

(Convenience Translation into English from the
Original Previously Issued in Portuguese)

Tarpon Investimentos S.A.

Individual and Consolidated Interim Financial
Statements for the Quarter Ended March 31, 2017
and Report on Review of Individual and
Consolidated Interim Financial Statements

Deloitte Touche Tohmatsu Auditores Independentes

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REPORT ON REVIEW OF INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Directors and Shareholders of
Tarpon Investimentos S.A.
São Paulo - SP

We have reviewed the individual and consolidated interim financial statements of Tarpon Investimentos S.A. ("Company"), which comprise the balance sheet of Tarpon Investimentos S.A. as of March 31, 2017, and the statement of profit and loss, statement of comprehensive loss, statement of changes in equity and statement of cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these individual and consolidated individual interim financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRSs"), 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. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial statements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial statements are not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of interim financial statements.

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Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statements of value added ("DVA") for the three-month period ended March 31, 2017, prepared under Management's responsibility, the presentation of which is required by the standards issued by the Brazilian Securities and Exchange Commission ("CVM") and is considered as supplemental information for the International Financial Reporting Standards ("IFRSs"), which does not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial statements taken as a whole.

The accompanying individual and consolidated interim financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, April 27, 2017

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU
Auditores Independentes



Luiz Carlos Oseliero Filho
Engagement Partner

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Tarpon Investimentos S.A.

Individual and consolidated balance sheet:

As at March 31, 2017 and December 31, 2016

(In thousands of Brazilian reais - R\$)

Assets	Note	Consolidated		Individual		Liabilities	Note	Consolidated		Individual	
		03/31/2017	12/31/2016	03/31/2017	12/31/2016			03/31/2017	12/31/2016	03/31/2017	12/31/2016
Current Assets						Current liabilities					
Cash and cash equivalents	4	33.276	25.742	5.777	250	Trade payables	21	434	648	9.452	9.541
Financial assets measured at fair value through profit or loss	5	19.008	18.982	-	-	Derivatives	6c	758	456	-	-
Receivables	7	1.232	395	-	-	Corporate obligations	11c	4.795	1.576	4.795	1.576
Recoverable taxes	17a	3.331	3.867	1.354	1.354	Taxes payable	22	1.879	2.152	435	414
Other assets	20	1.817	5.200	21	599	Payroll and related taxes	23	10.256	1.600	17	19
Total		58.664	54.186	7.152	2.203	Total		18.122	6.432	14.699	11.550
Noncurrent assets						Noncurrent liabilities					
Investments	8	-	-	48.356	57.539	Deferred Tax	17	218	187	-	-
Property, plant and equipment	9	306	443	-	-	Total		218	187	-	-
Intangible	10	179	182	-	-	Equity					
Total		485	625	48.356	57.539	Capital	11a	7.085	7.085	7.085	7.085
						Capital reserve	11e	1.968	1.968	1.968	1.968
						Legal reserve	11b	1.415	1.415	1.415	1.415
						Profit reserve	11.f	1.268	1.268	1.268	1.268
						Stock option plan		21.049	20.758	21.049	20.758
						Cumulative translation adjustment:	2.4	11.233	12.236	11.233	12.236
						Additional dividends proposed	11c	-	3.462	-	3.462
						Accumulated losses		(3.209)	-	(3.209)	-
						Equity attributable to Company's owners		40.809	48.192	40.809	48.192
Total assets		59.149	54.811	55.508	59.742	Total liabilities and equity		59.149	54.811	55.508	59.742

The accompanying notes are an integral part of this individual and consolidated interim financial informatio

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Tarpon Investimentos S.A.

Individual and consolidated statements of profit and loss
For the three-month period ended March 31, 2017 and 2016
(In thousands of Brazilian reais - R\$)

	Note	Consolidated		Individual	
		03/31/2017	03/31/2016	03/31/2017	03/31/2016
Management fee		12.344	14.899	-	-
Performance fee		-	-	-	-
Net operating revenue	13	<u>12.344</u>	<u>14.899</u>	<u>-</u>	<u>-</u>
Operating income (expenses)					
Personnel expenses	23	(12.004)	(17.949)	(34)	(19)
Stock option plan	16	(291)	(536)	-	-
Administrative expenses	15	(1.640)	(2.514)	(198)	(306)
Gain (loss) on financial assets measured at fair value through profit or loss	14	321	(2.991)	-	-
Share of profit (loss) of subsidiaries	8	-	-	(2.960)	(9.396)
Other operating income (expenses)		50	330	(17)	(14)
		<u>(13.564)</u>	<u>(23.660)</u>	<u>(3.209)</u>	<u>(9.735)</u>
Operating profit (loss)		<u>(1.220)</u>	<u>(8.761)</u>	<u>(3.209)</u>	<u>(9.735)</u>
Current income tax and social contribution	17	(1.958)	(974)	-	-
Deferred income tax and social contribution	17	(31)	-	-	-
Profit (loss) for the year	12	<u>(3.209)</u>	<u>(9.735)</u>	<u>(3.209)</u>	<u>(9.735)</u>
Attributable to Company's owners		(3.209)	(9.735)	(3.209)	(9.735)
Number of outstanding shares at end of year	12a	<u>44.115</u>	<u>46.197</u>	<u>44.115</u>	<u>46.197</u>
Basic loss per share	12a	<u>(0,07)</u>	<u>(0,21)</u>	<u>(0,07)</u>	<u>(0,21)</u>
Diluted loss per share	12b	<u>(0,07)</u>	<u>(0,20)</u>	<u>(0,07)</u>	<u>(0,20)</u>

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Tarpon Investimentos S.A.

Individual and consolidated statements of comprehensive loss
For the three-month period ended March 31, 2017 and 2016
(In thousands of Brazilian reais - R\$)

		Consolidated		Individual	
		2017	2016	2017	2016
Loss for the period	Note	<u>(3.209)</u>	<u>(9.735)</u>	<u>(3.209)</u>	<u>(9.735)</u>
Comprehensive loss					
Cumulative translation adjustments	8	(1.003)	(3.876)	(1.003)	(3.876)
Total comprehensive loss		<u>(4.212)</u>	<u>(13.611)</u>	<u>(4.212)</u>	<u>(13.611)</u>
Comprehensive loss attributable to Company's owners		(4.212)	(13.611)	(4.212)	(13.611)

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Tarpon Investimentos S.A.

