Individual and consolidated financial statements as at March 31, 2016 and independent auditor's report

Edifício Trade Tower
Av. José de Souza Campos, 900
1º e 3º andares - Nova Campinas
13092-123 - Campinas - SP - Brasil
Tel: +55 19 3322-0500
Fax:+55 19 3322-0559
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS).

Independent auditor's report on financial statements

The Board of Directors and Shareholders of
São Martinho S.A.
Pradópolis - SP

We have audited the accompanying individual and consolidated financial statement of São Martinho S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheets as of March 31, 2016, the related income statements, statement of comprehensive income and statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting practices and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and in accordance with the 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.

Independent auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of São Martinho S.A. as at March 31, 2016, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other matters

Statements of value added

We also audited the individual and consolidated statements of value added for the year ended March 31, 2016, prepared under the responsibility of Company's management, whose presentation is required by the standards issued by the Brazilian Securities Commission (CVM) for publicly held companies and considered supplementary information under IFRS, whereby no statement of value added presentation is required. These statements were submitted to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

Campinas, June 6, 2016.

ERNST & YOUNG
Auditores Independendentes S.S.
CRC 2SP015199/O-6

José Antonio de A. Navarrete
Accountant CRC 1SP198698/O-4

A free translation from Portuguese into English of Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standard (IFRS)

Contents

A free translation from Portuguese into English of Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS).

Balance sheets at March 31, 2016 and 2015

In thousands of reais

		Company		Consolidated	
ASSETS	Note	2016	2015	2016	2015
CURRENT ASSETS					
Cash and cash equivalents	5	266,343	989,690	266,659	1,020,112
Short-term investments	5	641,236	-	706,487	-
Trade accounts receivable	6	76,706	141,601	86,419	156,317
Derivative financial instruments	22	145,701	221,797	145,701	221,797
Inventories and advances to suppliers	7	222,629	167,121	229,250	177,443
Taxes recoverable	8	57,634	102,213	58,423	102,821
Income and social contribution taxes	19	113,757	64,278	113,758	64,633
Other assets		15,339	6,507	15,548	6,476
TOTAL CURRENT ASSETS		1,539,345	1,693,207	1,622,245	1,749,599
NONCURRENT ASSETS					
Short-term investments	5	492	478	5,423	5,723
Inventories and advances to suppliers	7	62,309	49,607	62,309	49,607
Related parties	9	2,996	1,280	1,000	34
Derivative financial instruments	22	43,243	-	43,243	-
Trade accounts receivable	6	-	561	21,855	8,049
Receivables from Copersucar		6,324	1,669	6,324	1,669
Taxes recoverable	8	110,158	75,712	110,195	75,860
Judicial deposits	21	27,570	26,587	30,300	27,927
Other assets		498	518	498	518
		253,590	156,412	281,147	169,387
Investments	10	2,326,505	2,242,251	509,951	429,780
Biological assets	11	1,072,806	936,241	1,072,806	936,241
Property, plant and equipment	12	1,726,210	1,676,831	3,409,555	3,383,376
Intangible assets	13	397,352	396,280	489,557	500,541
		5,522,873	5,251,603	5,481,869	5,249,938
TOTAL NONCURRENT ASSETS		5,776,463	5,408,015	5,763,016	5,419,325
TOTAL ASSETS		7,315,808	7,101,222	7,385,261	7,168,924

		Company		Consolidated	
LIABILITIES AND EQUITY	Note	2016	2015	2016	2015
CURRENT LIABILITIES					
Loans and financing	14	667,015	868,879	670,559	872,419
Derivative financial instruments	22	196,664	232,711	196,664	232,711
Trade accounts payable	15	119,128	101,866	113,907	95,476
Payables to Copersucar	16	21,875	2,040	21,875	2,040
Payroll and social contributions		97,584	83,942	98,231	84,373
Taxes payable		12,049	11,793	15,570	13,235
Income and social contribution taxes	19	-	725	916	1,511
Dividends payable	17	53,164	67,939	53,164	67,939
Advances from customers		1,206	4,462	1,298	3,197
Acquisition of equity interests	9 and 31	17,937	17,507	17,937	17,507
Other liabilities		17,252	23,225	26,591	29,484
TOTAL CURRENT LIABILITIES		1,203,874	1,415,089	1,216,712	1,419,892
NONCURRENT LIABILITIES					
Loans and financing	14	2,820,182	2,347,783	2,836,628	2,367,660
Derivative financial instruments	22	65,625	-	65,625	-
Payables to Copersucar	16	237,166	279,584	237,166	279,584
Taxes paid in installments		15,419	16,267	15,419	16,267
Deferred income and social contribution taxes	19	195,139	282,312	232,774	323,811
Provision for contingencies	21	58,295	54,360	60,643	55,430
Acquisition of equity interests	9 and 31	61,750	78,815	61,750	78,815
Other liabilities		9,993	10,927	10,179	11,380
TOTAL NONCURRENT LIABILITIES		3,463,569	3,070,048	3,520,184	3,132,947
EQUITY	17				
Capital		931,340	812,992	931,340	812,992
Capital reserve		10,531	9,119	10,531	9,119
Treasury shares		(26,613)	(7,375)	(26,613)	(7,375)
Stock options granted		4,753	5,079	4,753	5,079
Equity adjustments		1,295,698	1,405,708	1,295,698	1,405,708
Income reserves		432,656	390,562	432,656	390,562
TOTAL EQUITY		2,648,365	2,616,085	2,648,365	2,616,085
TOTAL LIABILITIES AND EQUITY		7,315,808	7,101,222	7,385,261	7,168,924

See accompanying notes.

Income statements
Years ended March 31, 2016 and 2015
In thousands of reais

	Note	Company		Consolidated	
		2016	2015	2016	2015
Revenues	25	2,213,679	1,721,601	2,338,730	1,916,044
Cost of sales	26	(1,756,964)	(1,353,991)	(1,714,882)	(1,370,538)
Gross profit		456,715	367,610	623,848	545,506
Operating income (expenses)					
Selling expenses	26	(101,832)	(79,721)	(103,601)	(85,749)
General and administrative expenses	26	(131,226)	(135,776)	(136,687)	(144,447)
Equity pickup	10	242,627	190,809	74,887	32,085
Other revenues, net	27	5,210	98,720	8,972	108,005
		14,779	74,032	(156,429)	(90,106)
Operating income		471,494	441,642	467,419	455,400
Financial income (expenses)	28				
Financial income		88,025	73,171	105,139	84,825
Financial expenses		(276,403)	(215,460)	(278,432)	(227,139)
Monetary and exchange variations, net		(73,473)	(1,119)	(73,473)	(5,420)
Derivatives		(47,456)	9,636	(47,456)	6,172
		(309,307)	(133,772)	(294,222)	(141,562)
Income before income and social contribution taxes		162,187	307,870	173,197	313,838
Income and social contribution taxes	19(b)				
For the year		(17,279)	(12,383)	(26,130)	(19,953)
Deferred		49,423	(9,429)	47,264	(5,568)
Net income for the year		194,331	286,058	194,331	288,317
Attributable to:					
Controlling interests				194,331	286,058
Noncontrolling interests				-	2,259
				194,331	288,317
Basic earnings per share (in reais)	29	1.7201	2.5412		
Diluted earnings per share (in reais)	29	1.7167	2.5346		

See accompanying notes.

São Martinho

Statements of comprehensive income

Years ended March 31, 2016 and 2015

In thousands of reais

	Company		Consolidated	
	2016	2015	2016	2015
Net income for the year	194,331	286,058	194,331	288,317
Items that will be subsequently reclassified to profit or loss				
Derivative financial instruments:				
Commodity derivatives - Futures, options and forward contracts	(289,343)	217,525	(289,343)	217,525
Foreign exchange derivatives - Options / NDF	160,781	(130,874)	160,781	(130,874)
Exchange variation of financing agreements ACC/PPE	(799)	(395,270)	(799)	(395,270)
Swap *contracts*	876	1,065	876	1,065
Deferred taxes on the items above	43,685	94,751	43,685	94,751
	(84,800)	(212,803)	(84,800)	(212,803)
Comprehensive income for the year	109,531	73,255	109,531	75,514
Attributable to:			109,531	73,255
Controlling interests			-	2,259
Noncontrolling interests			109,531	75,514

See accompanying notes.

São Martinho

Statements of changes in equity
Years ended March 31, 2016 and 2015
In thousands of reais

						Equity adjustments											
						Deemed cost		*Hedge accounting*		Income reserve							
	Note	Capital	Capital reserve	Treasury shares	Options granted	Own	From investees	Own	From investees	Legal	Capital budget	Additional dividends	Unearned income reserve	Retained earnings	Total	Noncontrolling interests	Total equity
At March 31, 2014		737,200	-	(11,839)	3,605	513,013	703,701	(91,814)	(8,191)	31,927	190,008	8,342	-	-	2,075,952	-	2,075,952
Capital increase with reserves		71,650	-	-	-	-	-	-	-	-	(71,650)	-	-	-	-	-	-
Capital increase due to issue of new shares		4,142	-	-	-	-	-	-	-	-	-	-	-	-	4,142	(2,259)	1,883
Fair value of acquisition of noncontrolling interests		-	9,119	-	-	-	-	-	-	-	-	-	-	-	9,119	-	9,119
Realization of deemed cost *surplus*	17 (c)	-	-	-	-	(15,159)	(5,377)	-	-	-	-	-	-	20,536	-	-	-
Capital payment with assets in Vale do Mogi		-	-	-	-	(284,382)	284,382	-	-	-	-	-	-	-	-	-	-
Reflection of deferred taxes of investee		-	-	-	-	-	522,338	-	-	-	-	-	-	-	522,338	-	522,338
Gain (loss) on derivatives - *hedge accounting*	17 (c)	-	-	-	-	-	-	(183,928)	(28,875)	-	-	-	-	-	(212,803)	-	(212,803)
SC merger		-	-	-	-	-	-	(37,066)	37,066	-	-	-	-	-	-	-	-
Stock options granted		-	-	-	2,996	-	-	-	-	-	-	-	-	-	2,996	-	2,996
Stock options exercised		-	-	4,464	(1,522)	-	-	-	-	-	-	-	-	2,204	5,146	-	5,146
Prior-year additional dividends paid		-	-	-	-	-	-	-	-	-	-	(8,342)	-	-	(8,342)	-	(8,342)
Other		-	-	-	-	-	-	-	-	-	-	-	-	(582)	(582)	-	(582)
Net income for the year		-	-	-	-	-	-	-	-	-	-	-	-	286,058	286,058	2,259	288,317
Allocation of profit:																	
Establishment of reserves		-	-	-	-	-	-	-	-	14,303	133,626	-	-	(147,929)	-	-	-
Mandatory minimum dividends		-	-	-	-	-	-	-	-	-	-	-	-	(67,939)	(67,939)	-	(67,939)
Unearned income reserve		-	-	-	-	-	-	-	-	-	-	-	92,348	(92,348)	-	-	-
At March 31, 2015	17	812,992	9,119	(7,375)	5,079	213,472	1,505,044	(312,808)	-	46,230	251,984	-	92,348	-	2,616,085	-	2,616,085
Capital increase with reserves	17 (a)	118,348	-	-	-	-	-	-	-	-	(118,348)	-	-	-	-	-	-
Realization of deemed cost *surplus*	17 (c)	-	-	-	-	(15,075)	(4,200)	-	-	-	-	-	-	19,275	-	-	-
Capital decrease with assets in Vale do Mogi	10.3	-	-	-	-	17,457	(17,457)	-	-	-	-	-	-	-	-	-	-
Set up of deferred tax (capital decrease in Vale do Mogi)		-	-	-	-	(5,935)	-	-	-	-	-	-	-	-	(5,935)	-	(5,935)
Realization of income reserve through payment of dividends	17 (h)	-	-	-	-	-	-	-	-	-	-	-	(7,010)	-	(7,010)	-	(7,010)
Gain (loss) on derivatives - *hedge accounting*	17 (c)	-	-	-	-	-	-	(84,800)	-	-	-	-	-	-	(84,800)	-	(84,800)
Acquisition of own shares issued	17 (b)	-	-	(31,904)	-	-	-	-	-	-	-	-	-	-	(31,904)	-	(31,904)
Stock options granted	17 (f)	-	-	-	3,125	-	-	-	-	-	-	-	-	-	3,125	-	3,125
Stock options exercised	17 (f)	-	1,412	12,666	(3,451)	-	-	-	-	-	-	-	-	-	10,627	-	10,627
Net income for the year		-	-	-	-	-	-	-	-	-	-	-	-	194,331	194,331	-	194,331
Allocation of profit:																	
Establishment of reserves		-	-	-	-	-	-	-	-	9,717	157,735	-	-	(167,452)	-	-	-
Mandatory minimum dividends		-	-	-	-	-	-	-	-	-	-	-	-	(46,154)	(46,154)	-	(46,154)
At March 31, 2016	17	931,340	10,531	(26,613)	4,753	209,919	1,483,387	(397,608)	-	55,947	291,371	-	85,338	-	2,648,365	-	2,648,365

See accompanying notes.

