

Consolidated Financial Statements

USINA ITAJOBÍ Açúcar e Energia

March 31, 2020
with Independent Auditor's Report

Brasil S.A.

Independent auditor's report on consolidated financial statements

To the Shareholders and Officers of
**USINA ITAJOBÍ Açúcar e Energia
Brasil S.A.**
Opinion

We have audited the consolidated financial statements of USINA ITAJOBÍ Açúcar e Energia Brasil S.A. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of operations, of comprehensive income (loss), of changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of USINA ITAJOBÍ Açúcar e Energia Brasil S.A. as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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 "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Individual financial statements

The Company prepared a complete set of individual financial statements for the year ended March 31, 2020, in accordance with accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), presented separately, for which a separate unmodified auditor's report was issued dated June 15, 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated 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 and its subsidiaries or to cease operations, or has no other realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from a material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 made taken on the basis of these consolidated financial statements.

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

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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 and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

São Paulo, June 15, 2020

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



Uilian Dias Castro de Oliveira
Accountant CRC-1SP223185/O-3



CONSOLIDATED FINANCIAL STATEMENTS

USINA ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A.

For the year ended 31 March 2020

This is a convenience translation from the original consolidated financial statements of USINA ITAJOBÍ Açúcar e Energia Brasil S.A. for the year ended 31 March 2020 previously issued in Portuguese

CONSOLIDATED STATEMENT OF OPERATIONS OF USINA ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A.

(MILLIONS OF R\$)	Notes	For the year ended	
		31 March 2020	31 March 2019
Revenue	4	3,311	3,071
Cost of sales	5	(2,623)	(2,649)
Distribution expenses	5	(254)	(242)
General and administrative expenses	5	(322)	(305)
Other operating income (loss)	5	71	(81)
Operating income (expense)		183	(206)
Financial expenses	6	(617)	(469)
Financial income	6	341	206
Net financial income (expense)		(276)	(263)
Share of profit of associates and joint ventures	10	2	1
Net income (loss) before taxes		(90)	(469)
Income taxes	7	(31)	68
NET INCOME (LOSS)		(121)	(401)
<i>Attributable to owners of the parent</i>		<i>(115)</i>	<i>(371)</i>
<i>Attributable to non-controlling interests</i>		<i>(6)</i>	<i>(30)</i>
Earnings (loss) per share	17	(0.20)	(0.67)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) OF USINA
ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A.

(MILLIONS OF R\$)	For the year ended	
	31 March 2020	31 March 2019
NET INCOME (LOSS)	(121)	(401)
<i>Attributable to owners of the parent</i>	(115)	(371)
<i>Attributable to non-controlling interests</i>	(6)	(30)
Items that are or may be reclassified to profit or loss		
Cash-flow hedge reserve	(175)	(159)
<i>of which income tax effect</i>	90	82
Foreign currency translation reserve	(96)	(16)
Other comprehensive income (loss), net of taxes	(271)	(175)
TOTAL COMPREHENSIVE INCOME (LOSS)	(392)	(576)
<i>Attributable to owners of the parent</i>	(359)	(533)
<i>Attributable to non-controlling interests</i>	(33)	(43)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF USINA ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A.

(MILLIONS OF R\$)	Notes	31 March 2020	31 March 2019
ASSETS			
Cash and cash equivalents	18	1,561	1,349
Trade receivables	18	361	433
Inventories	8	475	451
Biological assets	9	474	324
Current financial assets with related parties	22	206	0
Other current financial assets	18	418	176
Current income tax receivables	7	52	121
Other current assets		5	3
Total current assets		3,552	2,857
Deferred tax assets	7	57	95
Non-consolidated investments	18	4	6
Non-current financial assets with related parties	22	2	2
Other non-current financial assets	18	337	207
Investments in associates and joint ventures	10	51	49
Property, plant and equipment	11	3,629	3,159
Goodwill	12	1,035	1,035
Other intangible assets	13	159	45
Total non-current assets		5,274	4,598
TOTAL ASSETS		8,826	7,455

(MILLIONS OF R\$)	Notes	31 March 2020	31 March 2019
LIABILITIES AND EQUITY			
Short-term borrowings	18	1,765	890
Trade payables	18	488	411
Other current financial liabilities	18	473	335
Current income tax payables	7	30	16
Other current liabilities		1	18
Total current liabilities		2,757	1,670
Long-term borrowings	18	3,835	3,497
Deferred tax liabilities	7	(0)	9
Long-term provisions	16	49	44
Non-current financial liabilities with related parties	22	77	17
Other non-current financial liabilities	18	117	29
Total non-current liabilities		4,078	3,596
Total liabilities		6,834	5,266
Issued capital	17	2,840	2,640
Reserves (accumulated loss)		(113)	(6)
Accumulated other comprehensive income (loss)		(657)	(412)
Equity attributable to owners of the parent		2,070	2,222
Non-controlling interests		(78)	(33)
Total equity		1,992	2,189
TOTAL EQUITY AND LIABILITIES		8,826	7,455

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(MILLIONS OF R\$)	TOTAL EQUITY attributable to the parent	TOTAL EQUITY attributable to NCI	TOTAL EQUITY
At 1 April 2018	2,818	10	2,828
Net income (loss)	(371)	(30)	(401)
Other comprehensive income (loss)	(162)	(13)	(175)
Comprehensive income	(533)	(43)	(576)
Dividends	(63)	0	(63)
At 1 April 2019	2,222	(33)	2,189
Net income (loss)	(115)	(6)	(121)
Other comprehensive income (loss)	(245)	(26)	(271)
Comprehensive income	(360)	(32)	(392)
Capital increase	200	0	200
Other	8	(13)	(5)
At 31 March 2020	2,070	(78)	1,992

(MILLIONS OF R\$)	Issued capital	Reserves (accumulated loss)	Cash-flow hedge	Foreign currency translation	Accumulated OCI	TOTAL EQUITY
At 1 April 2018	2,640	428	(108)	(141)	(250)	2,818
Net income (loss)	0	(371)	0	0	0	(371)
Other comprehensive income (loss)	0	0	(153)	(9)	(162)	(162)
Comprehensive income	0	(371)	(153)	(9)	(162)	(533)
Dividends	0	(63)	0	0	0	(63)
At 1 April 2019	2,640	(6)	(261)	(151)	(412)	2,222
Net income (loss)	0	(115)	0	0	0	(115)
Other comprehensive income (loss)	0	0	(170)	(75)	(245)	(245)
Comprehensive income	0	(115)	(170)	(75)	(245)	(360)
Capital increase	200	0	0	0	0	200
Other changes in Equity	0	8	0	0	0	8
At 31 March 2020	2,840	(113)	(431)	(226)	(657)	2,070
At 1 April 2018	0	3	13	(6)	7	10
Net income (loss)	0	(30)	0	0	0	(30)
Other comprehensive income (loss)	0	0	(6)	(7)	(13)	(13)
Comprehensive income	0	(30)	(6)	(7)	(13)	(43)
At 1 April 2019	0	(27)	7	(13)	(6)	(33)
Net income (loss)	0	(6)	0	0	0	(6)
Other comprehensive income (loss)	0	0	(5)	(21)	(26)	(26)
Comprehensive income	0	(6)	(5)	(21)	(26)	(32)
Other changes in Equity	0	(13)	0	0	0	(13)
At 31 March 2020	0	(46)	2	(34)	(32)	(78)

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

CONSOLIDATED STATEMENT OF CASH FLOWS OF USINA ITAJOBÍ AÇÚCAR E ENERGIA BRASIL S.A.

