Financial statements

BRQ Soluções em Informática S.A.

December 31, 2018 and 2017
with Independent auditors’ report

BRQ Soluções em Informática S.A.

Financial statements

December 31, 2018 and 2017

Contents

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Independent auditor's report on the individual and consolidated financial statements

To
To the Shareholders, Board members and Administrators of
BRQ Soluções em Informática S.A.
São Paulo - SP

Opinion

We have examined the individual and consolidated financial statements of BRQ Soluções em Informática S.A. ("Company"), identified as parent company and consolidated, respectively, comprising the balance sheet as of December 31, 2018 and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended, as well as the corresponding notes, comprising the significant accounting policies and other explanatory notes.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of BRQ Soluções em Informática S.A. as of December 31, 2018, the individual and consolidated performance of its operations and its individual and consolidated cash flows for the year then ended, in conformity with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB).

Basis for opinion

Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibilities, in accordance with such standards, are described in the following section entitled “Auditor’s responsibilities for the audit of individual and consolidated financial statements.” We are independent of the Company and its subsidiaries, according to the significant ethical principles provided in the Accountant’s Code of Professional Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to such standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, the description of how our audit handled the matter, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the section entitled “Auditor's responsibilities for the audit of the separate and consolidated financial statements”, including those in relation to these key audit matters. Accordingly, our audit included conducting procedures designed to respond to our assessment of the risks of material misstatements in the financial statements. The results of our procedures, including those performed to address the matters below, provide the basis for our audit opinion on the Company's financial statements.

Contingencies with possible risk of loss

As mentioned in Note 18, the Company is a party to tax lawsuits whose evolution is monitored quarterly by Management and its external legal advisors due to the relevance and complexity of the issues involved. These lawsuits are estimated at R$ 102,821 thousand, and their probability of loss is assessed as possible by the Company’s external legal advisors, which, according to Brazilian and international accounting standards, does not require the recording of a provision for contingency.

The assessment of the probability of loss carried out by Management with the support of external legal advisors involves a high degree of subjectivity and the effect on the Company’s individual and consolidated financial statements, if these lawsuits had been classified as a probable loss, would be relevant. For this reason, we consider this matter to be one of the key audit matters.

How our audit addressed this matter:

Among others, our audit procedures included: (a) the involvement of tax specialists to assist us in evaluating the arguments and merits presented by the Management’s external legal advisors to support the classification of the lawsuits as having a possible probability of loss; (b) sending a confirmation letter to the Company’s external legal advisors to confirm the assessment of the probability of loss informed by Management and the progress of the lawsuits; and (c) review of the disclosures included in Note 18 to the financial statements.

Based on the result of the audit procedures carried out on the contingencies with a possible risk of loss mentioned above, which is consistent with Management’s assessment, we believe that the estimated probability of loss, as well as the respective disclosures in note 18, are acceptable, in the context of the financial statements taken as a whole.

Revenue recognition - Rendering of services

As mentioned in Note 4, the Company recognizes its revenues, to the extent that control of the services is transferred to the client for an amount that reflects the consideration to which the Company expects to be entitled in exchange for these services. For revenue from application and integration development services, revenue recognition is performed based on the stage of completion of the service. The completion stage is evaluated based on the method of proportion between costs incurred up to the reference date and the updated estimated total costs for a transaction, as defined by CPC 47 – Revenue from Contracts with Customers (equivalent to the international standard IFRS 15).

The complexity involved in estimating the stage of completion of services, which is carried out individually by contract, as well as the potential risks involved in relation to the competence of revenue recognition, led us to consider this matter as one of the key audit matters.

How our audit addressed this matter:

Our audit procedures included, but is not limited to, evaluating the design and operational effectiveness of the technology-dependent automated and manual controls implemented by Management in the revenue recognition process, obtaining supporting documentation for a sample of revenue transactions recognized in the year, including the examination of the respective contracts and recalculation of values, and the monthly analysis of the changes in balances using aggregated and disaggregated data to identify relationships that are inconsistent with our expectations based on our knowledge of the Company and the industry in which it operates, in addition to other changes that could indicate inconsistencies as to the compliance of revenue recognition in the proper jurisdiction. Additionally, we evaluated the disclosures referring to the recognition of revenues included in the Company's financial statements.

Based on the result of the audit procedures carried out on the recognition of revenue - provision of services, mentioned above, which is consistent with the Management's assessment, we believe that the accounting practices disclosed in Note 4, as well as the application of these practices and the amounts recorded in revenue from services provided and its disclosures, are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of added value

Individual and consolidated statements of added value (DVA) for the year ended December 31, 2018, prepared under responsibility of Company's Management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures carried out together with the audit of Company's financial statements. To form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, these statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the auditor's report

The Company's management is responsible for such other information that comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not include the Management Report and we do not express any form of audit conclusion on such report.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report on this matter.

Responsibilities of management and governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of individual and consolidated financial statements, Management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless Management intends to wind-up the Company and its subsidiaries or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those charged with governance of the Company and its subsidiaries are the people responsible for overseeing the process of preparation of the financial statements.

Auditor's responsibilities for the audit of individual and consolidated financial statements

Our goals are to obtain reasonable assurance that the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and issue the audit report with our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted pursuant to Brazilian and international auditing standards will always detect any existing material misstatements. Misstatements may arise from fraud or error, and are considered material when, individually or in aggregate, may influence, from a reasonable perspective, the economic decisions of users taken based on such financial statements.

As part of an audit in accordance with Brazilian and Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern accounting basis by management, and based on the audit evidence obtained, whether there is significant uncertainty in relation to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 13, 2019.

ERNST & YOUNG
Auditores Independentes S/S
CRC-2SP034519/O-6

Lazaro Angelim Serruya
Accountant CRC-1DF015801/O-7

BRQ Soluções em Informática S.A.

Balance sheets
December 31, 2018 and 2017
(In thousands of reais)

	Note	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Assets					
Current assets					
Cash and cash equivalents	5	**62,250**	33,964	**68,183**	38,390
Accounts receivable	6	**68,313**	52,051	**74,372**	55,345
Inventories of services in progress	7	**2,551**	4,246	**2,551**	4,246
Prepaid expenses		**3,413**	3,217	**3,655**	3,367
Recoverable taxes	8a	**4,341**	11,691	**4,341**	11,691
Accounts receivable from related parties	10a	**870**	258	**550**	104
Other current assets		**4,685**	3,690	**4,685**	3,690
		146,423	109,117	**158,337**	116,833
Non-current assets					
Inventories of services in progress	7	**1,380**	630	**1,380**	630
Judicial deposits and pledges		**4,265**	2,691	**4,291**	2,708
Restricted deposits	10b	**4,696**	6,245	**4,696**	6,245
Deferred income tax and social contribution	8b	**2,167**	4,457	**2,167**	4,457
Other amounts receivable	9	**266**	-	**266**	-
Financial assets available for sale		**-**	400	**-**	400
Investments	11	**13,321**	9,518	**400**	-
Property, plant and equipment	12	**7,777**	7,589	**7,777**	7,589
Intangible assets	13	**1,480**	2,419	**6,212**	6,468
		35,352	33,949	**27,189**	28,497
Total assets		**181,775**	143,066	**185,526**	145,330

BRQ Soluções em Informática S.A.

Balance sheets
December 31, 2018 and 2017
(In thousands of reais)

	Note	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Liabilities and shareholders' equity					
Current liabilities					
Suppliers		**10,522**	9,759	**11,369**	10,041
Loans and financing	14	**5,549**	-	**6,673**	959
Lease financing	15	**826**	275	**826**	275
Salaries and payroll charges		**6,082**	4,030	**7,213**	4,583
Taxes and contributions payable	16	**5,816**	5,985	**5,816**	5,985
Provision for vacation and 13th salary		**17,751**	14,413	**17,751**	14,413
Dividends payable	20	**5,559**	454	**5,559**	454
Deferred revenues	19	**11,365**	13,766	**11,365**	13,766
Loans with related parties	10b	**6,008**	6,818	**6,008**	6,818
Other liabilities		**1,031**	952	**1,070**	976
		70,509	56,452	**73,650**	58,270
Non-current liabilities					
Provision for contingencies	18	**1,530**	972	**1,530**	972
Loans and financing	14	**9,217**	-	**9,217**	-
Lease financing	15	**1,209**	329	**1,209**	329
Deferred revenues	19	**1,600**	37	**1,600**	37
Loans with related parties	10b	**8,024**	14,219	**8,024**	14,219
		21,580	15,557	**21,580**	15,557
Shareholders' equity	20				
Capital		**55,188**	54,849	**55,188**	54,849
Treasury shares		**(859)**	(859)	**(859)**	(859)
Capital reserve		**715**	700	**715**	700
Profit reserve		**25,725**	12,323	**25,725**	12,323
Proposed additional dividend		**4,448**	1,362	**4,448**	1,362
Accumulated translation adjustments		**4,469**	2,682	**4,469**	2,682
Shareholders' equity attributable to controlling shareholders		**89,686**	71,057	**89,686**	71,057
Non-controlling interest		**-**	-	**610**	446
Total shareholders' equity		**89,686**	71,057	**90,296**	71,503
Total liabilities and shareholders' equity		**181,775**	143,066	**185,526**	145,330

See the accompanying notes to the financial statements.

BRQ Soluções em Informática S.A.

Statements of income
Years ended December 31, 2018 and 2017
(In thousands of reais)

		Parent company		Consolidated	
	Note	**2018**	**2017**	**2018**	**2017**
Net revenue from sales and services rendered	21	**329,272**	291,070	**357,715**	308,627
Cost of sales and services rendered	22	**(242,905)**	(236,362)	**(261,936)**	(249,205)
Gross income		**86,367**	54,708	**95,779**	59,422
Operating (expenses)/ revenues	23				
Administrative expenses		**(53,013)**	(51,624)	**(59,471)**	(55,583)
Tax expenses		**(1,004)**	(1,912)	**(1,663)**	(2,103)
Other operating revenues		**249**	119	**249**	119
		(53,768)	(53,417)	**(60,885)**	(57,567)
Equity in net income of subsidiaries	11	**1,613**	340	**-**	-
Income (loss) before financial income (loss) and taxes		**34,212**	1,631	**34,894**	1,855
Financial income (loss)	24				
Financial revenues		**2,891**	3,568	**2,891**	3,568
Financial expenses		**(2,122)**	(3,197)	**(2,185)**	(3,245)
		769	371	**706**	323
Income (loss) before taxes		**34,981**	2,002	**35,600**	2,178
Current income tax and social contribution	17	**(9,282)**	407	**(9,282)**	407
Deferred income tax and social contribution	17	**(2,290)**	(497)	**(2,290)**	(497)
Net income for the year		**23,409**	1,912	**24,028**	2,088
Net income attributable to:					
Controlling shareholders		**23,409**	1,912	**23,409**	1,912
Non-controlling shareholders		**-**	-	**619**	176
Basic net earnings per common share (R$)		**0.1791**	0.0146		
Diluted net income per common share (R$)		**0.1791**	0.0146		

See the accompanying notes to the financial statements.

BRQ Soluções em Informática S.A.

Statements of comprehensive income
Years ended December 31, 2018 and 2017
(In thousands of reais)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Net income for the year	**23,409**	1,912	**24,028**	2,088
Accumulated translation adjustments	**1,787**	155	**1,787**	155
Total comprehensive income	**25,196**	2,067	**25,815**	2,243
Total comprehensive income attributable to:				
Controlling interest	**25,196**	2,067	**25,196**	2,067
Non-controlling interest	**-**	-	**619**	176

See the accompanying notes to the financial statements.

BRQ Soluções em Informática S.A.