São Martinho

Cash flow statements

Years ended March 31, 2016 and 2015

In thousands of reais

	Notes	Company 2016	Company 2015	Consolidated 2016	Consolidated 2015
Cash flow from operating activities					
Net income for the year		194,331	286,058	194,331	288,317
Adjustments					
Depreciation and amortization	26	221,071	186,338	224,429	197,138
Biological assets harvested (depreciation)	26	385,297	267,474	385,297	277,709
Change in fair value of biological assets	11	(32,950)	27,562	(32,950)	31,029
Amortization of intangible assets		548	3,304	9,937	10,358
Equity pickup	10	(242,627)	(190,809)	(74,887)	(32,085)
Capital gain on investment		-	-	(3,531)	(7,055)
Income (loss) from investment and PP&E written off	12	1,455	238	1,455	162
Interest, monetary and exchange variations, net		322,538	179,846	318,273	202,541
Derivative financial instruments		144,307	86,069	144,307	89,921
Provision for contingencies, net	21.1	11,519	12,374	12,796	14,162
Deferred income and social contribution taxes	19 (b)	(49,423)	9,429	(47,264)	5,568
Present value adjustment and others		5,537	(14,226)	3,758	(14,707)
Income (loss) from sale of equity interest	27	(2,027)	(79,717)	(2,027)	(79,717)
		959,576	773,940	1,133,924	983,341
Changes in assets and liabilities					
Trade accounts receivable		52,074	(77,438)	37,820	(72,927)
Inventories		(89,340)	114,375	(82,737)	44,780
Taxes recoverable		(30,770)	(32,944)	(30,245)	(38,226)
Derivative financial instruments		(82,586)	42,500	(82,586)	42,642
Short-term investments		-	-	963	118
Other assets		(8,850)	19,980	(9,152)	25,885
Trade accounts payable		17,990	(24,080)	18,913	(12,411)
Payroll and social contributions		13,643	892	13,858	1,945
Taxes payable		(3,473)	8,552	3,332	14,285
Payables to Copersucar		(36,302)	13,472	(36,302)	13,742
Taxes payable in installments		(2,012)	(30,179)	(2,012)	(30,179)
Provision for contingencies - settlements	21.1	(17,595)	(28,204)	(17,595)	(28,699)
Other liabilities		(9,230)	2,842	(2,931)	937
Cash from operating activities		763,125	783,708	945,250	945,233
Payment of interest on loans and financing	14	(187,177)	(118,613)	(188,616)	(132,415)
Income and social contribution taxes paid		-	-	(6,991)	(5,967)
Net cash provided by operating activities		575,948	665,095	749,643	806,851
Cash flow from investing activities					
Investment of funds	31	(27,740)	(73,217)	(28,449)	(71,363)
Change due to acquisition and sale of equity interest		-	-	-	44,860
Additions to property, plant and equipment and intangible assets		(275,067)	(273,625)	(279,483)	(285,323)
Additions to biological assets (planting and handling)	11	(449,437)	(347,512)	(449,437)	(384,274)
Short-term investments	5	(641,237)	-	(706,487)	-
Funds for sale of PP&E	12	2,743	2,483	12,333	3,356
Cash and cash equivalents merged from subsidiary		-	228,422	-	-
Advances for future capital contribution		(1,750)	(301,245)	(1,000)	-
Dividends received		140,285	146,162	-	3,127
Net cash used in investing activities		(1,252,203)	(618,532)	(1,452,523)	(689,617)
Cash flow from financing activities					
Financing taken out from third parties	14	1,023,010	1,372,485	1,023,010	1,380,818
Amortization of financing - third parties	14	(980,887)	(937,015)	(984,368)	(991,355)
Purchase of treasury shares	17 (b)	(31,904)	-	(31,904)	-
Disposal of treasury shares	17 (f)	10,627	5,145	10,627	5,145
Dividends payment		(67,938)	(40,405)	(67,938)	(43,089)
Net cash provided by (used in) financing activities		(47,092)	400,210	(50,573)	351,519
Net increase (decrease) in cash and cash equivalents		(723,347)	446,773	(753,453)	468,753
Cash and cash equivalents at beginning of year	5	989,690	542,917	1,020,112	551,359
Cash and cash equivalents at end of year	5	266,343	989,690	266,659	1,020,112
Additional information					
Balances in short-term investments	5	641,236	-	706,487	-
Total available funds	5	907,579	989,690	973,146	1,020,112

See accompanying notes.

São Martinho

Statements of value added

Years ended March 31, 2016 and 2015

In thousands of reais

	Company		Consolidated	
	2016	2015	2016	2015
Turnover				
Gross sales	2,288,653	1,786,373	2,431,918	2,020,023
Turnover from construction of own assets	584,663	521,367	584,663	555,803
Other turnover	5,436	92,204	5,667	93,173
	2,878,752	2,399,944	3,022,248	2,668,999
Bought-in inputs				
Costs of sales	(924,371)	(643,611)	(879,668)	(644,601)
Bought-in materials, energy and services and others	(476,674)	(530,314)	(491,553)	(585,007)
	(1,401,045)	(1,173,925)	(1,371,221)	(1,229,608)
Gross value added	1,477,707	1,226,019	1,651,027	1,439,391
Depreciation and amortization	(221,071)	(186,338)	(224,429)	(197,138)
Biological assets harvested (depreciation)	(385,297)	(267,474)	(385,297)	(277,709)
Net value added generated by the entity	871,339	772,207	1,041,301	964,544
Value added received in transfer				
Equity pickup	242,627	190,809	74,887	32,085
Financial turnover	982,703	289,588	999,817	314,693
Other	5	6,731	3,536	15,138
Total value added payable	2,096,674	1,259,335	2,119,541	1,326,460
Payment of value added				
Personnel and charges				
Direct compensation	413,736	295,929	413,884	310,862
Benefits	127,955	130,935	128,604	137,202
Unemployment Compensation Fund (FGTS)	37,077	27,367	37,089	28,694
Management compensation	15,286	13,794	16,599	14,765
Taxes, charges and contributions				
Federal	14,500	60,574	32,633	72,163
State	547	1,702	814	1,706
Local	614	601	930	603
Financers				
Interest	263,996	183,541	266,019	192,899
Rents	1,908	16,932	1,907	13,401
Foreign exchange rate fluctuations	677,810	123,256	677,810	140,421
Other	348,914	118,646	348,921	125,427
Dividends	53,164	67,939	53,164	67,939
Retained earnings for the year	141,167	218,119	141,167	218,119
Noncontrolling interests	-	-	-	2,259
Value added paid	2,096,674	1,259,335	2,119,541	1,326,460

See accompanying notes.

1. Operations

São Martinho S.A. (the “Company”) is a listed corporation headquartered in Pradópolis, State of São Paulo, and registered with the São Paulo Futures, Commodities and Securities Exchange - BM&BOVESPA S.A. - (“BM&BOVESPA”). The Company, its subsidiaries and jointly controlled subsidiaries (together, the "Group") are primarily engaged in planting sugar cane and producing and selling sugar, ethanol and other sugar cane products; cogenerating electricity; development of real estate ventures; agricultural production; import and export of goods, products and raw materials, and investment in other companies.

Approximately 70% of the sugar cane used in the production of the goods derives from the Company's own plantations, from shareholders, related companies and agricultural partnerships, and the remaining 30% from third-party suppliers. Sugar alcohol business is subject to seasonal trends based on the sugarcane growing cycle in the South and Central region of Brazil. The annual sugarcane crop period in the South and Central region of Brazil typically begins in April and ends in December. This creates fluctuations in the Company’s inventories. Raw material supply can suffer from the impact of adverse climate conditions. Sugar cane requires an 18-month period for maturing and the beginning of the harvest. The harvest generally takes place between April and December, which is also the period when sugar and ethanol are produced and electricity is cogenerated.

The Company is a subsidiary of the holding company LJN Participações S.A. (“LJN”), which has controlling interest of 55.96% in its voting capital. In turn, the owners of LJN are the family holding companies: Luiz Ometto Participações S.A., João Ometto Participações S.A. and Nelson Ometto Participações Ltda.

During the year ended March 31, 2015, the Company acquired the controlling interest in Santa Cruz S.A. - Açúcar e Álcool (“SC”), and disposed of its equity investment in Agro Pecuária Boa Vista S.A. (“ABV”), as described in Note 10.

The abovementioned transactions have a significant effect on comparability of the current year results with those of the prior year.

Issue of these annual financial statements was approved by the Company’s Board of Directors on June 6, 2016.

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

Company's financial statements comprise:

a) Consolidated financial statements

Company's consolidated financial statements were prepared based on the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Brazilian FASB ("CPC") and its technical interpretations ("ICPC") and guidance ("OCPC"), approved by the Brazilian SEC ("CVM").

b) Company's individual financial statements

Company's individual financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise corporate legislation provisions, provided for in Law No. 6404/76, as amended by Law No. 11638/07 and Law No. 11941/09, and accounting pronouncements, interpretations and guidance issued by the Brazilian FASB ("CPC"), approved by the Brazilian SEC ("CVM").

The financial statements were prepared under the historical cost convention, except for certain derivative financial instruments and biological assets, measured at fair value.

Company disclosure dividends received from its subsidiaries in investment activities in its cash flow by considering them return on investments.

Significant accounting practices adopted by the Company are described in the specific notes to these financial statements related to the items reported, and those generally applicable, in different respects, to the financial statements, are described as follows.

In thousands of reais, unless otherwise stated

2.2 Basis of consolidation and investments in subsidiaries

Subsidiaries are all companies controlled by the Company, fully consolidated from the date on which control is transferred to the Company. Consolidation is ceased as from the date the Company loses control of the investee.

Consolidated balances in the financial statements for the year ended March 31, 2016 include the following subsidiaries:

Company	Interest in capital	Main activities
Vale do Mogi Empreendimentos Imobiliários S/A (“Vale do Mogi”)	100%	Exploitation of land through lease and agricultural partnership, rental and sale of real estate.
São Martinho Energia S.A. (“SME”)	100%	Cogeneration of electric energy.
Cia Bioenergética Santa Cruz 1 (“Bio”)	100%	Cogeneration of electric energy.
São Martinho Inova S.A. (“SM Inova”)	100%	Interest in companies.
SPE - Residencial Recanto das Paineiras Empreendimentos Imobiliários Ltda ("SPE Paineiras") – subsidiary of Vale do Mogi	100% (direct 0.01% and indirect 99.99%)	Real estate development exploitation
SPE - Park Empresarial Iracemápolis Ltda ("SPE Park") – subsidiary of Vale do Mogi	100% (direct 0.01% and indirect 99.99%)	Real estate development exploitation
SPE - Residencial Limeira Ltda ("SPE Limeira") – subsidiary of Vale do Mogi	100% (direct 0.01% and indirect 99.99%)	Real estate development exploitation
SPE - Residencial Pradópolis Ltda ("SPE Pradópolis") – subsidiary of Vale do Mogi	100% (direct 0.01% and indirect 99.99%)	Real estate development exploitation
São Martinho Logística e Participações S.A. ("SM Logística")	100% (direct 99,99% and indirect 0,01%)	Storage of products in general

Contractual investment arrangements whereby two or more parties have joint control of the venture are classified as jointly controlled operations or joint ventures, according to rights on the net assets of that entity and obligations of the parties thereto. Joint control is to contractually share the control over a business, only existing when decisions on the relevant activities of the entity require unanimous consent of the parties sharing control. These investments are accounted for under the equity method.

The financial statements of jointly controlled entities are prepared for the same reporting date of the Company.

At March 31, 2016, the Company had the following jointly controlled entities:

Company	Interest in capital	Main activities
Jointly controlled entities - direct:		
Nova Fronteira Bioenergia S.A. ("NF")	50.95%	Interest in companies of the sugarcane industry.
Usina Santa Luiza S/A ("USL")	66.67%	Storage services.
Jointly controlled entities - indirect:		
Usina Boa Vista S/A ("UBV") – subsidiary of NF	50.95%	Agroindustrial activity: manufacturing of sugarcane from own production and third parties, production of ethanol and its byproducts, cogeneration of electric energy and agricultural exploitation.
SMBJ Agroindustrial S/A ("SMBJ") – subsidiary of NF	50.95%	Agricultural exploitation.

2.3 Functional and reporting currency

The financial statements are presented in Real (R$), which is the currency of the primary economic environment in which the Company operates ("the functional currency").

2.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the corresponding transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss, except when deferred in equity as qualifying cash flow hedges.

2.5 Financial Instruments

(i) Financial assets

The Company's financial assets are classified as (i) financial assets at fair value through profit or loss and (ii) loans and receivables. Measurement of financial assets depends on their classification.

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. These assets are measured at fair value and transaction costs are recognized in profit or loss for the year.

b) Loans and receivables

These include cash and cash equivalents, trade accounts receivable and other receivables ("transactions with related parties"). Loans and receivables are measured at amortized cost under the effective interest rate method, less any impairment loss.

c) Impairment of financial assets

The Group checks at each year-end whether there is any objective evidence that the financial asset is not recoverable, based on one or more events occurring after initial recognition of assets (a "loss event"), and that it impacts estimated future cash flows of financial assets that may be reliably estimated.

(ii) Financial liabilities

The Company's financial liabilities include trade accounts payable, borrowings, related parties and other payables, which are classified as borrowings. After initial recognition, loans and financing are measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as through the amortization process by the effective interest method.

(iii) Derivative financial instruments

Derivatives are measured at fair value, with gains and losses recognized in profit or loss, unless hedge accounting is applied.

When hedge accounting is applied, the Company documents, at inception, the relationship between the hedging instrument and the hedged item as well as its risk management objective and strategy for undertaking the hedging transaction.

The effective portion of changes in fair value of derivatives designated as cash flow *hedge*s is classified as “Equity adjustments” in equity. The ineffective portion of such changes is recorded as “Financial income (expenses)” in profit or loss for the year. The amounts accumulated in equity are reclassified to profit or loss for the periods when the hedged item affects profit or loss, and the related effects are recognized as “Net revenue from sales”, in order to minimize undesired changes in the hedged item.

2.6 Business combinations and goodwill

Business combinations are accounted for by using the acquisition method.

Goodwill is initially measured at cost exceeding (a) the consideration transferred for acquiree control, (b) any noncontrolling interests in the acquiree, and (c) fair value of the equity interest previously held by the acquirer in the acquiree (if any) exceeding amounts, at the acquisition date, net of identifiable assets acquired and liabilities assumed, measured at fair value. If, after revaluation, Group’s interest in fair value of net identifiable assets acquired exceeds (a), (b) and (c) above, the surplus is immediately recognized in profit or loss as gain from a bargain purchase.

Goodwill corresponding to consolidated entities is presented in “Goodwill” in the consolidated balance sheet. According to the equity method, goodwill for consolidated entities is included in “Investments in affiliates”.

In each business combination, the acquirer shall measure any noncontrolling interests in the acquiree at fair value of these interests or at fair value of net identifiable assets of the acquiree.

Acquisition costs incurred are expensed.

When acquiring a business, the Group evaluates the financial assets and liabilities assumed in order to classify and allocate them according to contractual terms, economic circumstances and the relevant conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

In the event of a business combination in stages, book value at the acquisition date of equity interest previously held by the acquirer in the acquiree is revalued at fair value at the acquisition date through profit or loss.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is, as of acquisition date, allocated to each Group's cash-generating unit, which are expected to benefit from such combination synergy, regardless of other assets or liabilities of the acquiree being attributed to these units.

2.7 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

3. Standards, revised standards and interpretations of standards not yet in force

The pronouncements and interpretations issued by IASB, but which were not effective until the issue date of the Company's financial statements, are disclosed below. The Company intends to adopt these pronouncements once they become effective, as applicable.