(MILLIONS OF R\$)	Notes	31 March 2020	31 March 2019
Net income (loss)		(121)	(401)
Share of profit of associates and joint ventures	10	(2)	0
Amortisation	5	782	587
Fair value adjustments on biological assets	9	(191)	79
Other fair value adjustments through the statement of operations		(3)	(8)
Gain (loss) on disposals of assets		(63)	2
Income tax expense (income)	7	31	(68)
Net financial expenses		294	255
Impact of the changes in working capital:		347	217
<i>of which decrease (increase) in trade and other receivables</i>		305	143
<i>of which (decrease) increase in trade and other payables</i>		13	171
<i>of which decrease (increase) in inventory</i>		29	(97)
Change in other accounts with no cash impact		25	70
Cash provided by (used in) operating activities		1,098	733
Income taxes paid		6	(10)
Net cash provided by (used in) operating activities		1,104	723
Purchases of property, plant and equipment and intangible assets		(831)	(741)
Acquisition of financial assets		3	(18)
Change in loans and advances granted		(5)	1
Financing interest received		88	46
Proceeds from the disposal of property, plant and equipment and intangible assets		70	0
Proceeds from the disposal of financial assets		1	0
Dividends received		0	2
Net cash provided by (used in) investing activities		(674)	(710)
Capital decrease and increase		200	0
<i>of which USINA ITAJOBÍ Internacional</i>		200	0
Borrowings issues	18	928	2,386
Borrowings repayments	18	(862)	(1,518)
Financing interest paid		(335)	(258)
Change in financial assets with related parties		(206)	(0)
Change in financial liabilities with related parties		23	0
Dividends paid to equity holders of the parent		(0)	(87)
Net cash provided by (used in) financing activities		(252)	523
Impact of exchange rate on cash and cash equivalents in foreign currency		34	4
Net change in cash and cash equivalents, net of bank overdrafts		211	538
Cash and cash equivalents, net of bank overdrafts at opening	18	1,349	811
Cash and cash equivalents, net of bank overdrafts at closing	18	1,561	1,349
Net change in cash and cash equivalents, net of bank overdrafts		211	538

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

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1. Corporate information, basis of presentation, accounting standards and use of estimates and judgments

1.1 Corporate information

USINA ITAJOBÍ Açúcar e Energia Brasil S.A. (the “Company”) is a Brazilian company, primarily engaged in the cultivation of sugarcane and production and sale of sugar, ethanol, energy and other sugarcane by-products, agricultural undertakings, import and export of assets, products, power generation and raw materials and holding equity interests in other companies.

Sugarcane planted from August to November requires a ripening period of 12 months before harvesting, and the ripening period for sugarcane planted from January to May is 18 months. The harvest period normally extends from April to November. Production is sold throughout the year and is not subject to seasonal variations but only to usual market variations in supply and demand.

Currently, the Company and its subsidiaries (the “Group”) operate seven plants. The existing plants and their locations are as follows:

- Cruz Alta unit - Olímpia - SP.
- Severínia unit - Severínia - SP.
- São José unit - Colina - SP.
- Andrade unit - Pitangueiras - SP.
- Tanabi unit - Tanabi - SP.
- Mandu unit - Guaíra - SP.
- Vertente unit - Guaraci - SP.

The Company also controls an operating unit located in Marromeu, Mozambique.

The consolidated financial statements for the year ended 31 March 2020 were prepared by the Company and were authorised for issue by the Board of Executive Officers of the Company at its meeting on June 15, 2020.

The Company is a subsidiary of USINA ITAJOBÍ Internacional S.A., a Brazilian entity headquartered in São Paulo, Brazil and USINA ITAJOBÍ Participations S.A.S., a French entity headquartered in Origny- Sainte-Benoîte, France.

Registered office: Rodovia Assis Chateaubriand, km 155 - Olímpia - São Paulo - Brazil.

1.2 Basis of presentation

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) and in accordance with accounting practices adopted in Brazil (“BRGAAP”), at 31 March 2020.

The BRGAAP include those established in the Brazilian Corporate Law as well as the Pronouncements, Instructions and Interpretations issued by the Brazilian Accounting Pronouncements Committee (“CPC”).

For the preparation of the consolidated financial statements the Company has adopted all the accounting pronouncements and interpretations issued by CPC.

The consolidated financial statements include the following direct and indirect subsidiaries:

- USINA ITAJOBÍ Açúcar e Energia Cruz Alta S.A. ("Cruz Alta") - direct subsidiary with 100% interest;
- USINA ITAJOBÍ Sena Limited, formerly USINA ITAJOBÍ Ocean Indien, ("TSL") - direct subsidiary located in Mauritius with 100% interest;
- Societe Marromeu Limited ("SML") - direct subsidiary located in Mauritius with 75% interest;
- Usina Vertente Ltda. ("Vertente") - indirect subsidiary through Cruz Alta with 50% interest;
- Teapar ("Teapar") - indirect participation through Cruz Alta with 35% interest;
- Sena Holding Limited ("SHL") - subsidiary located in Mauritius with 99.09% interest;
- Companhia de Sena S.A. ("Companhia de Sena") - indirect subsidiary through Sena Holding Limited, located in Mozambique, with 94.15% interest;
- São José Agricultura Ltda. ("São José Agricultura") - direct participation with 32% interest;
- Sena Lines ("Sena Lines") – indirect subsidiary through USINA ITAJOBÍ Sena Limited with 94.2% interest, located in Mozambique;
- Centro de Tecnologia Canavieira ("CTC") – is an associate company through USINA ITAJOBÍ Açúcar e Energia Brasil, and Vertente with 4.42% interest;
- USINA ITAJOBÍ Commodities do Brasil S.A. – direct subsidiary with 81% interest.

The financial statements of SHL and controlled for purposes of equity and consolidation are prepared in accordance with the IFRS and in local currency, which is the functional currency of the Company, being subsequently translated to the Brazilian currency (Reais) – currency of disclosure. Additionally, for the case of firms in another country, Management decided to consider the financial statements of these subsidiaries on February 29, 2020, with a lag of 30 days for purposes of equity and consolidation.

For the reported periods the compulsory standards and interpretations published by IASB are also similar to the accounting standards and interpretations endorsed by the European Union. Consequently, Group accounts are also compliant with the accounting standards and interpretations endorsed by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets, derivatives and non-consolidated investments which are measured at fair value.

The accounting methods set out below have been applied consistently to all periods presented in the consolidated financial statements, and uniformly across Group entities.

The consolidated financial statements are presented in millions of Reais and all values are rounded to the nearest million except when otherwise indicated. In certain circumstances, this may lead to non-material differences between the sum of the figures and the sub-totals that appear in the tables.

The Group presents assets and liabilities in statement of financial position based on a current/non-current classification.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- expected to be settled in normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The Group's financial year runs from April 1st to March 31st.

In addition, the Group considered the guidelines issued by OCPC 07 Technical Guidance, issued by CPC in November 2014, in the preparation of its financial statements. Accordingly, the relevant information in the financial statements is being disclosed and corresponds to that used by management in its management.

1.3 Standards and interpretations compulsory at 1 April 2019

The following standards and interpretations and revised standards became effective at 1 April 2019 and have no material impact on the Group annual consolidated financial statements, except for IFRS 16 (CPC 06 (R2)) described below:

Standard or Interpretation	Standard / Amendment / Interpretation Name	Effective date*
IFRS 16 (CPC 06 (R2))	Leases	1/1/2019
IFRIC 23 (ICPC 22)	Uncertainty over Income Tax Treatments	1/1/2019
Amendments to IFRS 9 (CPC 48)	Prepayment features with negative compensation	1/1/2019
Amendments to IAS 28 (CPC 28)	Long-term Interests in Associates and Joint Ventures	1/1/2019
Amendments to IAS 19 (CPC 33 (R1))	Plan Amendment, Curtailment or Settlement	1/1/2019
Annual improvements 2015-2017	Annual improvements to 2015-2017 cycles	1/1/2019

* effective for the financial year beginning on or after this effective date

Moreover, as part of the reform of indices for interest rates, such as the Interbank Offered Rates (IBORs), the IASB published an amendment to IFRS 9 (CPC 48 (R1)) "Financial instruments" and IFRS 7 (CPC 40(R1)) "Financial instruments: disclosures", adopted by the European Union on 15 January 2020, applied prospectively from 1 January 2020.

As authorised by the standard, the Group chose to apply this amendment in advance from 1 April 2019. The amendment aims to provide relief to hedging relationships as documented in accordance with IFRS 9 (CPC 48 (R1)), despite the uncertainties raised by the reform in progress.

The Group has identified and analysed the contracts affected. The hedges concerned are mainly exposed to the 1-month Euribor and 3-month Euribor, as well as the 3-month and 6-month USD Libor.

The transition calendar remains dependent on the course of action taken by the regulator and will be adjusted when the final decisions are known, in order to identify the appropriate consequences for the Group's hedging relationships.

Information relating to the Group's hedging derivatives is provided in note 19.2

1.4 First-time application of IFRS16 (CPC 06 (R2))

In May 2016, the IASB published IFRS 16 (CPC 06 (R2)), which replaces the existing standards on leases, including IAS 17 (CPC 06 (R1)) "Leases", IFRIC 4 (ICPC 03) "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases—Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 (CPC 06 (R2)) introduces a uniform accounting model for lessees. Under this model, the lessee is required to recognise a right-of-use asset representing the lessee's right to use the underlying asset and a financial liability representing the lessee's obligation to make future lease payments.

Under IFRS 16 (CPC 06 (R2)), the Company assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

The Group has applied the “modified retrospective” transition approach, under which a liability is recognised at the transition date for an amount equal to the present value of the residual lease payments alone, offset by a right-of-use asset adjusted for the amount of prepaid lease payments or amounts recognised within accrued expenses.