Statements of changes in shareholders' equity
Years ended December 31, 2018 and 2017
(In thousands of reais)

	Parent company											
	Capital				Profit reserves							
	Subscribed capital	Capital to be paid-up	Treasury shares	Capital reserve	Legal	Profit retention reserve	Additional dividends proposed	Accumulated translation adjustments	Retained earnings	Total	Non-controlling interest	Total shareholders' equity
Balances at January 01 2017	54,456	-	(22)	1,118	1,831	11,896	-	2,527	-	71,806	333	72,139
Exchange-rate changes of investments in subsidiary abroad	-	-	-	-	-	-	-	155	-	155	-	155
Stock options granted recognized in the year	-	-	-	54	-	-	-	-	-	54	-	54
Stock options canceled in the year	-	-	-	(344)	-	-	-	-	-	(344)	-	(344)
Sale of treasury shares	-	-	246	(128)	-	-	-	-	-	118	-	118
Repurchase of shares to be held in treasury	-	-	(1,083)	-	-	-	-	-	-	(1,083)	-	(1,083)
Capital increase	393	-	-	-	-	-	-	-	-	393	-	393
Payment of dividends	-	-	-	-	-	(1,500)	-	-	-	(1,500)	(63)	(1,563)
Net income for the year	-	-	-	-	-	-	-	-	1,912	1,912	176	2,088
Allocation of income:		-										
Formation of legal reserve	-	-	-	-	96	-	-	-	(96)	-	-	-
Minimum mandatory dividends in 2017	-	-	-	-	-	-	-	-	(454)	(454)	-	(454)
Additional dividends	-	-	-	-	-	-	1,362	-	(1,362)	-	-	-
Balances at December 31 2017	54,849	-	(859)	700	1,927	10,396	1,362	2,682	-	71,057	446	71,503
Exchange-rate changes of investments in subsidiary abroad	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,787**	**-**	**1,787**	**-**	**1,787**
Stock options granted recognized in the period	**-**	**-**	**-**	**15**	**-**	**-**	**-**	**-**	**-**	**15**	**-**	**15**
Advance for Future capital increase	**-**	**339**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**339**	**-**	**339**
Payment of dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(1,362)**	**-**	**-**	**(1,362)**	**(455)**	**(1,817)**
Net income for the year	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**23,409**	**23,409**	**619**	**24,028**
Allocation of income:												
Formation of legal reserve	**-**	**-**	**-**	**-**	**1,171**	**-**	**-**	**-**	**(1,171)**	**-**	**-**	**-**
Minimum mandatory dividends in 2018	**-**	**-**	**-**	**-**	**-**	**-**			**(5,559)**	**(5,559)**	**-**	**(5,559)**
Additional dividends	**-**	**-**	**-**	**-**	**-**	**-**	**4,448**	**-**	**(4,448)**	**-**	**-**	**-**
Allocation for profit reserve	**-**	**-**	**-**	**-**	**-**	**12,231**		**-**	**(12,231)**	**-**	**-**	**-**
Balances at December 31 2018	**54,849**	**339**	**(859)**	**715**	**3,098**	**22,627**	**4,448**	**4,469**	**-**	**89,686**	**610**	**90,296**

See the accompanying notes to the financial statements.

BRQ Soluções em Informática S.A.

Statements of cash flows
Years ended December 31, 2018 and 2017
(In thousands of reais)

	Parent company		Consolidated	
Cash flows from operating activities	**2018**	**2017**	**2018**	**2017**
Net income for the year	**23,409**	1,912	**24,028**	2,088
Adjustments due to:				
Depreciation and amortization	**4,046**	4,508	**4,056**	4,517
Write-off of residual value of property, plant and equipment	**336**	319	**336**	319
Interest and inflation adjustment	**752**	145	**798**	179
Equity in net income of subsidiaries	**(1,613)**	(340)	**-**	-
Deferred income tax and social contribution	**11,572**	90	**11,572**	90
Stock option granted/canceled	**15**	(290)	**15**	(290)
Recognition (write-off) of provisions	**3,106**	405	**3,106**	405
	41,623	6,749	**43,911**	7,308
Changes in assets and liabilities:				
(Increase)/decrease in accounts receivable	**(16,262)**	4,293	**(19,027)**	5,810
Decrease in inventories	**945**	1,621	**945**	1,621
(Increase) decrease in prepaid expenses	**(196)**	(1,294)	**(288)**	(1,444)
(Increase)/decrease in recoverable taxes	**(1,312)**	4,949	**(1,312)**	4,949
(Increase)/Decrease in related parties	**(612)**	69	**(446)**	(8)
(Increase) in other assets	**(995)**	(1,599)	**(995)**	(1,544)
(Increase)/decrease in other non-current assets	**(25)**	1,416	**(31)**	1,421
Increase/(decrease) in suppliers	**763**	(389)	**1,328**	(496)
Increase/(decrease) in salaries and social security charges	**(474)**	552	**104**	456
Increase/(decrease) in taxes and contributions payable	**(169)**	535	**(169)**	535
Increase/(decrease) in accounts payable to employees	**3,338**	(7,436)	**3,338**	(7,436)
Increase/(decrease) in other liabilities	**57**	(297)	**72**	(358)
Increase/(decrease) in deferred revenues	**(838)**	2,738	**(838)**	2,738
Payment of interest on loans	**(1,887)**	(1,592)	**(1,933)**	(1,626)
Net cash generated by operating activities	**23,956**	10,315	**24,659**	11,926
Cash flows from investing activities				
Acquisitions of property, plant and equipment	**(1,217)**	(692)	**(1,217)**	(692)
Acquisitions of intangible assets	**(531)**	(694)	**(531)**	(694)
Net cash invested in investment activities	**(1,748)**	(1,386)	**(1,748)**	(1,386)
Cash flows from financing activities				
Borrowings from third parties	**14,747**	2	**14,747**	2
Loans obtained from related parties	**-**	7,433	**-**	7,433
Loans paid	**(7,192)**	(4,132)	**(7,192)**	(4,330)
Capital increase	**-**	393	**-**	393
Advance for future capital increase	**339**	-	**339**	-
Sale/repurchase of shares to be held in treasury	**-**	(965)	**-**	(965)
Payment of dividends	**(1,816)**	(1,500)	**(2,271)**	(1,563)
Net cash generated by financing activities	**6,078**	1,231	**5,623**	970
Increase in cash and cash equivalents	**28,286**	10,160	**28,534**	11,510
Statement of increase in cash and cash equivalents				
At the beginning of the year	**33,964**	23,804	**38,390**	26,769
Effect of exchange rate fluctuations on the balance of cash and cash equivalents of foreign subsidiaries	**-**	-	**(1,259)**	(111)
At the end of the year	**62,250**	33,964	**68,183**	38,390
	28,286	10,160	**28,534**	11,510

See the accompanying notes to the financial statements.

BRQ Soluções em Informática S.A.

Statements of added value
Years ended December 31, 2018 and 2017
(In thousands of reais)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Revenues				
Gross sales of services and other	**369,084**	326,218	**397,527**	343,775
Inputs acquired from third parties				
Cost of products, goods sold and services rendered	**(12,154)**	(10,946)	**(18,499)**	(16,017)
Materials, energy, outsourced services and other	**(9,070)**	(9,853)	**(11,037)**	(10,924)
	(21,224)	(20,799)	**(29,536)**	(26,941)
Gross added value	**347,860**	305,419	**367,991**	316,834
Depreciation and amortization	**(4,046)**	(4,508)	**(4,056)**	(4,517)
Net added value produced by the Company	**343,814**	300,911	**363,935**	312,317
Added value received as transfer				
Equity in net income of subsidiaries	**1,613**	340	**-**	-
Financial revenues	**2,891**	3,568	**2,891**	3,568
	4,504	3,908	**2,891**	3,568
Total added value to be distributed	**348,318**	304,819	**366,826**	315,885
Distribution of added value				
Personnel				
Direct remuneration	**199,419**	189,493	**214,821**	199,008
Benefits	**43,191**	45,742	**43,742**	46,082
FGTS	**14,123**	12,955	**14,123**	12,955
	256,733	248,190	**272,686**	258,045
Taxes, duties and contributions				
Federal	**53,525**	39,349	**55,263**	40,221
Municipal	**9,342**	8,256	**9,342**	8,256
	62,867	47,605	**64,605**	48,477
Third-party capital remuneration				
Interest	**2,087**	3,034	**2,150**	3,082
Rentals	**3,222**	4,078	**3,357**	4,193
	5,309	7,112	**5,507**	7,275
Remuneration of own capital				
Dividends	**5,559**	454	**5,559**	454
Retained earnings	**17,850**	1,458	**17,850**	1,458
Non-controlling interest	**-**	-	**619**	176
	23,409	1,912	**24,028**	2,088
	348,318	304,819	**366,826**	315,885

See the accompanying notes to the financial statements.

(In thousands of reais)

1. Operations

BRQ Soluções em Informática S.A. (“BRQ” or “Company” also known as the “Group”) is a publicly-held company, with its head office and jurisdiction at Av. Copacabana, nº 238, conj. 2.003, Empresarial 18 do Forte, in the city of Barueri - SP, with branches in the following locations: Rio de Janeiro, São Paulo, Curitiba, Recife and New York.

Although the Company is publicly traded, there is no public security issued and traded on the open market.

The Company is mainly engaged in:

i) Application development and integrations

Provision of services in the information technology area;

Development of computer programs;

Systems analysis and development;

Computer technical support, including installation, configuration and data maintenance;

Information technology advisory and consultancy;

Sale of software;

IT security related activities; and

Training.

The Company may operate within the country or abroad, directly, through subsidiaries, or by holding interests in the capital of other companies.

2. List of subsidiaries

The individual and consolidated financial statements include the operations of the Company and following subsidiaries, which percentage interest as of December 31, 2018 and 2017 is summarized as follows:

	Interest (%)	
Corporate name	**2018**	**2017**
BRQ IT Services, Inc. (i)	**100%**	100%
ThinkInternational LLC (Indirect Investment)	**80%**	80%

(i) BRQ IT Services, Inc. - in April 2008, the Company incorporated BRQ IT Services Inc., located in the United States, for the amount of US$ 150 (see Note 11).

3. Preparation and presentation of financial statements

a) Statement of conformity regarding the IFRS and Accounting Pronouncement Committee (CPC) standards

The financial statements were prepared according to the accounting practices adopted in Brazil, including the pronouncements issued by Accounting Pronouncement Committee (CPC) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and evidence all information of financial statements, and only them, which are consistent with those used by Management in its administration.

The individual and consolidated financial statements present comparative information in relation to the previous year.

In addition, the Company considered the guidelines provided for in Technical Guideline OCPC 07, issued by CPC in November 2014, in the preparation of its financial statements. Thus, the relevant information specific to the financial statements is being evidenced, and corresponds to the information used by Company’s Management.

Statement of added value

The presentation of the Individual and Consolidated Statement of Added Value is required by Brazilian corporate law and the accounting practices adopted in Brazil applicable to publicly-held companies. The Statement of Added Value was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". IFRS does not require the presentation of this statement. Accordingly, in conformity with IFRS, this statement is presented as supplementary information, without prejudice to financial statements as a whole.

The issuance of financial statements was authorized by the Company’s Board of Directors on February 13, 2019.

b) Basis of preparation and presentation

All amounts presented in these financial statements are expressed in thousands of reais (R$), except when otherwise indicated. Due to rounding, the numbers presented throughout these financial statements may not accurately add up to the totals presented.

3. Preparation and presentation of financial statements | ...continued

b) Basis of preparation and presentation | ...continued

Going concern

On December 31, 2018, based on the facts and circumstances existing on that date, Management assessed the ability of the Company and its subsidiaries to continue operating normally and is convinced that their operations can generate funds to continue their business in the future. Additionally, management is not aware of any material uncertainty that may generate significant doubts about its ability to continue operating. Thus, this individual and consolidated financial statements were prepared based on assumption of going concern.

This statement is based on Management's expectations regarding the future of the Company and its subsidiaries, consistent with its business plan. At the beginning of each fiscal year, the Company prepares business plans, which comprise the Company's annual budgets, capital investment plans, and strategic plans. The plans are monitored during the year by the Company's governance bodies and may change.

Business segment

The Company's revenue is mainly derived from application development and integrations. Consequently, the Company concluded that it has only one reportable business segment.

c) Significant judgments, estimates and assumptions

The individual and consolidated financial statements were prepared based on several valuation bases used in the accounting estimates. The accounting estimates were based on objective and subjective factors, with a basis on Management's judgment for determination of the adequate amount to be recorded in the financial statements and when necessary, the judgments and estimates are supported by opinions prepared by specialists. The Company reviews its estimates at least once a year in the ordinary course of its business.

The settlement of transactions involving these estimates may result in significantly different amounts described in the financial statements due to the probabilistic treatment inherent to the estimative process. Modifications to estimates are treated prospectively.