Consolidated statements of changes in equity

For the three-month period ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R\$)

		<u>Capital</u>	<u>Capital reserve</u>	<u>Earnings reserve</u>	<u>Legal reserve</u>	<u>Treasury shares</u>	<u>Stock option plan</u>	<u>Cumulative translation adjustments</u>	<u>Additional dividends proposed</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balances as at December 31, 2016		7.085	1.968	1.268	1.415	-	20.758	12.236	3.462	-	48.192
Stock option plan	16	-	-	-	-	-	291	-	-	-	291
Cumulative translation adjustments	8	-	-	-	-	-	-	(1.003)	-	-	(1.003)
Loss for the period		-	-	-	-	-	-	-	-	(3.209)	(3.209)
Distribution of additional proposed dividend	11c	-	-	-	-	-	-	-	(3.462)	-	(3.462)
Balances as at March 31, 2017		7.085	1.968	1.268	1.415	-	21.049	11.233	-	(3.209)	40.809
		<u>Capital</u>	<u>Capital reserve</u>	<u>Earnings reserve</u>	<u>Legal reserve</u>	<u>Treasury shares</u>	<u>Stock option plan</u>	<u>Cumulative translation adjustments</u>	<u>Additional dividends proposed</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balances as at December 31, 2015		7.016	985	14.391	1.401	-	19.935	18.586	-	-	62.314
Capital increase	11a & 11e	69	637	-	-	-	-	-	-	-	706
Share buyback	11g	-	-	-	-	(10.444)	-	-	-	-	(10.444)
Stock option plan	16	-	-	-	-	-	536	-	-	-	536
Reversal of options exercised	11e & 16	-	963	-	-	-	(963)	-	-	-	-
Cumulative translation adjustments		-	-	-	-	-	-	(3.876)	-	-	(3.876)
Loss for the period		-	-	-	-	-	-	-	-	(9.735)	(9.735)
Balances as at March 31, 2016		7.085	2.585	14.391	1.401	(10.444)	19.508	14.710	-	(9.735)	39.501

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Tarpon Investimentos S.A.

Individual and consolidated statements of cash flow:
For the three-month period ended March 31, 2017 and 2016
(In thousands of Brazilian reais - R\$)

	Note	Consolidated		Individual	
		03/31/17	03/31/16	03/31/17	03/31/16
Operating activities					
Loss for the period		(3.209)	(9.735)	(3.209)	(9.735)
Adjustments:					
Depreciation and amortization	9 and 15	80	306	-	-
Share of profits of subsidiaries	8	-	-	2.960	9.396
Increase / decrease in stock option plan	16	291	536	-	-
Mark-to-market of derivative financial assets	14	302	3.672	-	-
Provision for deferred income tax and social contribution	17	31	-	-	-
Provision for current income tax and social contribution	17	1.958	-	-	-
		<u>(547)</u>	<u>(5.221)</u>	<u>(249)</u>	<u>(339)</u>
Adjusted profit					
Changes in assets and liabilities:					
(Increase) decrease in receivables		(916)	(36)	-	-
(Increase) decrease in other assets		3.240	1.852	578	(125)
(Increase) decrease in recoverable taxes		-	776	-	254
Increase (decrease) in trade payables		(260)	(153)	(89)	181
Increase (decrease) in taxes payable		(31)	(2.218)	21	(254)
Increase (decrease) in payroll and related taxes		8.656	8.800	(2)	-
Changes in assets (liabilities) derivatives		-	(3.412)	-	-
Income tax and social contribution paid		(1.664)	-	-	-
		<u>8.478</u>	<u>388</u>	<u>259</u>	<u>(283)</u>
Cash flow from operating activities					
Investing activities					
Dividends received	8	-	-	5.511	12.844
Disposal of financial assets at fair value through profit or loss	5	(26)	12.457	-	-
(Acquisitions) / write-off of property, plant and equipment	8	59	-	-	-
(Acquisitions) / write-off of intangible assets	9	-	(59)	-	-
		<u>33</u>	<u>12.398</u>	<u>5.511</u>	<u>12.844</u>
Cash flow from investing activities					
Financing activities					
Buyback of treasury shares	11g	-	(10.444)	-	(10.444)
Dividends paid	11c	(243)	(1.957)	(243)	(1.957)
Capital increase through exercise of stock options	11a and 11e	-	706	-	706
		<u>(243)</u>	<u>(11.695)</u>	<u>(243)</u>	<u>(11.695)</u>
Cash flow from financing activities					
Total cash flows					
		<u>8.268</u>	<u>1.091</u>	<u>5.527</u>	<u>866</u>
Increase /(decrease) in cash and cash equivalents, net		8.268	1.091	5.527	866
Cash and cash equivalents at the beginning of the period		25.742	34.740	250	4.207
Exchange rate changes on cash and cash equivalents	2.4	(734)	(3.142)	-	-
Cash and cash equivalents at the end of the period		<u>33.276</u>	<u>32.689</u>	<u>5.777</u>	<u>5.073</u>

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Tarpon Investimentos S.A.

Individual and consolidated statements of value added
For the three-month period ended March 31, 2017 and 2016
(In thousands of Brazilian reais - R\$)

	Note	Consolidated		Individual	
		03/31/2017	03/31/2016	03/31/2017	03/31/2016
Revenues		12.609	15.214	-	-
Performance and management fees	13	12.609	15.214	-	-
Inputs acquired from third parties		(1.802)	(1.879)	(215)	(320)
Materials, power, outside services and other		(1.802)	(1.879)	(215)	(320)
Gross value added		10.807	13.335	(215)	(320)
Retentions		(80)	(306)	-	-
Depreciation and amortization	15	(80)	(306)	-	-
Net value added		10.727	13.029	(215)	(320)
Value added received in transfer		321	(2.991)	(2.960)	(9.396)
Share of profit (loss) of subsidiaries	8	-	-	(2.960)	(9.396)
Finance income (costs)	14	321	(2.991)	-	-
Total value added to be distributed		11.048	10.038	(3.175)	(9.716)
Distribution of value added		11.048	10.038	(3.175)	(9.716)
Personnel		12.004	18.485	34	19
Payroll and related taxes	23	12.004	18.485	34	19
Taxes, fees and contributions		2.253	1.288	-	-
Federal		2.024	1.038	-	-
Municipal		229	250	-	-
Equity remuneration		(3.209)	(9.735)	(3.209)	(9.735)
Loss for the period		(3.209)	(9.735)	(3.209)	(9.735)

The accompanying notes are an integral part of this individual and consolidated interim financial information.

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Notes to the individual and consolidated interim financial statements

(Amounts in thousands of Brazilian reais - R\$)

1 General information

Tarpon Investimentos S.A. (“Company” or “Tarpon”) was established in June 2002, initially organized as a limited liability company, with head office at Av. Brigadeiro Faria Lima, 3355 - 23o. andar, São Paulo/SP, to engage in securities portfolio and asset management, through investment funds, managed portfolios and other investment vehicles (“Tarpon Funds”). In December 2003, the Company was changed into publicly-held company.