These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 April 2019. The right-of use assets have been measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the corresponding lease recognised in the statement of financial position at 31 March 2019. The comparative information presented for the prior year has not been restated. The reclassifications and adjustments arising from the new rules have therefore been recognised in the opening balance sheet at 1 April 2019.

The Group elected to apply the practical expedients provided under IFRS 16 (CPC 06 (R2)) to exclude leases with a residual term of less than twelve months and leases of low-value assets, and not to capitalise costs directly related to signing leases.

The amount of the liability depends to a large degree on the assumptions used for the lease term and, to a lesser extent, the discount rate. The Group’s extensive geographic coverage means it encounters a wide range of different legal conditions when entering into contracts. The lease term generally used to calculate the liability is the term of the initially negotiated lease, taking into account early termination or extension options when these are likely. No lease liabilities are recognised if USINA ITAJOBÍ and the lessor can cancel their commitment with less than 12 months’ notice.

The weighted average incremental borrowing rate used for discounting purposes is based on the Group’s portfolio of leases at 1 April 2019 and amounts to 7.54%.

The disbursements related to lease contracts retreated under IFRS 16 (CPC 06 (R2)) are recognised under “Borrowings repayments” of the consolidated statement of cash flows for a total negative amount of R\$ 119 million.

The Group entered into agricultural partnership agreements. These agreements are within the scope of IFRS 16 (CPC 06 (R2)) and have variable consideration, as a consequence there is no recognition of a right-of-use asset or a financial liability. The expense related to these agreements amounted to R\$ 254 million for the period ended 31 March 2020.

The effects of the first-time application on the current year financial information are presented below:

For the year ended

(MILLIONS OF R\$)	31 March 2020	IFRS 16 (CPC 06 (R2)) Impact	31 March 2020 before IFRS 16
Revenue	3,311		3,311
Cost of sales	(2,623)	12	(2,635)
Distribution expenses	(254)		(254)
General and administrative expenses	(322)		(322)
Other operating income (loss)	88		88
Operating income (expense)	200	12	188
Financial expenses	(664)	(27)	(637)
Financial income	388		388
Net financial income (expense)	(276)	(27)	(248)
Share of profit of associates and joint ventures	2		2
Net income (loss) before taxes	(74)	(15)	(59)
Income taxes	(31)	5	(36)
NET INCOME (LOSS)	(105)	(10)	(95)

In accordance with the standard's transitional provisions, the impacts on the opening statement of financial position are presented below:

(MILLIONS OF R\$)

ASSETS	31 March 2019	IFRS 16 (CPC 06 (R2)) impact	1 April 2019
Cash and cash equivalents	1,349		1,349
Trade receivables	433		433
Inventories	451		451
Biological assets	324		324
Other current financial assets	176		176
Current income tax receivables	121		121
Other current assets	3		3
TOTAL CURRENT ASSETS	2,857	-	2,857
Deferred tax assets	95		95
Non-consolidated investments	6		6
Non-current financial assets with related parties	2		2
Other non-current financial assets	207		207
Investments in associates and joint ventures	49		49
Property, plant and equipment	3,159	389	3,548
Goodwill	1,035		1,035
Other intangible assets	45		45
TOTAL NON-CURRENT ASSETS	4,598	389	4,988
TOTAL ASSETS	7,455	389	7,844

(MILLIONS OF R\$)

LIABILITIES AND EQUITY	31 March 2019	IFRS 16 (CPC 06 (R2)) impact	1 April 2019
Short-term borrowings	890	78	968
Trade payables	411	(3)	408
Other current financial liabilities	335		335
Current income tax payables	16		16
Other current liabilities	18		18
CURRENT LIABILITIES	1,670	75	1,745
Long-term borrowings	3,497	315	3,811
Deferred tax liabilities	9		9
Long-term provisions	44		44
Non-current financial liabilities with related parties	17		17
Other non-current financial liabilities	29		29
NON-CURRENT LIABILITIES	3,596	315	3,910
TOTAL LIABILITIES	5,266	389	5,655
Issued capital	2,640		2,640
Reserves (accumulated loss)	(6)		(6)
Accumulated other comprehensive income (loss)	(412)		(412)
EQUITY ATTRIBUTABLE TO THE PARENT	2,222	-	2,222
Non-controlling interests	(33)		(33)
TOTAL EQUITY	2,189	-	2,189
TOTAL EQUITY AND LIABILITIES	7,455	389	7,844

1.5 Standards and interpretations mandatorily applicable after 31 March 2020 with no early application elected by the Group

The following standards and interpretations that are mandatorily applicable after 31 March 2020 could have an impact on the Group's consolidated financial statements:

Standard or Interpretation	Standard / Amendment / Interpretation Name	Effective date*
Amendment to IAS 1 (CPC 26 (R1))	Definition of Material	1/1/2020
Amendment to IAS 8 (CPC 23)	Definition of Material	1/1/2020
Amendment to IFRS 3 (CPC 15 (R1))	Definition of A Business	1/1/2020

* effective for the financial year beginning on or after this effective date

1.6 Use of estimates and judgments

In preparing the Group's consolidated financial statements, Management makes estimates and judgments, insofar as many items included in the financial statements cannot be measured with precision. Management revises these estimates and judgments if the underlying circumstances evolve or in light of new information or experience. Consequently, the estimates and judgments used to prepare the consolidated financial statements for the year ended 31 March 2020 may change in subsequent periods.

1.6.1 Judgments

Group Management uses estimates or judgment to define the appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with the related accounting issues:

- As the IFRS and BR GAAP do not provide any specific guidance for business combinations of entities under common control, the Group has applied the "pooling of interests" method when required.

1.6.2 Estimates

Management makes significant estimates in determining the assumptions used for accounting in the following areas:

Note	Estimate	Nature of disclosure
Note 7	Income taxes	Assumptions used for the recognition of deferred tax assets arising from the carry-forward of unused tax losses.
Note 9	Biological assets	Key assumptions used to determine the fair value of standing cane (estimated yield, quantity of sugar per tonne of cane, sugar price...).
Note 11	Property, plant and equipment	Assumptions used to measure property, plant & equipment acquired in business combinations. Assumptions used to determine the useful life of the assets.
Note 12	Goodwill	Assumptions used to determine the fair value of the assets and liabilities acquired, the fair value of the consideration received and therefore the goodwill.
Note 15	Impairment tests	Level of grouping of CGUs for goodwill impairment test. Key assumptions used to determine recoverable amounts: value in use (discount rate, perpetual growth rate, expected cash flows), market value (revenue and EBITDA multiples for comparable companies or transactions, cash flows)
Note 16	Provisions	Provisions for claims and litigation: assumptions underlying risk assessment and measurement.
Note 18	Financial instruments	Assumptions used to determine the fair value of the different categories of financial instruments and the calculation of expected credit losses.

2. Significant accounting principles

2.1 Consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the effective date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Entities are fully consolidated if the Group has all the following:

- power over the investee; and
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Control is deemed to exist when the Group has power:

- over more than one half of the voting rights of the other entity by virtue of an agreement;
- to govern the financial and operating policies of the other entity under a statute or agreement;
- to appoint or remove the majority of the Members of the Board of Directors or equivalent governing body of the other entity; or
- to cast the majority of votes at meetings of the Board of Directors or equivalent governing body of the other entity.

The consolidated financial statements are prepared based on the financial statements of the consolidated subsidiaries, which are prepared for the same reporting period as the parent company. Adjustments are made when necessary to bring the accounting policies in line with those of the group. All material intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary without a change of control is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control of a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- reclassifies the foreign currency translation reserve, recorded in equity, to statement of operations;
- reclassifies the parent's share of components previously recognised in other comprehensive income to income statement;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any gain or loss in income statement

2.2 Joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the entity have rights to its net assets. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Significant influence is presumed to exist when the percentage of voting rights exercisable by the Group exceeds 20% but does not lead to control or joint control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

When assessing an investor's power over an investee, potential voting rights are taken into account if they are substantive, i.e., if they confer upon the investor the practical ability to direct the relevant activities of the investee on a timely basis.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in the associate is initially carried at its acquisition cost determined at the acquisition date. After acquisition, the carrying amount of the investment in the statement of financial position is adjusted for the changes in Group's share of net assets, including comprehensive income for the period.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is never amortised.

The statement of operations reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, where applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of operations below operating profit and represents profit or loss after tax of the associate or joint venture.

When it is possible, the financial statements of the associate and joint ventures are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

If the Group's share in the losses of an associate or a joint venture is greater than or equal to its investment in the associate, including any unsecured receivables, the Group does not recognise any additional losses, unless it has an obligation to do so or has made already payments in the name of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in the statement of operations.