3. Preparation and presentation of financial statements | ...continued

c) Significant accounting judgments, estimates and assumptions | ...continued

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment in the book value of assets and liabilities on the next year is as follows:

Allowance for doubtful accounts

The criteria for credit risk analysis to determine the allowance for loan losses is described in Note 4 (h ii).

Lease financing

The judgment made by Management regarding the determination of the classification of lease agreements is described in Note 4 (q).

Taxes

There are uncertainties regarding the interpretation of tax regulations. The Company sets up provisions, based on appropriate estimates, for any matters identified in inspections carried out by the tax authorities of the respective jurisdictions in which it operates and whose probability of loss is assessed as probable. The amount of those provisions is based on various factors, such as experience of prior inspections and deferring depredations of tax regulations by the taxed entity and by the responsible tax authority. Those interpretation differences may arise in a great variety of matters, depending on the conditions prevailing in the Company's domicile.

Significant judgment by Management is required to determine the amount of deferred tax asset that can be recognized, based on the probable term of realization and amount of future taxable income, along with tax planning strategies.

Useful life of property, plant and equipment

Assets recorded in property, plant, and equipment are depreciated according to the shortest term between their estimated economic useful life or the contractual term of the lease.

Recoverable value of tangible and intangible assets, including goodwill

The Company evaluates the recovery of the book value of goodwill recorded using the "value in use" concept, by means of discounted cash flow models of the cash generating unit. The cash-generating unit evaluated was the subsidiary Think International.

3. Preparation and presentation of financial statements | ...continued

c) Significant accounting judgments, estimates and assumptions | ...continued

Recoverable value of tangible and intangible assets, including goodwill | ...continued

The assumptions about cash flow growth projections and future cash flows are based on the Company's business plan, approved annually by Management, as well as on comparable market data and represent Management's best estimate in relation to the economic conditions that will exist during the economic life of these assets for the cash-generating unit. Future cash flows were discounted based on the rate representing the cost of capital.

Following the techniques of economic valuation, the assessment of value in use is carried out for a period of 3 years and, thereafter, considering the perpetuity of the assumptions based on the ability of the company to continue as a going concern for the foreseeable future.

The Company did not apply a growth rate to extrapolate the projections made on December 31, 2018. Estimated future cash flows were discounted at a discount rate of 6.33% p.a.

The main assumptions used in estimating the value in use are:

- Revenues: The Company's growth projection for the period 2019–2021 was considered based on the growth in the offer of services to new clients.

- Cost of the service provided/General and administrative expenses: They were estimated based on historical performance.

- Capital investments – They were estimated considering the current infrastructure necessary to enable the offer of services, based on the Company's history.

The key assumptions were based on the Company's historical performance and reasonable macroeconomic assumptions and based on financial market projections, documented and approved by the Company's Management.

Provision for contingencies

The Company sets up a provision for lawsuits and others based on the assessment of the likelihood of loss. The estimates and assumptions used in recording provisions for the Company's lawsuits and others are reviewed at least annually.

3. Preparation and presentation of financial statements | ...continued

c) Significant accounting judgments, estimates and assumptions | ...continued

Share-based payment

The criteria for determining the estimated fair value of share-based payments are described in Note 4 (n).

Fair value measurement of financial instruments

The Company and its subsidiaries measure the financial instruments at fair value on each balance sheet closing date. When measuring fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs, except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices).
- Level 3: inputs, for assets or liabilities, which are not based on observable market data (non-observable inputs).

Additional information is included in Note 25.

4. Significant accounting policies

The Group applied the accounting policies described below consistently to all the years presented in these financial statements.

a) Basis of consolidation

The individual and consolidated financial statements include the financial statements of the Company and its subsidiaries as of December 31, 2018 and 2017. Control is obtained when the Company is exposed or entitled to variable returns based on its involvement with the investee and has the capacity to affect those returns through the power exercised in relation to the investee.

4. Significant accounting policies | ...continued

a) Consolidation basis | ...continued

Specifically, the Group controls an investee if, and only if, it has: power in relation to the investee (that is, existing rights that guarantee the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns based on its involvement with the investee; and the capacity to use its power over investee to affect the results.

There is generally a presumption that a majority of voting rights results in control. The Group assesses whether or not it exercises control over an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. The consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ends when the Group ceases to exercise said control. The financial information of subsidiaries is recognized under the equity method in the individual financial statements of the parent company.

The result and each component of other comprehensive income are assigned to the Group's controlling shareholders and non-controlling shareholders. All assets and liabilities, results, revenues, expenses and cash flows of the same Group, related to transactions between members of the Group, are totally eliminated in the consolidation.

b) Current vs. non-current classification

The Group has assets and liabilities recorded in the balance sheet based on current / non-current classification. An asset is classified as current when: It is expected to be realized or if it is intended to be sold or consumed in the normal operating cycle; Is held mainly for trading; it is expected to be realized within 12 months after the reporting year; or cash or cash equivalents, unless there are restrictions when it is exchanged or used to settle a liability for at least 12 months after the reporting year. All other assets are classified as non-current, including deferred tax assets.

A liability is classified as current when: It is expected to settle it in the normal operating cycle; Is held mainly for trading; it is expected to be realized within 12 months after the reporting year; or there is no unconditional right to defer settlement of the liability for at least 12 months after the disclosure year. The Group classifies all other liabilities as non-current.

4. Significant accounting policies | ...continued

c) Revenue recognition

The revenue is measured based on the fair value of the consideration received, excluding discounts, rebates, taxes or charges over sales. The Group assesses revenue transactions according to the specific criteria to determine whether it is acting as agent or principal and, at the end, concluded that it is acting as principal in all its revenue contracts. Also, the following specific criteria shall be addressed before the revenue recognition:

Rendering of services

The Group recognizes a portion of the revenue from the provision of application development and integration services based on the stage of completion of the service. The stage of completion is evaluated based on the ratio method of costs incurred to date to the estimated total costs of the transaction. Other revenues are recognized to the extent it is likely that economic benefits will be generated for the Group and when they can be measured reliably, regardless of when the payment is received.

Interest revenue

For all financial instruments evaluated at amortized cost and financial assets that earn interest, financial revenue or expense is accounted for at the effective interest rate that discounts exactly future estimated cash payments or receipts over estimated life of the financial instrument or over a shorter period, when applicable, from the financial asset or liability net book value. The Interest revenue is included in "financial revenue" in the statement of income.

d) Taxes

Income tax and social contribution - current

Current tax assets and liabilities of the last year and of previous years are measured at recoverable value expected or payable to the tax authorities. Tax rates and the tax laws used to calculate the amount are those that are in force or substantially in force on the balance sheet date in countries that the Group operates and generates taxable revenue.

Management periodically evaluates the fiscal position of situations in which the fiscal regulations require interpretation and establish provisions when appropriate.

4. Significant accounting policies | ...continued

d) Taxes | ...continued

Deferred taxes

Deferred tax is generated by temporary differences on balance sheet date between asset and liability tax bases and their book values.

Deferred tax liabilities are recognized for all temporary tax differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The book value of the deferred tax assets is reviewed on each balance sheet date and written-off to the extent it is no longer likely that taxable income will be available to allow all or part of the deferred tax assets to be used.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to be applicable in the year that the asset will be realized or the liability settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset the tax asset against the tax liability and the deferred taxes are related to the same taxed entity in subject to the same tax authority.

e) Property, plant and equipment

Property, plant and equipment items are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated under the straight-line method over the estimated useful lives of the assets.

An item of property, plant and equipment is written off when sold or when no future economic benefit is expected from its use or sale. Any gain or loss resulting from the write-off of the asset (calculated as being the difference between the net sales value and the book value of the asset) is included in the statement of income in the year in which the asset is written off.

Assets’ residual values and useful lives and depreciation methods are reviewed at yearend, and are adjusted on a prospective basis, if applicable.

4. Significant accounting policies | ...continued

f) Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. After the initial recognition, the intangible assets are stated at cost, less accumulated amortization and impairment losses. Internally-generated intangible assets, except for the capitalized development costs, are not capitalized and the expenditure is reflected in the statement of income in the year in which it is incurred.

The useful life of the intangible asset is evaluated as defined or undefined.

Intangible assets with defined life are amortized over the economic useful life and valued in relation to impairment whenever there is indication of loss of economic value of the asset. Amortization method and period of an intangible asset with defined life are reviewed at least at the end of each year. Changes in these assets' estimated useful lives or in expected consumption of future economic benefits are accounted for through changes in amortization method or period, as applicable, and are addressed as changes in bookkeeping. The amortization of intangible assets with defined life is recognized in the statement of income in the category of expense consistent with the use of the intangible assets.

Intangible assets with undefined useful lives are not amortized but tested for impairment on an annual basis, individually or at cash generating unit level. The evaluation of indefinite useful life is reviewed annually to determine whether it is still justifiable.

Gains and losses arising from disposals of intangible assets are measured as the difference between selling price and book value, and are taken to the statement of income upon derecognition of the assets.

Research and development costs

Research expenditures are recorded as expenses when incurred, and development expenditures linked to technological innovations of existing products are capitalized if they are technologically and economically feasible, and amortized over the expected period of benefits in the operating expenses group.

4. Significant accounting policies | ...continued

f) Intangible assets | ...continued

The development costs of a specific project are recognized as an intangible asset whenever it is possible to demonstrate: (i) the technical feasibility of completing the intangible asset as it will be available for use or sale; (ii) the intention to complete the asset and the ability to use or sell the asset; (iii) how the asset will generate future economic benefits; (iv) the availability of resources to complete the asset; and (v) the ability to reliably assess expenditures incurred during the development phase.

After initial recognition, the asset is stated at cost less accumulated amortization and impairment. Amortization begins when development is completed and the asset is available for use, for the period of future economic benefits. During the development period, the asset's recoverable value is tested annually.

g) Financial instruments

i) *Financial assets*

Initial recognition and measurement

Financial assets are classified in the initial recognition as subsequently measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the financial asset and on the Group's business model for the management of these financial assets. All financial assets are recognized at fair value plus, in the case of financial assets not accounted for at fair value through profit or loss, transaction costs, which are directly attributable to the acquisition of the financial asset.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into four categories, as follows:

4. Significant accounting policies | ...continued

g) Financial instruments | ...continued

i) *Financial assets* | ...continued

Subsequent measurement | ...continued

- Financial assets at amortized cost (Debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of accumulated gains and losses (debt instruments);
- Financial assets designated at fair value through other comprehensive income, without reclassification of accumulated gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is maintained in the business model, whose the purpose is to maintain financial assets for the purpose of receiving contractual cash flows; and
- The contractual terms of financial assets give rise, on specific dates, to cash flows that solely refer to payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in income (loss) when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, trade accounts receivable and accounts receivables from related parties, restricted deposits, and other current assets.

4. Significant accounting policies | ...continued

g) Financial instruments | ...continued

i) *Financial assets* | ...continued

Financial assets at fair value through other comprehensive income (debt instruments)

The Group evaluates the debt instruments at fair value through other comprehensive income if both conditions are addressed:

- The financial asset is maintained in the business model, whose the purpose is to maintain financial assets for the purpose of receiving contractual cash flows; and
- The contractual terms of financial assets give rise, on specific dates, to cash flows that solely refer to payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, interest revenue, exchange rate revaluation and impairment losses or reversals are recognized in the statement of income and calculated in the same way as for the financial assets measured at amortized cost. The remaining changes in fair value are recognized in other comprehensive income. Upon derecognition, the accumulated change in fair value recognized in other comprehensive income is reclassified to income (loss).

The Group has no financial assets (debt instruments) at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group may irrevocably choose to classify its equity instruments at fair value through other comprehensive income when they meet the definition of shareholders' equity under CPC 39 - Financial Instruments: Presentation and are not held for trading. The classification is determined considering each instrument specifically.

4. Significant accounting policies | ...continued

g) Financial instruments | ...continued

i) *Financial assets* | ...continued

Financial assets at fair value through other comprehensive income (equity instruments) | ...continued

Gains and losses on these financial assets are never reclassified to income. Equity instruments designated at fair value through other comprehensive income are not subject to the impairment test.