- IFRS 9 - Financial Instruments: It aims ultimately to supersede IAS 39 - Financial Instruments: Recognition and Measurement. The main amendments planned are: (i) all financial assets should be initially recognized at fair value; (ii) the standard divides all financial assets, currently within the scope of IAS 39, into two classifications: amortized cost and fair value; (iii) categories of available for sale and held to maturity of IAS 39 were eliminated; and (iv) the concept of embedded derivatives of IAS 39 was superseded by the concepts of this new standard. The standard enters into force on January 1, 2018. The Company is evaluating the impact on its financial statements.

- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations. The amendments are applicable to annual periods beginning on or after January 1, 2016. The Company is evaluating whether these amendments will impact its financial statements.

- IFRS 15 - Revenue from Contracts with Customers: The new standard defines the principles that an entity will apply to determine the measurement of revenue and when it should be recognized. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact on its financial statements.

- IFRS 16 - Leases: It establishes that leases should be recognized in the balance sheet of the lessee, with liabilities for future payments and intangible assets for right of use. The definition of lease covers all agreements that grant right of use and control over an identifiable asset, including rental agreements and, potentially, some service agreement components. The standard is applicable to annual periods beginning on or after January 1, 2019. The Company is evaluating the impact on its financial statements.

- Amendments to IAS 16, IAS 41 - Agriculture: biological assets of bearer plants should be recognized as property, plant and equipment (IAS 16), i.e., cost less depreciation or impairment. Consumable biological assets, until harvest, will be measured at fair value and remain within the scope of IAS 41. This amendment will impact Company's financial statements. The respective effects are under analysis and will be disclosed in the first quarter of 2016/2017 harvest.

- Amendments to IAS 19 – Employee Benefits. The amendments are applicable to annual periods beginning on or after January 1, 2016. The Company does not expect that such amendments will impact its financial statements.

4. Significant accounting judgments and estimates

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances.

Estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next financial year are listed below.

(a) Impairment of goodwill
The Group tests goodwill for impairment annually. The recoverable amount of cash-generating units (CGUs) was estimated based on value in use.

(b) Fair value of biological assets
This represents the present value of expected net cash flows from these assets, which is determined based on assumptions used in the discounted cash flow method.

(c) Income tax, social contribution and other taxes
The Group recognizes provisions for situations in which it is probable that additional tax amount shall be levied. When the final result of these circumstances is different from those initially estimated and recorded, these differences will change the current and deferred tax assets and liabilities for the year in which the definitive amount is determined.

(d) Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and to make assumptions based mainly on market conditions existing at the balance sheet date.

In addition, certain financial assets and liabilities are discounted to present value. Management estimates the discount rates most appropriate in each circumstance and period.

(e) Provision for contingencies
The Group is party to labor, civil and tax lawsuits at various court levels. The provisions for contingencies to cover losses arising from proceedings pending judgment are set up and restated based on management's assessment, according to the opinion of its legal counsel, and require a high level of judgment on the matters involved.

5. Cash and cash equivalents and short-term investments

Cash and cash equivalents include cash on hand, bank deposits and other highly liquid short-term investments with original maturity within three months, readily convertible into a known cash amount and subject to insignificant risk of change in value.

In thousands of reais, unless otherwise stated

	Company			Consolidated		
	Yield *	2016	2015	Yield *	2016	2015
Cash and banks - in Brazil		224	2,041		291	8,359
Cash and banks - abroad		55,853	190,575		55,853	190,576
Short-term investments - in Brazil						
. CDB	100.59%	38,197	405,183	100.59%	38,197	405,183
. Debentures held under repurchase agreements	100.09%	172,069	391,891	100.09%	172,318	415,994
Total cash and cash equivalents		266,343	989,690		266,659	1,020,112
Short-term investments						
. Investment fund *(i)*	98.42%	641,236	-	98.42%	706,487	-
. Other		492	478	99.05%	5,423	5,723
Total short-term investments		641,728	478		711,910	5,723
In noncurrent assets		492	478		5,423	5,723
Total available funds		907,579	989,690		973,146	1,020,112

* Current remuneration based on the Interbank Deposit Certificate (CDI) rate variation - weighted average rate.

(i) In order to spread its assets portfolio and leverage its operational and financial management, in June 2015, the Company enrolled with a highly-liquid boutique fund.

6. Trade accounts receivable

Trade accounts receivable are stated at present value, net of allowance for doubtful accounts, as applicable.

The analysis of the balance of trade accounts receivables is as follows:

	Company		Consolidated	
	2016	2015	2016	2015
Domestic customers	32,880	79,227	64,448	101,431
Foreign customers	43,826	62,935	43,826	62,935
	76,706	142,162	108,274	164,366
Current assets	76,706	141,601	86,419	156,317
Noncurrent assets	-	561	21,855	8,049

For the years ended March 31, 2016 and 2015, management identified no need to record an allowance for doubtful accounts.

The aging list of these trade accounts receivable is as follows:

In thousands of reais, unless otherwise stated

	2016	2015	2016	2015
Falling due:	76,675	141,551	108,190	163,739
Overdue and not provisioned:				
Within 30 days	-	506	-	518
Above 31 days	31	105	84	109
	76,706	142,162	108,274	164,366

Out of the amount receivable, R$3,450 and R$3,275, Company and Consolidated, respectively (R$2,719 and R$2,565, Company and Consolidated, respectively, at March 31, 2015), refer to related parties, as detailed in Note 9.

7. Inventories and advances to suppliers

	Company		Consolidated	
	2016	2015	2016	2015
Current				
Finished goods and work-in-process	65,957	81,410	65,957	81,410
Advances - acquisition of products	25,671	-	25,671	
Advances - sugarcane purchases	47,953	39,575	47,953	39,575
Advances - input purchases	31,041	-	31,041	-
Land division	-	-	6,621	10,322
Inputs, ancillary materials for maintenance and others	52,007	46,136	52,007	46,136
	222,629	167,121	229,250	177,443
Noncurrent				
Advances - sugarcane purchases	62,309	49,607	62,309	49,607
	62,309	49,607	62,309	49,607
	284,938	216,728	291,559	227,050

Inventories are stated at average acquisition or production costs, adjusted by the provision for write-down to their realizable value. The land inventory balance (Land subdivisions) is stated at acquisition cost, increased by the deemed cost surplus of land.

The balance classified as “Land subdivisions - land” refers to real estate developments SPE Paineiras, SPE Park, SPE Limeira and SPE Pradópolis.

The Company entered into partnerships to purchase sugar cane grown on third-party rural properties (including agricultural partnerships), of which part of the delivery will only occur in future years.

In thousands of reais, unless otherwise stated

8. Taxes recoverable

Breakdown of taxes recoverable is as follows:

	Company		Consolidated	
	2016	2015	2016	2015
Current				
PIS / COFINS	26,616	58,494	26,655	58,500
ICMS	30,248	27,346	30,997	27,948
Special Tax Refund Regime for Exporting Companies (Reintegra)	-	15,572	-	15,572
Other	770	801	771	801
	57,634	102,213	58,423	102,821
Noncurrent				
PIS / COFINS	58,454	42,160	58,454	42,160
Reintegra	24,155	-	24,155	-
IOF on derivatives	7,027	6,380	7,027	6,380
ICMS	15,249	22,387	15,286	22,535
INSS	5,273	4,785	5,273	4,785
	110,158	75,712	110,195	75,860
	167,792	177,925	168,618	178,681

The balances of taxes recoverable arise from commercial transactions and tax prepayments, adjusted to present value when applicable.

The expected realization of the long-term tax credits is as follows:

In thousands of reais, unless otherwise stated

	2016	
	Company	Consolidated
From 04/01/2017 to 03/31/2018	67,617	67,629
From 04/01/2018 to 03/31/2019	18,844	18,856
From 04/01/2019 to 03/31/2020	8,694	8,707
From 04/01/2020 to 03/31/2021	6,818	6,818
From 04/01/2021 to 03/31/2022	4,029	4,029
From 04/01/2022	4,156	4,156
	110,158	110,195

9. Related parties

(a) Company and consolidated balances:

Company	2016				2015			
	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities
Consolidated in the current financial statements:								
Vale do Mogi Empreend. Imobiliários S/A	100	-	5,012	-	137	-	3,643	-
Cia Bioenergética Santa Cruz 1	45	-	395	-	11	-	1,223	-
São Martinho - Energia S.A.	24	-	-	-	5	-	2,179	-
São Martinho Inova S.A.	-	1,996	-	-	-	1,246	-	-
Other	6	-	-	-	-	-	-	-
Not consolidated in the current financial statements:								
Luiz Ometto Participações S.A. (Note 31)	-	-	12,045	61,750	-	-	12,062	73,370
Usina Boa Vista S/A	3,097	-	-	-	2,344	-	-	-
Usina Santa Luiza S/A	76	1,000	-	-	57	-	185	-
Nova Fronteira Bioenergia S.A.	5	-	-	-	5	-	-	-
SMBJ Agroindustrial S/A	4	-	-	-	5	-	-	-
SMA Indústria Química Ltda	-	-	-	-	58	-	-	-
Agro Pecuária Boa Vista S/A	7	-	2,976	-	-	-	-	-
Other	86	-	105	-	97	34	73	-
Subtotal	3,450	2,996	20,533	61,750	2,719	1,280	19,365	73,370
Inventories - sugarcane purchases								
From shareholders/related parties	1,633	-	708	-	1,015	-	1,027	-
	5,083	2,996	21,241	61,750	3,734	1,280	20,392	73,370

In thousands of reais, unless otherwise stated

Consolidated	2016 Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	2015 Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities
From investees and related parties:								
Usina Boa Vista S/A	3,097	-	-	-	2,344	-	-	-
Nova Fronteira Bioenergia S.A.	5	-	-	-	5	-	-	-
Luiz Ometto Participações S.A. (Note 31)	-	-	12,045	61,750	-	-	12,062	73,370
Usina Santa Luiza S/A	76	1,000	-	-	57	-	185	-
SMA Indústria Química Ltda	-	-	-	-	58	-	-	-
SMBJ Agroindustrial S/A	4	-	-	-	5	-	-	-
Agro Pecuária Boa Vista S/A	7	-	2,976	-	-	-	-	-
Other	86	-	105	-	96	34	73	-
Subtotal	3,275	1,000	15,126	61,750	2,565	34	12,320	73,370
Inventories - sugarcane purchases								
From shareholders/related parties	1,633	-	708	-	1,015	-	1,027	-
	4,908	1,000	15,834	61,750	3,580	34	13,347	73,370

The balances in current assets are classified as trade accounts receivable and inventories in the balance sheet. The balance in current liabilities (classified as trade accounts payable and acquisition of equity interest in the balance sheet) refers to purchases and sales of products and services between the Company, its investees and related parties. The balances in noncurrent assets and noncurrent liabilities refer to advances for future capital contribution and acquisition of equity interest, respectively.

(b) Company and Consolidated transactions for the year:

Company	2016 Sales revenue	Reimbursed expenses	Purchases of goods and services	2015 Reimbursed expenses	Purchases of goods and
Consolidated in the current financial statements:					
Vale do Mogi Empreend. Imobiliários S/A	-	635	51,543	20	46,741
Cia Bioenergética Santa Cruz 1	3,872	24	4,517	-	-
São Martinho - Energia S.A.	5,601	293	-	305	-
			-		-
Not consolidated in the current financial statements:			-		-
Usina Boa Vista S/A	-	14,651	-	13,010	-
Usina Santa Luiza S/A	-	368	-	385	726
SMA Indústria Química Ltda	-	314	-	261	-
Santa Cruz S.A. Açúcar e Álcool	-	-	-	4,047	-
Agro Pecuária Boa Vista S/A	-	35	28,180	-	58,859
Other	-	462	-	489	1,701
Shareholders and related parties			-		-
- sugarcane purchases	-	-	11,814	-	10,110
	9,473	16,782	96,054	18,517	118,137

Sales revenue refers to sale of steam. Purchases of products and services are derived from purchase of sugarcane, electricity and steam manufacturing service.

In thousands of reais, unless otherwise stated

Expenses reimbursed by investees refer to the costs of the shared services center, the Board of Directors, and the Corporate Office. Apportionments are supported by agreements between the parties.

Additionally, subsidiaries Vale do Mogi, Bio and SME prepaid dividends for the year amounting to R$ 140,285 (2015 – R$ 146,162).

Consolidated	2016 Reimbursed expenses	2016 Purchases of goods and services	2015 Reimbursed expenses	2015 Purchases of goods and services
Usina Boa Vista S/A	14,651	-	13,010	-
Usina Santa Luiza S/A	368	-	385	726
SMA Indústria Química Ltda	314	-	261	-
Santa Cruz S.A. Açúcar e Álcool	-	-	4,047	-
Agro Pecuária Boa Vista S/A	35	28,180	-	58,859
Other	462	-	450	198
Shareholders and related parties - sugarcane purchases	-	11,814	-	10,110
	15,830	39,994	18,153	69,893

As mentioned in Note 10.2, over the year ended March 31, 2015, the Company carried out transactions with its related parties for acquisition and sale of equity investments.

(c) Key management personnel compensation:

Key management personnel include directors and statutory officers. Compensation paid or to be paid for the period is stated as follows:

	Company		Consolidated	
	2016	2015	2016	2015
Salaries, compensation and bonuses	16,969	15,429	18,744	17,228
Social security and social contributions	3,364	2,951	3,719	3,230
Other	999	922	1,158	1,058
	21,332	19,302	23,621	21,516

Information on the Stock Option Plan to the Company's officers is contained in Note 17 (f).

