Agropecuária Nova Europa S.A.

Financial statements
March 31, 2017

(A free translation of the original report in Portuguese)

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Contents

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Independent auditors' report on the financial statements

To
To the Directors and Shareholders of
Agropecuária Nova Europa S.A.
Nova Europa – SP

Opinion
We have examined the financial statements of Agropecuária Nova Europa S.A. ("Company"), comprising the balance sheet as of March 31, 2017 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding explanatory notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the financial aforementioned financial statements present adequately, in all relevant aspects, the financial and equity position of Agropecuária Nova Europa S.A. as of March 31, 2017, the performance of its operations and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Basis for opinion
We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other issues

Statements of added value

Statements of added value for the year ended March 31, 2017, prepared under responsibility of Company's management and presented as supplementary information, were submitted to audit procedures carried out jointly with the audit of Company’s financial statements. In order to form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. In our opinion, these statements of added value were adequately prepared, in all material respects, according to criteria defined in this Technical Pronouncement, and are consistent with financial statements taken as a whole.

Responsibility of management for the financial statements

The Management is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, and the internal controls it deemed necessary to enable the preparation of financial statements free of material misstatements, regardless of whether caused by fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

São Carlos, June 19, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6

Original report in Portuguese signed by

Rafael Henrique Klug
Accountant CRC 1SP246035/O-7

Agropecuária Nova Europa S.A.

Balance sheets at March 31, 2017 and 2016

(In thousands of reais)

Assets	**Note**	**2017**	**2016**
Cash and cash equivalents	**7**	8	9
Trade accounts receivable	**9**	11,188	5,599
Recoverable taxes	**8**	4	75
Other accounts receivable		3	-
Total current assets		11,203	5,683
Judicial deposits		32	31
Total non-current assets		32	31
Property, plant and equipment	**10**	136,623	136,642
Total non-current assets		136,655	136,673
Total assets		147,858	142,356

Liabilities	**Note**	**2017**	**2016**
Suppliers		8	3
Taxes and contributions payable	**11**	89	34
Current tax liabilities	**15**	34	30
Salaries and vacations payable		5	4
Other accounts payable	**9**	1,293	1,678
Total current liabilities		1,429	1,749
Deferred tax liabilities	**15**	44,174	44,180
Total non-current liabilities		44,174	44,180
Shareholders' equity	**12**		
Capital		5,075	3,055
Profit reserves		11,514	7,705
Revaluation reserve		81,720	81,720
Equity valuation adjustment		3,946	3,947
Total shareholders' equity		102,255	96,427
Total liabilities		45,603	45,929
Total liabilities and shareholders' equity		147,858	142,356

See the accompanying notes to the financial statements

Agropecuária Nova Europa S.A.

Statements of income

Years ended March 31, 2017 and 2016

(In thousands of reais)

	Note	2017	2016
Net operating income	**13**	7,371	5,697
Cost of products sold		(2)	(8)
Gross income		7,369	5,689
Administrative and general expenses	**14**	(1,713)	(416)
Other net operating (expenses) income		(1)	135
Income before net financial income (expenses) and taxes		5,655	5,408
Financial income		2	32
Financial expenses		(10)	(5)
Financial income (expenses) and net foreign exchange rate		(8)	27
Income before taxes		5,647	5,435
Current income and social contribution taxes	**15**	(211)	(168)
Deferred income and social contribution taxes	**15**	6	6
Net income for the year		5,442	5,273

See the accompanying notes to the financial statements

Agropecuária Nova Europa S.A.

Statements of comprehensive income

Years ended March 31, 2017 and 2016

(In thousands of reais)

	2017	2016
Net income for the year	5,442	5,273
Other comprehensive income	-	-
Total comprehensive income	**5,442**	**5,273**

See the accompanying notes to the financial statements

Agropecuária Nova Europa S.A.

Statements of changes in shareholders' equity

Years ended March 31, 2017 and 2016

(In thousands of reais)

	Capital	Profit reserves: Legal reserve	Profit reserves: Profit reserves	Profit reserves: Profit reserve - Law No. 11.638/07	Revaluation reserve	Equity valuation adjustment	Retained earnings (losses)	Total
Balances at April 1, 2015	3,055	611	-	3,136	81,720	3,952	-	92,474
Realization of deemed cost for the fixed assets - CPC 27	-	-	-	-	-	(5)	5	-
Net income for the year	-	-	-	-	-	-	5,273	5,273
Allocations:								
Compulsory minimum dividends	-	-	-	-	-	-	(1,320)	(1,320)
Profit retention reserve	-	-	-	3,958	-	-	(3,958)	-
Balances at April 1, 2016	3,055	611	-	7,094	81,720	3,947	-	96,427
Special Retention Reserve for undistributed dividends	-	-	1,678	-	-	-	-	1,678
Capital Increase with profit reserves as Annual Shareholders' Meeting (AGO) on June 3, 2016.	2,020	-	-	(2,020)	-	-	-	-
Realization of deemed cost for the fixed assets - CPC 27	-	-	-	-	-	(1)	1	-
Net income for the year	-	-	-	-	-	-	5,442	5,442
Allocations:								
Formation of legal reserve	-	272	-	-	-	-	(272)	-
Compulsory minimum dividends	-	-	-	-	-	-	(1,292)	(1,292)
Profit retention reserve	-	-	-	3,879	-	-	(3,879)	-
Balances at March 31, 2017	5,075	883	1,678	8,953	81,720	3,946	-	102,255

See the accompanying notes to the financial statements

Agropecuária Nova Europa S.A.