In July 2011, the Company’s subsidiary was established in New York (TISA NY, Inc.), which is engaged in the provision of financial advisory services. On March 28, 2012, shares issued by Tarpon All Equities (Cayman), Ltd. and TSOP Ltd. were transferred from TIG Holding NY LLC to Tarpon Investimentos S.A. Finally, on April 25, 2012, the Company established Tarpon Gestora de Recursos S.A. (“Tarpon Gestora”), which is engaged in operating as portfolio and asset manager of funds, portfolios and other investment vehicles in Brazil and abroad.

2 Presentation of interim financial statements

2.1 Presentation of individual and consolidated interim financial statements

The individual and consolidated interim financial *statements have been* prepared and is presented in accordance with accounting practices adopted in Brazil in compliance with CPC 21 and IAS 34 – Interim Financial Reporting.

There is no difference between consolidated and individual equity and profit or loss reported as these accounting policies have been applied consistently. Accordingly, the individual and consolidated interim financial statements are presented as a single set, on a side-by-side basis.

All relevant information in the interim financial statements, and only this information, is being disclosed and corresponds to the information used in managing the Company.

Management understands that there are no uncertainties that affect Tarpon’s continuity as a going concern.

These interim financial statements were approved and authorized for issue by the Board of Directors on April 27, 2017.

2.2 Functional and reporting currency

The interim financial statements have been prepared in Brazilian reais (R\$), which is the Company's functional and reporting currency. Subsidiaries Tarpon Gestora and TISA NY have as functional currency Reais (R\$) and US Dollar (US\$), respectively.

2.3 Use of estimates and judgment

The preparation of interim financial statements requires Management to make judgments and estimates that affect the application of accounting principles, as well as the reported amounts of assets, liabilities, income and expenses, including the determination of the fair value of securities and the stock option plan and also contingent liabilities, provisions and legal obligations. Actual results may differ from these estimates. Estimates and assumptions are reviewed on a quarterly basis.

2.4 Basis of consolidation

The consolidated interim financial statements include Tarpon Gestora de Recursos S.A., TISA NY, Inc., Tarpon All Equities (Cayman), Ltd. and TSOP Ltd.

Tarpon Gestora de Recursos S.A.

On April 25, 2012, Tarpon Investimentos S.A. started to hold all shares issued by Tarpon Gestora, totaling 500 shares at the par value of R\$1.00.

TISA NY, Inc.

TISA NY is the Company's wholly-owned subsidiary. The results of operations of TISA NY and respective investment are measured under the equity method (individual financial statements), whose functional currency (US\$) is different from the Parent's functional currency.

Tarpon All Equities (Cayman), Ltd. and TSOP Ltd.

On March 28, 2012, the Company started to hold all shares issued by Tarpon All Equities (Cayman), Ltd. and TSOP Ltd. These companies operate as general partner of certain foreign investment funds and their functional currency (US\$) differs from the Parent's functional currency.

Investments in foreign subsidiaries are translated into the reporting currency, as follows:

The balances of assets and liabilities are translated at the exchange rate prevailing at the consolidated balance sheet date;

Profit or loss is translated at the exchange rate prevailing on each transaction date; and

All differences arising from the translation of exchange rates are recognized in equity and in the consolidated statement of comprehensive income, in line item "Cumulative translation adjustments", the effect of the translation adjustments in the consolidated statements are presented separately in the statements of cash flow.

The amount of investments in subsidiaries and all intercompany balances were eliminated upon consolidation.

2.5 Standards and interpretations issued but not yet adopted

- IFRS 9 - Financial Instruments: Classification and Measurement: introduces new requirements for the classification and measurement of financial assets and financial liabilities. This standard is effective for annual periods beginning on or after July 1, 2018, with early adoption permitted. The Company's management is assessing the impacts of adopting this standard on its financial statements.
- IFRS 15/CPC 47 - Revenue from Contracts with Customers: establishes a simple, clear model for entities to use in accounting for revenue arising from contracts with customers. This standard is effective for annual periods beginning on or after July 1, 2018, with early adoption permitted. Management assesses that this standard is being met as Tarpon's only revenue comprises the management and performance fees relating to the investment funds managed. Revenue is recognized based on the terms and criteria set out in the fund bylaws.
- IFRS 16 / CPC 06 – Leases – Establishes a comprehension model to identify lease transactions and their appropriate treatment in the financial statements for the lessor and lessee. Management assessed that such standard will not impact the Company's interim financial statements as the Company does not conduct any transactions that meet the lease criteria set out in such standard.
- IFRS 2 / CPC 10 – Classification and Measurement of Share-based Payments –Establishes grace/grant conditions in measuring plans upon financial settlement, classification of share-based payment transactions with withholding tax settlement component and accounting for amendment to the share-based payment terms and conditions that change the transaction classification from financial settlement to share-based settlement. Management assessed that option payments based on Tarpon's shares already meet the criteria set out in such standard.
- IAS 7 / CPC 03 – The revised standard requires the entity to disclose in its financial statements the variations in liabilities arising from financing activities, including variations in cash flows and changes in non-cash transactions. These amendments to the standard will be prospectively applied. Management assesses that the accrual for payment of dividends, treasury share buyback and capital increase through exercise of stock options is only applicable in the reporting year, all of which show variations in the statement of cash flows of the balances impacting cash, that is, cash flow.
- IAS 12 – Recognition of deferred tax asset and unrealized losses – The revised standard clarifies the recognition of deferred tax assets on unrealized losses. As shown in Note 3 l), Tarpon Gestora has adopted the deemed income regime. Therefore, Management assesses that the impacts relating to the adoption of such amendments to the standard are not applicable in detriment to the tax regime of its subsidiary.

3 Significant accounting policies

The significant accounting policies below were consistently applied by the Company and its subsidiaries and foreign subsidiaries in the three-month period ended March 31, 2017.

a. Revenues

Revenues refer to the compensation payable in consideration for portfolio management services relating to Tarpon Funds, consisting of management and performance fees. Management fees are determined based on a percentage rate on the equity amount of funds and are recognized as services are provided. Performance fees are generated when the performance of funds exceeds a given parameter or hurdle rate, as set out in the related bylaws, and are recognized when their amount and receipt are certain.

b. Financial instruments

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are held for trading and consist of the Company's short-term investments in repurchase transactions. Interest, gains and losses arising from the adjustment to fair value were recognized in the statements of profit and loss in line item "Gain (loss) on financial assets measured at fair value through profit or loss". The fair value of these assets is determined based on the amount adjusted by the Interbank Deposit (DI) rate, as disclosed by the bank responsible for the repurchase transaction at the end of each month, which approximates the carrying amount because of daily liquidity and indexation to daily CDI rate.

