023
Transaction:	
Acquisition of parts and vehicles	1,238,715
Transaction:	
Acquisition of parts and vehicles	901,339

Management compensation

Management compensation expenses during the year ended March 31, 2023, totaled R\$2,705 (R\$3,765 in 2022). 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 Trade payables

	2023	2022
Trade payables	21,386	27,462

Foreign suppliers - Related parties (Note 10)	<u>557,088</u>	<u>557,012</u>
Total	<u>578,474</u>	<u>584,474</u>

12 Tax and social contribution payable

	2023	2022
Tax on Industrialized Products (IPI)	28,398	1,085
Social Integration Program (PIS)	3,510	-
COFINS	17,035	-
ICMS-ST	43,574	11,770
Other	<u>317</u>	<u>309</u>
Total	<u>92,834</u>	<u>13,164</u>

The changes in the tax receivable balances refer to the sales volumes of March 2023 when compared to the volumes of March 2022.

13 Sales incentives payable

At March 31, 2023 and 2022, the Company had the following sales incentive amounts payable to dealerships:

	2023	2022
Variable margin expenses payable - Land Rover	528	155
Variable margin expenses payable - Jaguar	<u>-</u>	<u>817</u>
Total	<u>528</u>	<u>972</u>

14 Provision for guarantee, sales incentives and others

	2023	2022
Provision for warranty and technical assistance (a)	89,369	97,830
Sales incentives (b)	23,977	17,283
Provision for marketing	<u>3,107</u>	<u>1,645</u>
Total	<u>116,453</u>	<u>116,758</u>
Current portion	71,292	66,213
Non-current portion	<u>45,161</u>	<u>50,545</u>
Total	<u>116,453</u>	<u>116,758</u>

(a) Established at the time of the vehicle's sale, based on the estimated amount to be spent during the three-year warranty period. This estimate is based on historical information about the occurrence of warranty situations, taking into account estimates of frequency and average cost of repairs per vehicle model. The estimated expenses that will be incurred with warranty are recorded as business expenses.

(b) Performance bonus paid to dealerships at the time of vehicle sale, the amounts are determined based on the vehicle models and performance rate established in the sales policy.

15 Deferred income

	2023	2022
Deferred income - land (a) -	18,900	19,950
Deferred income - "Service plan" (b)	<u>60,675</u>	<u>60,972</u>
Total	<u>79,575</u>	<u>80,922</u>

	2023	2022
Current portion	26,702	29,269
Non-current portion	<u>52,873</u>	<u>51,653</u>
Total	<u><u>79,575</u></u>	<u><u>80,922</u></u>

- (a) Deferred income related to the benefit received from a piece of land donated by the government of the State of Rio de Janeiro as an investment subsidy for the construction of its plant in the State. The fair value of this land was recorded as deferred income with part of the revenue being offset against the plant construction costs incurred in the year ended March 31, 2016 (R\$21,000) and the amount of R\$18,900 (R\$19,950 in 2022) is being offset in the result for the period, with an estimated offset period of 18 years. In 2021 the Company reached the established mandatory considerations, such as job generation, investment in research and development, investment in social, cultural, environmental, science and technology, and vocational technical education projects, and 400 employees dedicated to the Itatiaia plant.
- (b) Deferred income referring to the provision of services, which the customer opts for at the time of purchase and makes payments to obtain financial benefits (discounts) in future vehicle check-ups.

16 Provision for tax, civil and labor risks

	2023	2022
Labor	89	873
Civil	39,458	30,068
Tax (a)	<u>31,177</u>	-
Total	<u><u>70,724</u></u>	<u><u>30,941</u></u>

Changes in provision for risks

	Balance in 2022	Additions	Reversals	Payments	Balance in 2023
Labor	873	114	(17)	(882)	88
Civil	30,068	26,119	(9,933)	(6,795)	39,459
Tax (a)	<u>-</u>	<u>31,177</u>	<u>-</u>	<u>-</u>	<u>31,177</u>
Total	<u><u>30,941</u></u>	<u><u>57,410</u></u>	<u><u>(9,950)</u></u>	<u><u>(7,677)</u></u>	<u><u>70,724</u></u>

	Balance in 2021	Additions	Reversals	Payments	Balance in 2022
Labor	17	906	(29)	(21)	873
Civil	<u>28,825</u>	<u>15,530</u>	<u>(4,927)</u>	<u>(9,360)</u>	<u>30,068</u>
Total	<u><u>28,842</u></u>	<u><u>16,436</u></u>	<u><u>(4,956)</u></u>	<u><u>(9,381)</u></u>	<u><u>30,941</u></u>

- (a) This is a Tax-Delinquency Notice issued by the Treasury Department of the State of Rio de Janeiro on 07/11/2018 demanding ICMS amounts, on the grounds that the Company would have mistakenly recorded tax documents - which support the operations object of the delinquency notice - and, therefore, avoided the supposed levy of ICMS. At December 31, 2022 the case was closed within the administrative

scope and the Company filed an annulment action, but the responsible law firm indicates that the risk of loss is probable, due to the lack of supporting documentation.