In thousands of reais, unless otherwise stated

10. Investments

10.1 Subsidiaries, jointly controlled entities and affiliates

Investments in other companies, Company and Consolidated, are as follows:

				Company				Consolidated			
	% equity interest	Adjusted equity of the investee		Book value of investments		Equity pickup		Equity pickup		Book value of investments	
Company	(current)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Classified in Investment											
Vale do Mogi Empreend. Imobiliários S.A.	100.00%	1,673,486	1,678,250	1,673,486	1,678,250	68,114	69,250	-	-	-	-
São Martinho - Energia S.A.	100.00%	23,819	9,365	23,819	9,365	58,597	51,553	-	-	-	-
São Martinho Inova S/A	100.00%	20,089	17,334	20,089	17,334	2,756	7,088	-	-	-	-
Santa Cruz S.A. Açúcar e Álcool (ii)	-	-	-	-	-	-	31,534	-	5,896	-	-
Agro Pecuária Boa Vista S.A. (iii)	-	-	-	-	-	-	2,507	-	2,507	-	-
São Martinho Logística e Participações S.A.	100.00%	3,190	3,367	3,190	3,367	(113)	267	-	-	-	-
Nova Fronteira Bioenergia S.A. (i)	50.95%	951,572	803,414	484,826	409,352	75,486	24,781	75,486	24,781	484,826	409,352
Companhia Bioenergética Santa Cruz 1	100.00%	119,230	122,733	119,230	122,733	38,831	4,786	-	-	-	-
CTC - Centro de Tecnologia Canavieira S.A. (i)	5.40%	430,841	327,620	-	-	-	498	445	531	23,259	18,578
Other		8,475	8,404	1,865	1,850	-	(1)	-	(2)	1,866	1,850
Total classified in Investment		3,230,702	2,970,487	2,326,505	2,242,251	243,671	192,263	75,931	33,713	509,951	429,780
Classified in noncurrent liabilities											
SMA - Indústria Quimica S/A (i) and (iii)	50.00%	-	(3,737)	-	(1,869)	(109)	(118)	(109)	(118)	-	(1,869)
Usina Santa Luiza S.A. (i)	66.67%	(14,989)	(13,587)	(9,993)	(9,058)	(935)	(1,336)	(935)	(1,510)	(9,993)	(9,058)
Total classified in noncurrent liabilities		(14,989)	(17,324)	(9,993)	(10,927)	(1,044)	(1,454)	(1,044)	(1,628)	(9,993)	(10,927)
Ending balance		3,215,713	2,953,163	2,316,512	2,231,324	242,627	190,809	74,887	32,085	499,958	418,853

There are no cross-holdings between the Company and its investees.

- *(i)* Investees not consolidated and these investments are reported in the consolidated financial statements under the equity method;
- *(ii)* Merged during the preceding year;
- *(iii)* Investment sold.

In thousands of reais, unless otherwise stated

10.2 Additional information on Nova Fronteira Bioenergia S.A.

A summary of the balance sheet and income statement of such jointly controlled entity is as follows:

Balance Sheet	March 31, 2016	March 31, 2015
Current assets	429,640	335,710
Noncurrent assets	1,251,226	1,283,644
Total Assets	1,680,866	1,619,354
Current liabilities	301,555	286,551
Noncurrent liabilities	427,740	529,389
Equity	951,571	803,414
Total liabilities	1,680,866	1,619,354

Income Statements	March 31, 2016	March 31, 2015
Net revenue	762,109	628,891
Cost of sales	(492,699)	(457,844)
gross profit	269,410	171,047
Net operating expenses	(43,919)	(45,616)
Financial income (expenses)	(50,724)	(66,698)
Income and social contribution taxes	(26,610)	(10,097)
Net income for the year	148,157	48,636

10.3 Changes in corporate structure during the preceding year

Significant corporate transactions were carried out in the prior year which significantly affected the comparison of the current period results with those of the prior period, as detailed in the annual financial statements for the year ended March 31, 2015, in the following Notes:

- Disposal of Agro Pecuária Boa Vista S.A. ("ABV") - Note 10.6;
- Acquisition and merger of Santa Cruz S.A. - Açúcar e Álcool ("SC") - Note 10.7.1.

Significant effects on profit or loss for the preceding year correspond to: *i)* gain of R$79,717 recognized in the disposal of ABV; *ii)* gain on remeasurement of prior interest in SC amounting to R$ 31,772 and; *iii)* nonrecurring expenses related to this transaction amounting to R$ 7,194, all recognized in Other income, net, Note 27.

10.4 Reduction in the capital of Vale do Mogi

On September 28, 2015, the Board of Directors approved a reduction in the capital of Vale do Mogi amounting to R$ 1,677, without cancelling the shares, giving certain properties as payment. These assets include deemed cost amounting to R$ 17,457.

10.5 Disposal of interest in SMA – Industria Química S/A

On July 1, 2015, the Company published a material fact notice communicating to the market that Amyris Inc and its Brazilian subsidiary Amyris Brasil Ltda. failed to meet contractual goals and, as a result, a decision to discontinue the construction of the plant determined by the joint venture.

After approval by the Administrative Council for Economic Defense (CADE) on January 5, 2016, the Company completed the termination operation, by selling all its shareholding interest for R$ 50. This operation resulted in a R$ 2,027 gain, and is recorded as "other income, net" (Note 27).

10.6 Gain on change in relative interest – CTC

In March 2016, Centro de Tecnologia Canavieira S.A. ("CTC") subscribed new shares and subsidiary São Martinho Inova S.A. contributed capital amounting to R$ 709. After this operation, the Group recorded a R$ 3,531 gain, as mentioned in Note 27.

11. Biological assets

Biological assets comprise planting and cultivation of sugar cane, which will be used as raw material in the production of sugar and ethanol. These assets are carried at fair value less costs to sell.

Sugar cane is classified as a permanent crop and its economically productive cycle lasts, on average, six years after the first harvest.

In thousands of reais, unless otherwise stated

Upon harvest, the fair value of sugar cane is determined by the quantity harvested, valued at the accumulated value established by the Council of Sugar Cane, Sugar and Alcohol Producers of the State of São Paulo (CONSECANA) in that month. The fair value of sugar cane harvested will be the cost of raw material used in the production of sugar and ethanol.

The fair value of sugar cane plantations is determined based on the discounted cash flow method, considering basically:

(a) Cash inflows obtained from the multiplication of (i) the estimated production, measured in kilograms of Total Sugar Recoverable (ATR); and (ii) the future market price of sugar cane, which is estimated based on public data and estimates of the future prices of sugar and ethanol; and

(b) Cash outflows represented by estimates of (i) costs necessary for the biological transformation of the sugar cane (cultivation) up to the harvest; (ii) costs with harvesting/cutting, loading and transport; (iii) capital costs (land and machinery and equipment); (iv) costs of leases and agricultural partnerships; and (v) taxes on positive cash flows.

The following assumptions were used to test fair value:

Company and Consolidated	2016	2015
Total estimated harvest area (ha)	162,289	157,630
Expected productivity (ton/ha)	79.86	80.66
Quantity of ATR per ton of sugarcane (kg)	132.58	134.34
Projected average price of ATR (R$)	0.5750	0.5000

Based on the estimates of revenue and costs, the Company determines the future cash flows to be generated and adjusts them to present value, using a discount rate compatible with the remuneration of the investment in the circumstances. Changes in fair value are recorded as biological assets with a corresponding entry to the sub account "Changes in fair value of biological assets", under "Cost of sales" in the income statement for the period.

Changes in fair value of biological assets for the period are as follows:

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	2016	2015	2016	2015
Biological assets at March 31	936,241	596,309	936,241	596,309
Increases resulting from planting	184,147	135,970	184,147	150,754
Increases resulting from handling	265,290	211,542	265,290	233,520
Merger / Consolidation SC	-	270,607	-	252,309
Change in fair value	32,950	(27,562)	32,950	(31,029)
Reductions due to harvest	(345,822)	(250,625)	(345,822)	(265,622)
Biological assets at end of year	1,072,806	936,241	1,072,806	936,241

(a) Agricultural partnerships and lease agreements

The Company signed agreements of agricultural partnerships to purchase sugar cane produced in the rural properties of third parties. The terms of these agreements are, mainly between six and twelve years, renewable upon termination. In addition, the Company has lease agreements for the production of sugar cane.

The amounts to be disbursed in respect of these agreements are determined at the end of each crop by the price of a metric ton of sugar cane established by CONSECANA. At March 31, 2016 and 2015, the total estimated payments (nominal value) are as follows:

Company and Consolidated	2016	2015
Within one year	190,259	164,219
From one to five years	580,992	499,309
Above 5 years	488,104	425,802
	1,259,355	1,089,330

12. Property, plant and equipment

Net book values and useful lives the assets, and depreciation methods used are reviewed, and adjusted prospectively, at year end. Depreciation is calculated using the straight-line method, and for production equipment the accelerated depreciation method is applied, taking into consideration the crushing season.

Maintenance costs that extend the useful lives of property, plant and equipment items are capitalized and items that replace others which suffer wear and tear during the crop period are recorded as assets, and are depreciated during the subsequent crop period. Maintenance costs that do not extend the useful lives of the assets are recognized as expenses when incurred. Replaced items are written off.

The costs of charges on borrowings taken to finance the construction of property, plant and equipment are capitalized during the period of time required to execute and prepare the asset for its intended use.

In thousands of reais, unless otherwise stated

Company	Land	Buildings and outbuildings	Equipment and industrial facilities	Offseason	Vehicles	Agricultural machinery and tools	Other PP&E	Construction in progress	Total
Balances at March 31, 2014	533,478	101,873	484,080	69,770	93,463	149,892	14,732	80,809	1,528,097
Acquisition	-	10	1,057	128,978	22,481	23,117	1,069	91,679	268,391
Cost to sell	-	-	(1)	-	(551)	(2,033)	-	-	(2,585)
Capital payment - Vale Mogi	(476,795)	-	-	-	-	-	-	-	(476,795)
Merger of SC	30,988	45,446	221,565	3,838	28,756	35,600	966	13,924	381,083
Purchase Pricing Allocation	37,491	15,418	658	-	23,513	53,195	-	-	130,275
Transfers between groups	-	38,302	97,969	-	2,298	1,191	1,919	(141,679)	-
Depreciation	-	(4,204)	(35,673)	(77,152)	(8,834)	(22,781)	(2,991)	-	(151,635)
Balances at March 31, 2015	125,162	196,845	769,655	125,434	161,126	238,181	15,695	44,733	1,676,831
Total cost	125,162	220,548	993,225	125,669	200,124	328,576	50,439	44,733	2,088,476
Accumulated depreciation	-	(23,703)	(223,570)	(235)	(38,998)	(90,395)	(34,744)	-	(411,645)
Net book value	125,162	196,845	769,655	125,434	161,126	238,181	15,695	44,733	1,676,831
Acquisition	-	16	1,196	137,147	17,330	25,899	1,352	88,086	271,026
Cost to sell	-		(81)	-	(396)	(3,679)	(1)	-	(4,157)
Transfers between groups	-	22,540	55,354	-	1,213	2,250	994	(82,351)	-
Capital decrease in Vale do Mogi	12,929	6,205	-	-	-	-	-	-	19,134
Depreciation	-	(6,445)	(49,816)	(131,933)	(12,825)	(32,402)	(3,203)	-	(236,624)
Balances at March 31, 2016	138,091	219,161	776,308	130,648	166,448	230,249	14,837	50,468	1,726,210
Total cost	138,091	249,309	1,049,558	131,427	217,828	349,146	52,714	50,468	2,238,541
Accumulated depreciation	-	(30,148)	(273,250)	(779)	(51,380)	(118,897)	(37,877)	-	(512,331)
Net book value	138,091	219,161	776,308	130,648	166,448	230,249	14,837	50,468	1,726,210
Net book values:									
Historical cost	2,406	153,992	532,400	130,648	134,774	167,760	14,837	50,468	1,187,285
Appreciation	135,685	65,169	243,908	-	31,674	62,489	-	-	538,925
Average annual depreciation rates	-	3%	6%	100%	7%	10%	12%	-	-

In thousands of reais, unless otherwise stated

Consolidated	Land	Buildings and outbuildings	Equipment and industrial facilities	Offseason	Vehicles	Agricultural machinery and tools	Other PP&E	Construction in progress	Total
Balances at March 31, 2014	1,690,255	108,887	509,983	69,770	93,463	149,892	14,732	80,809	2,717,791
Acquisition	-	3,193	1,058	129,347	22,973	25,040	1,082	97,420	280,113
Cost of sale	(639)	-	(1)	-	(709)	(2,033)	-	-	(3,382)
Capital payment	(5,993)	-	-	-	-	-	-	-	(5,993)
Consolidation of SC	30,988	43,945	272,833	3,921	29,330	35,972	712	18,374	436,075
Purchase Pricing Allocation	37,491	16,453	4,357	-	23,513	53,195	-	-	135,009
Transfers between groups	-	40,450	105,513	-	2,506	1,191	2,209	(151,869)	-
Depreciation	-	(5,235)	(55,702)	(77,235)	(9,950)	(25,075)	(3,040)	-	(176,237)
Balances at March 31, 2015	1,752,102	207,693	838,041	125,803	161,126	238,182	15,695	44,734	3,383,376
Total cost	1,752,102	235,226	1,075,212	126,038	200,124	328,577	50,439	44,734	3,812,452
Accumulated depreciation	-	(27,533)	(237,171)	(235)	(38,998)	(90,395)	(34,744)	-	(429,076)
Net book value	1,752,102	207,693	838,041	125,803	161,126	238,182	15,695	44,734	3,383,376
Acquisition	1,145	25	1,196	137,619	17,330	25,898	1,353	88,703	273,269
Cost of sale	(118)	-	(81)	-	(396)	(3,679)	(1)	-	(4,275)
Transfers between groups	-	22,540	55,354	-	1,213	2,250	994	(82,351)	-
Transfer to inventories	(2,785)	-	-	-	-	-	-	-	(2,785)
Depreciation	-	(6,838)	(52,460)	(132,302)	(12,825)	(32,402)	(3,203)	-	(240,030)
Balances at March 31, 2016	1,750,344	223,420	842,050	131,120	166,448	230,249	14,838	51,086	3,409,555
Total cost	1,750,344	255,545	1,131,545	131,899	217,828	349,146	52,715	51,086	3,940,108
Accumulated depreciation	-	(32,125)	(289,495)	(779)	(51,380)	(118,897)	(37,877)	-	(530,553)
Net book value	1,750,344	223,420	842,050	131,120	166,448	230,249	14,838	51,086	3,409,555
Net book values:									
Historical cost	105,709	157,119	581,290	131,120	134,774	167,760	14,838	51,086	1,343,696
Appreciation	1,644,635	66,301	260,760	-	31,674	62,489	-	-	2,065,859
Average annual depreciation rates	-	3%	5%	100%	7%	10%	12%	-	-

In thousands of reais, unless otherwise stated

Under the terms of certain borrowing agreements of the Group, property, plant and equipment totaling R$ 1,191,124 (consolidated) were pledged as collateral, of which R$ 605,883 refers to rural properties (17,831 hectares of land).

The Group capitalized finance charges amounting to R$ 2,177 for the year ended March 31, 2016 (March 31, 2015 - R$ 2,656).