Statements of cash flows – Indirect method

Years ended March 31, 2017 and 2016

(In thousands of reais)

	2017	2016
Cash flows from operating activities		
Net income for the year	5,442	5,273
Adjustments for:		
Depreciation	19	26
Current income and social contribution taxes	211	168
Deferred income and social contribution taxes	(6)	(6)
	5,666	5,461
Changes in assets and liabilities		
Trade accounts receivable	(5,589)	(5,359)
Recoverable taxes	71	(71)
Other accounts receivable	(3)	-
Judicial deposits	(1)	1
Suppliers	5	3
Taxes and contributions payable	55	27
Salaries and vacations payable	1	-
Cash generated by operating activities	205	62
Income and social contribution taxes paid	(206)	(146)
Net cash and cash equivalents invested in operating activities	(1)	(84)
Decrease in cash and cash equivalents	(1)	(84)
Cash and cash equivalents at April 1	9	93
Cash and cash equivalents at March 31	8	9

See the accompanying notes to the financial statements

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Agropecuária Nova Europa S.A.

Statements of added value

Years ended March 31, 2017 and 2016

(In thousands of reais)

	2017	2016
Income		
Sales of products	7,607	5,864
Other income	(1)	135
	7,606	5,999
Inputs acquired by third parties		
Other administrative expenses	(799)	(351)
	(799)	(351)
Gross added value	**6,807**	**5,648**
Depreciation, amortization and depletion		
Depreciation and amortization	(19)	(26)
	(19)	(26)
Net added value produced by the Entity	**6,788**	**5,622**
Added value received as transfer		
Financial income	2	32
	2	32
Total added value payable	**6,790**	**5,654**
Distribution of added value		
Personnel and charges		
Directors' fees	895	46
	895	46
Taxes, rates and contributions		
Federal	453	335
	453	335
Remuneration of own capital		
Net income for the year	5,442	5,273
	5,442	5,273
Distributed added value	**6,790**	**5,654**

See the accompanying notes to the financial statements

Notes to the financial statements

(In thousands of reais)

1 Operations

Agropecuária Nova Europa S.A. is headquartered at Estrada da Antiga Fazenda Itaquerê s/n, Bairro Rural, in the city of Nova Europa - SP. The Company's activities include basically the plantation and sale of sugarcane, exclusively for the related company Usina Santa Fé S.A., as per private instrument of agricultural partnership under prices and conditions in accordance with the system of payment of sugarcane adopted by Conselho dos Produtores de Cana-de-açúcar, Açúcar e Álcool do Estado de São Paulo (CONSECANA).

2 Basis of preparation

a. Statement of conformity (regarding CPC and CFC standards)

Financial statements were prepared in accordance with accounting practices adopted in Brazil, comprising the Brazilian Corporation Law, Statements, Guidance and Interpretations issued by Accounting Pronouncement Committee (CPC) and the rules issued by the Federal Accounting Council (CFC).

The issue of Company's financial statements was authorized by the Executive Board on June 19, 2017. Once the financial statements have been issued, only the shareholders have the power to change them.

Details on the Company’s significant accounting policies are shown in Note 6.

All relevant information specific to the financial statements, and only such information, is being evidenced, and corresponds to the information used by company Management.

3 Functional and presentation currency

These financial statements are being presented in Brazilian Real, functional currency of the Company. All financial information presented in Brazilian Reais has been rounded to the nearest value, unless otherwise indicated.

4 Use of estimates and judgments

The preparation of these financial statements, Management used judgments, estimates and assumptions that affect the application of Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews of estimates are recognized on a prospective basis.

Measurement at fair value

A series of company accounting policies and disclosures requires the measurement of fair values, for financial and non-financial assets and liabilities.

The Company established a control structure related to measurement of fair values. This includes an evaluation team with general responsibility of reviewing all significant fair value measurements, including Level 3 fair values (assumption for assets and liabilities which are not based on observable market data), and reported directly to the Financial Office.

Evaluation team regularly reviews significant non-observable data and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the CPC requirements, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring fair value of an asset or liability, the Company uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

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

The Company recognizes transfers between fair value hierarchic levels at the end of the financial statements period in which changes occurred.

Additional information on the assumptions adopted in the measurement of fair values is included in the following note:

- **Note 16** – Financial instruments.

5 Basis of measurement

The financial statements were prepared based on the historical cost, except for non-derivative financial instruments measured at fair value through profit or loss.