Derivatives

Derivatives are classified on acquisition date, according to Management's intent to use them as a hedging instrument or not. Derivatives are accounted for at fair value, including the consideration on the credit risk on realized and unrealized gains and losses, which are directly recognized in the statement of profit and loss.

c. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments with original maturities of three months or less as from the transaction date, subject to an insignificant risk of change in fair value, and are used by the Company when managing short-term obligations.

d. Impairment

The carrying amounts of the Company's assets are tested for impairment at the end of each reporting period. If such indication exists, its recoverable amount is estimated. An impairment loss is recognized if an asset's carrying amount exceeds its recoverable amount.

In the quarter ended March 31, 2017, no impairment loss was recognized in the Company's interim financial statements.

e. Investments in subsidiaries and foreign subsidiary

Investments in subsidiaries and foreign subsidiary are measured under the equity method of accounting in the individual financial statements.

f. Property, plant and equipment

Property, plant and equipment is stated at acquisition cost, less accumulated depreciation, calculated on a straight-line basis, which takes into consideration the estimated useful life of the assets and the respective residual values. Annual depreciation rates are: furniture and fixtures and machinery and equipment (10%), facilities (10%), data processing systems (20%), communication and security systems (20%) and software licenses (25%). Leasehold improvements are amortized over the term of the lease agreement (five years), at an annual rate of 20%.

g. Intangible assets

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

h. Escrow deposits

Represented by escrow deposits made by the Company relating to appeals filed and discussion on the levy of Service Tax (ISS) on revenues from abroad. (Note 18a).

As applicable, in the interim financial statements, these escrow deposits are presented with the reduction of the corresponding provisions for tax risks.

i. Employee and management short-term benefits

Employees and management are entitled to receive fixed and variable compensation and profit sharing, where applicable. The accrual of the estimated amount payable as profit sharing or variable compensation is recognized or established when the Company meets legal conditions (conditions set out in the plan), as applicable, of paying such amount and when the obligation can be reliably estimated.

Employees and management are not eligible to any postemployment benefits, other long-term benefits and severance benefits.

j. Contingent liabilities, provisions and legal obligations

Contingent assets and contingent liabilities and legal obligations are recognized, measured and disclosed in conformity with the criteria set forth in CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, as follows (Note 18):

Provision for risks: assessed by the legal counsel and Management taking into consideration the likelihood of loss of a lawsuit or administrative proceeding that could result in disbursements that can be reliably measured. Provisions are recognized for lawsuits and proceedings whose likelihood of loss is assessed as probable by the legal counsel and disclosed in explanatory notes.

Contingent liabilities: are uncertain and contingent upon future events to determine the likelihood of cash disbursements; however, they are not accrued but disclosed if assessed as possible losses, and are neither accrued nor disclosed if assessed as remote losses.

k. Stock option plan

The effects of the stock option plan are calculated based on the fair value on the option grant date and recognized in the balance sheet and statement of profit and loss on a pro rata basis, over the vesting period of each grant.

l. Income tax, social contribution, and other taxes

For the quarter ended March 31, 2017, Tarpon Investimentos S.A. adopted the taxable income regime. Accordingly, the provision for income tax is calculated at the rate of 15%, plus a 10% surtax on taxable income on specific limits. The provision for social contribution is calculated at the rate of 9% before income tax. Prepaid income tax and social contribution are accounted for in assets as recoverable taxes (Note 17a). For the quarter ended March 31, 2017, Tarpon Gestora de Recursos S.A. adopted the deemed income regime, similarly to the year ended December 31, 2016.

For companies subject to the deemed income regime, PIS and COFINS tax rates are 0.65% and 3.00%, respectively, levied only on management and performance fees arising from the management of Brazilian funds, less creditable expenses. For companies that adopted the taxable income regime, PIS and COFINS tax rates are 1.65% and 7.60% respectively.

The ISS tax rate levied on portfolio management revenues, including the management of Brazilian funds and management of foreign funds and portfolios, is 2%.

The amounts payable as PIS, COFINS and ISS are accounted for as expenses on taxes on revenue.

Deferred income tax and social contribution assets, arising from the tax recoverable on earnings abroad, were recognized considering expected probable realization.

m. Other assets and liabilities

Other assets are stated at their realizable values, including, when applicable, earnings and inflation adjustments (on a daily pro rata basis) and allowance for losses, when necessary. Other liabilities are stated at known or estimated values, plus charges and inflation adjustments (on a daily pro rata basis).

n. Receivables

Receivables are stated at realizable values, including allowance for doubtful debts, when applicable.

o. Segment reporting

A ſegment is the Company’s component dedicated to ſupply products or provide ſervices (business ſegment), or to ſupply products or provide ſervices in a particular economic environment (geographic ſegment), which is ſubject to risks and rewards different from thoſe in other ſegments.

The Company, through its ſubſidiaries, carries out only one type of business (proviſion of portfolio management ſervices) in the various markets where it operates and, conſequently, no ſecondary ſegment diſiſion by type of business or geographic ſegment is preſented.

p. Comprehensive income (loss)

Comprehensive income (loſſ) derives from the exchange rate changes from the conſolidation of foreign ſubſidiaries.

q. Statements of value added

The Company has prepared individual and conſolidated ſtatements of value added (DVA) in accordance with CPC 09 – Statement of Value Added, which are preſented as an integral part of the interim financial ſtatements under BRGAAP applicable to publicly-held companies, whereas they represent additional diſcloſure for IFRS.

r. Basic and diluted earnings (loss) per share

Basic earnings (loſſ) per ſhare is calculated through profit or loſſ for the quarters ended March 31, 2017 and 2016 attributable to the Company’s owners and the weighted average number of common ſhares outſtanding in the related periods. Diluted earnings (loſſ) per ſhare is calculated based on the aforemeſioned average of outſtanding ſhares, adjusted by the poſſible exerciſe of call options, with dilutive effect for the quarters ended March 31, 2017 and 2016, as ſet forth in CPC 41 - Earnings per Share and IAS 33.

4 Cash and cash equivalents

Cash and cash equivalents, Company and Conſolidated, conſiſt of highly liquid cash and banks and ſhort-term inſteſtments maturing within up to 90 days from the inſteſtment date.

	Consolidated		Individual	
	March 2017	December 2016	March 2017	December 2016
Cash and cash equivalents	33,276	25,742	5,777	250
	33,276	25,742	5,777	250

5 Financial assets measured at fair value through profit or loss

	Consolidated	
	March 2017	December 2016
Financial assets measured at fair value through profit or loss		
Repurchase agreements	19,008	18,982
	19,008	18,982

Transactions indexed to DI fluctuation, carried out with prime banks. Their fair value is classified as level 2, considering the existence of daily liquidity and indexation to the Interbank Deposit Rate (CDI), the daily adjustments being informed by the bank responsible for the aforementioned repurchase agreement at the end of each month. The carrying amount approximates the fair value on the balance sheet date. The repurchase agreements with Banco Itaú are pegged to Debentures, maturing in February, July and November 2018, but the possibility of daily settlement of the repurchase agreement justifies the classification in current assets.