The Group classifies as fair value through other comprehensive income, the investment of 8.16% in XACT Tecnologia, acquired by the Company in February 2014, to use this company's intelligence to strengthen its Service Desk offer. The Company does not have a significant influence on the management of the said company and as of December 31, 2018, and 2017, the fair value of the said instrument is very close to its book value.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated in the initial recognition at fair value through profit or loss or financial assets mandatorily measured at fair value. Financial assets are classified as held-for-trading if they are acquired with the purpose of sale or repurchase in the short term.

Financial assets with cash flows other than payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model.

Financial assets at fair value through profit or loss are presented in the balance sheet at fair value, with net changes of fair value recognized in the statement of income.

The Group has no financial assets at fair value through profit or loss.

4. **Significant accounting policies** | ...continued

g) Financial instruments | ...continued

i) *Financial assets* | ...continued

Derecognition (write-off)

A financial asset (or, when appropriate, part of a financial asset or part of a group of similar financial assets) is written off specially (i.e., less the income [loss] for the year) when: the rights to receive cash flows from the asset have expired; the Group transferred its rights to receive cash flows of the asset or has assumed an obligation to fully pay cash flows received, without significant delay, to a third party under terms of an "onlending" agreement; and (a) the Group substantially transfers all risks and rewards related to the asset, or (b) the Group did not transfer either retain substantially all the risks and rewards related to the asset, but transferred the control over the asset.

ii) *Impairment of financial assets*

Credit exposures for which there has been no significant increase in credit risk since initial recognition are accrued as a result of possible default events in the next 12 months (12-month expected credit loss). For credit exposures for which there has been a significant increase in credit risk since initial recognition, a provision is required for expected credit losses during the remaining life of the exposure, regardless of the time of default (an expected perpetual credit loss).

This methodology applies to financial instruments classified as amortized cost or fair value through other comprehensive income (except investments in equity instruments).

For accounts receivable, given the short-term nature of the Company's receivables and its policy for granting and managing risk and credit used, the Company has not identified any material impact that would affect its individual and consolidated financial statements due to the adoption.

For other financial assets subject to impairment analysis, no expected loss was recognized for the year ended December 31, 2018, as, according to the Company's assessment, in addition to the associated risk being low, there is no history of losses.

4. Significant accounting policies | ...continued

g) Financial instruments | ...continued

ii) *Impairment of financial assets* | ...continued

A financial asset is written-off when there is no fair expectation that contract cash flows will be recovered.

iii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are classified in the initial recognition as financial liabilities at fair value through profit or loss, loans and receivables or accounts payable, or as derivatives designated as hedge instruments in an effective hedge, as the case may be.

Financial liabilities are initially recognized at fair value and, in the case of loans and financing and accounts payable, they are increased by the transaction cost directly related.

The Group's financial liabilities include trade accounts payable, other accounts payable, loans and financing and dividends payable.

Subsequent measurement

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the statement of income upon write-off of liabilities, as well as during the amortization process by the effective interest rate method.

Derecognition (write-off)

A financial liability is derecognized when the obligation is discharged, canceled or expired. When an existing financial liability is replaced by another of the same lender with substantially different terms, or the terms of an existing liability are significantly changed, this substitution or alteration is treated as a write-off of the original liability and recognition of a new liability, whereas the difference in the corresponding book value is recognized in the statement of income.

4. Significant accounting policies | ...continued

h) Inventories of services

Service inventories are valued at cost or net realizable value, whichever is lower.

i) Impairment loss for non-financial assets

Management reviews annually the net book value of assets to assess events or changes in economic, operating or technological circumstances that might indicate an impairment of assets. These evidences are detected and the net book value exceeded, the recoverable value, a provision for impairment is formed to adjust net book value to recoverable value. The recoverable value of an asset or of a particular cash generating unit is defined as the higher of the value in use and the net sales value.

In estimating the value in use of an asset, estimated future cash flows are discounted to their present values, using a pretax discount rate that reflects the weighted average cost of capital in the industry where the cash-generating unit operates. The net sales value is determined, whenever possible, with a basis on a binding contract of sale in a transaction on an arm's length basis, between knowledgeable and interested parties, adjusted by expenses attributable to the sale of the asset or, when there is no binding contract of sale, with a basis on the market price of an active market, or on the price of the most recent transaction with similar assets.

Impairment testing of goodwill paid for expected future profitability is performed annually (on December 31) or when circumstances indicate a loss due to impairment of book value.

j) Cash and cash equivalents

Cash equivalents are maintained for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Group considers cash equivalents interest earning bank deposits readily convertible into known amounts of cash and subject to an insignificant risk of change of value. Consequently, an investment normally qualifies as cash equivalent when it has short-term maturity; for example, three months or less from the date they were contracted.

4. Significant accounting policies | ...continued

k) Treasury shares

Own equity instruments that are bought back (treasury shares), recognized at cost, and deducted from shareholders' equity. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Group's equity instruments. Any difference between the book value and the remuneration is recognized in "Other capital reserves".

l) Provisions

A provision is recognized when the Group have a present (legal or constructive) obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made. The expense referring to any provision is presented in the statement of income, net of any reimbursement.

The Group is a party in several judicial and administrative proceedings. Provisions are formed for all contingencies referring to lawsuits in which an outflow of funds will probably be required to settle the contingency or obligation and a reasonable estimate can be made. Determination of the likelihood of loss includes determination of evidences available, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of external lawyers. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court rulings.

m) Transactions involving share-based payment

The cost of transactions with employees settled with equity instruments, and with awarded premiums, is measured based on the fair value on the date they were granted. To determine fair value, the Group uses an external pricing specialist, who uses an appropriate devaluation method.

4. Significant accounting policies | ...continued

m) Transactions involving share-based payment | ...continued

The cost of transactions settled with equity securities is recognized, together with a corresponding increase in shareholders' equity, over the period during which the service condition is fulfilled, ending on the date the employee becomes fully entitled to the award (vesting date). The accumulated expense recognized for the transactions settled with equity instruments on each base date p to the acquisition date reflects the extent to which the acquisition period has expired and the Group's best estimate of the number of membership certificates to be acquired. The expense or credit in the statement of income for the year is recorded in personnel expenses and represents the change in accumulated expense recognized at the beginning and end of that year.

Service conditions and other non-market performance conditions are not considered in determining fair value at the date the awards were granted, however, the probability that the conditions will be met is assessed as part of the Group's best estimate of the number of equity instruments with awards that complete their vesting period. Market-related performance conditions are reflected in the fair value at the grant date.

No expense is recognized for awards that do not complete their vesting period, because non-market performance and/or service conditions have not been met.

n) Foreign currency translation

Individual and consolidated financial statements are being presented in reais (R$), functional currency of the Parent Company. Each entity of the Group determines its own functional currency, and those whose functional currencies are different from reais (R$), the financial statements are translated into Reais on the closing date.

Transactions and balances

Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in force on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rate of the functional currency in force on the balance sheet date. All differences are reported in the statement of income.

4. Significant accounting policies | ...continued

n) Foreign currency translation | ...continued

Group's companies

The assets and liabilities of foreign subsidiaries are translated into Reais at the exchange rate on the balance sheet date, and the corresponding statements of income are translated at the exchange rate of the transaction date. Exchange differences resulting from such conversion are recognized separately in shareholders' equity. Goodwill on the purchase of a foreign subsidiary after January 1, 2009, is treated as an asset of the foreign subsidiary and converted on the closing date.

o) Adjustment to present value of assets and liabilities

Long-term monetary assets and liabilities are adjusted for inflation and, therefore, adjusted to their present value. The adjustment to present value of short-term monetary assets and liabilities is calculated, and only recognized, if it is considered as relevant with respect to the financial statements taken as a whole. With basis on analysis performed and Management's best estimates, the Group came to the conclusion that the adjustment to present value of current monetary assets and liabilities is irrelevant for the individual and consolidated financial statements taken as a whole and, therefore, did not record any adjustments.

p) Leases

The characterization of a contract as (or whether it contains) a lease is based on the nature of the contract at the date of the beginning of its execution. The contract is (or contains) a lease if the fulfillment of this contract is dependent on the use of a specific asset (or assets) and the contract transfers the right to use a certain asset (or assets), even if that asset (or these assets) are not explicit in the contract.

Finance leases that transfer basically all the risks and rewards relating to ownership of the leased item to the Group are capitalized at the beginning of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. When applicable, the initial direct costs incurred in the transaction are added to the cost. Finance lease payments are allocated to finance charges and reduction of finance lease liabilities in order to obtain a constant interest rate on the remaining balance of the liability. Financial charges are recognized in the statement of income.

4. Significant accounting policies | ...continued

p) Leases | ...continued

Leased assets are depreciated over their useful lives. However, when there is no reasonable certainty that the Group will obtain the property at the end of lease term, the asset is depreciated over its estimated useful life or over lease term, the lower.

q) Trade accounts payable

Trade accounts payable are obligations due for assets or services acquired in the normal course of businesses, and are classified as current liabilities if payment is due within one year. Otherwise, accounts payable are presented as non-current liabilities. They are initially recognized at fair value and, subsequently, measured at amortized cost using the effective interest rate method.

r) New or reviewed pronouncements applied for the first time in 2018

The Group has adopted for the first time certain changes to the standards, in force for annual periods beginning on or after January 1, 2018.

Nature and impact of each of the new standards and changes are as follows:

CPC 47 / IFRS 15 Revenue from Contracts with Customers - The Company adopted the IFRS 15 - Revenue from Contract with clients as of January 1, 2018. IFRS 15 establishes a five-step model, applicable to the recognition of revenues from contracts with clients. The core principle of IFRS 15 is the recognition of revenue upon the transfer of control of goods and services to the client and for a price that reflects the consideration that the entity expects to be entitled to receive in exchange for the transfer of such goods and rights. The Company carried out an assessment of the effects of this pronouncement, based on the nature of its business and its contracts with clients, for the Company's main revenue flows. Thus, concerning the effects of IFRS 15 - Revenue from contracts with clients, the Company has identified its active client portfolio, as well as the demands and requirements to be met in each contract. The Company did not identify any material impact that could affect its individual and consolidated financial statements, in the adoption of this standard.

4. Significant accounting policies | ...continued

r) New or reviewed pronouncements applied for the first time in 2018 | ...continued

CPC 48/IFRS 9 Financial Instruments - IFRS 9 Financial Instruments - The Company adopted IFRS 9 - Financial Instruments as of January 1, 2018. This pronouncement brings new approaches on the classification and measurement of financial assets and liabilities, a new impairment model and new hedge accounting rules. The major changes are described below:

Recognition and measurement - According to IFRS 9, financial assets are initially measured at fair value. The Company does not have any financial instrument or transaction for which hedge accounting has been applied in its financial statements. The Company evaluated its business models upon the initial adoption of IFRS 9, on January 1, and did not identify any significant impact that could affect its financial statements, by the adoption.

Impairment - IFRS 9 proposes the adoption of a prospective model of expected losses in which the Company must recognize the expected credit losses, and changes in these expectations at each reporting date, reflecting changes in credit risk since the initial recognition of the financial asset. For accounts receivable, given the short-term nature of the Company’s receivables and its policy for granting and managing risk and credit used, the Company has not identified any material impact that would affect its individual and consolidated financial statements due to the adoption.

Amendments to CPC 18 (R2) to clarify that the measurement of investees at fair value through profit or loss is an option that is made on an investment-by-investment basis - The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may choose, upon initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. These changes have no impact on the Group’s consolidated financial statements.

s) Pronouncements issued but not effective as of December 31, 2018

The standards and interpretations issued but not yet adopted to the date of issuance of the financial statements of the Group, are shown below: The Group intends to adopt these standards, if applicable, when they become effective.

4. Significant accounting policies | ...continued

s) Pronouncements issued but not effective as of December 31, 2018 | ...continued

CPC 06 (R2) /IFRS 16 - Leases

The CPC 06 (R2) is equivalent to international standard IFRS 16 – Leases, issued in January 2016 to replace the previous version of such standard (CPC 06 (R1), equivalent to international standard IAS 17). The new standard establishes the principles for the recognition, measurement, presentation and disclosure of leasing operations, and lessees to account for all leases according to a single balance sheet model, similar to accounting for financial leases pursuant to CPC 06 (R1). This standard includes two recognition exemptions to lessees: leases of low-value assets and short-term leases. At the start date of a lease, the lessee recognizes a liability to make payments (a lease liability) and an asset representing the right to use such asset during the lease term (a right-of-use asset).