6 Description of significant accounting policies

The accounting policies described in detail below have been consistently applied to all the years presented in these financial statements, except otherwise indicated.

a. Financial instruments

The Company classifies non-derivative financial assets in the following categories: financial instruments measured at fair value through profit or loss and loans and receivables. The Company classifies non-derivative financial liabilities in the category of other financial liabilities.

(i) Non-derivative financial assets - Recognition and derecognition

The Company initially recognizes the loans, receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the date of the negotiation when it became a party to the contractual provisions of the instrument.

The Company fails to recognize a financial asset when the contractual rights to the cash flow of the asset expire, or when the Company transfers the rights to the reception of contractual cash flows over a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

Financial assets and liabilities are offset and the net value reported in the balance sheet only when there is a legally enforceable right to offset and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - Measurement

Financial assets measured at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is held for trading, or stated as such when initially recognized. The transaction costs are recognized in income (loss) as incurred. Financial assets registered at fair value through profit or loss are stated at fair values, and any changes to the fair values of these assets are recognized to profit and loss for the year.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, but not quoted on any active market. Such assets are initially recognized at fair value plus any transaction costs directly attributable. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, reduced by any impairment losses.

Loans and receivables include trade accounts receivable and other credits.

Cash and cash equivalents
Cash and cash equivalents comprise balances of cash and financial investments with original maturities of three months or less as of the contracting date, which are subject to an insignificant risk of change in value and are used to manage short-term obligations.

(iii) Non-derivative financial liabilities- Measurement
All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the negotiation date on which the Company becomes a party to the contractual provisions of the instrument. The Company writes off a financial liability when its contractual obligations are discharged or canceled or expired.

Such financial liabilities are initially recognized at fair value plus any transaction costs directly attributable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Financial assets and liabilities are offset and the net value reported in the balance sheet only when there is a legally enforceable right to offset and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Other non-derivative financial liabilities comprise: suppliers, advances from clients and other accounts payable.

(iv) Capital
Common shares are classified as shareholders' equity.

The compulsory minimum dividends, as established in the By-laws, are recognized as liabilities. Additional dividends proposed should be approved at the Annual and General Shareholders' Meeting and recognized in the Shareholders' equity under this caption, if agreed before the end of the year.

b. Property, plant and equipment

(i) Recognition and measurement
Property, plant and equipment items are measured at historical acquisition or construction cost, net of accumulated depreciation. The cost includes expenditures that are directly attributable to the acquisition of assets.

When parts of a property, plant and equipment item have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of a property, plant and equipment item (determined by comparing the funds from disposal with the book value of property, plant and equipment) are recognized in Other operating income/expenses in profit or loss.

(ii) Depreciation

Depreciation is calculated on the depreciable values, which is the cost of an asset, or other amount that substitutes cost, less residual values.

Depreciation is recognized to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this method best reflects the standard of usage of the future economic benefits incorporated to the asset. Land is not depreciated.

Items of fixed assets are depreciated as of the date they are installed and are available for use, or, in the case of assets constructed internally, as of the date the construction is concluded and the asset is available for use. Land is not depreciated.

The useful life for depreciation of assets for the current and comparative years are as follows:

Accounts	**Years**
Furniture and fixtures	8
Vehicles and road implements	5
Agricultural machinery and inputs	6

The depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

c. Impairment

(i) Financial assets

Financial assets not classified as financial assets at fair value through profit or loss, are evaluated at each balance sheet date to determine if there is objective impairment evidence.

Objective evidences of financial assets' impairment include:

- debtor's default or delays;
- restructuring of an amount owed to the Company at conditions not considered as normal conditions;
- indications that the debtor or issuer will face bankruptcy/court-supervised reorganization;
- negative changes in payment situation of debtors or issuers;
- the disappearance of an active market for an instrument due to financial difficulty; or
- observable data indicating that expected cash flow measurement of a group of financial assets decreased.

(ii) Non-financial assets

The book values of non-financial assets, except for inventories, are reviewed at each reporting date in order to determine if there is an indication of impairment and if found that the asset is impaired, a new value of the asset is determined.

Since a substantial portion refers to land used for the production of sugarcane in an agricultural partnership agreement, the Company determines the recoverable value of assets as the higher between value in use and its fair value less costs to sell, being its fair value determined based on the average market value per hectare of assets.

An impairment loss is recognized in income (loss) when the book value of an asset exceeds its estimated recoverable value. Regarding other assets, impairment losses recognized in prior periods are valued on each presentation date for any indications that the loss has increased, decreased or no longer exists. An impairment loss is reversed in case of some change in estimates adopted to determine the recoverable value, only with the condition that the book value of the asset does not exceed the book value that would have been calculated, net of depreciation or amortization, if the impairment loss had not been recognized.