13. Intangible assets

Contractual relationships have a defined useful life. Their amortization is calculated on the quantity of sugar cane harvested during the term of the agreement with the partner or supplier.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment.

	Company		Consolidated	
	2016	2015	2016	2015
Goodwill on future profitability USL (i)	79,709	79,709	79,709	79,709
Goodwill on future profitability Mirtilo (i)	115,798	115,798	115,798	115,798
Goodwill on future profitability SC (i)	179,126	179,126	179,126	179,126
Software	22,927	19,497	22,927	19,497
Accumulated amortization	(14,796)	(11,544)	(14,796)	(11,544)
Rights on sugarcane agreements (ii)	11,781	12,330	11,781	12,330
Rights on electricity agreements (iii)	-	-	89,176	103,401
Other assets	2,807	1,364	5,836	2,224
	397,352	396,280	489,557	500,541

(i) Goodwill related to business combination of prior years of the company merged into the Company;

(ii) Refers to the acquisition of rights on agreements for agricultural partnership and sugar cane supply (2,281 hectares with an exploration period from 2013 to 2017).

(iii) Refers to the fair value allocated under Bio's agreements for electricity supply, effective up to 2025.

In thousands of reais, unless otherwise stated

Impairment of nonfinancial assets

Pursuant to CPC 01 (IAS 36) – Impairment of assets, goodwill, fixed assets and intangible assets are tested for impairment whenever events or changes in circumstances indicated that their carrying amount may not be recovered. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year or more frequently, if there are indications of impairment. Annual impairment tests are conducted at the end of March. In order to determine whether an item has been impaired, assets are grouped in Cash-Generating Units (CGU), which is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets.

At March 31, 2016, the Company tested its noncurrent assets for impairment. The test was conducted based on calculations of the value in use of each CGU. The value in use calculations use cash flow projections, before income and social contribution taxes, based on financial budgets approved by management. The growth rate does not exceed the average long-term growth rate of the industry in which the CGU operates.

Significant assumptions and estimates involved are estimated sugar and ethanol selling price, energy-related costs and other macroeconomic data.

Significant assumption used by the Company:

	UGC	
	USM	USC
Average growth rate of net operating revenue	4.8%	4.7%
Nominal growth rate for perpetuity	4.0%	4.0%
Discount rate	9.9%	9.9%

In thousands of reais, unless otherwise stated

14. Loans and financing

Borrowings are recognized at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost.

	Annual charges		Company		Consolidated	
Type	Rate	Index	2016	2015	2016	2015
In local currency						
Export credit note	101.68%	CDI	586,526	815,024	586,526	815,024
Export credit note	14.82%	FIXED	151,140	-	151,140	-
BNDES lines	2.74%	TJLP	225,394	255,025	233,250	263,923
BNDES lines	4.26%	FIXED	345,786	365,461	357,920	379,980
BNDES lines	3.93%	SELIC	22	-	22	-
Rural credit	6.67%	FIXED	64,569	32,651	64,569	32,651
FINEP	4.00%	FIXED	62,777	24,254	62,777	24,254
Lease		FIXED	-	839	-	839
Other			51,530	57,502	51,530	57,502
Total in domestic currency			1,487,744	1,550,756	1,507,734	1,574,173
In foreign currency						
Prepaid Export (PPE)	2.63%	Exchange variation	1,154,991	981,525	1,154,991	981,525
Export Credit Note (NCE)	4.36%	Exchange variation	678,989	503,968	678,989	503,968
Advance on Exchange Contracts (ACC)	1.95%	Exchange variation	142,520	160,475	142,520	160,475
BNDES lines	6.69%	Currency basket	22,953	19,938	22,953	19,938
Total in foreign currency			1,999,453	1,665,906	1,999,453	1,665,906
TOTAL			3,487,197	3,216,662	3,507,187	3,240,079
Current			667,015	868,879	670,559	872,419
Noncurrent			2,820,182	2,347,783	2,836,628	2,367,660

Changes in loans and financing are as follows:

	Company		Consolidated	
Changes in debt	2016	2015	2016	2015
Prior balance	3,216,662	1,568,983	3,240,079	1,590,821
Financing taken out	1,023,010	1,372,485	1,023,010	1,380,818
Amortization of principal	(980,887)	(937,015)	(984,368)	(991,355)
Interest amortization	(187,177)	(118,613)	(188,616)	(132,415)
Monetary restatement	204,729	146,092	206,222	154,982
Foreign exchange fluctuation	210,860	430,600	210,860	493,639
Merger / Consolidation SC	-	754,130	-	743,589
	3,487,197	3,216,662	3,507,187	3,240,079

Some transactions in foreign currency are pegged to swap agreements for Brazilian reais, not exposed to foreign exchange fluctuations.

In thousands of reais, unless otherwise stated

Additionally, some transactions in domestic currency are pegged to swap agreements for US dollar, exposed to foreign exchange fluctuations.

Transactions pegged to swap agreements are as follows:

	Company		Consolidated	
	2016	2015	2016	2015
Foreign currency transactions, pegged to swap for domestic currency	399,831	261,003	399,831	261,003
Domestic currency transactions	1,365,038	1,349,617	1,385,028	1,373,034
Total in domestic currency	1,764,869	1,610,620	1,784,859	1,634,037
Domestic currency transactions, pegged to swap for foreign currency	122,706	201,139	122,706	201,139
Foreign currency transactions	1,599,622	1,404,903	1,599,622	1,404,903
Total in foreign currency	1,722,328	1,606,042	1,722,328	1,606,042
TOTAL	3,487,197	3,216,662	3,507,187	3,240,079

For agreements in foreign currency, R$ 209,787 of Pre-Export Financing (PPE) and R$ 60,677 of NCEs are pegged to libor swaps to a fixed rate.

At March 31, 2016, of total debt of the Company, R$ 2,438,978 is encumbered.

Noncurrent borrowings have the following maturities:

	Company	Consolidated
From 04/01/2017 to 03/31/2018	1,028,493	1,031,979
From 04/01/2018 to 03/31/2019	699,187	702,673
From 04/01/2019 to 03/31/2020	633,705	637,191
From 04/01/2020 to 03/31/2021	306,241	309,727
From 04/01/2021 to 03/31/2022	63,748	65,052
From 04/01/2022 to 02/28/2030	88,808	90,006
	2,820,182	2,836,628

Covenants

Some borrowing agreements provide for certain contractual borrowing conditions (covenants) which had been fulfilled by the Company at March 31, 2016.

In thousands of reais, unless otherwise stated

15. Trade accounts payable

	Company		Consolidated	
	2016	2015	2016	2015
Sugarcane	64,322	33,732	59,311	30,087
Materials, services and others	54,806	68,134	54,596	65,389
	119,128	101,866	113,907	95,476

Out of the amount payable to suppliers, R$8,488 and R$3,081, Company and Consolidated, respectively (R$7,303 and R$258, Company and Consolidated, respectively, at March 31, 2015), refer to related parties, as detailed in Note 9.

16. Payables to Copersucar

Copersucar provided funds to companies during the period in which they were cooperative members through bills of exchange, for the purpose of financing their operations. The funds were obtained by the Cooperative in the market and transferred to the cooperative members, for short-term settlement, and from temporary cash surpluses arising from injunctions in lawsuits claiming the suspension of liabilities. These cash surpluses are related to provisions for contingencies recorded by the Cooperative under noncurrent liabilities. However, in the event of unfavorable outcomes in lawsuits in which the Cooperative obtained an injunction, the Company could be required to reimburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arose from Federal VAT (IPI), whose constitutionality and lawfulness had been challenged in court by the Cooperative, and from tax liabilities included in the Tax Recovery Program (REFIS) of Copersucar, as shown below.

Company and Consolidated	2016	2015
REFIS - Copersucar – Restated based on SELIC	105,028	107,971
Bill of Exchange - Restated based on SELIC	83,591	79,797
Bill of Exchange - Transfer of funds without incurring charges	48,547	50,587
Tax claim expenses *(i)*	21,875	43,269
Total	259,041	281,624
Current liabilities	21,875	2,040
Noncurrent	237,166	279,584

All the Company's obligations with Copersucar are guaranteed by bank sureties. In addition, in accordance with the terms negotiated for the withdrawal from Copersucar, the Company remains liable for the payment of obligations, proportionate to its investment in Copersucar in previous harvests, which result from tax assessments that may arise and that relate to periods in which the Company was a cooperative member.

(i) Copersucar has been served delinquency notices with respect to State VAT (ICMS) on fuel and industrial ethanol sales made up to December 31, 2008. Copersucar legal counsel assesses the outcome in these lawsuits as a risk of possible loss. Copersucar believes that it has strong arguments to successfully defend the fines imposed by the State Tax Authorities over these delinquency notices. Costs from these notices and attorney's fees for the Company totaled R$ 33,542 (balance restated at March 31, 2016 of R$ 21,875).

17. Equity

(a) Capital

At March 31, 2016, capital amounted to R$ 931,340 (R$ 812,992 at March 31, 2015) and is divided into 113,329,207 registered common shares, without par value.

The Company is authorized to increase the share capital, regardless of statutory reform, up to the limit of 124,000,000 (one hundred and twenty four million) common shares, by resolution of the Board of Directors, who shall determine the conditions of issue, including price and payment term.

At the Special General Meeting held on July 31, 2015, shareholders approved capital increase by R$ 118,348 with capital investment reserve, without issue of new shares.

(b) Treasury shares

Changes in treasury shares for the period ended March 31, 2016 are as follows:

In thousands of reais, unless otherwise stated

	Number	Average acquisition price*	Total amount
Treasury shares at March 31, 2015	409,675	18.00	7,375
Acquisition of shares	669,432	47.66	31,904
Exercise of options	(464,621)	27.26	(12,666)
Treasury shares at March 31, 2016	614,486	43.31	26,613

* including additional acquisition costs - in reais

(c) Equity adjustments

- *Deemed cost*

This corresponds to the deemed cost surplus of land, buildings and premises, equipment and industrial installations, vehicles and machinery, and agricultural implements. Amounts are recorded net of tax effects and their realization is based on depreciation, write-off or sale of related assets. Realized amounts are transferred to "Retained earnings".

Certain events that took place over the year ended March 31, 2015 resulted in the strategic repositioning of subsidiary Vale do Mogi and evidence the development of real estate activity as its core business. Among these events, the following are to be highlighted: (i) the establishment of independent management and own operational structure; (ii) the launch of real estate ventures; and (iii) the additional payment of plots of land by SM.

Therefore, that subsidiary began to recognize real estate sales also under gross revenue, and tax land sales under the regime in which the Company computes profit as a percentage of gross revenue, as well as other revenues (leases), as allowed by tax legislation.

- Hedge accounting fair value

This refers to the results of outstanding derivative financial instruments that qualify for hedge accounting. The balance is reversed over time from equity to the results of operations, as the related transactions mature/are shipped.

In thousands of reais, unless otherwise stated

(d) Legal and capital investment reserves

The legal reserve is set up annually with the allocation of 5% of the profit for the year, not to exceed 20% of the capital. The purpose of the legal reserve is to protect the entity's capital, and it can only be used to offset losses and increase capital.

The capital investment reserve is intended to fund investments in increasing production capacity and in several projects intended for improving processes.

On March 31, 2016, management is temporarily proposing new allocation to this reserve, with the remaining balance of net income. Management proposal for allocation will be subject to approval at the next Board of Directors meeting to be held on June 27, 2016.

At March 31, 2016, management is proposing a new allocation for this reserve, with the remaining balance of net income for the year, also to be approved, together with the corresponding investment plan, in the next General Shareholders' Meeting.
Additionally, management is proposing capitalization of the amount allocated to this reserve in prior years, which should be approved on a timely basis in the Meeting, since the corresponding investments have already been made.

(e) Dividend

Shareholders are entitled to receive a minimum dividend of 25% of net income for the year, after the deduction of any accumulated deficit and the allocation to the legal reserve.

Mandatory minimum dividends were as follows:

	2016	2015
Net income for the year	194,331	286,058
Set up of legal reserve (5%)	(9,717)	(14,303)
Calculation basis for the payment of mandatory minimum dividends	184,614	271,755
Mandatory minimum dividends – 25%	46,154	67,939
Realization of reserve for unearned income	7,010	-
Total dividends	53,164	67,939

In thousands of reais, unless otherwise stated

(f) Stock option plan

The Stock Option Plan was approved and offered to the Company's officers in 2009. The total number of common shares that may have options granted should not exceed 2% of total common shares of the Company's capital and cannot exceed a maximum annual limit of 0.5% of its total capital shares.

The board Meeting of Directors held on December 14, 2015, approved the 7th Plan of Share Purchase Options. The regulation of the new plan will keep all the features existing in other Company.

The stock option plans issued and the changes in outstanding stock options for the period ended March 31, 2016 are as follows:

Plan	3rd Plan	4th Plan	5th Plan	6th Plan	7th Plan	Total
Date of plan issue	12/12/2011	12/17/2012	12/16/2013	12/15/2014	12/14/2015	
Deadline for exercise*	2018	2019	2020	2021	2022	
Fair value of options (R$)	4.98 - 7.56	6.86 - 7.86	8.47 - 9.46	11.39 - 12.59	16.65 – 18.63	
Stock options granted	418,538	391,726	380,812	338,088	255,900	1,785,064
Options exercised	(409,663)	(264,855)	(114,036)	-	-	(788,554)
Outstanding stock options	8,875	126,871	266,776	338,088	255,900	996,510
Exercise price	18.49	25.11	27.40	36.11	47.60	

* The options under each one of the plans may be exercised on three occasions, namely: 1/3 after the second year as from the grant date, 1/3 after the third year as from the grant date, and 1/3 after the fourth year as from the grant date, and the maximum term for the exercise of all these stock options is established in each plan.

In the year ended March 31, 2016, 464,621 stock options were exercised in the amount of R$10,627.

The fair value attributed to these options was determined based on the Black & Scholes pricing model. The Company recognized a stock option expense of R$ 3,125 (2015 - R$ 2,996).

(g) Capital reserve

This refers to mark-to-market valuation of Company shares issued upon stock option exchange with non-controlling shareholders.

(h) Unearned income reserve

This reserve refers to unearned income, comprising the sale of equity interest held in ABV, sale of properties arising from real estate developments, and gains on equity pickup and on a change in the equity interest.

For the year ended March 31, 2016, R$ 7,010 were realized and are transferred to dividends payable.