During 2018, the Group made a detailed evaluation of the impact of CPC 06 (R2). In short, it is expected that the impact of adopting CPC 06 (R2) will be the recording of a lease liability against property, plant, and equipment (right-of-use assets) in the approximate amount of R$ 6,803. The company will record it using the modified retrospective method, calculating the present value on January 1, 2019.

ICPC 22/IFRIC 23 - “Uncertainties over income tax treatment” - This interpretation, based on IFRIC 23, explains how to apply the requirements of recognition and measurement of CPC 32 when there is uncertainty over income tax treatments. Under such circumstance, the Entity must recognize and measure its current or deferred tax assets or liabilities, applying the requirements of CPC 32 based on taxable income (tax loss), tax bases, unused tax losses, unused tax credits, and certain tax rates, applying this Interpretation. The term of this interpretation is for the year beginning on or after January 1, 2019. Management is evaluating the impacts on its financial statements.

There are no other IFRS or IFRIC interpretations that have not yet entered into effect that could have significant impact on the Company’s financial statements.

(In thousands of reais)

5. Cash and cash equivalents

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash	**4**	6	**4**	6
Banks checking account	**2,483**	1,974	**8,416**	6,400
Short-term interest earning bank deposits	**59,763**	31,984	**59,763**	31,984
	62,250	33,964	**68,183**	38,390

They correspond to operations carried out with institutions operating in the domestic financial market and contracted under normal market conditions and rates, presenting high liquidity (less than 90 days), low credit risk and remuneration based on the variations in the Interbank Deposit Certificate (CDI), at percentages ranging from 99.0% to 100.0%. Automatic investments of checking account balances are also remunerated at the percentage of 50% of the CDI rate variation.

The Company does not have written-off financial assets and derivative transactions.

Information on the Company's exposure to liquidity and market risks is included in Note 25.

6. Accounts receivable

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Trade notes receivable	**32,369**	28,640	**38,428**	31,934
Unbilled amounts (i)	**36,335**	23,802	**36,335**	23,802
(-) Allowance for doubtful accounts (ii)	**(391)**	(391)	**(391)**	(391)
	68,313	52,051	**74,372**	55,345

(i) The amount referring to "Unbilled amounts" corresponds to services that had already been provided until December 31, 2018 and 2017, but had not yet been billed at the end of the respective years.

(ii) The allowance for doubtful accounts was calculated based on the credit risk assessment carried out by the Company. Said expected loss considers the history of losses, the individual situation of clients, the situation of the economic group to which they belong, and the respective real guarantees received. The Company does not have a recent loss history, except for the amounts provisioned.

(In thousands of reais)

6. Accounts receivable | ...continued

There was no change in the allowance for doubtful accounts in the years ended December 31, 2018, and 2017.

The balances of trade notes receivable as of December 31, 2018 and 2017 are segregated according to the following maturity brackets:

	Parent company		Consolidated	
	2018	2017	2018	2017
Faling due	**27,957**	24,685	**34,016**	27,979
Overdue (days):				
up to 30	**3,955**	3,408	**3,955**	3,408
31–180	**64**	154	**64**	154
>180	**393**	393	**393**	393
	32,369	28,640	**38,428**	31,934

7. Inventories of services in progress

The balances as of December 31, 2018 and 2017 refer to the initial expenses with the acquisition of technical support services from IBM, intended for resale. Said expenses are incurred as the sale contracts for the aforementioned services are signed and, therefore, there is no risk of this asset not being realized. Based on the contracts in force, a portion of this inventory will be realized over the 12 months after the end of said years (R$ 2,551 and R$ 4,246 as of December 31, 2018 and 2017, respectively), and the remaining balance (R$ 1,380 and R$ 630 as of December 31, 2018 and 2017, respectively) after 12 months, classified as non-current assets.

8. Recoverable and deferred taxes

a) Recoverable taxes

	Parent Company and Consolidated	
	2018	2017
Negative balance of income tax and social contribution (i)	**3,511**	10,511
Recoverable INSS	**202**	941
Recoverable PIS/COFINS	**387**	-
Other recoverable taxes	**241**	239
	4,341	11,691

(In thousands of reais)

8. Recoverable and deferred taxes | ...continued

a) Recoverable taxes | ...continued

(i) Refers to withholding taxes on interest earning bank deposits and services provided to third parties, which will be offset against future tax debts of the same nature.

b) Deferred taxes

The deferred income tax and social contribution are recognized to reflect future tax profitability record effects attributable to temporary differences between the tax bases of assets and liabilities and their book values and on tax loss and negative basis of social contribution.

The deferred income tax and social contribution is presented below:

	Parent Company and Consolidated	
	2018	**2017**
Tax loss	**-**	2,261
Tax depreciation	**207**	975
Provision for payments	**1,217**	652
Labor provision	**520**	331
Allowance for doubtful accounts	**133**	133
Leases	**(13)**	8
Other provisions	**103**	97
	2,167	4,457

The Company has used up the entire deferred tax asset on tax losses and a negative basis.

9. Other amounts receivable

On December 1, 2018, the Company signed a Private Agreement, with iU APP Ltda. (“iU APP”), in the total amount of R$ 790. The disbursement will take place in 3 installments. The first one will be made on December 28, 2018, and the others will be made on March 1st and June 1st, 2019.

The loan amount should accrue interest at 12% p.a. and mature in 48 months from the date the first loan installment is made available to iU APP.

(In thousands of reais)

9. Other amounts receivable | ...continued

iU APP is a company with an innovative model, which explores a digital platform for real-time payments, which allows transfers to be carried out between its users. The Company has the right, after the release of the three installments, to convert the total amount into an equity interest in iU APP, corresponding to 15% of its total capital, and this percentage can be increased by up to 7% if the Company reaches the goals set forth in the contract signed between the parties.

On December 31, 2018, the updated balance amount was R$ 266, classified in non-current assets.

10. Related party transactions

The main balances as of December 31, 2018 and December 2017, as well as the transactions that influenced the results for the year, related to transactions with related parties, arise from transactions between the Company and its subsidiaries and key Management professionals.

Transactions with related parties are represented as follows:

a) Accounts receivable

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Think Internacional	**320**	154	**-**	-
BNDES	**550**	104	**550**	104
	870	258	**550**	104

The balance of accounts receivable from the subsidiary ThinkInternational refers to the provision of services performed by the Company to this subsidiary and has an average receipt term of 30 days. The balance is denominated in US dollars and is subject to exchange-rate changes.

The National Bank for Economic and Social Development (BNDES) controls BNDESPAR Participações S.A., which holds a 23% interest in the Company. The balance receivable from BNDES refers to the provision of information technology services.

(In thousands of reais)

10. Related party transactions | ...continued

b) Loans

Loans payable to related parties are represented as follows:

	Parent Company and Consolidated			
	Effective rate	**Maturity**	**2018**	**2017**
BNDES	TJLP +1.5% p.a.	Aug 2019	**1,238**	3,076
BNDES	TJLP +1.7% p.a.	Aug 2021	**13,146**	17,961
(-) Transaction cost			**(352)**	-
Current			**6,008**	6,818
Non-current			**8,024**	14,219

Company's loans mature as follows:

	Parent Company and Consolidated			
	Book value		**Nominal value**	
	2018	**2017**	**2018**	**2017**
Years:				
up to 1	**6,008**	6,818	**6,648**	8,099
1–2	**4,869**	6,109	**5,208**	7,028
2–5	**3,155**	8,110	**3,224**	8,852
	14,032	21,037	**15,080**	23,979

The changes in the Company's loans are presented as follows:

	Parent Company and Consolidated	
	2018	**2017**
Opening balance	**21,037**	16,713
Additions	**-**	7,433
Transaction cost	**(441)**	-
Charges	**1,537**	1,656
Amortization of principal	**(6,299)**	(3,285)
Payments of interest	**(1,802)**	(1,480)
Closing balance	**14,032**	21,037

Loans obtained from BNDES are intended for investments in infrastructure, national equipment, research and development, training and quality, marketing and commercialization, and administrative and management systems within the scope of the Prosoft Program, and do not have restrictive clauses (covenants).

(In thousands of reais)

10. Related party transactions | ...continued

b) Loans | ...continued

On July 17, 2015, an agreement was entered into between the Company and BNDES regarding the approval of a credit in the amount of R$ 18,790. On December 11, 2015, the Company contracted a Surety Letter from Banco Bradesco, necessary for the release of said fund. This surety letter has a cost of 2.5% per annum for the commission rate, and requires from the Company collateral security of 30% of the credit amount, through financial investment in repurchase agreements backed by debentures. As of December 31, 2018 and 2017, this restricted deposit totals R$ 4,696 and R$ 6,245, respectively.

c) Other information

During the years ended December 31, 2018 and 2017, revenue from services rendered to these related parties was as follows:

	Parent company		Consolidated	
Revenue from services	**2018**	**2017**	**2018**	**2017**
BNDES	**7,417**	5,390	**7,417**	5,390
Think Internacional	**3,490**	2,133	**-**	-
	10,907	7,523	**7,417**	5,390

d) Directors' fees

The amounts regarding key management personnel remuneration totaled R$ 3,196 and R$ 2,883, respectively, in the years ended December 31, 2018 and 2017.

11. Investments

The details of the Company's subsidiaries are as follows:

a) Details on subsidiaries

		Company's investment			
Subsidiary's name	**Type**	**2018**	**2017**	**Invested activities**	**Incorporation and operation**
BRQ IT Services, Inc.	Direct	**100%**	**100%**	Holding	United States
Think International, LLC	Indirect	**80%**	**80%**	IT solutions	United States

(In thousands of reais)

11. Investment | ...continued

b) Information of subsidiaries

	Shareholders' equity			Income (loss) for the year		Total investment		Equity in net income of subsidiaries	
Subsidiaries	Controlling shareholders	Non-controlling shareholders	Interest (%)	Controlling shareholders	Non-controlling shareholders	2018	2017	2018	2017
BRQ IT Services, Inc.	12,921	610	100%	1,613	619	**12,921**	9,518	**1,613**	340

c) Changes in investments

	BRQ IT Services, Inc.	Other investments	Total
Investments as of December 31, 2016	9,023	-	9,023
Equity in net income of subsidiaries	340	-	340
Exchange-rate changes on foreign investments	155	-	155
Investments as of December 31, 2017	9,518	-	9,518
Equity in net income of subsidiaries	**1,613**	**-**	**1,613**
Exchange-rate changes on foreign investments	**1,790**	**-**	**1,790**
Reclassification of assets available for sale	**-**	**400**	**400**
Investments on December 31, 2018	**12,921**	**400**	**13,321**

d) Other investments

In February 2014, the Company acquired 8.16% of XACT Tecnologia (“XACT”) for R$ 400, to use XACT’s intelligence to strengthen its Service Desk offer. For the year ended December 31, 2018, Management considered that the sale of this investment within one year no longer qualifies it as highly probable, and thus, it adopted the appropriate accounting treatment, reclassifying the total balance to investments.

The Company does not have a significant influence on XACT, therefore, it does not recognize equity accounting and assesses its fair value at each year-end. As of December 31, 2018, no significant variations were identified between the book value and its fair value.