6 Financial instruments

a. Risk management

The Company is basically exposed to the following risks arising from the use of financial instruments:

Credit risk

Refers to the possibility of the Company and its subsidiaries incurring losses as a result of default by their counterparties or financial institutions that are depositaries of funds or financial investments. The Company's policy is to minimize its exposure to credit risk. Management reviews and approves all investment decisions to ensure that investments are made only in highly-liquid assets issued by prime financial institutions.

The maximum exposure to credit risk is shown in Notes 4, 5 and 7.

Market risk

Refers to the risk that changes in market prices, such as interest rate and stock exchange quotations, affect the revenues or the amount of its financial instruments. The Company's policy is to minimize its exposure to market risk, seeking to diversify the investment of its funds at floating interest rates.

Currency risk

Except for the interest in foreign subsidiary, whose functional currency is different from the Company's functional and reporting currency, we are not subject to a significant exposure to currency risk.

b. Financial assets measured at fair value through profit or loss

	Valuation method March 2017 to December 2016	Exposure to market value risk?
Repurchase agreements	Adjusted by DI rate	No
Derivatives	Short position: TRPN3 shares Long position: CDI + 1.3% p.a.	Yes

c. Derivatives

The Company, through its subsidiary Tarpon Gestora, has entered into an agreement for swap of gain (loss) on future financial flows (swap agreement) with Banco Itaú BBA S.A., where the Company holds a long position in the fluctuation of the price of its common shares and a short position in the fluctuation of 100% of the CDI, plus a fixed rate, and settlement term of up to 12 months counted from each negotiation. The result of operations will be financially settled on maturity. As at March 31, 2017 and December 31, 2016, the Company (through its subsidiary) had the following outstanding transactions, which are classified as level 2:

Consolidated

Financial instrument	Transaction date	Maturity	Notional amount	Short position	03/31/2017	Fair value as at 12/31/16
SWAP	05/25/2016	05/22/2017	1,492	Shares	-	-
				Long position		
			1,492	CDI + 1.3% p.a.	(758)	(456)
					<u>(758)</u>	<u>(456)</u>
Total				Unsettled balance	<u><u>(758)</u></u>	<u><u>(456)</u></u>

The effects on profit or loss of derivatives are stated in Note 14.

d. Sensitivity analysis - Effect on the changes in fair value

As determined by CVM Instruction 475/08, the Company prepared three sensitivity analysis scenarios, considering the accumulated variation of the share price. Scenario I considers the mark-to-market adjustment of the swap on the balance sheet date, including 1% adjustment, and scenarios II and III consider a fluctuation by 25% and 50% in the risk variable considered, respectively.

	Number of shares	Notional amount	Quotation 03/31/2017	Fair value	Scenario I 1%	Scenario II -25%	Scenario III -50%
Swap	195	1,492	4.80	(758)	(750)	(992)	(1,226)

e. Financial assets and financial liabilities measured at amortized cost

The fair values of financial assets and financial liabilities measured at amortized cost, such as receivables, other assets, payables and statutory obligations, approximate their carrying amounts.

7 Receivables

Management fees payable by Tarpon Funds are calculated on a monthly basis and paid at the beginning of the subsequent period, according to the respective bylaws.

Performance fees are calculated on a semiannual, annual or biannual basis and paid on March 31, June 30, September 30 and December 31 of each year, according to the respective bylaws.

	Consolidated	
	March 2017	December 2016
Management fee	1,232	395
	1,232	395

8 Investments

Below are the variations in TISA NY balances:

TISA NY - in R\$ thousand - Variation in investments

Balance as at December 31, 2016	31,246
Share of profit (loss) of subsidiaries	(2,206)
Contribution to the subsidiary relating to the stock option plan	-
Exchange gain (losses)	(1,003)
Balance as at March 31, 2017	28,037

TISA NY - in R\$ thousand - Accumulated

TISA NY - in USD thousand		TISA NY - in R\$ thousand						
Equity - Beginning of the period	Profit or loss as at March 31, 2017	Equity as at December 31, 2016	Profit or loss as at March 31, 2017	Accumulated exchange gain (losses)	Equity interest - %	Share of profit (loss) of subsidiaries	Contribution to the subsidiary relating to the stock option plan	Book value of investment
9,683	(699)	31,246	(2,206)	(1,003)	100%	(2,206)	-	28,037

Investments in subsidiaries Tarpon All Equities (Cayman), Ltd. and TSOP Ltd. correspond to R\$101 as at March 31, 2017 and December 31, 2016.

Tarpon Gestora de Recursos S.A. - in R\$ thousand – Variation in investments

<u>Balance as at December 31, 2016</u>	<u>26.192</u>
Dividends paid to the parent	(5,511)
Share of profit (loss) of subsidiaries	(754)
Contribution to the subsidiary relating to the stock option plan	291
<u>Balance as at March 31, 2017</u>	<u>20,218</u>

Tarpon Gestora - in R\$ thousand - Accumulated

Equity - beginning of the period	Profit or loss as at March 31, 2017	Equity interest - %	Share of profit (loss) of subsidiaries	Contribution to the subsidiary relating to the stock option plan	Dividends paid	Book value of investment
26,192	(754)	100%	(754)	291	(5,511)	20,218

9 Property, plant and equipment

The Company's property, plant and equipment are broken down as follows:

Consolidated

	Balance as at 12/31/2016	Additions/write- offs	Depreciation	Closing balance as at 03/31/2017
Machinery and equipment	145	(10)	(24)	111
Computers	200	(13)	(48)	138
Furniture and fixtures	61	(51)	(1)	9
Telephone equipment	9	(3)	(1)	5
Leasehold improvements	28	18	(4)	42
Total	443	(59)	(78)	306

As at March 31, 2017 and December 31, 2016, only subsidiaries had property, plant and equipment recorded in their balance sheets.

10 Intangible assets

Refers to the software internally developed in the amount of R\$188, with estimated useful life of 20 years. As at March 31, 2017, intangible assets amount to R\$179 (software amortization was R\$2 (Note 15) in the first quarter of 2017).

11 Equity

a. Capital

The Board of Directors' meeting held on March 7, 2016 approved the issuance of 157 thousand Company's shares, based on the exercise of call options by the Plan's beneficiaries. Of the total subscription price, in

the amount of R\$707, the amount of R\$638 was allocated to the capital reserve and R\$69 to the Company's capital.

On August 2, 2016, the Company approved the cancellation of the total Company's common shares held in treasury, as described in Note 11g.