When an investment ceases to be an associate or a joint venture, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate on loss of significant influence and the fair value of the residual investment and proceeds from disposal is recognised in the statement of operations.

Entities over which the Group does not exercise significant influence are measured at fair value and classified as non-consolidated investments at fair value.

A list of joint ventures and associates at 31 March 2019 and 31 March 2020 is presented in note 10.

2.3 Translation of the financial statements expressed in foreign currencies

Group entities outside Brazil use their domestic currency as their functional currency and translate their financial statements to the Group's presentation currency (Brazilian Real – R\$) based on:

- the average annual exchange rate for income and expenses on the statement of operations;
- the exchange rate at March 31st for assets and liabilities on the statement of financial position.

The resulting translation differences are recognised in “Foreign currency translation” in shareholders’ equity, and are also presented in “Other comprehensive income” in the statement of comprehensive income. The share attributable to non-controlling interests is presented in “Non-controlling interests” within shareholders’ equity.

These amounts are fully reclassified to income when the related investment is: (i) fully disposed of or liquidated, or (ii) partially disposed of (the Group ceases to exercise control, joint control or significant influence). In case of a partial disposal without any significant economic consequences as described above, a partial reclassification of the “Foreign currency translation reserve” is recognised on a prorata basis.

The average and year-end exchange rates used in translating the financial statements for the presentation currency are the following:

Foreign currency / Brazilian Real ratios			Average rate for the year		End of year rate	
			31 March 2020	31 March 2019	31 March 2020	31 March 2019
USA	Dollar	USD	0.2432	0.2647	0.1913	0.2567
Mozambique	Mozambican Metical	MZN	15.3147	16.0114	12.8537	16.2529

2.4 Transactions in foreign currencies

On initial recognition, transactions denominated in foreign currencies are translated into the subsidiary’s functional currency at the exchange rate prevailing at the transaction date.

At year-end, financial assets and liabilities are translated at the year-end exchange rate, or at the hedged rate, if applicable. Foreign exchange differences resulting from these translations are recorded in the statement of operations under the heading “Financial income and expenses”.

The Group grants long-term advances to foreign subsidiaries that may be qualified as net investments in a foreign operation in accordance with IAS 21 (CPC 02 (R2)). Any foreign exchange gains and losses arising on the translation of these receivables and payables at the closing exchange rate are recognised in “Other Comprehensive Income” in accordance with IAS 21 (CPC 02 (R2)).

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

Goodwill is initially measured at cost, being the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed, measured at fair value. If, after reassessment, the Group’s interest in the fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess (also called Badwill) is recognised immediately in income as a gain on bargain purchase.

For each business combination, the Group decides to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives from the host contracts held by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

If the business combination is achieved in stages, the carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a financial asset or liability are recognised in accordance with IFRS 9 (CPC 48) either in income or in Other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is ultimately settled within equity.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill corresponding to consolidated entities is presented in the separate line "Goodwill" in the consolidated statement of financial position. Goodwill for entities accounted for using the equity method is included within "Investments in associates".

2.6 Non-current assets (or disposal groups) held for sale and related liabilities

Non-current assets (or disposal groups) and liabilities held for sale, and for which a sale is highly probable within twelve months, are classified under "Non-current assets (or disposal groups) classified as held for sale" and "Liabilities directly associated with non-current assets classified as held for sale" in the statement of financial position.

When several assets are intended to be sold during a single transaction, the group of assets (disposal group) is considered as a whole, as are the associated liabilities.

A sale is highly probable when Group Management is committed to a plan for the sale of the non-current asset or disposal group and an active programme to seek a buyer has been launched.

When a loss of control of a subsidiary is highly probable, all assets and related liabilities of the subsidiary are classified as held for sale, regardless of whether the entity will retain some interest in the former subsidiary after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are no longer depreciated or amortised.

2.7 Intangible assets

Intangible assets include:

- patents acquired;
- recognised brands acquired that are distinguishable from other brands, whose value can be tracked over time;
- computer software;
- qualifying development expenses.

Acquired patents and computer software are measured at their acquisition cost and are depreciated over their useful life. Software is amortised using the straight-line method over its expected useful life ranging from 1 to 5 years.

Brands with indefinite useful lives are not amortised and are subject to annual impairment tests.

Amortisation and impairment losses are recognised in operating income.

In accordance with IAS 38 “Intangible Assets” (CPC 04 (R1)), research and development expenses are expensed in the year incurred, with the exception of qualifying development expenses that meet the capitalisation criteria outlined in the standard.

2.8 Property, plant and equipment

Property, plant and equipment are measured at cost (purchase price plus incidental costs needed to place the assets in service) or at production cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by the management except in the context of a business combination.

When certain components of property, plant and equipment acquired have different useful lives, the components approach is applied and these components are depreciated over their respective useful lives.

Expenses corresponding to the replacement or renovation of components of property, plant and equipment are recorded as a new asset, and the carrying amount of the components replaced is eliminated.

The Group performs regular major maintenance activities in its industrial facilities on an annual basis, with the purpose of inspecting and replacing components of property, plant and equipment. The annual major maintenance costs include labour, materials, external services, general and other overhead expenses incurred during the inter-crop period. The Group uses the built-in overhaul method to account for the annual costs of major maintenance activities.

The estimated cost of the portion of the total cost of an item of property, plant and equipment which must be replaced on an annual basis is recorded as a separate component of the cost of property, plant and equipment and is depreciated over its separate estimated useful life. It is then replaced in connection with the annual major maintenance activities. Regular periodic maintenance costs are expensed as incurred since the parts replaced do not enhance the performance of the asset.

In accordance with IAS 23 (CPC 20 (R1)), interest on loans used to purchase property, plant and equipment of a material individual amount and with a significant construction life are recognised as an increase in the asset's acquisition cost.

Sugarcane plantation costs are part of tangible assets. They are valued at cost and depreciated over their useful life.

Depreciation is calculated on a straight-line basis over the expected useful life of each asset:

Buildings	20-40 years
Fixtures and improvements to buildings	10-20 years
Technical installations, equipment and industrial tools	10-15 years
Bearer plant	5-6 years
Office equipment	5 years
Transportation equipment	5 years

2.9 Impairment of assets

In accordance with IAS 36 "Impairment of Assets" (CPC 01 (R1)), goodwill, property plant and equipment and intangible assets are subject to impairment tests whenever events or changes of circumstances indicate that their carrying amount may not be recoverable. Goodwill and intangible assets that have an indefinite useful life are subject to an impairment test, at least once a year or more frequently if there are indications of impairment. The Group performs annual impairment tests during the last quarter of its financial year.

For the purposes of measuring impairment, assets are combined into cash-generating units (CGUs). These CGUs correspond to the smallest groups of assets generating cash flows clearly independent from those generated by other CGUs.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combinations in which the goodwill was recorded.

An impairment test consists of comparing the carrying amount of an asset, a CGU or a group of CGUs to its recoverable value, which is the higher of its fair value less costs to sell and value in use.

Value in use is obtained by adding the discounted pre-tax values of the cash flows expected from use of the asset (or group of assets) and the terminal value.

Cash flows used as the basis for calculating value in use derive from CGU's medium-term business plans. The assumptions used for growth in total revenue and terminal cash flows are considered reasonable and consistent with market data available for each CGU.

Fair value less costs to sell corresponds to the amount that might be obtained from the sale of an asset (or group of assets) in an arm's length transaction, less costs directly related to the sale.

If the recoverable value is lower than the carrying amount of the asset (or group of assets), an impairment loss is recognised in the statement of operations for the difference and allocated first to goodwill. Impairment losses recognised against goodwill may not be reversed in subsequent periods.

2.10 Leases

Leases, as defined by IFRS 16 (CPC 06 (R2)) "Leases", are recognised in the balance sheet as an asset, which corresponds to the right of use the leased asset during the term of the contract, and as a liability, which relates to the payment obligation.

For simplification purposes, and as permitted by the standard, lease contracts with a term of less than 12 months, as well as contracts for which the replacement value is lower than or equal to USD 5,000, have not been recognised in accordance with the above IFRS 16 (CPC 06 (R2)) rules.

The main lease contracts identified correspond to lands, vehicles machineries and certain properties.

Measurement of the right-of-use asset

At the signing date of a lease contract, the right-of-use is valued at cost and corresponds to the initial amount of the lease liability, adjusted, if necessary, for the amount of any prepaid or accrued lease payments recognised in the balance sheet.

The right-of-use asset is amortised over the useful life of the underlying assets.

Measurement of the lease liability

When the contract is signed, the lease liability is recognised for an amount equal to the present value of the lease payments over the term of the contract.