Company's management did not identify any evidence that would justify the need for asset impairment on March 31, 2017 and 2016.

d. Employee benefits

Short-term employee benefits

Obligations for short-term employee benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered. The liability is recognized at the amount expected to be paid under the cash bonus plans or short-term profit sharing if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

e. Provisions

Provisions are determined by discounting the estimated future cash flows at a pre-tax rate which reflects the current market evaluations as to the value of the cash over time and the specific risks of the liability. The effects of discounting to present value are recognized in income (loss) as financial expense.

f. Operating income

Sale of products

The operating income from sales of products in the normal course of business is measured by the fair value of the installment received or receivable. Operating income is recognized when there is convincing evidence that the risks and rewards inherent to the ownership of the assets have been transferred to the purchaser, it is probable that the financial economic benefits will flow to the Entity, the related costs and potential return of goods can be reliably estimated, there is no continued involvement with the goods sold, and the amount of operating income can be reliably measured. Sugarcane income recognition occurs when the agricultural commodity is delivered to the production unit Usina Santa Fé S.A.

g. Financial income and expenses

Financial income comprise income from changes in the fair value of financial assets measured at fair value through profit or loss. Interest income is recognized in income (loss) under the effective interest method.

Financial expenses include loan interest expenses and variations in fair value of financial assets measured at fair value through profit or loss. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit or loss using the effective interest rate method.

Foreign exchange gains and losses are reported on a net basis.

h. Income and social contribution taxes

The basis of calculation for deemed income and social contribution taxes is calculated at the rate of 8% on calculation of income and social contribution taxes and 12% on calculation of social contribution on gross income from sale of sugarcane and 100% of financial income, on which regular rates of 15%, plus 10% are applied for income tax and 9% for social contribution. For this reason, they have not recorded deferred income and social contribution taxes on certain temporary differences that do not affect the deemed profit calculation basis and are not included in the context of non-cumulative calculation of the Social Integration Program (PIS) and Contribution for Social Security Funding (COFINS).

The income and social contribution tax expense comprises the current and deferred installments. Current taxes and deferred taxes are recognized in profit or loss unless they are related to the business combination, or items directly recognized in shareholders' equity or other comprehensive income.

(i) Current income and social contribution tax expenses

Current tax is the tax payable or receivable on taxable gross income for the year and any adjustments to taxes payable in relation to prior years. It is measured based on rates enacted or substantively enacted at the balance sheet date.

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

(ii) Deferred income and social contribution tax expenses

Income and social contribution tax liabilities are recognized in relation to revaluation and deemed cost of land and are used only upon the realization of assets that were depreciated, sold or written-off. Deferred tax is measured at the tax rates that are expected to be applied when they are reversed, based on the laws that have been enacted on the same taxable entity.

i. New standards and interpretations not yet adopted

Several new standards, amendments to standards and interpretations will become effective for the years started after January 1, 2016. The Company did not adopt these changes in the financial statements. The Company does not plan to adopt this standard in advance.

Disclosure Initiative (Amendments to CPC 26 / IAS 7)

The amendments require additional disclosures that allow users of financial statements to understand and assess changes in liabilities arising from financing activities, whether arising from cash flow and other changes.
Amendments are effective in years starting on or after January 1, 2017. Early adoption is permitted only for financial statements in accordance with IFRS.

In order to fulfill the new disclosure requirements, the Company intends to submit a reconciliation between the opening and closing balances of liabilities with changes arising from financing activities.

Recognition of Deferred Tax Assets for Unrealized Losses (Changes to CPC 32 / IAS 12)
The changes clarify the accounting of deferred tax assets for unrealized losses on debt instruments measured at fair value.

Changes are effective in years starting on or after January 1, 2017, and early adoption is allowed only to financial statements, pursuant to IFRSs.

The Company is evaluating the potential impact on its financial statements. Thus far, the Company does not expect any significant impact.

IFRS 15 Income from Contracts with Clients
IFRS 15 introduces a comprehensive framework for determining whether and when income is recognized, and how income is measured. IFRS 15 replaces current income recognition standards, including CPC 30 (IAS 18) Income, CPC 17 (IAS 11) Construction Contracts, and CPC 30 Interpretation A (IFRIC 13) Client Loyalty Programs.

IFRS 15 becomes effective for annual periods starting on or after January 1, 2018. Early adoption is permitted only for financial statements in accordance with IFRS.

The Company is evaluating the potential impact on its financial statements. Thus far, the Company does not expect any significant impact from the adoption of IFRS 15.

(i) Sale of products
For product sales, income is currently recognized when the goods are delivered to the client's location, considered as the time when the client accepts the goods and the risks and benefits related to ownership are transferred. Income is recognized at this time, provided that the income and costs can be measured reliably, receipt of consideration is probable, and there is no continuous involvement of Management with the products.

According to IFRS 15, income must be recognized when the client obtains control of the products.

For certain contracts that allow the client to return the good, income is currently recognized when a reasonable estimate of returns can be made, provided that all other income recognition criteria are met. If a reasonable estimate cannot be made, income recognition is deferred until the return period expires or until a reasonable estimate of the returns can be made.