As at March 31, 2017, the Company's capital amounts to R\$7,085 (R\$7,085 as at December 31, 2016), represented by 44,115 thousand registered common shares (44,115 thousand registered common shares as at December 31, 2016) without par value.

b. Legal reserve

Calculated at 5% of profit for the year as provided for in article 193 of Law 6404/76 up to the limit of 20% of capital. The objective of this reserve is to ensure the integrity of capital and it can only be utilized to offset losses or increase capital. Legal reserve will no longer be recognized when the balance of this reserve, plus the capital reserves prescribed by article 182, paragraph 1, of Law 6404/76, exceeds 30% of capital. As at March 31, 2017 and December 31, 2016, the legal reserve amounted to R\$1,415.

c. Dividends

The Company's bylaws establishes the payment of mandatory minimum dividends of 25% of profit for the year.

As at December 31, 2016, the Company allocated the amount of R\$1,576 as mandatory minimum dividends and proposed additional dividends in the amount of R\$3,462; such additional dividends were approved for distribution at the Annual and Extraordinary Shareholders' Meeting, held on March 27, 2017.

d. Bylaws reserve

The Company's bylaws set forth that up to 10% of profit, as adjusted pursuant to the bylaws, less the mandatory minimum dividend paid, can be allocated to the bylaws reserve called as investment reserve, for purposes of redemption, buyback or acquisition of shares issued by the Company, or the performance of the Company's activities, limited to the Company's capital.

e. Capital reserve

The balance of capital reserve derives from the issuance of new shares, transfer of the balance of options exercised from "Stock Option Plan" and cancellation of shares held in treasury, as shown below:

	Capital	Capital reserve	Total capital reserve
Balance as at December 31, 2016	7,085	1,968	1,968
Cancellation of treasury shares	-	-	-
Exercise of Company's stock options, pursuant to the Stock Option Plan	-	-	-
Transfer of the amounts under the stock option plan to capital reserve for options exercised in the period	-	-	-
Balance as at March 31, 2017	7,085	1,968	1,968

f. Earnings reserve

On August 2, 2016, all shares held in treasury were cancelled by the Company, and the total earnings reserve balance was used to absorb such shares. As at December 31, 2016, the amount of R\$1,268 was allocated to the earnings reserve.

After allocation to the legal reserve, dividends and capital reserve, the balance of retained earnings was allocated to the earnings reserve, for future resolution by the Board of Directors, according to the capital budget. As at December 31, 2016, the balance was R\$1,268.

g. Share buyback

On March 7, 2016, the Company approved the buyback of up to 1,699 shares representing 10% of the total outstanding shares.

As at March 31, 2016, due to the share buyback program, the amount of R\$10,444, representing 1,382 thousand shares, was incorporated in treasury.

On April 1, 2016, the Company approved the cancellation of 700 thousand shares, held in treasury, purchased under the share buyback program.

On April 6, 2016, under the abovementioned share buyback program, the amount of R\$1,681, representing 300 thousand shares, was incorporated in treasury.

On May 25, 2016, the Company approved the buyback of up to 400 thousand shares representing 2.46% of the total outstanding shares.

On May 27, 2016, under the abovementioned share buyback program, the amount of R\$2,206, representing 300 thousand shares, was incorporated in treasury.

On June 23, 2016, under the abovementioned share buyback program, the amount of R\$679, representing 100 thousand shares, was incorporated in treasury and totaled R\$9,720.

On August 2, 2016, all shares held in treasury were cancelled, corresponding to 2,082 thousand shares in the amount of R\$15,010.

12 Loss per share

a. Basic loss per share

Loss per share was calculated based on the Company's loss attributable to controlling shareholders and the weighted average number of common shares, as shown below:

	March 2017	March 2016
Loss attributable to shareholders	<u>(3,209)</u>	<u>(9,735)</u>

Weighted average number of common shares

	Consolidated and Individual	
	March 2017	March 2016
Common shares at the beginning of the period	44.115	46.040
Total outstanding shares	44.115	46.040
Issued shares (Note 11 a)	-	157
Cancelled shares (Note 11 a)	-	-
Total shares	<u>44.115</u>	<u>46.197</u>
Weighted average number of Company's outstanding common shares	44.115	46.083
Basic loss per share	<u>(0.07)</u>	<u>(0.21)</u>

b. Diluted loss per share

In calculating the diluted loss per share, we assumed the exercise of the stock options already granted:

	Consolidated and Individual	
	March 2017	March 2016
Loss attributable to shareholders	(3,209)	(9,735)
Weighted average number of Company's outstanding common shares	44,115	46,803
Adjustment due to stock option plan (Note 16)	2,275	2,315
Weighted average number of outstanding common shares used to calculate diluted earnings per share	46,390	48,398
Diluted loss per share (R\$)	<u>(0.07)</u>	<u>(0.20)</u>

13 Net operating revenue

	Consolidated	
	March 2017	March 2016
Revenue related to management fee	12,609	15,214
Taxes on revenues ⁽ⁱ⁾	<u>(265)</u>	<u>(315)</u>
	<u>12,344</u>	<u>14,899</u>

(i) Balance comprised of taxes on gross revenue (ISS, PIS and COFINS).

Tarpon Funds follow the "high water mark" concept. Therefore, only the performance fee of Tarpon Funds is charged if the unit price on calculation date exceeds the unit price at the collection date of the last performance fee, i.e. the last high water mark, adjusted by profitability parameter.

Consequently, the amount of revenues related to performance fees can significantly change on an annual basis based on: (i) fluctuations in the amount of the net assets of the portfolios of Tarpon Funds, (ii) the performance of portfolios compared to hurdle rates for each fund and (iii) performance of illiquid investments (since performance fees relating to these investments are charged only when the investment is made). No performance fee was recognized in the quarters ended March 31, 2017 and 2016.

14 Gain (loss) on financial assets measured at fair value through profit or loss

	Consolidated	
	March 2017	March 2016
Repurchase agreements	623	681
Gains (losses) on financial and derivative instruments (a)	(302)	(3,672)
	321	(2,991)

(a) Refer to the net adjustment of the mark-to-market of the swap contracts made by the Company in the period.

15 Administrative expenses

	Consolidated		Individual	
	March 2017	March 2016	March 2017	March 2016
Office maintenance	490	734	-	-
Outside services	699	734	170	94
Representation expenses	42	128	-	-
Depreciation and amortization	80	138	-	-
Expenses on IT systems	64	329	-	-
Expenses on fees and other contributions	90	245	28	212
Other expenses	175	206	-	-
	1,640	2,514	198	306

16 Stock option plan

The Company's shareholders approved a stock option plan on February 16, 2009. This Plan authorizes the grant of 13,724 thousand shares, whose terms, vesting conditions, maximum term of options granted and settlement method are described below.