18. Profit sharing program

The Company manages, as part of its policy, a profit sharing program based on operating and financial targets previously agreed upon with its employees. The amount of profit sharing for the years ended March 31, 2016 and 2015, recorded as operating costs or expenses in the income statement, amounted to R$ 43,562 and R$ 32,682, in Company and consolidated, respectively.

19. Income and social contribution taxes

Deferred income and social contribution taxes are recognized on respective tax losses, and corresponding temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available to offset temporary differences and/or tax losses, considering projections of future profitability prepared and based on internal assumptions and future economic scenarios which may, therefore, be subject to changes.

In thousands of reais, unless otherwise stated

(a) Income and social contribution tax balances are as follows:

	Company		Consolidated	
	2016	2015	2016	2015
Current assets - Prepayments				
. Income and social contribution taxes to be offset	113,757	64,278	113,758	64,633
In current liabilities - Current debts				
. Income and social contribution taxes payable	-	725	916	1,511

(b) Changes in deferred income and social contribution taxes

	Accumulated			
Company	March 31, 2015	Recognized in P&L	Recognized in equity	March 31, 2016
. Derivative financial instruments	197,515	(10,902)	43,685	230,298
. Employee profit sharing and bonuses	5,035	(4,528)	-	507
. Income and social contribution tax losses	58,914	9,709	-	68,623
. Provision for contingencies	17,988	1,243	-	19,231
. Provision for other liabilities	18,461	(11,793)	-	6,668
. Other	1,921	26	-	1,947
Total income and social contribution tax assets	299,834	(16,245)	43,685	327,274
. Present value adjustment	(3,297)	999	-	(2,298)
. Disposal of investments with deferred taxation	(27,104)	2,710	-	(24,394)
. Tax benefit on goodwill merged	(39,779)	(30,359)	-	(70,138)
. Encouraged accelerated depreciation	(190,863)	17,583	-	(173,280)
. Securitized financing	(17,400)	(1,124)	-	(18,524)
. Appreciation of PP&E (Deemed cost)	(189,950)	12,046	(5,935)	(183,839)
. Other	(617)	98	-	(519)
. Biological assets and agricultural product (variation for fair value)	5,163	(10,400)	-	(5,237)
. Foreign exchange fluctuation	(118,299)	74,115	-	(44,184)
Total income and social contribution tax liabilities	(582,146)	65,668	(5,935)	(522,413)
Balance of deferred income and social contribution taxes	(282,312)	49,423	37,750	(195,139)

In thousands of reais, unless otherwise stated

Consolidated	March 31, 2015	Recognized in P&L	Recognized in equity	March 31, 2016
			Accumulated	
. Derivative financial instruments	197,515	(10,902)	43,685	230,298
. Employee profit sharing and bonuses	5,035	(4,528)	-	507
. Income and social contribution tax losses	58,914	9,709	-	68,623
. Provision for contingencies	17,988	1,243	-	19,231
. Provision for other liabilities	18,461	(11,793)	-	6,668
. Other	1,921	26	-	1,947
Total income and social contribution tax assets	299,834	(16,245)	43,685	327,274
. Present value adjustment	(3,297)	999	-	(2,298)
. Divestiture with deferred taxation	(27,104)	2,710	-	(24,394)
. Tax benefit on merged goodwill	(39,779)	(30,359)	-	(70,138)
. Accelerated tax-incentive depreciation	(190,863)	17,583	-	(173,280)
. Securitized loans	(17,400)	(1,124)	-	(18,524)
. Surplus of PP&E (Deemed cost)	(194,683)	12,223	(5,935)	(188,395)
. Other	(617)	98	-	(519)
. Biological assets and agricultural product (change in fair value)	5,163	(10,400)	-	(5,237)
. Intangible assets	(36,766)	4,888	-	(31,878)
. Gain due to change in equity interest - CTC	-	(1,201)	-	(1,201)
. Exchange gain (loss)	(118,299)	74,115	-	(44,184)
Total income and social contribution tax liability	(623,645)	69,532	(5,935)	(560,048)
Deferred income and social contribution taxes	(323,811)	53,287	37,750	(232,774)

Deferred tax assets and liabilities are presented net in the balance sheet, by company, when there is a legally enforceable right and the intention to offset them on the calculation of current taxes and when related to the same tax authority.

Expected recovery of all deferred tax credits, under CVM 371/02, indicates that projections of taxable profit approved by management, including expected realization of temporary differences, are as follows:

Consolidated	Estimated realizable amount
By the 18/19 crop	32,935
Between 19/20 and 21/22 crops	170,309
Between 22/23 and 23/24 crops	124,030
	327,274

Deferred income and social contribution tax liabilities are realized mainly through the depreciation and disposal of property, plant and equipment items that gave rise to them. Realization of this liability is estimated at the average rate of 15% per year, according to the depreciation rates of the respective property, plant and equipment items, except for the deferred tax liabilities on the surplus of land, which will be realized if sold.

In thousands of reais, unless otherwise stated

(c) Reconciliation of income and social contribution taxes

	Company		Consolidated	
	2016	2015	2016	2015
Income before income amd social contribution taxes	162,187	307,870	173,197	313,838
Income and social contribution taxes at statutory rates (34%)	(55,144)	(104,676)	(58,887)	(106,705)
Adjustments for calculation of effective tax rate:				
. Equity pickup	82,493	64,875	25,462	10,909
. Other permanent exclusions (additions), net	1,109	6,761	1,109	9,617
. Gain on remeasurement at fair value of prior equity interest (step acquisition)	-	10,803	-	10,803
. "Lei do Bem" (Brazil's Tax Relief Law)	3,584	-	3,584	-
. Adjustment to the calculation of subsidiary whose taxable profit is computed as a p	-	-	49,764	48,399
. Other	102	425	102	1,456
Income and social contribution tax expense	32,144	(21,812)	21,134	(25,521)
Current income and social contribution taxes	(17,279)	(12,383)	(26,130)	(19,953)
Deferred income and social contribution taxes	49,423	(9,429)	47,264	(5,568)
Income and social contribution tax effective rate	-19.8%	7.1%	-12.2%	8.1%

20. Commitments

The Group assumes various commitments in the ordinary course of its business. Significant commitments to be disclosed in this financial statement are set out as under:

Riparian forests and land for legal reserve

The Group has uncultivated areas covered by preserved native vegetation in the process of regeneration or enrichment intended to ensure the ecological balance of the environment. Such areas, under current environmental law, correspond to riparian forests and areas destined to the so-called "legal reserve". These legal reserve areas are strictly observed and preserved upon sugar cane plantation.

The Company regularized all areas with the Rural Environmental Registry (CAR), based on the schedule established by the Ministry of the Environment under current legislation, and other obligations are also being regularized in accordance with the deadlines determined by current legislation, complying with this commitment. Amounts to be invested to comply with these obligations, the manner in which they will be fulfilled, and the time required for their performance are not currently measurable. Investments in preservation areas, when made, are recorded in the Group's property, plant and equipment.

Ethanol supply agreement

Under a sale and purchase agreement, the Company has agreed to supply industrial ethanol to Mitsubishi Corporation for 30 years, beginning with the 2008/2009 crop, under market conditions.

Sureties granted

In addition, the Company is the guarantor of borrowings contracted by UBV totaling R$ 162,399.

Electricity supply

The Company, BIO and SME have commitments for sale of a portion of their production through the Electric Energy Trade Chamber (CCEE) both in the regulated market (auctions) and in the free market (sales contracts with third parties).

Purchases of inputs

The Company has commitments for the purchase of inputs to be used in maintaining its harvest. Such transaction is conducted through purchase for future delivery.

21. Provision for contingencies

Provisions are recognized when the Group has a present legal or constructive obligation arising from past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably measured. Provisions are set up, reviewed and adjusted to reflect management's best estimate at the reporting dates.

21.1 Probable losses

The Group, based on legal counsel's assessment of probable losses, has the following provisions for contingencies (amounts monetarily restated):

In thousands of reais, unless otherwise stated

						Company
	March 31, 2015	Additions	Reversals	Use	Restatements	March 31, 2016
Tax	8,625	2,588	(689)	(388)	515	10,651
Civil and environmental	4,794	2,263	(1,555)	(3,257)	1,223	3,468
Labor	40,941	23,550	(14,638)	(13,950)	8,273	44,176
Total	54,360	28,401	(16,882)	(17,595)	10,011	58,295
Judicial deposits	26,587	15,075	-	(15,031)	939	27,570

						Consolidated
	March 31, 2015	Additions	Reversals	Use	Restatements	March 31, 2016
Tax	9,693	3,875	(699)	(388)	515	12,996
Civil and environmental	4,793	2,263	(1,555)	(3,257)	1,223	3,467
Labor	40,944	23,550	(14,638)	(13,950)	8,274	44,180
Total	55,430	29,688	(16,892)	(17,595)	10,012	60,643
Judicial deposits	27,927	16,465	-	(15,031)	939	30,300

Judicial deposits are monetarily restated and reported in noncurrent assets.

The nature of the main lawsuits at March 31, 2016 included in the above provisions is as follows (Company and consolidated):

Tax proceedings:
These refer to: (a) taxes whose payment has been challenged in court by the Group; the amounts challenged have been deposited in court; and (b) success fees payable to legal counsel for defenses in tax proceedings.

Civil and environmental proceedings:
These refer to: (i) general indemnities; (ii) redress for damages caused by the burning of sugar cane straw; and (iii) environmental issues.

Labor proceedings:
These refer mainly to claims for: (i) differences of overtime; (ii) commuting hours; (iii) indemnity for elimination of the break between shifts; (iv) hazardous duty and health hazard premiums; (v) refund of payroll deductions, such as union dues; (vi) night shift premium; and (vii) recognition of employment relationship with the consequent payment of the 13th monthly salary and vacation pay, plus 1/3 vacation bonus.

In thousands of reais, unless otherwise stated

21.2 Possible losses

The Group is party to various lawsuits involving tax, environmental and civil matters that were assessed by legal counsel as possible losses. The nature and the amounts involved in these lawsuits are as follows:

Tax proceedings:

Consolidated			Stage			
Nature		No. of proceedings	Administrative	Trial court	Higher court	Total
(i)	Social Security Contribution	14	136,224	-	13,541	149,765
(ii)	Calculation of IRPJ/CSLL	5	275,407	-	-	275,407
(iii)	Offset of federal taxes	26	4,877	342	-	5,219
(iv)	Other tax proceedings	39	10,638	3,800	4,459	18,897
		84	427,146	4,142	18,000	449,288

(i) These refer to the levy of Social Security Tax (INSS) on export revenue, under the allegation that exports carried out through intermediation of a cooperative are not included in the exemption established in article 149, paragraph 2, of the Brazilian Federal Constitution.

(ii) These refer to exclusion of expenses on securitized financing, as well as expenses arising from the benefit of accelerated tax-incentive depreciation from the Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) tax bases.

(iii) The proceedings refer to requests to offset IRPJ, CSLL, Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) and other federal taxes as a result of overpayments and/or tax losses and export credits whose offset has been rejected by the Brazilian IRS (RFB) and which are pending judgment of protest letters/voluntary appeals.

(iv) The proceedings refer to disputes involving other tax cases, including, among others, tax delinquency notices referring to a fine for non-approval of offset, IPTU enforcements, contribution to the National Service for Industrial Training (SENAI) and the fee to the National Department of Mineral Research (DNPM), whose likelihood of loss is assessed as “possible”.

In thousands of reais, unless otherwise stated

Civil and environmental proceedings:

Consolidated		Stage				
Nature	No. of proceedings	Administrative	Trial court	Lower court	Higher court	Total
Environmental	34	1,256	3,490	411	-	5,157
Civil						
Indemnities	22	-	11,404	4	36	11,444
Review of contracts	10	-	1,590	-	-	1,590
Other civil proceedings	17	-	1,304	13	-	1,317
Labor claims						
Tax assessment notice	18	40	-	-	-	40
	101	1,296	17,788	428	36	19,548

Environmental claims refer to infraction notices from CETESB and/or environmental police arising from sugarcane straw burning, as well as actions for annulment to cancel fines applied by the authorities above.

Civil claims refer to compensation claims generally arising from (i) road accidents and (ii) review of agreements.

22. Derivative financial instruments and risk management

The Company is exposed to market risks, including foreign exchange risk, commodity price volatility risk, interest rate risk, credit risk and liquidity risk. Company management believes risk management is critical to: *(i)* continuous monitoring of exposure levels relating to the sales volumes contracted; *(ii)* estimates of the value of each risk based on the established limits of foreign exchange exposure and sugar sales prices; and *(iii)* future cash flow forecasts and the definition of approval authority levels for taking out financial instruments designed to protect product prices and to hedge sales performance against foreign exchange fluctuation and price volatility.

Derivative financial instruments are taken out exclusively for the purpose of pricing and hedging the Company’s sugar, ethanol and other product export transactions against foreign exchange risk and sugar price fluctuation in the international market. No transactions with financial instruments are carried out for speculative purposes.

In thousands of reais, unless otherwise stated

22.1 Market risks

(a) Currency risk

Management has established a policy that requires Group companies to manage their currency risk so as to reduce the potential impact entailed by this currency mismatch.

Non-Derivable Forwards (NDF) and options strategy are used to manage currency risk. The Group's financial risk management policy is to hedge the greatest possible volume of expected cash flows, mainly those from export sales.

Assets and liabilities subject to foreign exchange fluctuation

The table below summarizes foreign currency-denominated assets and liabilities (in US dollars - US$), recorded in the consolidated balance sheet at March 31, 2016:

Consolidated	R$	Thousands of US$ equivalent
Current and noncurrent assets		
Cash and cash equivalents (banks – demand deposits)	55,853	15,694
Trade accounts receivable	43,826	12,314
Derivative financial instruments	188,944	53,091
Total assets	288,623	81,099
Current and noncurrent liabilities:		
Loans and financing	1,999,453	561,912
Derivative financial instruments	262,289	73,712
Total liabilities	2,261,742	635,624
Subtotal assets (liabilities)	(1,973,119)	(554,525)
(-) Borrowings linked to exports – ACC and PPE	1,976,500	555,462
Exposição líquida ativa	3,381	937

These assets and liabilities were restated and recorded in the financial statements at March 31, 2016 at the exchange rate in effect on that date, of R$ 3.5589 per US$ 1.00 for assets and R$ 3.5583 per US$ 1.00 for liabilities.