(In thousands of reais)

12. Property, plant and equipment

	Parent company							
	Furniture and fixtures	Machinery and equipment	Telephone equipment	IT equipment	Facilities	Vehicles	Leasehold improvements	Total
January 01, 2017								
Opening balance	3,935	81	636	1,149	1,096	254	2,147	9,298
Acquisitions	164	28	-	1,093	-	-	11	1,296
Cost write-offs	(355)	-	(14)	(317)	(1,395)	(132)	(184)	(2,397)
Depreciation write-off	171	-	9	313	1,315	97	173	2,078
Transfer	3	(3)	-	-	-	-	-	-
Depreciation	(559)	(9)	(129)	(714)	(194)	(101)	(980)	(2,686)
Book balance, net	3,359	97	502	1,524	822	118	1,167	7,589
December 31, 2017								
Cost	7,069	138	1,404	18,242	1,206	481	6,539	35,079
Accumulated depreciation	(3,710)	(41)	(902)	(16,718)	(384)	(363)	(5,372)	(27,490)
Book balance, net	3,359	97	502	1,524	822	118	1,167	7,589
January 01, 2018								
Opening balance	**3,359**	**97**	**502**	**1,524**	**822**	**118**	**1,167**	**7,589**
Acquisitions	**284**	**-**	**2**	**2,655**	**-**	**-**	**159**	**3,100**
Cost write-offs	**(703)**	**-**	**(62)**	**(699)**	**(100)**	**-**	**(216)**	**(1,780)**
Depreciation write-off	**395**	**-**	**57**	**682**	**97**	**-**	**213**	**1,444**
Depreciation	**(533)**	**(9)**	**(126)**	**(1,020)**	**(70)**	**(73)**	**(745)**	**(2,576)**
Book balance, net	**2,802**	**88**	**373**	**3,142**	**749**	**45**	**578**	**7,777**
December 31, 2018								
Cost	**6,650**	**138**	**1,344**	**20,198**	**1,106**	**481**	**6,482**	**36,399**
Accumulated depreciation	**(3,848)**	**(50)**	**(971)**	**(17,056)**	**(357)**	**(436)**	**(5,904)**	**(28,622)**
Book balance, net	**2,802**	**88**	**373**	**3,142**	**749**	**45**	**578**	**7,777**
Estimated useful life (years)	**12**	**20**	**10**	**3**	**20**	**5**	**5**	

(In thousands of reais)

12. Property, plant and equipment | ...continued

	Consolidated							
	Furniture and fixtures	**Machinery and equipment**	**Telephone equipment**	**IT equipment**	**Facilities**	**Vehicles**	**Leasehold improvements**	**Total**
January 01, 2017								
Opening balance	3,935	81	636	1,149	1,096	254	2,147	9,298
Acquisitions	164	28	-	1,093	-	-	11	1,296
Cost write-offs	(355)	-	(14)	(317)	(1,395)	(132)	(184)	(2,397)
Depreciation write-off	171	-	9	313	1,315	97	173	2,078
Transfer	3	(3)	-	-	-	-	-	-
Depreciation / amortization	(559)	(9)	(129)	(714)	(194)	(101)	(980)	(2,686)
Book balance, net	3,359	97	502	1,524	822	118	1,167	7,589
December 31, 2017								
Cost	**7,069**	**138**	**1,404**	**18,342**	**1,206**	**481**	**6,539**	**35,179**
Accumulated depreciation	**(3,710)**	**(41)**	**(902)**	**(16,818)**	**(384)**	**(363)**	**(5,372)**	**(27,590)**
Book balance, net	**3,359**	**97**	**502**	**1,524**	**822**	**118**	**1,167**	**7,589**
January 01, 2018								
Opening balance	**3,359**	**97**	**502**	**1,524**	**822**	**118**	**1,167**	**7,589**
Acquisitions	**284**	**-**	**2**	**2,655**	**-**	**-**	**159**	**3,100**
Cost write-offs	**(703)**	**-**	**(62)**	**(699)**	**(100)**	**-**	**(216)**	**(1,780)**
Depreciation write-off	**395**	**-**	**57**	**682**	**97**	**-**	**213**	**1,444**
Depreciation / amortization	**(533)**	**(9)**	**(126)**	**(1,020)**	**(70)**	**(73)**	**(745)**	**(2,576)**
Book balance, net	**2,802**	**88**	**373**	**3,142**	**749**	**45**	**578**	**7,777**
December 31, 2018								
Cost	**6,650**	**138**	**1,344**	**20,298**	**1,106**	**481**	**6,482**	**36,499**
Accumulated depreciation	**(3,848)**	**(50)**	**(971)**	**(17,156)**	**(357)**	**(436)**	**(5,904)**	**(28,722)**
Book balance, net	**2,802**	**88**	**373**	**3,142**	**749**	**45**	**578**	**7,777**
Estimated useful life (years)	**12**	**20**	**10**	**3**	**20**	**5**	**5**	

(In thousands of reais)

12. Property, plant and equipment | ...continued

As of December 31, 2018 and 2017, the Company did not detect indications of impairment losses and idle assets. The Company does not have assets with restricted ownership or offered as collateral for obligations.

There are assets net of depreciation in the amount of R$ 2,053 (R$ 830 as of December 31, 2017) obtained through lease contracts, with purchase option clauses at the end of the period, which is 3 years on average (see Note 15).

13. Intangible assets

	Parent company			
	Development costs	**Software**	**Trademarks and patents**	**Total**
January 01, 2017				
Opening balance	891	2,654	2	3,547
Addition	556	138	-	694
Transfers	(1,072)	1,072	-	-
Amortization	-	(1,822)	-	(1,822)
Book balance, net	375	2,042	2	2,419
December 31, 2017				
Cost	375	10,557	2	10,934
Accumulated amortization	-	(8,515)	-	(8,515)
Book balance, net	375	2,042	2	2,419
January 01, 2018				
Opening balance	**375**	**2,042**	**2**	**2,419**
Addition	**480**	**51**	**-**	**531**
Transfers	**(491)**	**491**	**-**	**-**
Amortization	**-**	**(1,470)**	**-**	**(1,470)**
Book balance, net	**364**	**1,114**	**2**	**1,480**
December 31, 2018				
Cost	**364**	**11,099**	**2**	**11,465**
Accumulated amortization	**-**	**(9,985)**	**-**	**(9,985)**
Book balance, net	**364**	**1,114**	**2**	**1,480**
Annual amortization rates (%)		**33.3**		

(In thousands of reais)

13. Intangible asset | ...continued

	Consolidated					
	Development costs	Software	Trademarks and patents	Goodwill (*)	Other	Total
January 01, 2017						
Opening balance	891	2,654	2	3,947	51	7,545
Addition	556	138	-	-	-	694
Transfers	(1,072)	1,072	-	-	-	-
Exchange-rate change	-	-	-	60	-	60
Amortization	-	(1,822)	-	-	(9)	(1,831)
Book balance, net	375	2,042	2	4,007	42	6,468
December 31, 2017						
Cost	375	10,557	2	2,852	73	13,859
Accumulated exchange-rate changes	-	-	-	1,846	10	1,856
Provision for impairment	-	-	-	(691)	-	(691)
Accumulated amortization	-	(8,515)	-	-	(41)	(8,556)
Book balance, net	375	2,042	2	4,007	42	6,468
January 01, 2018						
Opening balance	**375**	**2,042**	**2**	**4,007**	**42**	**6,468**
Addition	**480**	**51**	**-**	**-**	**-**	**531**
Transfers	**(491)**	**491**	**-**	**-**	**-**	**-**
Exchange-rate change	**-**	**-**	**-**	**693**	**-**	**693**
Amortization	**-**	**(1,470)**	**-**	**-**	**(10)**	**(1,480)**
Book balance, net	**364**	**1,114**	**2**	**4,700**	**32**	**6,212**
December 31, 2018						
Cost	**364**	**11,099**	**2**	**2,852**	**73**	**14,390**
Accumulated exchange-rate changes	**-**	**-**	**-**	**2,539**	**10**	**2,549**
Provision for impairment	**-**	**-**	**-**	**(691)**	**-**	**(691)**
Accumulated amortization	**-**	**(9,985)**	**-**	**-**	**(51)**	**(10,036)**
Book balance, net	**364**	**1,114**	**2**	**4,700**	**32**	**6,212**
Annual amortization rates (%)		**33.3**			**13.3**	

(*) Refers to the goodwill paid for the acquisition of 80% of ThinkInternational, LLC by BRQ IT Services, Inc., in the total amount of US$ 2,400.

As of December 31, 2018, software development initiatives are focused on a solution aimed at improving the management of the Company's internal processes. All research and development costs not eligible for capitalization were recognized as administrative expenses in the income statement.

(In thousands of reais)

14. Loans and financing

Loan and financing balances are as follows:

	Effective rate	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Itaú	2.43% p.a. + 100% CDI	**15,016**	-	**15,016**	-
(-) Transaction cost		**(250)**	-	**(250)**	-
Santander	Labor + 2.25% p.a.	**-**	-	**1,124**	959
		14,766	-	**15,890**	959
Current		**5,549**	-	**6,673**	959
Non-current		**9,217**	-	**9,217**	-

(i) The effective interest rate differs from the contractual rate, as transaction costs incurred are taken into account. Transaction costs incurred in raising funds from third parties are recognized in income for the term of the debt that originated them, using the amortized cost method. The use of the amortized cost method results in the calculation and recognition of financial charges based on the effective interest rate rather than the contractual interest rate of the instrument.

The funds obtained from Banco Itaú in the total amount of R$ 15,000 will have a monthly payment of interest and principal after a three-month grace period, with the first installment due on February 7, 2019. The obtained funds are intended for working capital.

Changes in loans are presented below:

	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Opening balance	-	-	**959**	1,141
Additions	**15,000**	-	**15,000**	-
(-) Funding costs	**(253)**	-	**(253)**	-
Charges	**19**	-	**65**	34
Exchange-rate change	-	-	**165**	16
Amortization and interest payments	-	-	**(46)**	(232)
Closing balance	**14,766**	-	**15,890**	959

Company's loans mature as follows:

	Parent company				Consolidated			
	Book value		Nominal value		Book value		Nominal value	
	2018	2017	2018	2017	2018	2017	2018	2017
Years:								
up to 1	5,549	-	6,714	-	6,673	959	7,884	1,005
1–2	8,503	-	9,015	-	8,503	-	9,015	-
2–5	714	-	720	-	714	-	720	-
	14,766	**-**	**16,449**	**-**	**15,890**	**959**	**17,619**	**1,005**

(In thousands of reais)

14. Loans and financing | ...continued

The Company does not have loan agreements with restrictive financial clauses (Covenants).

15. Lease financing

		Parent Company and Consolidated		
	Effective rate	2018	2017	Items
Santander Leasing S.A.	1.07–1.22% p.m.	**1,066**	604	IT equipment
Bradesco Leasing S.A.	1.17% p.m.	**969**	-	IT equipment
		2,035	604	
Current		**826**	275	
Non-current		**1,209**	329	

Lease financing has the following maturities:

	Parent Company and Consolidated			
	Book value		Nominal value	
	2018	2017	2018	2017
Years:				
up to 1	**826**	275	**944**	338
1–2	**752**	200	**854**	243
2–5	**457**	129	**508**	153
	2,035	604	**2,306**	734

Changes in the Company's lease financing is as follows:

	Parent Company and Consolidated	
	2018	2017
Opening balance	**604**	871
Additions	**1,883**	606
Charges	**85**	86
Amortization of principal	**(452)**	(847)
Payments of interest	**(85)**	(112)
Closing balance	**2,035**	604

As of December 31, 2018, the Company has assets, net of depreciation and amortization in the amount of R$ 2,053 (R$ 1,128 as of December 31, 2017) obtained through financial lease contracts. The contracts are effective for three years, with purchase option clauses at the end of the period. The assets listed below are included in the Company's property, plant and equipment and intangible assets (residual value at the end of the year):

(In thousands of reais)

15. Lease financing | ...continued

	Parent Company and Consolidated	
	2018	**2017**
IT equipment	**2,021**	736
Software	**-**	298
Vehicles	**32**	94
	2,053	1,128

16. Taxes and contributions payable

	Parent Company and Consolidated	
	2018	**2017**
IRRF (Withholding income tax) payable	**3,306**	2,666
Special Tax Regularization Program - PERT	**-**	1,359
Social security contribution on gross revenue	**1,351**	1,097
Service tax payable	**1,135**	852
Other taxes and contributions payable	**24**	11
	5,816	5,985

17. Expense with income tax and social contribution

As of December 31, 2018 and 2017, the reconciliation between the tax expense as calculated by the combined statutory rates and the income tax and social contribution expense debited to income (loss) is presented below:

	Parent company	
	2018	**2017**
Income before income tax and social contribution from continued operations	**34,981**	2,002
Combined statutory rate	**34%**	34%
Income tax and social contribution at the combined tax rate	**11,894**	681
Tax benefit - *Lei do Bem* (Good Law)	**-**	(821)
Permanent additions/ (exclusions)	**(316)**	254
PAT - Worker's Meal Program	**(30)**	(48)
Additional 10% income tax difference	**24**	24
Income tax and social contribution at the effective rate	**11,572**	90
Current	**9,282**	414
Deferred	**2,290**	497
Tax benefit - *Lei do Bem* (Good Law)		(821)
Income tax and social contribution as presented in the income (loss) for the year	**11,572**	90
Effective rate	**33%**	4%

(In thousands of reais)

17. Income tax and social contribution expenses | ...continued

Direct subsidiary BRQ IT Services Inc. and indirect subsidiary ThinkInternational LLC, Inc. are headquartered in the United States and subject to local taxation. ThinkInternational LLC does not pay income taxes; such responsibility is transferred to BRQ IT Services Inc., which is subject to New York City taxation.