The Plan is designed to enable certain Company's management personnel and employees, as well as parties related to portfolio companies of Tarpon Funds or providing services to the Company, as decided by the Board of Directors, to acquire the Company's common shares, corresponding to up to 25% of the shares

issued by the Company. Each option granted confers upon the participant the right to subscribe one Company's share.

Of the total options granted under the Plan (a) up to 70% can be granted as from the Plan's effective date, (b) an additional volume of up to 7.5% can be granted as from July 1, 2009, (c) an additional volume of up to 7.5% can be granted as from July 1, 2010, (d) an additional volume of up to 7.5% can be granted as from July 1, 2011, and (e) an additional volume of up to 7.5% can be granted as from July 1, 2012. Options not granted on any grant date described above can be granted on subsequent grant dates.

Options granted are exercisable, as follows:

- First portion of options granted on March 10, 2009, exercisable at the percentage rate of 20% on March 10, 2009, 20% on July 1, 2009 and 20% on each one of the three annual anniversaries subsequent to July 1, 2009;
- Second portion of options granted on March 10, 2009, exercisable at the percentage rate of 20% on July 1, 2009 and 20% on each one of the four annual anniversaries subsequent to July 1, 2009; and
- Options granted as from July 1, 2009, exercisable at the percentage rate of 20% on every July 1 of the five years subsequent to the respective grant date, except for those returned. The same rule is applicable to options granted as from July 1, 2010, July 1, 2011 and July 1, 2012.

Options granted and not exercised that are available for grant in case of termination of the respective holder can be granted again on any date through July 1, 2017, and these options will become exercisable at the percentage rate of 20% on each one of the five years subsequent to the respective grant date.

If the current controlling shareholders cease to collectively hold at least 30% of total shares at any time, all options granted under the plan will become immediately exercisable, among other events.

Each portion of the plan options will expire on the fifth anniversary of the respective date in which it becomes exercisable.

The exercise of the plan options is subject to the satisfaction of certain requirements by the option beneficiary on the respective option exercise date, which includes the requirement of maintenance of the beneficiary's employment relationship with the Company. In case of voluntary termination of the beneficiary's relationship with the Company, or termination without cause by the Company, any such beneficiary can exercise only that portion of exercisable options held by it, within a period of 30 days from such termination, and the options not exercised or exercisable will be again available for grant under the stock option plan. In case of termination of relationship with the Company by the Company, with cause, any such beneficiary will not be entitled to exercise any of the options received. In this case, all options not exercised or exercisable will be again available for grant under the stock option plan.

The exercise price of each option grant corresponds to the higher of (i) R\$5.60 per share (adjusted by dividends paid by the Company since the date of the Plan's initial approval up to the grant date of the respective option) and (ii) 75% of the share price on the trading session prior to the grant date. The option exercise price will be reduced by dividends paid by the Company up to the limit of the higher of R\$2.53 per share or 45% of the share price on the date prior to the grant of the respective option.

The option exercise price should be paid in full by the participant in cash. No participant can sell the shares acquired over a period of 12 months counted from the exercise date of the respective option.

Each grant (Company and Consolidated) made is described below:

*Tarpon Investimentos S.A.
Individual and consolidated interim
financial statements as at
March 31, 2017*

Grants					Returns		Exercised			Outstanding as at March 31, 2017		
Grant	Date	Number	Opening fair value	Cost - grant	Number	Amount	Number	Average price	Amount	Number	Exercise price	Amount
1st	03/10/2009	6,894	0,39	2,668	(132)	(51)	(6,762)	2,59	(17,534)	-	-	-
2nd	03/10/2009	768	0,39	297	(106)	(41)	(662)	2,59	(1,716)	-	-	-
3rd	11/30/2009	2,493	4,08	10,180	(384)	(1,568)	(1,923)	3,06	(5,884)	186	3,06	569
4th	02/19/2010	530	4,62	2,449	(184)	(850)	(325)	3,38	(1,098)	21	3,38	71
5th	08/18/2010	1,115	6,72	7,491	(299)	(2,009)	(684)	5,55	(3,797)	132	5,15	680
6th	08/05/2011	960	8,07	7,745	(326)	(2,630)	(257)	8,73	(2,245)	377	8,75	3,300
7th	08/09/2012	560	6,51	3,645	(312)	(2,031)	(78)	8,99	(701)	170	7,02	1,193
8th	09/20/2012	50	6,88	344	-	-	-	-	-	50	7,81	391
9th	10/10/2013	1,192	8,15	9,713	-	-	-	-	-	1,192	10,22	12,179
10th	03/03/2015	147	5,80	853	-	-	-	-	-	147	7,57	1,112
Total		14,709		45,385	(1,743)	(9,180)	(10,691)		(32,975)	2,275		19,495

The balances recognized in line item “Stock option plan”, both in equity and profit or loss (consolidated), are broken down as follows:

In R\$ thousand	Consolidated	
	March 31, 2017	March 31, 2016
Stock option plan - profit or loss	291	536
Exercised - transfer from reserve account	-	(963)
Exercised - amount paid by exercise	-	706

The Stock Option Plan is analyzed using a binomial tree model, which was applied on each grant date considering market parameters. The following assumptions have been adopted on each grant date:

	March 10, 2009 (*)	November 30, 2009	February 19, 2010	August 18, 2010	August 5, 2011	August 9, 2012	September 20, 2012	October 10, 2013	March 3, 2015
Annual average volatility	70%	34%	28%	23%	20%	24%	20%	19%	27%
Stock price	1.29	6.87	7.84	11.45	15.20	12.65	13.77	15.44	10.59
Exercise price of plan options under the program	5.60	5.40	5.63	8.59	11.40	9.49	10.12	11.63	7.91
Risk-free interest rate	13.00%	8.75%	8.63%	10.75%	11.90%	10.15%	9.10%	11.78%	13.00%
Expected dividends	0.62	0.47	0.45	0.69	6%	6%	6%	6%	6%

(*) As of the date hereof, the shares issued by Tarpon Investimentos S.A were not traded on BM&FBovespa.

Ibovespa indices and the Tarpon stock trading price (TRPN3), during the periods in which options were granted, were used to determine expected volatility, among other parameters.

17 Statement of income tax and social contribution calculation

Reconciliation of tax rate

<i>Taxable income</i>	Consolidated		Individual	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Calculation basis				
Profit (loss) before income tax and social contribution	(1,220)	(8,761)	(3,209)	(9,735)
Effect of income before subsidiaries' taxes under different tax regimes	972	8,422	-	-
Tax basis	(248)	(339)	(3,209)	(9,735)
Income tax and social contribution based on prevailing tax rates	(84)	(115)	(1,091)	(3,310)
Deductible expenses not subject to tax credits (i)	84	115	84	1,116
Share of profit (loss) of subsidiaries	-	-	1,006	3,194
Effect of taxation under the US legislation of Tisa NY	(505)	614	-	-
Effect of taxation under deemed income of Tarpon Gestora (iii)	(1,453)	(1,588)	-	-
Current income tax and social contribution	(1,958)	(974)	-	-
Deferred taxes (ii)	(31)	-	-	-
Deferred income tax and social contribution	(31)	(974)	-	-
Income and social contribution taxes in the period	(1,989)	(974)	-	-

(i) As the Company does not expect the generation of taxable income, no tax credit on tax losses was recognized.