(b) Commodity price volatility risk

The Company is exposed to the risk of changes in the commodity prices of manufactured products such as sugar and ethanol. At March 31, 2016, the prices of 767,067 tons of sugar had been determined with commercial partners for future delivery scheduled for 2016/2017 harvest, priced at an average of 14.42 ¢/lb (US dollar cents per pound weight).

(c) Cash flow or fair value risk related to interest rate

The Group raised loans and financing at floating rates. Regarding loans and financing in local currency, the risk of fluctuation in interest rates is naturally mitigated as investments are all remunerated at floating rates. With respect to loans and financing in foreign currency, the Group believes that interest rates react to changes in the economy so that, when they increase, generally the economy is booming, thus allowing the Group to set selling prices above the historical average.

(d) Market risk sensitivity analysis

The following table provides a sensitivity analysis of the effects of changes in the relevant risk factors to which the Company is exposed. Such analysis considers only instruments that are not designated for hedge accounting.

In thousands of reais, unless otherwise stated

Consolidated	Risk factor	Impacts on P&L Probable scenarios – 5%	Possible scenarios – 25%	Possible scenarios – 50%
Cash and cash equivalents	Decrease in exchange rate – R$/US$	2,793	13,966	27,931
Trade accounts receivable	Decrease in exchange rate – R$/US$	3,475	17,377	34,754
Loans and financing	Increase in exchange rate – R$/US$	(20,760)	(103,802)	(207,604)
Derivative financial instruments				
Future price (sugar and ethanol)	Increase in future price of commodities	(174)	(868)	(1,736)
Swap *contracts* (a)	Decrease in exchange rate - R$/US - and increase in interest curve	(594)	(902)	(1,413)
Net exposure		(15,260)	(74,229)	(148,068)

(a) The sensitivity analysis of variations in interest curves considers the effects of an increase or decrease of 25bps and 50bps (basis points) in the pricing curve of the derivative instruments. The exposure to rates refers exclusively to variations in the CDI curve and Libor.

(e) Derivative financial instruments

The Company opted for hedge accounting to recognize part of its derivative financial instruments. Instruments elected were sugar, ethanol and foreign currency (US dollar) derivatives, which cover sales of the 2016/2017 and 2017/2018 crops, and were designated as cash flow hedges of highly probable forecast transactions (future sales).

In order to apply hedge accounting, prospective tests were carried out to verify effectiveness. These tests showed that the hedge-designated instruments qualify as highly effective hedges against the effects of price fluctuations on the value of future sales.

In thousands of reais, unless otherwise stated

In the case of foreign exchange hedges, the derivatives were designated as a cash flow hedge in respect of future sales in foreign currency. These hedges were carried out upon contracting of Non-Deliverable Forwards (NDFs) and option strategies with leading financial institutions.

In the case of sugar hedges, the derivatives were designated as a cash flow hedge in respect of future sales of sugar. These transactions are carried out on the ICE Futures US and with leading financial institutions through over-the-counter contracts.

The balances of assets and liabilities at March 31, 2016 and 2015 relating to transactions with derivative financial instruments and their maturities are as follows:

				2016
Company and Consolidated	Contracted amount/volume	Average price/rate	Notional value – R$	Fair value – R$
In current assets - Gain				
Margin deposit				72,395
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	36,171	16.06	45,593	1,979
. Purchase commitment	366,489	14.56	418,731	24,520
Merchandise forward contracts - Sugar #11				
. Sale commitment	45,722	16.17	58,024	1,512
Non-Deliverable Forward (NDF) – Dollar - OTC				
. Sale commitment	88,550	4.1422	366,797	31,162
Merchandise options contracts - Sugar #11 – Commodities Exchange				
. Bidding position in call options	76,204	14.25	85,199	9,034
. Bidding position in put options	200,669	12.84	202,135	2,391
Swap contracts – interest - OTC				2,708
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS				145,701
In noncurrent assets - Gain				
Swap contracts – interest - OTC				43,243
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT ASSETS				43,243

In thousands of reais, unless otherwise stated

Company and Consolidated	2016 Contracted amount/volume	Average price/rate	Notional value – R$	Fair value – R$
In current liabilities - Loss				
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	569,495	13.46	601,696	91,706
. Purchase commitment	134,068	16.01	168,399	6,089
Non-Deliverable Forward (NDF) - Dollar - OTC				
. Sale commitment	14,080	3.7822	53,254	805
Merchandise options contracts - Sugar #11 – Commodities Exchange				
. Written position in call options	259,549	14.15	288,049	36,905
. Written position in put options	15,241	13.00	15,545	12
Swap contracts – interest - OTC				61,147
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES				196,664
In noncurrent liabilities - Loss				
Swap contracts – interest - OTC				65,625
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN NONCURRENT LIABILITIES				65,625

Company and Consolidated	2015 Contracted amount/volume	Average price/rate	Notional value – R$	Fair value – R$
In current assets – gain / (loss)				
Margin deposit				20,674
Merchandise futures contracts - Sugar #11 – Commodities Exchange				
. Sale commitment	605,565	16.64	712,553	171,830
. Purchase commitment	55,679	15.50	61,048	(12,831)
Merchandise options contracts - Sugar #11 – Commodities Exchange				
. Bidding position in call options	87,431	18.38	2,589	466
. Bidding position in put options	180,349	15.88	11,807	44,204
. Written position in call options	392,957	17.64	11,913	(2,626)
Merchandise futures contracts - Ethanol – Commodities Exchange				
. Sale commitment	39,120	1,250.90	48,939	156
. Purchase commitment	18,900	1,309.80	24,755	(76)
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT ASSETS				221,797

In thousands of reais, unless otherwise stated

Company and Consolidated	Contracted amount/volume	Average price/rate	Notional value – R$	Fair value – R$
				2015
In current liabilities – (Gains) / loss				
Flexible currency option contracts - Dollar				
. Bidding position in put options	8,400	3.1812	26,722	(880)
. Written position in call options	8,400	3.4193	28,722	1,815
Non-Deliverable Forward (NDF) – Dollar - OTC				
. Sale commitment	231,214	2.7922	645,596	123,855
		Notional value – US$	Notional value – R$	Fair value – R$
Swap contracts – interest - OTC		411,763	1,152,956	107,921
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS IN CURRENT LIABILITIES				232,711

Margin deposit balances refer to funds maintained in current accounts with brokers to cover the initial margins and variance established by the Commodities Exchange in which the contracts are executed, with the objective of guaranteeing open contracts and net remittances in relation to daily adjustments resulting from fluctuations in contract prices in the futures and options market.

The potential results of futures, options and forward contracts refer to the cumulative positive (negative) effect of the fair value of derivative financial instruments in the corresponding categories.

22.2 Credit risk

Credit risk management consists of contracting only with top tier financial institutions which meet the Group's risk assessment criteria. The Group controls, on a monthly basis, its exposure in derivatives and financial investments, using maximum concentration criteria based on the rating of the financial institution.

With respect to customers default risk, the Group assesses the credit risk associated with each customer annually, and whenever a new customer is included in its base, establishing an individual credit limit based on the risk identified.

In thousands of reais, unless otherwise stated

22.3 Liquidity risk

The Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Cash surplus is invested in repurchase agreements backed by private securities, Bank Deposit Certificates (CDB) and investment funds pegged to the CDI interest rate, with high liquidity and active trading in the market.

The following table analyzes the Group's financial liabilities, by maturity ranges, corresponding to the remaining period in the balance sheet to the contractual maturity date.

Company	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At March 31, 2016					
Loans and financing	667,015	1,028,493	1,639,133	152,556	3,487,197
Derivative financial instruments	196,664	65,625	-	-	262,289
Trade accounts payable	119,128	-	-	-	119,128
Acquisition of equity interest	17,937	23,240	34,860	3,650	79,687
Other liabilities	17,252	-	-	9,993	27,245
	1,017,996	1,117,358	1,673,993	166,199	3,975,546
At March 31, 2015					
Loans and financing	868,879	398,797	1,652,692	296,294	3,216,662
Derivative financial instruments	232,711	-	-	-	232,711
Trade accounts payable	101,866	-	-	-	101,866
Acquisition of equity interest	17,507	17,065	34,860	26,890	96,322
Other liabilities	23,225	-	-	10,927	34,152
	1,244,188	415,862	1,687,552	334,111	3,681,713

In thousands of reais, unless otherwise stated

Consolidated	Within 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total
At March 31, 2016					
Loans and financing	670,559	1,031,979	1,649,591	155,058	3,507,187
Derivative financial instruments	196,664	65,625	-	-	262,289
Trade accounts payable	113,907	-	-	-	113,907
Acquisition of equity interest	17,937	23,240	34,860	3,650	79,687
Other liabilities	26,591	10,179	-	-	36,770
	1,025,658	1,131,023	1,684,451	158,708	3,999,840
At March 31, 2015					
Loans and financing	872,419	402,276	1,663,129	302,255	3,240,079
Derivative financial instruments	232,711	-	-	-	232,711
Trade accounts payable	95,476	-	-	-	95,476
Acquisition of equity interest	17,507	17,065	34,860	26,890	96,322
Other liabilities	29,484	-	-	11,380	40,864
	1,247,597	419,341	1,697,989	340,525	3,705,452

22.4 Capital management

The Group objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain an optimal target capital structure to reduce the cost of capital. In order to maintain or adjust its capital structure, the Group may revise the policy for payment of dividends, return capital to shareholders, issue new shares, or sell assets to reduce its indebtedness, for example.

23. Financial instrument classification and fair value

23.1 Classification

Financial assets and liabilities are classified as follows:

In thousands of reais, unless otherwise stated

			Company
	Classification	2016	2015
Financial assets			
Cash and cash equivalents	Loans and receivables	266,343	989,690
Short-term investments	Fair value through profit or loss	641,728	478
Trade accounts receivable	Loans and receivables	76,706	142,162
Derivative financial instruments	Fair value through profit or loss	188,944	221,797
Transactions with related parties	Loans and receivables	2,996	1,280
Other assets, except for prepayments	Loans and receivables	4,517	3,091
		1,181,234	1,358,498
Financial liabilities			
Loans and financing	Liabilities at amortized cost	3,487,197	3,216,662
Derivative financial instruments	Fair value through profit or loss	262,289	232,711
Trade accounts payable	Other financial liabilities	119,128	101,866
Acquisition of equity interest	Other financial liabilities	79,687	96,322
Other liabilities	Other financial liabilities	27,245	34,152
		3,975,546	3,681,713

			Consolidated
	Classification	2016	2015
Financial assets			
Cash and cash equivalents	Loans and receivables	266,659	1,020,112
Short-term investments	Fair value through profit or loss	711,910	5,723
Trade accounts receivable	Loans and receivables	108,274	164,366
Derivative financial instruments	Fair value through profit or loss	188,944	221,797
Other assets, except for prepayments	Loans and receivables	4,515	3,020
		1,280,302	1,415,018
Financial liabilities			
Loans and financing	Liabilities at amortized cost	3,507,187	3,240,079
Derivative financial instruments	Fair value through profit or loss	262,289	232,711
Trade accounts payable	Other financial liabilities	113,907	95,476
Acquisition of equity interest	Other financial liabilities	79,687	96,322
Other liabilities	Other financial liabilities	36,770	40,864
		3,999,840	3,705,452

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There is no history of significant default in the Group.

23.2 Fair value

For measuring and determining fair value, the Company uses various methods including market approaches, of P&L or cost, in order to estimate the value that market participants would use to price the asset or liability. Financial assets and liabilities carried at fair value are classified and disclosed within the following fair value hierarchy levels:

In thousands of reais, unless otherwise stated

Level 1 - Quoted prices (unadjusted) in active, liquid and visible markets, for identical assets and liabilities that are readily available at the measurement date;
Level 2 - Quoted prices (which may be adjusted or not) for similar assets or liabilities in active markets; and
Level 3 - Assets and liabilities whose prices do not exist, or whose prices or valuation techniques are supported by a small, nonexistent or illiquid market and unobservable market inputs.

For the year ended March 31, 2016, there was no reclassification of assets and liabilities at fair value from or to Level 1, 2 or 3.

	2016		2015	
As per balance sheet	Level 1	Level 2	Level 1	Level 2
Assets				
Short-term investments	-	711,910	-	5,723
Margin deposit	-	72,395	-	20,674
Derivative financial instruments	37,924	78,625	201,123	-
	37,924	862,930	201,123	26,397
Liabilities - Derivative financial instruments	134,712	127,577	-	232,711

Futures and Options in the ICE

The fair value of futures negotiated in the New York - Intercontinental Exchange (ICE Futures US) is calculated by the difference between the price of the derivative in the contract and the market closing price on the base date, obtained from quotations in the active market, and reconciled to creditor or debtor balances with the brokers. The fair value of options traded in the ICE is obtained from quotes in the market.

Foreign exchange options

The fair value of foreign exchange options is obtained using the Black & Scholes method, based on public market data and characteristics thereof, specifically the price of the underlying asset, strike of options, volatility, yield curve and time remaining until expiration of the agreements.

Forward contracts
The fair values of forward contracts, both for foreign exchange and sugar, contracted in the over-the-counter market with first-tier banks, are calculated using the discounted future cash flow method, based on observable market inputs, specifically the DI and DDI interest curves published by the BM&F, PTAX published by the Central Bank of Brazil (BACEN), and prices of sugar futures and the Libor rate published by Ice Futures in the ICE.

Other financial assets and liabilities

The carrying amounts of trade accounts receivables, notes receivable, trade accounts payables and notes payable, less impairment loss, or present value adjustment, when applicable, are assumed to approximate their fair values.

24. Segment information (consolidated)

Management has determined the Group's operating segments based on the reports used for strategic decisions, which are reviewed by the main decision-makers, namely: the Executive Board, the CEO and the Board of Directors.

The analyses are made by segmenting the business based on the products sold by the Group, into the following segments:

(i) Sugar;
(ii) Ethanol;
(iii) Electricity;
(iv) Real estate ventures; and
(v) Other products, which includes operations related to production and sale of ribonucleic acid (sodium salt) and other products or byproducts of lesser importance.

Certain events that took place over the year ended March 31, 2015 resulted in the strategic repositioning of Vale do Mogi and evidence the development of real estate activity as its core business. Among these events, the following are to be highlighted: (a) the establishment of independent management and own operational structure; (b) the launch of real estate ventures; and (c) the additional payment of plots of land by the Company in Vale do Mogi.