(ii) Transition
The Company will adopt IFRS 15 in its financial statements for the year ended March 31, 2019 and intends to use the retrospective approach. As a result, the Company will apply all the requirements of IFRS 15 to each comparative period presented, adjusting its financial statements previously reported.

The Company plans to use practical expedients for completed contracts. This means that completed contracts that started and ended in the same comparative reporting period, as well as those that are completed contracts at the beginning of the oldest period reported, will not be re-reported.

The Company is evaluating the potential impact on its financial statements. Thus far, the Company does not expect any significant impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 replaces guidelines of IAS 39 (CPC 38) Financial Instruments: Recognition and measurement. IFRS 9 includes new models for the classification and measurement of financial instruments and measurement of expected credit losses for financial and contractual assets, and new requirements on hedge accounting. The new standard maintains the IAS 39 guidelines about acknowledging and disacknowledging financial instruments.

IFRS 9 will become effective for annual periods starting on or after January 1, 2018, with early adoption allowed only to financial statements, pursuant to IFRSs.

The effective impact of the adoption of IFRS 9 on the Company's financial statements in 2018 cannot be estimated with confidence, as it will depend on the financial instruments held by the Company and the economic conditions in 2018, as well as accounting decisions and judgment calls that the Company will make in the future. The new standard will require the Company to review its accounting procedures and internal controls related to the classification and measurement of financial instruments, and these changes are not yet finalized. However, the Company conducted a preliminary assessment of the potential impact of adopting IFRS 9 based on its position at March 31, 2017 and the hedge relationships identified in 2016 under IAS 39.

(i) Classification - Financial assets

IFRS 9 contains a new approach to financial asset classification and measurement that reflects the business model in which the assets are managed and their cash flow characteristics.

IFRS 9 contains three main classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). The standard eliminates the categories existing in IAS 39 of held-to-maturity, loans and receivables, and available for sale.

Based on its preliminary assessment, the Company does not consider that the new classification requirements, if applied at March 31, 2017, would have a significant impact on the accounting of accounts receivable and loans.

(ii) Impairment - Financial and contractual assets

IFRS 9 replaces the "incurred losses" model of CPC 38 (IAS 39) with a prospective "expected credit losses" model. This will require a relevant judgment as to how changes in economic factors affect the expected credit losses, which will be determined based on weighted probabilities.

The new model of expected losses will be applied to financial assets measured at amortized cost or VFTOCI, with the exception of investments in equity instruments and contractual assets.

According to IFRS 9, the provisions for expected losses will be measured on one of the following bases:

- Expected credit losses for 12 months, i.e., credit losses that result from potential delinquency events within 12 months after the reporting date; and

- Lifetime expected credit losses, i.e., credit losses that result from all possible delinquency events over the expected life of a financial instrument.

The measurement of lifetime expected credit losses applies if the credit risk of a financial asset at the reporting date has increased significantly since its initial recognition, and the 12-month credit loss measurement applies if the risk has not increased significantly since its initial recognition. An entity may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk on the reporting date. However, the measurement of lifetime expected credit losses always applies to trade accounts receivable and contractual assets without a significant financing component; an entity may opt to apply this policy also to trade accounts receivable and contractual assets with a significant financing component.

The Company does not consider that the new classification requirements, if applied on March 31, 2017, would have a significant impact as a result of income from services rendered. However, the Company has not yet finalized the methodology for impairment that it will apply under IFRS 9.

(iii) Classification - Financial liabilities

IFRS 9 retains a large part of the requirements of IAS 39 for the classification of financial liabilities.

However, according to IAS 39, all changes in fair value of the liabilities designated as FVTPL are recognized in Income (loss), whereas, according to IFRS 9, these changes in fair value are generally reported as follows:

- the amount of the change in fair value that is attributable to changes in the credit risk of the financial liability and is presented in OCI; and
- the remaining amount of the change in fair value is presented in income (loss).

The Company did not assign or intend to assign financial liabilities as fair value through profit or loss (VJR). The Company’s preliminary assessment did not indicate any material impact if the requirements of IFRS 9 relating to the classification of financial liabilities were applied at March 31, 2017.

(iv) Disclosures

IFRS 9 will require extensive new disclosures, specifically regarding credit risk and expected credit losses. The Company’s preliminary assessment included an analysis to identify deficiencies in relation to required information and current processes, and the Company plans to implement changes in its systems and controls to comply with the new requirements.

(v) Transitions

Changes in the accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except for the changes described below:

- The Company intends to take advantage of the exemption that allows it not to re-report comparative information from prior periods resulting from changes in the classification and measurement of financial instruments (including expected credit losses). The differences in the book balances of financial assets and liabilities resulting from the adoption of IFRS 9 will generally be recognized in retained earnings (losses) and reserves on January 1, 2018.

- The following assessments should be made based on the facts and circumstances that existed on the date of the initial adoption:

- Determination of the business model within which a financial asset is held.

- The designation and revoke of previous designations of certain financial assets and liabilities measured at fair value through profit or loss.