(ii) Deferred tax liabilities are recognized based on the inflation adjustment to Tarpon Gestora's escrow deposits, in the amount of R\$31 in the quarter ended March 31, 2017. Total accumulated deferred taxes amounts to R\$218 as at March 31, 2017.

(iii) Tarpon Gestora's taxes levied substantially on its operating revenue recognized in the period, in the amount of R\$11,456.

a. Recoverable taxes

Recoverable taxes are comprised of the Company's and subsidiaries' offsettable tax credits, as follows:

	Consolidated		Individual	
	March 2017	December 2016	March 2017	December 2016
Withholding income tax and social contribution	1	1	-	-
Withholding PIS/COFINS	19	19	19	19
Withholding Income Tax (IRRF) on short-term investments	1,175	1,180	1,128	1,128
Prepayments of current income tax and social contribution	1,721	2,252	-	-
Other	415	415	207	207
	3,331	3,867	1,354	1,354

18 Provision for tax, civil and labor contingencies and escrow deposits

a) Escrow deposit

The Company recognizes on a monthly basis ISS amounts due, which have been paid through escrow deposits:

Lawsuit	Provision for ISS payable - R\$	Escrow deposit – R\$
Appeal filed for non-collection of ISS	3,795	3,795

b) Variations in contingent liabilities

The table below shows the variation in contingent liabilities assessed as probable loss:

Opening balance - December 2016	3,510
Recognition	194
Adjustment	91
Closing balance – March 2017 (i)	3,795

(i) No lawsuit assessed as probable loss was filed in the year ended December 31, 2016.

Risks assessed as possible losses

In June 2010, the Company offset PIS/COFINS (taxes on revenues) which had been overpaid. However, the Federal Revenue Service disallowed such offset and the Company currently claims its authorization. Based on the Company's legal counsel's opinion, the likelihood of loss is assessed as possible, in the amount of R\$208 (R\$279, adjusted for inflation through March 31, 2017).

Additionally, the Company is exposed to certain contingent liabilities of tax nature, related to tax deficiency notices issued by the Federal Revenue Service in April 2014, whose likelihood of loss, based on the opinion of the Company's legal counsel, is assessed as possible:

- Stock option plan: tax deficiency notice in the amount of R\$13,692 (R\$16,607 adjusted for inflation through March 2017) relating to social security contributions allegedly levied on the Company's stock option plan. The tax authorities considered that the plan would have a partially compensatory nature, thus giving rise to the levy of social security contributions. In the decision handed down on April 4, 2017, the 1st Ordinary Panel of the 3rd Chamber of the 2nd Section, upon the majority of the votes, has denied the tax deficiency notice. As such decision can be appealed, the Company's management, in conjunction with its legal counsel, maintained the likelihood of loss as possible.

- Profit sharing program (PLR): tax deficiency notices in the amounts of R\$11,725 and R\$9,061 (R\$14,217 and R\$11,069 adjusted for inflation through March 2017), relating to alleged social security debts and IRPJ, respectively, concerning the payment of profit sharing to certain Company's employees in calendar years 2009 to 2011. The tax deficiency notices established that some of the payments made under the PLR would have compensatory nature and, therefore, would not be entitled to the exemption from social security contributions and should have been added to the Company's taxable income calculation basis.

The Company's management are challenging these tax deficiency notices. Since the likelihood of loss is assessed as possible, no provision was recognized by the Company.

19 Related parties

The main asset and liability balances as at March 31, 2017 and December 31, 2016, as well as intragroup transactions that impacted profit or loss, arise from transactions between the Company and key management personnel.

	Consolidated and Individual			
	Assets (liabilities)/		Income (expenses)	
	equity			
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Dividends paid (Note 11)	(243)	(1,314)	-	-
Mandatory dividends	(1,333)	(1,576)	-	-
Proposed additional dividends	(3,462)	-	-	-
Short-term benefits to Management (*)	-	-	(4,825)	(13,349)
Stock option plan to Management (**)	(12,547)	(12,374)	(123)	(1,104)

(*) Key management personnel are not entitled to any postemployment benefits, other long-term benefits and severance benefits

(**) The stock option plan offered to Management in the period amounts to R\$100 for executives and R\$23 for controlling shareholders. See stock option plan in Note 16.

There is a balance of R\$9,400 (Note 21), Company, relating to loans between the Company and its subsidiary Tarpon Gestora de Recursos S.A., not subject to interest, and maturity of up to two years.

20 Other assets

The breakdown of this line item is as follows:

	Consolidated		Individual	
	March 2017	December 2016	March 2017	December 2016
Advances to suppliers / employees	42	157	-	-
Refundable amounts - Funds	1,199	4,213	-	-
Other	576	830	21	599
	1,817	5,200	21	599

21 Accounts payable

As at March 31, 2017, accounts payable are broken down as follows:

	Consolidated		Individual	
	March 2017	December 2016	March 2017	December 2016
Intergroup loans (a)	-	-	9,400	9,400
Suppliers and leases	210	154	-	-
Provision of services	129	459	35	124
Other	95	35	17	17
	434	648	9,452	9,541

(a) See Note 19.

22 Taxes payable

Taxes payable are comprised of Company's and third parties' taxes:

	Consolidated		Individual	
	March 2017	December 2016	March 2017	December 2016
Income tax and social contribution	1,335	1,638	-	-
PIS/COFINS (taxes on revenue)	12	24	-	10
Service tax (ISS)/Tax on financial transactions (IOF)	401	345	378	347
Taxes withheld on third parties' payments	131	145	57	57
Taxes abroad	-	-	-	-
	1,879	2,152	435	414

23 Payroll and related taxes

Payroll and related taxes are comprised of taxes on salaries, accrued vacation, 13th salary, profit sharing, and bonuses. As at March 31, 2017, the balances were: R\$10,256, Consolidated (R\$1,600 as at December 31, 2016) and R\$17, Company (R\$19 as at December 31, 2016).

As at March 31, 2017, personnel expenses, in the amounts of R\$12,004, Consolidated, and R\$34, Company (as at March 31, 2016, R\$17,949, Consolidated, and R\$19, Company) are comprised of compensation, payroll taxes, profit sharing, and bonuses.

* * *

Executive Board

Chief Executive Officer

José Carlos Reis de Magalhães Neto

Accountant

Ricardo Gusmão de Rezende