The amount of the liability depends to a large degree on the assumptions used for the lease term and, to a lesser extent, on the discount rate. The Group's extensive geographic coverage means it encounters a wide range of different legal conditions when entering into contracts. The lease term generally used to calculate the liability is the term of the initially negotiated lease, taking into account early termination or extension options when these are likely.

The liability related to the lease contract is increased by the amount of the interest expense determined by applying the discount rate to the liability at the beginning of the period and is reduced by the repayments made.

The interest expense for the period as well as the variable payments not taken into account on initial measurement of the liability and incurred during the period in question, are recognised as expenses.

The liability can be remeasured when the term of the lease is revised, when a modification linked to the assessment of the reasonably certain (or uncertain) nature of the exercise of an option, or a revision of the rates or indices on which rents are based at the date of the adjustment.

2.11 Biological assets

IAS 41 – Agriculture (CPC 29), covers the accounting treatment of agricultural activities. Agricultural activity is the management of the biological asset's transformation for sale or into agricultural products. These biological assets (sugarcane and manioc) and the related agricultural products (harvested sugarcane and manioc) must be recognised at fair value less estimated expenses at the point of sale. To satisfy this measurement rule, the Group values its standing cane at fair value less cost to sell and classifies it in current biological assets.

Changes in fair value are recognised in the cost of goods sold.

The bearer plants are measured, in accordance with IAS 16 (CPC 27), at historical cost and recognised in the balance sheet in Property, Plant and Equipment.

2.12 Inventories

Physical inventories in the processing activities are valued at the lower of cost and spot prices prevailing at the end of the reporting period. Cost is determined using the weighted average method or the "first in, first out" method, depending on the product. In addition, stock held for trading are measured at fair value less costs to sell.

On initial recognition raw materials and consumables are recognised at purchase price plus other expenses incurred in bringing the inventories to their present location and condition (transportation, commissions, among others).

Manufactured products are valued at production cost, including the cost of materials consumed, depreciation of production inputs, and direct or indirect production expenses excluding finance cost.

An impairment loss is recognised on inventories when:

- the gross value calculated as defined above exceeds the market value or realisable value;
- products have been subject to significant deterioration.

2.13 Financial assets

IFRS 9 (CPC 48) provides a single approach for the classification and measurement of financial assets, based on the characteristics of the financial instrument and the Group's management intention with the following results:

- financial assets with cash flows that are representative of the payment of principal and interest only are measured at amortised cost if they are managed only for the purpose of collecting these flows;
- in other cases, financial assets are measured at fair value through profit and loss, except for equity instruments (investments, ...) not held for trading and with changes in value that, on election affect "other comprehensive income".

The impact of these principles on assets is reflected as follows in the Group's balance sheet:

Financial assets include the following categories: non-consolidated investments, financial investments, loans and receivables and derivatives.

At the acquisition date, the Group determines the classification of the financial asset in one of these accounting categories.

Non-consolidated investments and financial investments at fair value

This category mainly includes non-consolidated equity investments and debt securities that do not meet the definitions of other categories of financial assets.

The Group has chosen to recognise the change in fair value of its equity investments in other comprehensive income because they meet the definition of equity instrument and are not held for trading except shares held in investment funds with changes in fair value recognised in financial income and expense.

Investments are recorded at fair value at the closing date. Securities that have no quoted market price in an active market and if their fair value cannot be reliably measured are carried at cost less impairment losses generally calculated on the proportion of capital held.

Loans and receivables

Trade and other receivables and loans are recorded at amortised cost, which corresponds to their nominal value. The portion of receivables and loans that are not covered by credit insurance generate the recognition of an impairment loss as soon as the invoice is issued, up to the expected losses at the maturity date. This reflects the probability of default of the counterparties and the expected loss rate, evaluated, as appropriate, on the basis of historical statistics, information provided by the credit reporting agencies, or ratings given by the rating agencies.

When the maturity of receivables and loans is greater than one year, a present value calculation is performed. The effects of this calculation are recorded in financial income and expense according to the effective interest rate method.

Loans and receivables are subject to impairment tests. An impairment loss is recognised in the income statement if the carrying value amount exceeds the recoverable value and there is objective evidence that the asset or group of assets is impaired.

The group factors some of its receivables. In accordance with IFRS 9 (CPC 48), the Group derecognises receivables only when the contractual right to receive cash flows have been transferred, as well as substantially all the risks and rewards of ownership.

Dilution risk is excluded from the analysis of the transfer of risk to the extent that it is defined and circumscribed, especially where it is correctly distinguished from late-payment risk.

Receivables sold with recourse in the event of non-payment are not derecognised. Costs to sell receivables are expensed in operating items.

Derivative financial assets

Accounting rules and policies for derivative instruments are presented in note 2.17.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in bank current accounts, term deposits convertible in the very short term (less than three months) for which there is no material risk of loss of value in the event of a change in interest rates, and investment securities that are by nature highly liquid and subject to a negligible risk of change in value.

2.15 Provisions

Provisions are recognised when there is an obligation (legal, contractual or constructive) to a third party provided that it may be estimated reliably and is likely to result in an outflow of resources, with no at-least-equivalent consideration expected in return.

If the amount or maturity cannot be estimated reliably or where it is not probable that a present obligation exists, then it is a contingent liability.

Where the effect of the time value of money is material, the provision is discounted to present value. The discount rate used to determine the present value reflects the time value of money and the specific risks related to the liability being measured. The effect of discounting is recognised in financial expenses.

A restructuring provision is recognised when a detailed formal plan has been announced or when implementation of a restructuring plan has already begun.

2.16 Financial liabilities

This category includes:

- financial liabilities at amortised cost;
- financial liabilities designated at fair value upon initial recognition;
- financial liabilities classified as held for trading, including derivative liabilities (but excluding hedging derivatives);
- commitments to purchase non-controlling interests.

Measurement and recognition of financial liabilities at amortised cost

With the exception of financial liabilities at fair value and derivatives comprising liabilities measured and recognised at fair value, borrowings and other financial liabilities are measured and recognised initially at fair value and then at amortised cost, calculated using the effective interest rate.

In accordance with the Group accounting policy, USINA ITAJOBÍ Açúcar e Energia Brasil S.A. is considering in its cash flows statement its financial interest paid as cash flows from financing activities.

Measurement and recognition of hybrid financial instruments

Hybrid instruments are separated into liability and equity components based on the terms of the contract. On issuance of the hybrid instruments, the fair value of the liability component is determined using a market rate for an equivalent non-hybrid instrument. This amount is classified as a financial liability at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the hybrid instruments based on the allocation of proceeds to the liability and equity components when the instruments were initially recognised.

Measurement and recognition of financial liabilities designated at fair value upon initial recognition

When a financial liability is eligible to be recognised at fair value in its entirety – as in the case of a liability with an embedded derivative – the Group recognises the liability at fair value and changes in fair value are recognised in financial income and expenses.

Commitments to purchase non-controlling interests

Pursuant to IAS 32 (CPC 39), put options granted unconditionally to third parties holding non-controlling interests in fully consolidated subsidiaries must be considered as a financial liability.

The Group recognises put options granted to third parties holding non-controlling interests under financial liabilities at the fair value of the option, with an offsetting entry to reduce non-controlling interests.

Any difference between the fair value of the liability and the relevant non-controlling interests is recognised in equity attributable to owners of the parent.

The liability is estimated in line with the prices or formulae defined in the relevant agreements. When the formulae are based on an income multiple after deducting debt, the amount of the liability relative to the option is estimated according to the income and net debt forecasts for the option exercise period.

Subsequent changes in the fair value of these liabilities, including the effects of discounting, are recognised in equity.

The related share in reserves and income is also reflected in the Group/Non-controlling interests split in the financial statements.

2.17 Derivatives

The Group uses derivative instruments to manage and reduce its exposure to risks of changes in interest rates, exchange rates, commodity prices and energy prices.

Derivative instruments are measured at fair value in the statement of financial position, whether or not they qualify for hedge accounting under IFRS 9 (CPC 48), on the financial assets and liabilities caption.

When they do, derivative instruments are accounted for in accordance with the cash flow hedge or the fair value hedge accounting.

A cash flow hedge is a hedge of the exposure to changes in the value of highly probable future cash flows.

A fair value hedge is a hedge of the exposure to changes in the value of assets and liabilities.

Qualified derivative instruments relating to foreign exchange, interest rates, commodity prices and energy prices eligible to hedge accounting are accounted as either fair value hedges or cash flow hedges.

In the case of cash flow hedges, the effective portion of changes in the fair value of the hedging instrument is posted directly to other comprehensive income, while the change in the fair value of the ineffective portion is recognised in income. Amounts recognised in other comprehensive income items are recycled to profit and loss in the same period in which the hedged item itself affects income.