IFRS 16 Leases

IFRS 16 introduces a single model for lease recognition in lessees' balance sheet. A lessee recognizes a right-of-use asset that represents their right to use the leased asset and a lease liability representing its obligation to make lease payments. Optional exemptions are available for short-term and low-value leases. The lessor's accountings remain like the current standard, i.e. lessors continue to classify leases as financial or operational.

IFRS 16 replaces the existing lease standards including CPC 06 (IAS 17) Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Additional Aspects of Leasing Operations. This standard is effective for annual periods started as of or after January 1, 2019.

Early adoption is permitted only for financial statements in accordance with IFRS's and only for entities that apply IFRS 15 Income from Contracts with Clients on or before the date in which IFRS 16 is first applied.

The Company started an initial evaluation of possible impact on its financial statements. Until now, the most significant impact identified is that the Company will recognize new assets and liabilities for its warehouses and plants' operating leases. In addition, nature of expenses related to these leases will be changed, as IFRS 16 replaces straight-line operating lease expenses by depreciation expenses with right of use and interest on lease liabilities. The Company has not yet decided if it will use optional exemptions. No significant impact is expected on the Company's financial lease contracts.

Other changes

The Accounting Pronouncement Committee has not yet issued any accounting pronouncement or amendments in current pronouncements corresponding to all IFRSs. Therefore, the early adoption of these IFRS is not allowed for entities that prepare their financial statements under the accounting practices adopted in Brazil.

7 Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	2017	2016
Cash and banks	-	1
Interest earning bank deposits	8	8
	8	9

The Company's exposure to interest rate risks for financial assets and liabilities are disclosed in Note 16.

8 Recoverable taxes

	2017	2016
IRRF (Withholding income tax)	2	2
Cofins	2	73
	4	75

9 Related parties

a. Operations with key personnel

Key management personnel is comprised of the Executive Board elected triennially in the Annual Shareholders' Meeting. The Company does not grant long-term benefits to key management personnel.

b. Main balances and transactions which have affected the income (loss)

The main balances of assets and liabilities as of March 31, 2017 and 2016, as well as the transactions that influenced the income (loss) for the years, related to operations with related parties, result from transactions of the Company as shown below:

		Balances		Income (expenses)	
	Relationship	**2017**	**2016**	**2017**	**2016**
Sugarcane sales					
Usina Santa Fé S.A.	Related	11,188	5,599	7,607	5,864
		11,188	5,599	7,607	5,864
Dividends payable					
Other related parties	Individual	1,293	1,678	-	-
		1,293	1,678	-	-

10 Property, plant and equipment

a. Changes in cost

		2016			2017		
	Balance	**Additions**	**Write-offs**	**Balance**	**Additions**	**Write-offs**	**Balance**
Land	137,252	-	-	137,252	-	-	137,252
Furniture and fixtures	26	-	-	26	-	-	26
Vehicles and road implements	721	-	-	721	-	-	721
Agricultural machinery and inputs	722	-	-	722	-	-	722
Other	16	-	-	16	-	-	16
	138,737	-	-	**138,737**	-	-	**138,737**

b. Changes in depreciation

		2016			2017		
	Balance	**Additions**	**Write-offs**	**Balance**	**Additions**	**Write-offs**	**Balance**
Furniture and fixtures	(21)	-	-	(21)	-	-	(21)
Vehicles and road implements	(1,202)	(17)	-	(1,219)	(19)	-	(1,238)
Agricultural machinery and inputs	(841)	(9)	-	(850)	-	-	(850)
Other	(5)	-	-	(5)	-	-	(5)
	(2,069)	(26)	-	(2,095)	(19)	-	(2,114)
Net book value	**136,668**			**136,642**			**136,623**

Guarantee
As of March 31, 2017, a substantial portion of the assets are guaranteeing financing transactions obtained by the related party Usina Santa Fé S.A. with financial institutions.

Impairment test for cash generating units
During the years ended March 31, 2017 and 2016, the Company did not verify the existence of indicators that certain assets of this item may be above their recoverable value.

11 Taxes and contributions payable

	2017	2016
IRRF (Withholding income tax)	30	-
INSS - Funrural	58	34
Other	1	
Total	89	34

12 Shareholders' equity

a. Capital
The capital totals R$ 5,075 (R$ 3,055 as of March 31, 2016) and is represented by 3,055,000 nominative common shares, with no par value.

In June 3, 2016, the Company increased its capital in the amount of R$ 2,020 through the use of its profit reserve, without the issuance of subscribed and paid-up new shares.

b. Reserves

- **Legal reserve -** The legal reserve is set up at the rate of 5% of the net income determined in each fiscal year, pursuant to article 193 of Law No. 6.404/76 up to the limit of 20% of the capital.

- **Revaluation reserve -** Consisting mostly due to land revaluation. In compliance with the accounting practice established by Technical Interpretation ICPC 10, the Company recorded deferred income and social contribution taxes arising from the revaluation of assets not subject to depreciation (land) in the amount of R$ 42,098.

  The revaluation reserve will be realized in proportion to the disposal or write-off of revalued assets, in counter entry to retained earnings.