18. Provision for contingencies

The Company is a party in lawsuits and administrative proceedings before various courts and government agencies, resulting from the normal course of its operations, involving labor and tax issues.

Based on information from its legal advisors, an analysis of the outstanding lawsuits, and in respect of labor claims previous experience with regards to amounts claimed, management recorded provisions for amounts considered sufficient to cover probable losses from the current lawsuits, as follows:

	Parent Company and Consolidated	
	2018	**2017**
Labor	**1,530**	972

Changes in the provision are as follows:

	Parent Company and Consolidated	
	2018	**2017**
Balance at the beginning of the period	**972**	567
Formation	**2,820**	454
Reversal of provision	**(2,262)**	(49)
Balances at the end of the period	**1,530**	972

Furthermore, the Company is party to tax and labor claims, assessed by its legal advisors as having a possible risk of loss, for which no provisions were made to cover possible risks. The amounts involved in these lawsuits are as follows:

	Parent Company and Consolidated	
	2018	**2017**
Tax (a)	**102,821**	110,124
Labor (b)	**6,062**	5,911
	108,883	116,035

(In thousands of reais)

18. Provision for contingencies | ...continued

(a) Tax

a.1) Underpayment of INSS on the PSP (Profit Sharing Program)

As of December 9, 2014, the Company received tax assessment notices from the Brazilian Federal Revenue Service in view of the alleged underpayment of INSS on the PSP (profit sharing program) for the year 2011. Based on the opinion of its legal advisors, Management assessed the Company's loss as possible, and the amount involved is R$ 42,978 (R$ 54,505 as of December 31, 2017).

a.2) Tax assessment notice - ISS Payment

As of August 28, 2015, the Company received tax assessment notices from the Municipal Finance Department of Rio de Janeiro, in view of the alleged non-payment of ISS tax. Based on the opinion of its legal advisors, Management assessed the Company's loss as possible, and the amount involved is R$ 58,618 (R$ 54,396 as of December 31, 2017).

(b) Labor

The Company maintains a provision for certain lawsuits and, based on the opinion of its legal advisors, estimates a total amount of R$ 6,062 as of December 31, 2018 as possible loss (R$ 5,832 as of December 31, 2017).

19. Deferred revenues

	Parent Company and Consolidated	
	2018	**2017**
Advanced billing (i)	**10,965**	13,316
Advance commissions (ii)	**2,000**	487
	12,965	13,803
Current	**11,365**	13,766
Non-current	**1,600**	37

(i) The amount recorded in "Advance billing" refers to amounts already billed, whose services were not provided by the end of the year; as the services are delivered, the Company recognizes said amounts as revenue in income (loss), consequently decreasing the amounts recorded in this item.

(ii) In December 2018, the Company received the amount of R$ 2,000 as commission arising from the banking operations fidelity agreement with employees belonging to its payroll, for a period of five years; the portion referring to 1/60 of the total amount is recorded in the income (loss) monthly.

(In thousands of reais)

20. Shareholders' equity

Capital

The authorized capital is represented by R$ 141,163,000 common shares, all registered and with no par value.

The subscribed and paid-in capital is R$ 54,849 as of December 31, 2018 and 2017, and is represented by the following number of shares, fully paid in national currency:

a) *December 31, 2018 and 2017*

	2018		2017	
Shareholders	Nominative shares	% Interest	Nominative shares	% Interest
Netstrategy Participações Ltda.	**94,999,905**	**72.67%**	94,999,905	72.67%
BNDES Participações S.A.	**29,870,100**	**22.85%**	29,870,100	22.85%
Benjamin Ribeiro Quadros	**4,999,995**	**3.82%**	4,999,995	3.82%
Acquisition by employees	**87,439**	**0.07%**	87,439	0.07%
	129,957,439	**99.41%**	129,957,439	99.41%
Treasury shares	**767,259**	**0.59%**	767,259	0.59%
Total	**130,724,698**	**100.00%**	130,724,698	100.00%

Each common share alone entitles the holder to vote in the resolutions of the General Meetings.

Treasury shares

During the year ended December 31, 2017, the Company repurchased 767,259 common shares, in the amount of R$ 1,083, due to the dismissal of executives who exercised their stock options. These shares will remain as treasury shares and may be delivered to other beneficiaries of the stock option plan in the future.

AFAC - Advance for future capital increase

In December 2018, the Company’s employees signed the term of intent to exercise their subscription rights over the shares allocated to their option plans. Also in December, they made the payment for the shares they were entitled to on that date, however, the subscription will only occur after the issuance of the subscription list, which will occur after the end of the year ended December 31, 2018, therefore, the amount of R$ 339 was recorded on this date as an advance for future capital increase.

20. Shareholders' equity | ...continued

Legal reserve

The legal reserve is set up at the rate of 5% of the net income determined at the end of each year, pursuant to article 193 of Law 6404/76 up to the limit of 20% of the capital.

Profit retention reserve

In accordance with art. 196 of Law 11638/07, it is recorded to meet the need for additional funds to meet the proposed investment plan at the end of each fiscal year.

Dividends

The Company's Bylaws provide for the distribution of mandatory minimum dividends equivalent to 25% of net income, calculated pursuant to article 202 of Law 6404/76 and subsequent amendments, at the end of each fiscal year.

The proposed additional dividends, in the amount of R$ 4,448, are subject to approval at the Annual General Meeting and, therefore, were not recognized as a liability on December 31, 2018.

Accumulated translation adjustments

Since January 1, 2009, the date of the Company's application of pronouncement CPC 02 - The Effects of Changes in Foreign Exchange Rates and Conversion of Financial Statements, the exchange-rate changes on investments in foreign subsidiaries has been recognized in accumulated translation adjustments.

Stock option plan

The option plan consists of the right to purchase a certain number of Company's shares, assigned to the employee benefiting from the program, at a certain strike price per share - or share purchase price - which must be exercised within a period, or term of exercise.

On the date of exercise of the right, the shares sold to the primary plan's beneficiary must be subject to a new subscription or must be held in treasury. Based on the plan, the other Company's shareholders are not entitled to subscription rights on shares allocated to the stock option plans. The plan's beneficiary can exercise the right to purchase the shares made available from one of the plan's vesting dates.

(In thousands of reais)

20. Shareholders' equity | ...continued

Stock option plan | ...continued

As of September 2, 2011, the resolution approving the “Class B Preferred Stock Option Plan” was registered in the Minutes of the Extraordinary General Meeting. In the minutes of the Extraordinary General Meeting held on July 13, 2012, the approval of the change in the number of Class B preferred shares for the execution of the stock option plan was approved, which currently corresponds to 8% of the Company’s capital. As of April 29, 2015, due to the approval of the conversion of all the Company’s preferred shares into common shares, it was decided, through the minutes of the EGM, to change the plan’s regulation, which became the “Stock Option Plan for Common Shares”.

The details of the grants made by the Company, through the Stock Option Plan, are as follows:

Grant date	Number of shares granted	Strike price	Price correction	Maturation period	Expiration term
09/02/2011	2,391,298	0.36	IPCA	30% after 2 years 30% after 3 years 40% after 4 years	8 years
09/03/2012	2,565,216	0.38	IPCA	30% after 2 years 30% after 3 years 40% after 4 years	8 years
09/02/2013	2,030,000	0.41	IPCA	30% after 2 years 30% after 3 years 40% after 4 years	8 years
09/01/2014	1,840,000	0.42	IPCA	30% after 2 years 30% after 3 years 40% after 4 years	8 years
11/13/2018	554,348	0.43	IPCA	30% after 2 years 30% after 3 years 40% after 4 years	8 years
Total	9,380,862				

(In thousands of reais)

20. Shareholders' equity | ...continued

Stock option plan | ...continued

The exercised shares can be sold to third parties if they are traded on the stock exchange. Before that, the participant may sell their shares to the Company at their book value, calculated in the last fiscal year and restated by the IPCA. The participant has tag along rights proportional to the equity interest held and a drag along duty, in which case the Company may demand the sale of the position held by the participant.

The Plan’s fair value was estimated based on the Merton option valuation model, using the following assumptions:

Plan	Unit fair value	Annual volatility	Risk-free rate (*)
2011 grant	0.24	**32.4%**	**5.2%**
2012 grant	0.24	**31.3%**	**3.8%**
2013 grant	0.29	**29.2%**	**5.7%**
2014 grant	0.27	**26.6%**	**5.4%**
2018 grant	0.21	**25.3%**	**5.2%**

(*) Based on IPCA coupon.

In the year ended December 31, 2017, 728,129 common shares were issued, in the amount of R$ 393. In the current year, no new shares were issued.

The contra entry to the remuneration costs arising from the plan is recorded in shareholder’s equity in the capital reserve, reserve for recognized options granted. The remuneration cost corresponds to the fair value of the “Plan”, calculated on the grant date, recorded during the exercise of the service provision that begins on the grant date, until the date on which the beneficiary acquires the right to exercise the option.

The Plan’s compensation costs to be recognized over the remaining period (period of provision of services to occur), based on the assumptions used, total approximately R$ 106.

21. Net sales

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Gross sales and services rendered	**368,281**	325,764	**396,724**	343,321
Sales taxes	**(39,009)**	(34,694)	**(39,009)**	(34,694)
Net revenue	**329,272**	291,070	**357,715**	308,627

(In thousands of reais)

22. Cost of sales and services rendered

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
With personnel	**(229,764)**	(225,000)	**(242,450)**	(232,772)
With licenses and technical support services	**(6,533)**	(7,487)	**(6,533)**	(7,487)
With third parties	**(2,376)**	(2,243)	**(8,721)**	(7,314)
With import	**(2,282)**	(575)	**(2,282)**	(575)
Depreciation and amortization	**(548)**	(356)	**(548)**	(356)
Other	**(1,402)**	(701)	**(1,402)**	(701)
	(242,905)	(236,362)	**(261,936)**	(249,205)

23. Operating revenues and expenses

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
With personnel	**(37,876)**	(34,094)	**(42,222)**	(36,858)
Outsourced services	**(5,175)**	(5,696)	**(5,972)**	(6,000)
Rentals and condominiums	**(3,222)**	(4,078)	**(3,357)**	(4,193)
Depreciation and amortization	**(3,498)**	(4,152)	**(3,508)**	(4,161)
Communications	**(449)**	(1,456)	**(449)**	(1,456)
Electric power	**(607)**	(677)	**(607)**	(677)
Other administrative expenses	**(2,186)**	(1,471)	**(3,356)**	(2,238)
Administrative expenses	**(53,013)**	(51,624)	**(59,471)**	(55,583)
Taxes and rates	**(577)**	(1,489)	**(1,236)**	(1,680)
Union/class association contributions	**(283)**	(244)	**(283)**	(244)
IPTU (Municipal property tax)	**(144)**	(179)	**(144)**	(179)
Tax expenses	**(1,004)**	(1,912)	**(1,663)**	(2,103)
Income (loss) from the sale of property, plant and equipment	**(275)**	(200)	**(275)**	(200)
Other operating revenues (expenses)	**524**	319	**524**	319
Other operating revenues (expenses)	**249**	119	**249**	119
Total	**(53,768)**	(53,417)	**(60,885)**	(57,567)

(In thousands of reais)

24. Net financial income (loss)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Revenue from interest earning bank deposits	**1,893**	1,745	**1,893**	1,745
Interest and inflation adjustment	**915**	1,734	**915**	1,734
Other financial revenues	**83**	89	**83**	89
Financial revenues	**2,891**	3,568	**2,891**	3,568
Interest	**(1,735)**	(2,695)	**(1,781)**	(2,729)
IOF	**(35)**	(163)	**(35)**	(163)
Bank expenses	**(160)**	(180)	**(177)**	(194)
Other financial expenses	**(192)**	(159)	**(192)**	(159)
Financial expenses	**(2,122)**	(3,197)	**(2,185)**	(3,245)
Financial income (loss)	**769**	371	**706**	323

25. Financial instruments

25.1 Financial instruments

25.1.1 Fair value and classifications of financial instruments

As of December 31, 2018, the book value of financial instruments is a reasonable approximation of the fair value. The Company chose to disclose them with amounts equivalent to the recorded amount.