The time value of the options documented as cash flow hedges is treated as the cost of hedging: changes in fair value of time value are recognised in "other comprehensive income" and then recycled in operating or financial income at the same time as the hedged item.

In the case of fair value hedge, the financial assets or liabilities hedged by the derivatives are remeasured to the extent of the hedged item. Changes in value of hedged item are recognised in the income statement of the period and are offset by symmetrical changes of the derivatives.

Derivative instruments that do not meet the definition of hedging instruments are qualified as "held for trading". Changes in the fair value of held for trading derivatives are recognised in the statement of operations. Derivative instruments held for trading are not held for speculative purposes.

The changes in fair value of derivatives classified as "held for trading" as well as the ineffective portion of derivatives qualified as cash flow hedge are recognised in profit & loss, the results of closed derivatives qualified as "held for trading" or as hedging are classified as:

- Financial expenses and income when the underlying risk is classified as financial income and expenses (interest rate and financial exchange rate);
- In operating expenses and income, when the underlying risk is classified as operating expenses and income (Commodities - i.e. raw materials, finished products, energy and operational change).

2.18 Reserves

The nature and purpose of each reserve are the following:

Cash flow hedge (CFH) reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred at the reporting date net of tax. Further information on the accounting methods applicable to the use of this reserve are disclosed in Note 2.17.

Foreign currency translation (FCT) reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. Further information on the accounting methods applicable to the use of this reserve are disclosed in Note 2.3.

2.19 Income taxes

Income taxes in the consolidated statement of operations include current and deferred income taxes.

Current income taxes

Current income taxes are calculated based on taxable income for the year. Taxable income for the year differs from income reported in the consolidated statement of operations because it excludes income or expenses that are taxable or deductible in other periods, as well as income or expenses that are never taxable or deductible.

Current income tax assets or liabilities are recognised in the statement of financial position using tax rates that have been enacted at year-end.

Deferred taxes

Pursuant to IAS 12 (CPC 32), deferred taxes result from temporary differences between the carrying amounts of assets and liabilities and their tax base.

Deferred income taxes are calculated based on the tax rate expected to apply during the financial year in which the asset will be realised or the liability settled and are classified into non-current assets and liabilities. The effects of changes in tax rates from one period to the next are recognised in income in the period when the change occurs, except to the extent that it relates to items previously recognised outside the consolidated statement of operations.

Unused tax losses can be carried forward indefinitely and are not subject to inflation adjustment. The expected recovery of all deferred tax assets is supported by the taxable income projections, which have been approved by the Company's Management.

Projections of future taxable income include several estimates related to the performance of the international economy and more specifically the economies in which the Group acts, interest rate fluctuations, sales volumes, sales prices and tax rates which may differ from actual data and amounts.

Deferred tax assets resulting from temporary differences, tax losses and both tax loss or tax credit carry-forwards are limited to the estimated recoverable tax amount. This is measured at the reporting date based on the income outlook for the relevant entities.

Pursuant to IAS 12 (CPC 32), deferred tax assets and liabilities are not discounted.

Deferred taxes are recognised as expenses or revenue in income unless generated by items charged directly to other comprehensive income, in which case the related deferred taxes are also recognised in other comprehensive income.

2.20 Revenue

The Group's revenue mainly comprises sales of finished products and merchandise. They are recognised in the income statement when the control of goods is transferred.

Revenue is stated net of trade discount and customer rebates, as well as net of costs relating to trade support and sales taxes (VAT, ICMS, PIS and COFINS). These amounts are estimated when net revenue is recognised, on the basis of agreements and engagements with the customers concerned.

3. Main acquisitions, disposals, changes in scope of consolidation and other highlights of the period

3.1 Effects of the Covid-19 health crisis

The environment as a whole in first-half 2020 has been deeply impacted by the Covid-19 health crisis, which has affected all companies. The Group is taking action to ensure the safety of its employees and continue to meet its customers' needs against this backdrop. It has adjusted its working environments and operations to comply with the recommendations of the various health authorities, without suspending production at the Group's plants.

At this stage of the epidemic, non-material costs have been incurred in connection with the changes implemented to adjust working conditions. In addition, sugar and ethanol prices have declined in certain markets (particularly the export markets for sugar, and Europe and Brazil for ethanol), impacted by the lockdown measures taken in many countries and the drop in oil prices. The duration of these measures and the pace at which they will be lifted will be key to measuring the short-term effect of the crisis on the Group's markets. The Group has taken these factors into account in the plans used for its impairment tests, while maintaining the original assumptions beyond the first two years, since the Group considers at this stage that the crisis has no effect on its medium-term perspectives.

The Group has not identified any other consequences on its financial statements.

3.2 Changes in scope of consolidation

On 1st April 2019, the subsidiaries USINA ITAJOBÍ Açúcar e Energia Andrade S.A, USINA ITAJOBÍ Açúcar e Energia São José S.A and Agrícola Rodeio had merged into USINA ITAJOBÍ Açúcar e Energia Brasil.

This operation has no impact on the consolidated accounts.

Until the end of November, USINA ITAJOBÍ Açúcar e Energia Brasil held 51,90% of Andrade Agricultura. A spin off of Andrade Agricultura was realised on 30 November 2019. After this spin off, the new company held at 100% by USINA ITAJOBÍ Açúcar e Energia Brasil was merged into USINA ITAJOBÍ Açúcar e Energia Brasil.

4. Revenue

Revenue mainly comprises sales of goods and is broken down as follows:

(MILLIONS OF R\$)	For the year ended	
	31 March 2020	31 March 2019
Sugar	1,765	1,628
Alcohol and Ethanol	1,230	1,206
Co-products	22	2
Energy	255	220
Other	40	15
REVENUE	3,311	3,071

5. Expenses by nature

The analysis of expenses by nature is as follows:

		For the year ended	
(MILLIONS OF R\$)	Note	31 March 2020	31 March 2019
Cost of sales		(2,623)	(2,649)
Distribution expenses		(254)	(242)
General and administrative expenses		(322)	(305)
Other operating income / (expenses)		71	(81)
TOTAL OPERATING EXPENSES BY DESTINATION		(3,128)	(3,277)
Raw materials and consumables used		(981)	(1,295)
External expenses		(862)	(792)
Employee benefits expenses	5.1	(574)	(544)
Amortisations	5.2	(782)	(587)
Other	5.3	72	(59)
TOTAL OPERATING EXPENSES BY NATURE		(3,128)	(3,277)

External expenses mainly concern transportation costs, maintenance costs and external services.

5.1 Employee benefits expenses

		For the year ended	
(MILLIONS OF R\$)		31 March 2020	31 March 2019
Wages and salaries		(518)	(489)
Taxes on wages and salaries		(54)	(53)
Other employee expenses		(2)	(2)
EMPLOYEE BENEFIT EXPENSES		(574)	(544)

5.2 Amortisations

		For the year ended	
(MILLIONS OF R\$)		31 March 2020	31 March 2019
Amortisation of property, plant & equipment		(770)	(575)
Amortisation of intangible assets		(12)	(12)
TOTAL OF AMORTISATIONS		(782)	(587)

The application of IFRS 16 (CPC 06 (R2)) results in an additional amortisation charge of R\$ 100 million compared to the year ended 31 March 2019.

5.3 Other operating income (expenses)

The detail of the other operating income (expenses) is broken down as follows:

(MILLIONS OF R\$)	For the year ended	
	31 March 2020	31 March 2019
Taxes	70	35
Change in fair value of derivatives	1	1
Provisions and depreciations	(9)	3
Legal proceedings	(32)	(41)
Other	41	(57)
TOTAL OTHER OPERATING INCOMES (EXPENSES)	72	(59)

The line item "Other" mainly corresponds to:

- a gain on sale of tangible assets in Brazil for R\$ 63 million;
- and a loss for impairment in Mozambique companies for R\$ 16 million.