- **Special profit reserve -** Recorded based on the remaining balance of income after payment of dividends and formation of legal reserve, it is intended to be allocated to investments scheduled in capital budget duly approved by the shareholders' meeting.

c. Equity valuation adjustment
It comprises the effect of adopting fixed assets' deemed cost due to the application of CPC 27 and ICPC 10 on transition date, less the respective deferred income and social contribution taxes, and is being realized through depreciation, disposal or write-off of assets that originated them.

d. Remuneration to shareholders

The Company may resolve on the distribution of dividends at shareholders’ meeting. The dividends may be distributed through the preparation of interim balance sheets. The shareholders are entitled to a minimum dividend of 25 % on the net income for the year, adjusted in accordance with for Brazilian Corporate Law. The use of income for the year will be decided in the Annual Shareholders' Meeting which approves the annual financial statements.

e. Profit retention

The retained earnings determined up to March 31, 2017 were reclassified, in shareholders' equity to "Profit retention reserve".

As of March 31, 2017 the profit reserves exceeded the capital and as per article 199 of Law No. 6.404/76 must be resolved at the next Meeting on its allocation of capital payment or allocation of dividends.

13 Net operating income

The Company's operating income is mainly comprised of sugarcane sales to the related party Usina Santa Fé S.A. The reconciliation between gross income for tax purposes and income presented in the statement of income for the year are as follow:

	2017	**2016**
Sugarcane sales	7,607	5,864
Gross tax income	7,607	5,864
Less:		
Sales taxes	(236)	(167)
Total accounting income	7,371	5,697

14 Expenses per type

The Company presented the income statement using a classification of operating expenses based on their function. The information on the nature of these expenses recognized in the income statement is as follows:

	2017	**2016**
Operating expenses by type:		
Depreciation and amortization	19	17
Personnel expenses	1,080	59
Taxes and rates	538	270
Other expenses	76	70
	1,713	416
Reconciliation with operating expenses classified per function:		
Administrative and general expenses	1,713	416
	1,713	416

15 Income and social contribution taxes

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to income (loss) is presented below:

	2017			2016		
	IRPJ	**CSLL**	**Total**	**IRPJ (Corporate Income Tax)**	**CSLL**	**Total**
Gross operating income						
Income from sales of sugarcane	7,371	7,371		5,697	5,697	
Presumed tax rate	8%	12%		8%	12%	
	589	885		456	684	
Combined tax rate	25%	9%		25%	9%	
	(130)	(81)	(211)	(114)	(55)	(168)
Current income and social contribution taxes			(211)			(168)

As of March 31, 2017 and 2016, the Company recognized deferred income and social contribution tax liabilities on the following base values:

		2016		2017	
	Balance at March 31, 2015	**Recognized in income (loss)**	**Balance at March 31, 2016**	**Recognized in income (loss)**	**Balance at March 31, 2017**
Current liabilities					
IRPJ and CSLL payable	5	-	30	-	34
Non-current liabilities					
Property, plant and equipment – Revaluation	(42,098)	-	(42,098)	-	(42,098)
Property, plant and equipment – Deemed cost	(2,036)	(3)	(2,033)	-	(2,033)
Property, plant and equipment - Economic depreciation	(52)	(3)	(49)	(6)	(43)
Net	(44,186)	(6)	(44,180)	(6)	(44,174)

16 Financial instruments

a. Accounting classification and fair values

The following table shows the book and fair values of financial assets and liabilities, including their fair value hierarchy.

2017	Note	Book value: Fair value through profit or loss (Trading)	Book value: Loans and receivables	Book value: Other financial liabilities	Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3
Assets								
Interest earning bank deposits	**7**	8	-	-	8	-	8	-
Trade accounts receivable	**9**	-	11,188	-	11,188	-	-	-
		8	**11,188**	**-**	**11,196**	**-**	**8**	**-**
Liabilities								
Suppliers and other accounts payable		-	-	1,301	1,301	1,301	-	-
Total		**-**	**-**	**1,301**	**1,301**	**1,301**	**-**	**-**

2016	Note	Book value: Fair value through profit or loss (Trading)	Book value: Loans and receivables	Book value: Other financial liabilities	Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3
Assets								
Interest earning bank deposits	**7**	8	-	-	8	-	8	-
Trade accounts receivable	**9**	-	5,599	-	5,599	-	-	-
Total		**8**	**5,599**	**-**	**5,607**	**-**	**8**	**-**
Liabilities								
Suppliers and other accounts payable		-	-	1,681	1,681	-	-	-
Total		**-**	**-**	**1,681**	**1,681**	**-**	**-**	**-**

b. Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, additional information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents

The book values found in the balance sheet are close to the fair values due to the short-term maturity of these instruments.

Accounts receivable and other receivables and other accounts

Its fair value is estimated as the present value of future cash flows, discounted at the market interest rate on presentation date. Such fair value is determined for disclosure purposes.

c. Financial risk management

Overview
The main risks to which the Company is exposed are covered in the current monitoring and management model. Risks such as the operating risk, demand behavior, competition and any significant changes in follow-up are managed by a risk management model.