The Group maintains transactions with financial instruments, whose management is carried out through operational strategies and internal controls to ensure its liquidity and profitability. The control policy consists of permanent monitoring of the conditions contracted versus those in force in the market. The Group does not make investments of a speculative nature in derivatives or any other risky assets and, therefore, the results obtained from these operations are consistent with the defined policies and strategies. The Group's operations are subject to the risk factors described below:

25.1.2 Fair value hierarchy

The table below shows the financial instruments recorded at fair value, according to the measurement method:

(In thousands of reais)

25. Financial instruments | ...continued

25.1 Financial instruments | ...continued

25.1.2 Fair value hierarchy | ...continued

	Parent Company and Consolidated	
Level 2	**2018**	**2017**
Financial assets at fair value through profit or loss		
Short-term interest earning bank deposits	**59,764**	31,984
	59,764	31,984

Said financial instruments are grouped in Levels 1 to 3, based on the grade that their fair value is estimated, namely:

Level 1 - Prices quoted in active markets for identical assets and liabilities;

Level 2 - Other techniques for which all data that has significant effect on the recorded fair value is observable, either directly or indirectly; and

Level 3 - Techniques that use data that have significant effect on the recorded fair value, and that are not based on data observable in the market.

During the year ended December 31, 2018, there were no transfers arising from fair value valuations between Levels 1 and 2, neither within or outside Level 3.

25.2 Risk management

The Company is mainly exposed to market, credit, liquidity and operational risk, in addition to the additional risks described in this note. The occurrence of any of the risks below may adversely affect the Company, which may have an effect on its operations, financial condition or results of operations. The main risk factors are described below:

a) Credit risk

Credit risk is the risk of a business counterpart not complying with obligations provided in a financial instrument or contract with client, resulting in financial loss. The Group is exposed to credit risk during their operating and financing activities (mainly in relation to accounts receivable), including deposits in banks and financial institutions and other financial instruments.

25. Financial instruments | ...continued

25.2 Risk management | ...continued

a) Credit risk | ...continued

To mitigate such risks, the Group analysis the financial and asset situation of their counterparties, as well as the permanent follow-up of outstanding positions and active default management. Management does not expect any losses arising from defaults by those parties.

Regarding interest earning bank deposits, the Company only carries out operations with top-tier financial institutions, and/or evaluated by rating agencies (assessed as low risk), using exclusively financial instruments and investment funds classified as having a low risk.

b) Liquidity risk

The Group continuously monitors the cash flow projection to guarantee and ensure liquidity requirements, the clauses of loan agreements and sufficient cash to meet the business' operational needs.

The surplus cash generated by the Company is invested in interest-bearing checking and term deposits, choosing instruments with appropriate maturities or liquidity to provide sufficient margin as determined by the above predictions.

c) Market risk

The market risk is the risk that the fair value of future cash flows of a financial instrument will float due to changes in market prices. Market prices comprise two types of risk: foreign exchange and interest rate risk. Financial instruments affected by market risk include loans payable, deposits and financial instruments measured at fair value through profit or loss.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to the risk of changes in the Interbank Deposit Certificate ("CDI") and Long-Term Interest Rates ("TJLP") for its interest earning bank deposits and loan operations (see Notes 5 and 9) and, therefore, its financial result may vary as a result of the fluctuation in the variation of these financial ratios. The Group manages interest rate risk maintaining a balanced portfolio of interest earning bank deposits and loans payable bearing fixed and floating rates.

25. Financial instruments | ...continued

25.2 Risk management | ...continued

c) Market risk--Continued

Exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Company is exposed to fluctuations in foreign currency exchange rates, mainly in relation to the US dollar, for software purchase transactions, amounts receivable and investments in subsidiaries abroad; to mitigate these risks, the Company permanently assesses exchange rate fluctuations. The Company understands that the exposure to this risk is low considering that the amounts involved are not material.

d) Capital management

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern, aiming to support the business and maximize shareholder value. In line with best industry practices, the Company monitors the return on invested capital. Objectives, policies and proceedings were not changed during years ended December 31, 2018 and 2017.

e) Sensitivity analysis of financial assets and liabilities

As of December 31, 2018, the main risks linked to the Company's operations are related to the changes in the TJLP for loans with related parties, with BNDES and the CDI rate for loans and financing and interest earning bank deposits.

Aiming to verify the sensitivity of the index in interest earning bank deposits and loans, 3 different scenarios were defined. Based on projections published by Bradesco's economic research and study department ("DEPEC"), the CDI and TJLP projection was obtained for the next 12 months and this was defined as a probable scenario. Based on it, changes of 25% and 50% were calculated.

The "gross financial revenue and expense" was calculated for each scenario, not considering the levy of taxes on investment yields. The base date used in the portfolio was December 31, 2018, with a one-year projection and checking the sensitivity of the CDI and TJLP in each scenario:

(In thousands of reais)

25. Financial instruments | ...continued

25.2 Risk management | ...continued

e) Sensitivity analysis of financial assets and liabilities | ...continued

	Parent Company and Consolidated							
	Risk factor	**Amounts exposed on 12/31/2018**	**-50%**	**-25%**	**Probable scenario**	**25%**	**50%**
Interest earning bank deposits	CDI	59,763	2,811	3,373	4,216	5,270	6,324
Net impact			2,811	3,373	4,216	5,270	6,324
Loans – Related parties	TJLP	14,032	(615)	(738)	(923)	(1,153)	(1,384)
Loans and financing	CDI	14,766	(694)	(833)	(1,042)	(1,302)	(1,563)
Net impact			(1,309)	(1,572)	(1,964)	(2,455)	(2,946)
Rates considered	CDI		4.70%	5.64%	7.05%	8.82%	10.58%
Rates considered	TJLP		4.38%	5.26%	6.57%	8.22%	9.86%

These sensitivity analyses aim to illustrate the sensitivity to changes in market variables in the Company's financial instruments. The sensitivity analyzes presented above are established using assumptions regarding future events. The Company's Management regularly reviews the estimates and assumptions used in the calculations. However, settling the transactions involving such estimates may result in sums different from those estimated, owing to the subjectivity inherent in the procedure used to prepare these analyses.

26. Earnings per share

Earnings per share are basically calculated by dividing net income for the year attributed to holders of the parent company's common shares by the weighted average number of common shares available during the year.

Diluted earnings per share are calculated by dividing net income attributed to the Parent Company's common shareholders by weighted average number of common shares available in the year plus weighted average number of common shares that would be issued upon conversion of all potentially diluting common shares into common shares.

26. Earnings per share | ...continued

The table below shows the calculation of basic and diluted earnings per share together, since there are no potential dilutive actions that could impact the calculation of diluted earnings per share.

	Parent company	
	2018	**2017**
Basic and diluted		
Earnings attributable to Parent company's shareholders	**23,409**	1,912
Basic and diluted earnings per share:		
Income available to common shareholders	**23,409**	1,912
Weighted average of common shares (in thousands of shares)	**130,725**	130,725
Basic and diluted earnings per share		
Common shares (R$)	**0.1791**	0.0146

27. Segment reporting

Operating segments are defined as components of a business for which separated financial information are available, not limited to revenues, and are evaluated on regular basis by the main operating decision maker to decide how to allocate funds to an individual segment and to the evaluation of the performance of the segment.

As of December 31, 2018, the operating segment "application development and integrations" represents 96% of net revenue (89% of net revenue as of December 31, 2017) and, for this reason, the Company has now organized itself into a single operating segment.

28. Insurance coverage

At December 31, 2018, operating risk insurance coverage was comprised of:

Civil liability insurance, with coverage in the amount of R$ 2,500 - civil liability coverage for the Company and its employees for the amounts they may be liable for material, personal and moral damages, procedural costs and any other related charges related to material personal or moral damages resulting from services provided at third-party locations.

(In thousands of reais)

28. Insurance coverage | ...continued

Civil liability insurance, with coverage in the amount of R$ 10,000 - coverage of civil liability of administrators, claims for improper labor practices, statutory liability, acquisition and incorporation of a new subsidiary, insured in affiliated companies, defense costs. Insured persons are individuals elected as administrators, directors, members of the board of directors or any other competent regulatory body.

Civil liability insurance, with coverage in the amount of R$ 19,457 - coverage of civil liability, fire, electrical damages and commercial risks related to the Company's offices.

The scope of our auditors' work does not include the review of the sufficiency of insurance coverage, which was determined and analyzed for adequacy purposes by Management.

29. Transactions not affecting cash

In the years ended December 31, 2018 and 2017, the following transactions did not affect cash:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Acquisition of IT equipment - Leases	1,883	606	1,883	606
Exchange-rate changes on foreign investments	1,787	155	-	-

(In thousands of reais)

30. Changes in liabilities from financing activities

	Parent company								
	01/01/2017	Additions	Transaction cost paid	Principal paid	Interest paid	Accrued interest	Exchange-rate change	Other (*)	12/31/2017
Current									
Leases	771	606	-	(847)	(112)	86	-	(229)	275
Loans related parties	2,945	7,433	-	(3,285)	(1,480)	1,656	-	(451)	6,818
Non-current									
Loans related parties	100	-	-	-	-	-	-	229	329
Loans related parties	13,768	-	-	-	-	-	-	451	14,219
Total	17,584	8,039	-	(4,132)	(1,592)	1,742	-	-	21,641

	Consolidated								
	01/01/2017	New loans	Transaction cost paid	Principal paid	Interest paid	Accrued interest	Exchange-rate change	Other (*)	12/31/2017
Current									
Loans and financing	1,141	-	-	(198)	(34)	34	16	-	959
Leases	771	606	-	(847)	(112)	86	-	(229)	275
Loans related parties	2,945	7,433	-	(3,285)	(1,480)	1,656	-	(451)	6,818
Non-current									
Leases	100	-	-	-	-	-	-	229	329
Loans related parties	13,768	-	-	-	-	-	-	451	14,219
Total	18,725	8,039	-	(4,330)	(1,626)	1,776	16	-	22,600

(In thousands of reais)

30. Changes in liabilities from financing activities | ...continued

	Parent company								
	01/01/2018	New loans	Transaction cost paid	Principal paid	Interest paid	Accrued interest	Exchange-rate change	Other (*)	12/31/2018
Current									
Loans and financing	-	15,000	(253)	-	-	19	-	(9,217)	5,549
Leases	275	1,883	-	(452)	(85)	85	-	(880)	826
Loans related parties	6,818	-	(441)	(6,299)	(1,802)	1,537	-	6,195	6,008
Non-current									
Loans and financing	-	-	-	-	-	-	-	9,217	9,217
Leases	329	-	-	-	-	-	-	880	1,209
Loans related parties	14,219	-	-	-	-	-	-	(6,195)	8,024
Total	21,641	16,883	(694)	(6,751)	(1,887)	1,641	-	-	30,833

	Consolidated								
	01/01/2018	New loans	Transaction cost paid	Principal paid	Interest paid	Accrued interest	Exchange-rate change	Other (*)	12/31/2018
Current									
Loans and financing	959	15,000	(253)	-	(46)	65	165	(9,217)	6,673
Leases	275	1,883	-	(452)	(85)	85	-	(880)	826
Loans related parties	6,818	-	(441)	(6,299)	(1,802)	1,537	-	6,195	6,008
Non-current									
Loans and financing	-	-	-	-	-	-	-	9,217	9,217
Leases	329	-	-	-	-	-	-	880	1,209
Loans related parties	14,219	-	-	-	-	-	-	(6,195)	8,024
Total	22,600	16,883	(694)	(6,751)	(1,933)	1,687	165	-	31,957

* Segregation between current and non-current.

31. Subsequent event

On January 21, 2019, the shareholders approved at the Extraordinary General Meeting the Management's proposal to distribute additional dividends in the amount of R$ 3,000 (three million reais), paid on January 31, 2019.