The operating segment performance is analyzed based on the P&L by product, focusing on profitability. The operating assets related to these segments are located in Brazil only.

In thousands of reais, unless otherwise stated

Consolidated P&L by segment

	Sugarcane	Ethanol	Electricity	Real estate ventures	Other products	Not segmented	Total
							2016
Net revenue	1,164,413	964,947	146,470	23,210	49,079	(9,389)	2,338,730
Cost of sales	(922,832)	(718,229)	(48,038)	(6,581)	(35,145)	(12,618)	(1,743,443)
Depreciation of agricultural product	(2,539)	(1,850)	-	-	-	-	(4,389)
Mark-to-market of sugarcane plantation	-	-	-	-	-	32,950	32,950
Gross profit	239,042	244,868	98,432	16,629	13,934	10,943	623,848
Gross margin	20.53%	25.38%	67.20%	71.65%	28.39%	-	26.67%
Selling expenses	(78,984)	(22,364)	(2,176)	-	(77)	-	(103,601)
Other operating expenses	-	-	-	-	-	(52,828)	(52,828)
Operating income/(loss)	160,058	222,504	96,256	16,629	13,857	(41,885)	467,419
Operating margin	13.75%	23.06%	65.72%	71.65%	28.23%	-	19.99%
Other income and expenses not by segment	-	-	-	-	-	(273,088)	(273,088)
Net income for the year	-	-	-	-	-	-	194,331

	Sugarcane	Ethanol	Electricity	Real estate ventures	Other products	Not segmented	Total
							2015
Net revenue	1,018,483	678,994	123,480	30,389	72,219	(7,521)	1,916,044
Cost of sales	(714,746)	(524,706)	(16,902)	(5,467)	(54,743)	(31,161)	(1,347,725)
Depreciation of agricultural product	9,424	(1,201)	-	-	-	-	8,223
Mark-to-market of sugarcane plantation	-	-	-	-	-	(31,036)	(31,036)
Gross profit	313,161	153,087	106,578	24,922	17,476	(69,718)	545,506
Gross margin	30.75%	22.55%	86.31%	82.01%	24.20%	-	28.47%
Selling expenses	(74,164)	(9,959)	(1,364)	-	(262)	-	(85,749)
Other operating expenses	-	-	-	-	-	(4,357)	(4,357)
Operating income	238,997	143,128	105,214	24,922	17,214	(74,075)	455,400
Operating margin	23.47%	21.08%	85.21%	82.01%	23.84%	-	23.77%
Other income and expenses not by segment	-	-	-	-	-	(167,083)	(167,083)
Net income for the year	-	-	-	-	-	-	288,317

Consolidated operating assets by segment

The main operating assets of the Group were segregated by segment based on the cost centers into which they are allocated and/or the apportionment criterion that takes into consideration the production of each product in relation to total production. This allocation could, therefore, vary from one year to another.

In thousands of reais, unless otherwise stated

2016	Sugarcane	Ethanol	Electricity	Real estate ventures	Other unallocated products	Total
Trade accounts receivable	45,796	15,178	5,798	26,911	14,591	108,274
Inventories	151,887	118,600	-	6,622	14,450	291,559
Biological assets	644,973	427,833	-	-	-	1,072,806
Property, plant and equipment	1,980,416	1,311,717	106,481	-	10,941	3,409,555
Intangible assets	235,399	164,982	89,176	-	-	489,557
Total assets allocated	3,058,471	2,038,310	201,455	33,533	39,982	5,371,751
Other unallocated assets	-	-	-	-	2,013,510	2,013,510
Total	3,058,471	2,038,310	201,455	33,533	2,053,492	7,385,261

2015	Sugarcane	Ethanol	Electricity	Real estate ventures	Other unallocated products	Total
Trade accounts receivable	50,322	61,706	3,230	8,902	40,206	164,366
Inventories	81,296	127,703	-	10,322	7,729	227,050
Biological assets	550,146	386,095	-	-	-	936,241
Property, plant and equipment	1,911,574	1,339,385	120,359	-	12,058	3,383,376
Intangible assets	233,364	163,776	103,401	-	-	500,541
Total assets allocated	2,826,702	2,078,665	226,990	19,224	59,993	5,211,574
Other unallocated assets	-	-	-	-	1,957,350	1,957,350
Total	2,826,702	2,078,665	226,990	19,224	2,017,343	7,168,924

Since the decision-makers analyze liabilities on a consolidated basis, information on liabilities is not reported by segment.

25. Revenues

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities.

(i) Sales of products and services

The Group sells sugar, ethanol, electricity, ribonucleic acid, sugar cane bagasse, among others. Sales of products are recognized whenever the Company has delivered products to the customer. The delivery is not made until: (i) the products have been sent to a local specified; (ii) the loss risks have been transferred to the customer; (iii) the customer has accepted the products according to the sale contract; and (iv) the acceptance provisions have been agreed to, or the Group has objective evidence that all criteria for acceptance have been met.

The Group renders planting, mechanization and logistics services. These services are priced according to the time incurred and materials used, and are recognized as they occur.

(ii) Sale of plots of land and subdivisions (real estate ventures)

Sales revenue and cost of land inherent in the development are allocated to profit or loss (P&L) to the extent that infrastructure work progresses given that the transfer of risks and rewards occurs continuously. In these sales (undeveloped plots) the following procedures are observed:

(i) The percentage of cost incurred in relation to its total budgeted cost is calculated. This percentage is applied on revenue from plots and units sold, adjusted in accordance with contractual sale conditions;

(ii) The sales revenue recognized that is higher than that effectively received from customers is recorded in current or noncurrent assets; and

(iii) The amounts received in relation to the sale of plots that are higher than the amounts recognized in revenue are recorded under the heading “Advances from customers”.

In credit sales of land with completed infrastructure projects, revenue is recognized when the sale is made, regardless of the receipt of the contractual amount, with revenues measured at the fair value of the consideration received and receivable. The Company takes into consideration the present value adjustment to the amounts receivable recorded.

In thousands of reais, unless otherwise stated

	Company		Consolidated	
	2016	2015	2016	2015
Gross sales revenue				
Domestic market	1,000,566	758,108	1,142,385	921,042
Foreign market	1,374,335	1,048,881	1,374,335	1,104,814
Gain/loss on derivatives	(82,495)	(14,692)	(82,495)	(19,731)
	2,292,406	1,792,297	2,434,225	2,006,125
Amortization of electric power supply agreement (i)	-	-	(9,389)	(7,521)
	2,292,406	1,792,297	2,424,836	1,998,604
Taxes, contributions and deductions on sales	(78,727)	(70,696)	(86,106)	(82,560)
	2,213,679	1,721,601	2,338,730	1,916,044

(ii) Amortization of Bio's agreements for electricity supply, mentioned in Note 10.

26. Costs and expenses by nature

Reconciliation of expenses by nature is as follows:

	Company		Consolidated	
	2016	2015	2016	2015
Raw material and consumer and in-use materials	706,887	586,574	655,344	564,666
Personnel expenses	353,371	227,911	356,103	238,009
Depreciation and amortization (including biological assets harvested)	606,368	453,812	609,726	474,847
Third-party services	138,742	124,973	138,911	131,162
Maintenance services and parts	92,516	50,445	92,705	53,432
Litigation	10,912	12,918	10,903	13,647
Change in fair value of biological assets	(32,950)	27,562	(32,950)	31,029
Materials for resale	42,372	21,627	46,489	25,096
Cost of land sold	-	-	6,581	5,467
Other expenses	71,804	63,666	71,358	63,379
	1,990,022	1,569,488	1,955,170	1,600,734
Classified as:				
Cost of sales	1,756,964	1,353,991	1,714,882	1,370,538
Selling expenses	101,832	79,721	103,601	85,749
General and administrative expenses	131,226	135,776	136,687	144,447
	1,990,022	1,569,488	1,955,170	1,600,734

In thousands of reais, unless otherwise stated

27. Other revenues, net

	Company		Consolidated	
	2016	2015	2016	2015
Gain on remeasurement of prior equity interest – SC (i)	-	31,772	-	31,772
Divestiture - SMA	2,027	-	2,027	-
Gain due to change in equity interest - CTC	-	-	3,531	7,055
Provision for expenses with employee benefits	-	(11,029)	-	(11,029)
Divestiture - ABV (i)	-	79,717	-	79,717
Nonrecurring expenses - Acquisition of SC (i)	-	(7,194)	-	(7,194)
Tax loss of subsidiary used in REFIS	-	7,097	-	7,097
Gain/loss on sale of property, plant and equipment	(704)	(102)	(704)	(26)
Gain/loss on sale of scrap	1,861	1,883	1,861	2,026
Recoveries with agricultural partnership agreement	971	-	971	181
Expenses with proceeding - ICMS Copersucar	(105)	(3,539)	(105)	(3,539)
In-court reorganizations	942	993	942	993
Other	218	(878)	449	952
	5,210	98,720	8,972	108,005

(i) As disclosed in Note 10.2, referring to an important business combination transaction with SC and disposal of ABV, which impacted profit or loss.

In thousands of reais, unless otherwise stated

28. Financial income (expenses)

	Company		Consolidated	
	2016	2015	2016	2015
Financial income				
Interest received and accrued	85,921	69,251	97,714	80,256
Bank surety commission	3,194	3,314	3,194	3,314
PIS/COFINS on financial income	(2,776)	-	(2,927)	-
Other revenues	1,686	606	7,158	1,255
	88,025	73,171	105,139	84,825
Financial expenses				
Present value adjustment	(2,943)	(4,281)	(2,943)	(4,299)
Interest on loans and financing	(197,943)	(140,270)	(199,436)	(148,561)
Interest on payment in installment - Copersucar	(11,548)	(9,956)	(11,548)	(10,512)
Interest paid and accrued	(49,302)	(26,738)	(49,831)	(26,764)
Bank surety commission	(1,760)	(2,309)	(1,760)	(2,619)
ICMS - Copersucar	(20,245)	(19,238)	(20,245)	(20,321)
Reversal of provision for expenses ICMS -	22,246	-	22,246	-
Monetary restatement of contingencies	(10,011)	(7,730)	(10,012)	(8,839)
Other expenses	(4,897)	(4,938)	(4,903)	(5,224)
	(276,403)	(215,460)	(278,432)	(227,139)
Exchange gain (loss) and monetary restatement,				
Cash and cash equivalents	50,328	50,235	50,328	54,123
Customers and suppliers	1,475	24,727	1,475	25,703
Loans and financing	(125,276)	(76,081)	(125,276)	(85,246)
	(73,473)	(1,119)	(73,473)	(5,420)
Derivatives - not designated for *hedge accounting*				
Gain (loss) on sugarcane transactions	(28,450)	2,338	(28,450)	2,088
Gain (loss) on ethanol transactions	(6)	218	(6)	218
Gain (loss) on foreign exchange transactions	(23,487)	528	(23,487)	528
Gain (loss) on swap	6,237	(3,724)	6,237	(7,518)
Cost of commodities exchange transactions	(1,897)	(1,059)	(1,897)	(1,157)
Foreign exchange gain (loss), net	147	11,335	147	12,013
	(47,456)	9,636	(47,456)	6,172
Financial income (expenses)	(309,307)	(133,772)	(294,222)	(141,562)

29. Earnings per share

	2016	2015
Income for the year attributable to the Company's shareholders	194,331	286,058
Weighted average number of common shares in the year – in thousands	112,976	112,570
Basic earnings per share (in reais)	1.7201	2.5412

	2016	2015
Income for the year used to determine diluted earnings per share	194,331	286,058
Weighted average number of common shares for diluted earnings per share - in thousands (i)	113,202	112,860
Diluted earnings per share (in reais)	1.7167	2.5346

(i) Weighted average includes potentially dilutive call options.

30. Insurance coverage

The Group maintains a standard safety, training and quality program in its units, which aims, among other things, to reduce the risk of accidents. Furthermore, it maintains insurance contracts at amounts considered sufficient to cover any significant losses on its assets and liabilities. Insured amounts at March 31, 2016 are as follows:

Company and Consolidated	
Covered perils	Maximum coverage *(i)*
Civil liability	2,068,519
Loss of profits	1,923,772
Fire, lightning and explosion of any nature	1,432,676
Theft or larceny	228,777
Other insurance coverage	1,171,836
Electric damages	1,015,102
Natural phenomena, vehicle or aircraft crash, etc.	144,000

In thousands of reais, unless otherwise stated

(i) Corresponds to the maximum coverage amount for the various assets and locations insured.

The vehicle cover, mainly civil liability, is also included above, except for property damage, which has as reference, on average, 100% of the Economic Research Institute (FIPE) table.

31. Acquisition and divestiture - payables and receivables

The net balance payable refers to the acquisition and disposal of equity investment and is comprised as follows:

	Payables					Receivables					
	2015	Monetary restatement	Amortization (principal)	Amortization (interest)	2016	2015	Monetary restatement	Amortization (principal)	Amortization (interest)	2016	Net balance
Santa Cruz – acquisition of equity interest - 56.05%	(282,349)	(35,468)	31,210	35,483	(251,124)	-	-	-	-	-	(251,124)
Agro Pecuária Boa Vista - divestiture	-	-	-	-	-	196,917	24,795	(19,590)	(24,792)	177,330	177,330
TOTAL with related party LOP	(282,349)	(35,468)	31,210	35,483	(251,124)	196,917	24,795	(19,590)	(24,792)	177,330	(73,794)
Santa Cruz – 3.9%	(10,890)	(482)	5,115	364	(5,893)	-	-	-	-	-	(5,893)
	(293,239)	(35,950)	36,325	35,847	(257,017)	196,917	24,795	(19,590)	(24,792)	177,330	(79,687)
										Current liabilities	(17,937)
										Noncurrent liabilities	(61,750)
											(79,687)

32. Subsequent events

Partial demerger of Vale do Mogi

In the Special Shareholders' Meeting held on April 25, 2016, it was approved the partial spin-off of subsidiary Vale do Mogi to LandCo Empreendimentos e Participações S.A. ("LandCo"). The portion spun-off by LandCo refers to land amounting to R$ 53,176.
This resulted in capital decrease in Vale do Mogi

Capital reduction in Vale do Mogi

On June 6, 2016, the Board of Directors approved a capital reduction of Mogi Valley at $ 14 without cancellation of shares by payment in kind of certain real estate. These goods are plus added value of deemed cost (deemed-cost) of R $ 4,474.

* * *