Agropecuária Nova Europa S.A., due to substantially having lands in its assets and those lands are object of a private instrument of agricultural partnership under normal market prices and conditions in accordance with the system of payment of sugarcane adopted by Conselho dos Produtores de Cana-de-açúcar, Açúcar e Álcool do Estado de São Paulo (CONSECANA), i.e., the Company has no productive activity. These risks are managed by means of monitoring by Top Management that actively participates in the Company's operational management.

It is the practice of the Company to manage its existing risks on a conservative basis, and the main purposes of this practice is to preserve the value and liquidity of financial assets and to guarantee financial resources for the good progress of business. The main financial risks considered by Top Management are:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operating risk; and
- Capital risk.

This note contains information on the Company's exposure to each of the abovementioned risks, the objectives, practices and the processes for measuring and managing risk and the capital management. Additional quantitative disclosures are included throughout these financial statements.

Risk management structure

Credit risk
Credit risk is the possibility of a financial loss if a client or a counterpart of a financial instrument fails to fulfill its contractual obligations arising mainly from accounts receivable from sugarcane production agricultural partnership.

The management of the Company's credit risk in relation to clients, as pertains to the agricultural partnership business is focused on the formalized relationship with related parties.

Book value of financial assets that represent the maximum credit risk exposure on the date of interim financial information was:

	Note	2017	2016
Assets			
Cash and cash equivalents	**7**	8	9
Trade accounts receivable	**9**	11,188	5,599
		11,196	**5,608**

Impairment losses

On March 31, 2017, the Company has not recorded allowance for doubtful accounts relating to receivables.

Liquidity risk

Liquidity risk is the risk of the Company encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Company's approach in liquidity management is to guarantee, as much as possible, that it always has sufficient liquidity to perform its obligations upon maturity, under normal and stress conditions, without causing unacceptable losses or with a risk of sullying the Company's reputation.

The Company works by aligning resource generation and availability and managing their income generation by means of agricultural partnership.

We present below the contractual maturities of financial liabilities including payment of estimated interest and assets which are used to manage the liquidity risk.

	2017	
	Book value	**Up to 12 months**
Assets		
Cash and cash equivalents	8	8
Trade accounts receivable	11,188	11,188
Total	**11,196**	**11,196**
Liabilities		
Suppliers and other accounts payable	1,301	1,301
Total	**1,301**	**1,301**

	2016	
	Book value	**Up to 12 months**
Assets		
Cash and cash equivalents	9	9
Trade accounts receivable	5,599	5,599
Total	**5,608**	**5,608**
Liabilities		
Suppliers and other accounts payable	1,681	1,681
Total	**1,681**	**1,681**

No cash flow expected, included in the analysis of the maturation of the Company, may occur significantly sooner or in amounts significantly different.

That scenario does not consider export agreements entered into for the next crops, and thus does not reflect the effective cash flow for the next periods.

Market risk
This arises from the possibility of fluctuations in market prices, such as price rates of cultivated and marketed products.

The Company follows the practice of minimizing the market risk by entering into partnership agreements with producers to guarantee production.

Foreign exchange risk
The Company is not exposed to changes from foreign exchange rates.

Interest rate risk
Results from the possibility of the Company suffering gains or losses arising from oscillations of interest rates levied on their financial assets and liabilities. The Company is not exposed to interest rates, since has none financial liability.

Variable interest rate net exposure is presented in the chart below.

	Note	2017	2016
Assets			
Cash and cash equivalents	**3**	8	9
Net		**8**	**9**

Operating risk
Operating risk is the risk of direct or indirect losses arising from different causes related to the Company's processes, personnel, technology and infrastructure and external factors, except credit, market and liquidity risks, as those arising from legal and regulatory requirements and from generally accepted corporate behavior standards. Operating risks are associated to all operations of the Company.

The Company's aim is to manage the operating risk conservatively, by always seeking to use the best market opportunities and maximize financial income, thus contributing to avoid the compromising of the actions applied for the other risks mentioned in this note.

Capital structure risk
Results from the choice between own capital (capital contributions and profit retention) and third-party capital that the Company makes to finance its operations. To mitigate the liquidity risks and the optimization of the weighted average cost of capital, the Company permanently monitors the indebtedness levels according to market standards.

17 Statements of added value – DVA

The Company is presenting as supplementary information the statements of added value - DVA, according to CPC 09.

Those financial statements, supported by macroeconomic concepts, aim at presenting the Company's share in the formation of GDP by calculating the added value not only by the Company but also that received from other entities, and the distribution of related amounts to its employees, governmental spheres, asset leasers, loans, financing and debt security creditors, controlling and non-controlling shareholders, and other compensations representing the transfer of wealth to third-parties.

Said added value represents the wealth created by the Company, generally measured by the income from the sales of goods and services rendered, less related inputs acquired from third parties and also including the added value produced by third parties and transferred to the Company.