6. Net financial expenses

6.1 Financial income and expenses

(MILLIONS OF R\$)	For the year ended	
	31 March 2020	31 March 2019
Interest expenses	(362)	(288)
Loss on financial assets and liabilities at fair value through statement of operations	0	(7)
Foreign exchange losses	(235)	(160)
Other financial expenses	(20)	(13)
Financial expenses	(617)	(469)
Interest income	34	9
Fair value gains on derivatives	0	15
Foreign exchange gains	252	144
Other financial income	54	37
Financial income	341	206
NET FINANCIAL INCOME (EXPENSES)	(276)	(263)
<i>Of which: net interest income (expenses)</i>	<i>(328)</i>	<i>(279)</i>
<i>Of which: foreign exchange gains and losses</i>	<i>18</i>	<i>(16)</i>

The application of IFRS 16 (CPC 06 (R2)) has resulted in an additional interest expense of R\$ 27.4 million compared to the year ended 31 March 2019

6.2 Gains and losses on financial assets and liabilities

For the year ended 31 March 2020

(MILLIONS OF R\$)	Net interest income (expense)	Net foreign exchange income (expense)	Net gain (loss) of fair value	Others financial income / (expenses)	Total Financial Income (expenses)	Operating income (expenses)	OCI
Trade receivables	0	16	0	0	16	0	0
Cash and cash equivalents	18	89	0	(0)	107	0	0
Other fin. assets (excluding derivatives)	11	0	0	10	21	0	0
Borrowings	(359)	(101)	0	0	(459)	0	(364)
Trade payables	0	(2)	0	0	(2)	0	0
Other fin. liabilities (excluding derivatives)	0	(2)	(2)	0	(4)	0	0
Derivatives	1	18	1	(0)	19	1	99
Other	0	0	2	24	26	0	0
TOTAL	(328)	18	1	33	(276)	1	(265)

Effect of deferred taxes on OCI

TOTAL OCI NET OF TAXES

90

(175)

For the year ended 31 March 2019

(MILLIONS OF R\$)	Net interest income (expense)	Net foreign exchange income (expense)	Net gain (loss) of fair value	Others financial income / (expenses)	Total Financial Income (expenses)	Operating income (expenses)	OCI
Trade receivables	0	(2)	0	0	(2)	0	0
Cash and cash equivalents	0	148	0	0	148	0	0
Other fin. assets (excluding derivatives)	7	0	0	0	7	0	0
Borrowings	(288)	(161)	(7)	0	(456)	0	(80)
Trade payables	0	0	0	0	0	0	0
Other fin. liabilities (excluding derivatives)	1	(1)	0	0	(1)	0	0
Derivatives	2	0	15	0	17	1	(161)
Other	0	0	0	24	24	0	0
TOTAL	(279)	(16)	8	24	(263)	1	(241)

Effect of deferred taxes on OCI

TOTAL OCI NET OF TAXES

82

(159)

7. Income tax

7.1 Income tax recognised in statement of operations

The breakdown of income taxes is presented as follows:

(MILLIONS OF R\$)	For the year ended	
	31 March 2020	31 March 2019
Current income tax	(29)	(23)
Deferred income tax	(2)	91
TOTAL INCOME TAX	(31)	68

The reconciliation between the applicable and effective tax rates is presented below:

(MILLIONS OF R\$)	For the year ended	
	31 March 2020	31 March 2019
Net income	(121)	(401)
Share of profit of associates and joint-ventures	2	1
Income tax income (expense)	(31)	68
Income before income tax and share of profit of associates and joint-ventures	(92)	(470)
<i>Brazil's statutory income tax rate</i>	<i>34%</i>	<i>34%</i>
Income tax based on Brazil's statutory rate	31	160
Tax losses without recognition of deferred tax assets tax loss carry forward	(12)	(24)
Use of previously unrecognised tax losses	2	0
Effect of different tax rates	(44)	(58)
Other non-deductible expenses for tax purposes	(8)	(10)
Adjustments to reconcile income taxes	(62)	(92)
EFFECTIVE INCOME TAX	(31)	68
<i>Effective income tax rate</i>	<i>-34%</i>	<i>14%</i>

7.2 Income tax in the statement of financial position

The positions of income and deferred taxes in the statement of financial position are the following:

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Income tax receivables	52	121
Income tax payables	(30)	(16)
TOTAL CURRENT TAX	22	105
Deferred tax assets	57	95
Deferred tax liabilities	0	(9)
TOTAL DEFERRED TAX	57	86

Net deferred tax amount to R\$ 57 million (deferred tax asset) including R\$ 182 million on the recognition of tax losses carried forward.

The breakdown of deferred tax on the statement of financial position is presented as follows:

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Deferred tax assets	57	95
Deferred tax assets through the statement of operations	(175)	(0)
Deferred tax assets through other comprehensive income	232	95
Deferred tax liabilities	0	(9)
Deferred tax liabilities through the statement of operations	0	(19)
Deferred tax liabilities through other comprehensive income	0	7
Other deferred tax liabilities recognised	0	3
TOTAL OF DEFERRED TAX	57	86

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Differences between carrying value and tax basis	(125)	(46)
Property, plant and equipment and intangible assets	(167)	(149)
Biological assets	(59)	5
Financial assets and liabilities	39	53
Others	62	46
Tax losses unused and recognised as deferred tax assets	182	132
TOTAL	57	86

Changes in deferred taxes are presented below:

(MILLIONS OF R\$)	Net deferred taxes
At 31 March 2018	(49)
Amount charged to the statement of operations	91
Amount charged to other comprehensive income	41
Effect of foreign currency exchange difference	3
At 31 March 2019	86
Amount charged to the statement of operations	(2)
Amount charged to other comprehensive income	(27)
At 31 March 2020	57

7.3 Deferred tax assets on tax losses carried forward

Recognised deferred tax assets arising from the carry-forward of unused tax losses are mostly located in Sugar & Energy Brazil entities.

The expected recovery of deferred tax assets recognised on tax losses carried forward based on the taxable income projections approved by Group Management is as follows:

(MILLIONS OF R\$)	31 March 2020	31 March 2019
N+1	0	0
N+2	3	14
N+3	16	30
N+4	35	42
N+5	47	46
N+6 and thereafter	81	0
TOTAL DEFERRED TAX ASSETS ON TAX LOSSES	182	132

As income tax credits or expenses result not only from taxable income but also from the tax and corporate structure of the Group, the existence of non-taxable income, non-deductible expenses, tax exemptions and incentives, and various other variables, the projected utilization of tax loss carry-forwards should not be considered indicative of the Group's future net income.

7.4 Unrecognised tax losses carry-forwards

Unrecognised deferred tax assets arising from the carry-forward of unused tax losses amounted to R\$ 51 million at 31 March 2020 (compared to R\$ 33 million at 31 March 2019) in the consolidated financial statements in accordance with the accounting policies described in Note 2.19.

8. Inventories

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Raw materials	341	335
Finished and intermediate products	134	116
INVENTORIES	475	451

Changes in inventories are presented as follows:

(MILLIONS OF R\$)	
At 31 March 2018	463
Change in inventories through cost of sales	(7)
Change due to fair-value harvested	(10)
Effect of foreign currency exchange differences	5
At 31 March 2019	451
Change in inventories through cost of sales	20
Change in write-down of inventory in the statement of operations	(4)
Change due to fair-value harvested	(4)
Effect of foreign currency exchange differences	12
At 31 March 2020	475

9. Biological assets

Changes in the net amount of biological assets are as follows:

(MILLIONS OF R\$)	Total
At 31 March 2018	286
Change due to harvest	(271)
Change in fair value	306
Effect of foreign currency exchange differences	3
At 31 March 2019	324
Change due to harvest	(321)
Change in fair value	467
Effect of foreign currency exchange differences	4
At 31 March 2020	474

Fair value adjustment recognised through statement of operation at end of 31 March 2020 amounts to R\$ 191 million against R\$ (79) million in 31 March 2019.

Own sugarcane crushed amounted to 11 202 thousand tons for the period ended 31 March 2020 against 9 403 thousand tons for the year ended 31 March 2019.

Standing Cane

The following assumptions have been used in the determination of the fair value of standing cane:

At 31 March 2020	Unit	Brazil	Mozambique
Expected area to harvest	hectares	136,059	9,134
Estimated yields	tons of cane per hectare	82	54
Quantity of Total Recoverable Sugar	kg per ton of cane	138	
Quantity of Sugar	kg per ton of sugar		10.7
Value of one kg of Total Recoverable Sugar	KR\$	0.7	
Value of one kg of Sugar	KR\$		2.1
At 31 March 2019	Unit	Brazil	Mozambique
Expected area to harvest	hectares	125,912	8,672
Estimated yields	tons of cane per hectare	83	55
Quantity of Total Recoverable Sugar	kg per ton of cane	136	
Quantity of Sugar	kg per ton of sugar		9.2
Value of one kg of Total Recoverable Sugar	KR\$	0.6	
Value of one kg of Sugar	KR\$		1.6

10. Investments in associates and joint ventures

Main investments in associates and joint ventures at 31 March 2020 were as follows:

Investment in associates and joint ventures

(MILLIONS OF R\$)	Activity	Group voting rights (in %)	31 March 2020	31 March 2019
Teapar	Port services operator for sugar export sales	35.00%	19	19
Centro de Tecnologia Canavieira	R&D of sugarcane varieties	4.57%	27	26
Sao Jose Agricultura	Surgarcane plantation	32.00%	5	4
TOTAL			51	49