At March 31, 2023, the contingencies assessed by the legal advisors and the Company's management as risk of possible loss amounted to R\$384,177 (R\$455,382 in 2022). The lawsuits of possible loss are pulverized and are of a tax (R\$302,949), civil (R\$78,815), and labor (R\$2,413) nature. Among the most relevant tax cases are ICMS (R\$53,254 – thirteen cases), IPI (R\$151,291 – nine cases) and among the civil cases, we have a total of 189 cases, of which 54 cases represent 77% of the total amount of civil lawsuits, where customers claim dissatisfaction with the vehicles.

The Company has judicial deposits related to lawsuits, as shown below:

	2023	2022
Balance at the beginning of the year	39,401	38,948
Addition	780	483
Write-offs and uses	(10,027)	(30)
Balance at the end of the year	<u>30,154</u>	<u>39,401</u>

The amount of judicial deposits shown above is mostly tax related, totaling R\$28,666 and the other pulverized lawsuits amounting to R\$1,488.

17 Capital

The Company's subscribed and paid-in capital is R\$ 616,628 at March 31, 2023 (R\$616,628 in 2022), represented by 616,627,735 shares with a par value of R\$1.00 each, owned by the following members:

	<u>Capital Interest</u>	
	2023	2022
Shareholders		
Jaguar Land Rover Limited	616,627,734	616,627,734
JLR Nominee Company Limited	1	1
Total	<u>616,627,735</u>	<u>616,627,735</u>

a. Profit retention reserve

The profit reserve was created based on the profit of the financial years 2014 and 2015, in which the Company's profit amounted R\$ 117,380 and R\$ 27,261, respectively. Out of the amount held in the reserve, R\$5,970 were destined to interest on shareholders' equity payable and R\$ 40,00 were paid-in on February 15, 2015.

18 Net operating revenue

	2023	2022
Domestic Sales	2,797,153	2,453,785
Service provision sales	30,959	34,464

Taxes on sales	(888,897)	(841,529)
Returns, discounts and rebates	<u>(48,166)</u>	<u>(106,569)</u>
Net operating revenue	<u>1,891,049</u>	<u>1,540,151</u>

19 Costs and expenses by nature

	2023	2022
Raw materials and consumables used	(1,547,636)	(1,273,648)
Depreciation and amortization costs and expenses (note 8)	(38,208)	(34,003)
Payroll costs and expenses	(64,855)	(58,492)
Structure and maintenance expenses	(5,036)	(10,968)
Expenses with insurance, warranty, fees and charges	(20,602)	(18,130)
IT and project expenses	(2,079)	(4,454)
Expenses with third-party services and others	(8,281)	(12,401)
Advertising, promotion and sales expenses	<u>(84,653)</u>	<u>(107,574)</u>
Total cost of goods sold and commercial, general and administrative and personnel expenses	<u>(1,771,350)</u>	<u>(1,519,670)</u>
Cost of products sold	(1,585,844)	(1,307,651)
Business expenses	<u>(84,653)</u>	<u>(107,574)</u>
General and administrative expenses	<u>(100,853)</u>	<u>(104,445)</u>
Total	<u>(1,771,350)</u>	<u>(1,519,670)</u>

20 Other income (expenses)

	2023	2022
Reversal of discount on ICMS credit sale (a)	4,863	-
ICMS credit on the basis of Pis and Cofins (a)	-	25,016
IPI Credit (b)	4,336	-
Tax benefit on land	1,050	1,050
Commission	3,953	4,111
Other	1,051	-
Total other income	<u>15,253</u>	<u>30,178</u>
Discount on ICMS credit sale	-	(4,863)
Provision for risks - Note 16	(47,460)	(11,480)
Asset write-off	(962)	(136)
Other	-	(354)
Total other expenses	<u>(48,422)</u>	<u>(16,832)</u>

(a) Refer to note 7 for more details.

(b) According to MDIC ordinance 2202/18, JLR started to benefit from the IPI reduction (1 or 2 pp reduction according to classification) of vehicles that reached the energy efficiency levels foreseen in the Rota 2030 program.

21 Finance costs, net

	2023	2022
Finance expenses:		
Other finance expenses	(5,682)	(9,988)
Total finance expenses	<u>(5,682)</u>	<u>(9,988)</u>

	2023	2022
Finance income:		
Income from financial investments	1,411	313
Inflation adjustment	6,067	5,028
Net exchange rate variation	1	5,049
Total finance income	7,479	10,390
Net finance expenses	1,797	402

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, trade payables and lease liabilities, do not differ from their respective fair values at March 31, 2023 and 2022.

					2023	
		Asset carried at amortized cost	Liability carried at amortized cost	Total at March 31, 2023	Fair Value	
Assets	Note					
Cash and cash equivalents	4	215,536	-	215,536	215,536	
Accounts receivable	5	53,887	-	53,887	53,887	
		269,423	-	269,423	269,423	
Liabilities						
Trade payables	11	-	578,474	578,474	578,474	
Lease liabilities	24	-	22,106	22,106	22,106	
		-	600,580	600,580	600,580	

					2022	
		Asset carried at amortized cost	Liability carried at amortized cost	Balances at March 31 , 2022	Fair Value	
Assets	Note					
Cash and cash equivalents	4	105,844	-	105,844	105,844	
Accounts receivable	5	33,948	-	33,948	33,948	
		139,792	-	139,792	139,792	
Liabilities						
Trade payables	11	-	584,474	584,474	584,474	
Lease liabilities	24	-	20,485	20,485	20,485	

_____ - _____ 604,959 _____ 604,959 _____ 604,959

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.

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

	2023	2022
Financial assets-		
Measured at amortized cost		
Cash and cash equivalents	215,536	105,844
Accounts receivable	53,887	33,948

Foreign exchange 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 exposure in pounds sterling at March 31, 2023 is shown below, which considers the following equity values:

			Effects on income		Effects on income
	2023	2022	2023	2022	2022
Operating exposure					
Suppliers - Related parties	(557,088)	(557,012)	1		5,049
Total exposure	<u>(557,088)</u>	<u>(557,012)</u>	<u>1</u>		<u>5,049</u>

	Probable scenario (I)	Scenario (II) 25% Appreciation		Scenario (III) 50% Appreciation
Exposure				
Operational	(557,088)	(696,360)		(835,632)
	<u>(557,088)</u>	<u>(696,360)</u>		<u>(835,632)</u>

Scenario I: (Maintenance of the conversion rate compared to fiscal year 2023 of 6.30).

Scenario II: (25% devaluation of the Real) parity R\$/Pounds sterling of 7.88.

Scenario III: (50% devaluation of the Real) parity R\$/Pounds sterling of 9.45.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting the 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 assessing 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 ranges, which comprises the remaining period on the balance sheet until the contractual maturity date. The values presented do not include contractual discount rates.

	2023	2022
Financial liabilities		
Other financial liabilities measured at amortized cost:		
Trade payables	21,386	27,462
Suppliers - related parties	557,088	557,012
Lease liabilities	22,106	20,485

The average payment period for third-party suppliers is 30 days, while the payment of related parties is 180 days.

	Cash flows				
	Carrying value	2 months or less	2 – 6 months	6 – 12 months	
Liabilities					
Trade payables	21,386	21,386	-	-	
Suppliers - related parties	557,088	301,111	255,977	-	
Lease liabilities	22,106	411	821	1,231	22,106
	600,580	322,908	256,798	1,231	22,106

Interest rate risk

The objective of the Company's interest rate risk management policy is to minimize the possibility of losses due to fluctuations in interest rates related to financial investments in current assets.

23 Bank Guarantees

At March 31, 2023 and 2022, based on the current contracts, the bank guarantees were as follows:

Type	2023	2022
Guarantee for ICMS debts - Banco Itaú	958	728
Guarantee for rent and purchase and sale of energy - Banco do Brasil	477	931
Total	1,435	1,659

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 borrowing rate.

(i) Lease liabilities

	2023	2022
Category		
Buildings	1,720	1,549
Machinery and equipment	1,697	884
Water treatment plant	18,689	19,820
Total	22,106	20,485

a. Change in lease liabilities

April 1, 2021	15,668
Interest on lease	9,371
Lease principal payment	(3,144)
Lease interests payment	(1,410)
March 31, 2022	20,485
Interest on lease	5,124
Addition of right of use	1,504
Lease principal payment	(4,218)
Lease interests payment	(789)
March 31, 2023	22,106

b. Lease liability maturity schedule

Lease payable	R\$
2023	2,463
2024	2,463
2025	2,463
2026	2,463
2027	2,463
2028 onwards	9,791
Total lease liabilities	
Current	2,463
Non-current	19,643

Executive Board

Joao Henrique Garbin de Oliveira
CEO

Margareth Licnerski Gonçalves
Financial Officer

Hsu Wei Zheng
Accountant
CRC 1SP310236/O-0