Share of profit of associates and joint ventures

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Teapar	0	0
Centro de Tecnologia Canavieira	1	1
Sao Jose Agricultura	1	0
Sub-total Associates	2	1
TOTAL	2	1

11. Property, plant and equipment

Changes in property, plant and equipment are presented as follows:

(MILLIONS OF R\$)	Land	Buildings	Tools, Equip. and Installations	Bearer plant	Other	Assets in Progress	Right- of-use	TOTAL
GROSS AMOUNT								
31 March 2018	45	945	2,761	2,095	406	190	0	6,442
Additions	0	0	237	269	3	231	0	740
Reclassifications	7	42	(102)	(1,277)	(16)	(165)	0	(1,512)
Disposals	0	(0)	(8)	0	(3)	0	0	(11)
Foreign exchange	4	5	20	13	12	0	0	54
Other changes	0	1	0	(0)	(0)	(1)	0	(1)
31 March 2019	56	992	2,909	1,100	400	255	0	5,712
Additions	0	0	250	294	2	162	189	897
Reclassifications	2	60	231	2	(18)	(346)	(36)	(105)
Disposals	(4)	(0)	(8)	(120)	(14)	0	0	(146)
Change in accounting method	0	0	0	0	0	0	389	389
Foreign exchange	10	9	37	31	17	2	0	105
Other changes	(3)	0	(0)	0	0	0	(47)	(50)
31 March 2020	61	1,062	3,418	1,306	388	72	495	6,801
AMORTISATION AND IMPAIRMENT								
31 March 2018	(9)	(240)	(1,328)	(1,509)	(302)	0	0	(3,388)
Amortisations	(1)	(40)	(332)	(181)	(21)	0	0	(575)
Impairment losses	(8)	(8)	(18)	0	(8)	0	0	(42)
Reclassifications	0	0	193	1,277	3	0	0	1,473
Disposals	0	0	7	(0)	3	0	0	10
Foreign exchange	(1)	(1)	(11)	(9)	(9)	0	0	(31)
31 March 2019	(19)	(289)	(1,489)	(422)	(334)	0	0	(2,553)
Amortisations	(2)	(43)	(410)	(197)	(18)	0	(100)	(770)
Impairment losses	9	(8)	(5)	(12)	(1)	0	0	(16)
Reclassifications	2	1	30	0	34	0	36	103
Disposals	0	0	8	120	12	0	0	140
Foreign exchange	(4)	(7)	(27)	(24)	(14)	0	0	(75)
Other changes	(1)	(0)	(0)	0	1	0	0	0
31 March 2020	(15)	(346)	(1,892)	(535)	(321)	0	(64)	(3,172)
Net Amount at 31 March 2018	35	706	1,433	586	103	190	0	3,054
Net Amount at 31 March 2019	37	703	1,420	678	66	255	0	3,159
Net Amount at 31 March 2020	46	716	1,525	771	67	72	431	3,629

The main additions for the year in Brazil are as follows:

- R\$ 155 million in various operational investments (R\$ 228 million in 2019);
- R\$ 279 million in bearer plants (R\$ 264 million in 2019);
- R\$ 236 million in maintenance costs (R\$ 234 million in 2019).

12. Goodwill

12.1 Goodwill by CGU

Goodwill has been allocated to the following cash-generating units (CGUs) for the purpose of impairment tests:

(MILLIONS OF R\$)		31 March 2020	31 March 2019
Cash Generating Unit	Operating segment		
Sugar & Energy Brazil	Sugar & Energy Brazil	1,035	1,035
Sugar Mozambique	Sugar Mozambique	(0)	(0)
TOTAL NET GOODWILL		1,035	1,035

12.2 Changes in goodwill

Changes in goodwill were as follows:

(MILLIONS OF R\$)		
GROSS AMOUNT		
At 31 March 2018		1,366
Effect of foreign currency exchange differences		8
At 31 March 2019		1,374
Effect of foreign currency exchange differences		18
At 31 March 2020		1,393
IMPAIRMENT		
At 31 March 2018		(308)
Impairment losses recognised in the year		(26)
Effect of foreign currency exchange differences		(5)
At 31 March 2019		(339)
Effect of foreign currency exchange differences		(18)
At 31 March 2020		(357)
Net amount at 31 March 2018		1,058
Net amount at 31 March 2019		1,035
Net amount at 31 March 2020		1,035

13. Other intangible assets

Changes in other intangible assets over the last two years are as follows:

(MILLIONS OF R\$)	Patents, licenses	Other	TOTAL
GROSS AMOUNT			
31 March 2018	42	2	44
Additions	0	1	1
Non-cash additions	0	0	0
Disposals	0	0	0
Foreign exchange	0	0	0
Reclassifications	38	2	39
31 March 2019	79	5	85
Additions	0	123	123
Non-cash additions	0	0	0
Disposals	(0)	0	(0)
Foreign exchange	0	0	0
Reclassifications	2	(1)	2
31 March 2020	82	128	210
AMORTISATION AND IMPAIRMENT			
31 March 2018	(25)	(2)	(27)
Amortisations	(12)	(0)	(12)
Disposals	0	0	0
Foreign exchange	0	(0)	(0)
Reclassifications	0	(0)	(0)
31 March 2019	(37)	(2)	(39)
Amortisations	(12)	(0)	(12)
Disposals	0	0	0
Foreign exchange	0	(0)	(0)
Reclassifications	0	1	1
31 March 2020	(49)	(2)	(51)
Net amount at 31 March 2018	17	0	17
Net amount at 31 March 2019	43	3	45
Net amount at 31 March 2020	33	126	159

Main additions of the year (R\$ 123 millions) refers to execution of the agreement between USINA ITAJOBÍ and VLI, where USINA ITAJOBÍ is committed to invest in the VLI infrastructure and have back a commercial agreement for transportation of raw sugar from the terminal in Guará-SP to the port in Santos-SP where VLI will perform elevation services to load vessels for exports to USINA ITAJOBÍ.

14. Leases

14.1 Right-of-Use

Changes in right-of-use assets are presented as follows:

(MILLIONS OF R\$)	Land	Buildings	Tools, machinery, equipment	Transport materials	Office computing materials	Other	TOTAL
GROSS AMOUNT							
31 March 2019	0	0	0	0	0	0	0
Additions	52	2	2	134	0	0	189
Reclassifications	(2)	(2)	(1)	(31)	0	(0)	(36)
Change in accounting method	318	6	1	64	0	0	389
Other changes	(45)	(1)	0	(0)	0	0	(47)
31 March 2020	323	4	2	166	0	0	495
AMORTISATION AND IMPAIRMENT							
31 March 2019	0	0	0	0	0	0	0
Amortisation	(34)	(3)	(1)	(62)	0	(0)	(100)
Reclassifications	2	2	1	31	0	0	36
31 March 2020	(33)	(1)	(0)	(30)	0	0	(64)
Net amount at 31 March 2020	290	3	2	136	0	0	431

14.2 Leases

The net amount of leases not restated as part of the IFRS 16 (CPC 06 (R2)) standard is as follows:

(MILLIONS OF R\$)	31 March 2020
Rental charges on short-term contracts (< 1 year)	(8)
Rental charges on contracts with low new value assets (< 5 000 USD)	(6)
Others	(26)
TOTAL LEASES	(40)

The reconciliation of lease commitments at 31 March 2019 with the recognised lease liability at 1 April 2019 is as follows:

(MILLIONS OF R\$)	
Lease commitments at 31 March 2019	498
Impact due to the measurement of Brazilian contracts	(111)
Exemption of commitments	2
Total lease liability according to IFRS 16 (CPC 06 (R2)) at 1 April 2019	389

15. Impairment tests

15.1 Key assumptions

Impairment tests are performed annually during the last quarter of the financial year, or whenever the Group identifies a triggering event. Within the context of the Covid-19 health crisis, the Group has ensured that this has no major negative impact on its future cash flows.

The Group calculates the recoverable value of a CGU based on forecasted future cash flows.

The key assumptions used to calculate the value of the CGUs are as follows:

2019/2020	Sugar & Energy Brazil	Sugar Mozambique
Basis used for determination of recoverable value	Value in use	Value in use
Source	5 years business plan discounted cashflows	8 years business plan discounted cashflows
Growth rate used for terminal value	3.5%	5.5%
Post-tax discount rate	10.4%	15.3%
Pre-tax discount rate	13.5%	15.9%

2018/2019	Sugar & Energy Brazil	Sugar Mozambique
Basis used for determination of recoverable value	Value in use	Value in use
Source	5 years business plan discounted cashflows	7 years business plan discounted cashflows
Growth rate used for terminal value	4.0%	3.3%
Post-tax discount rate	11.3%	14.0%
Pre-tax discount rate	14.8%	14.5%

The recoverable amount is determined by reference to value in use, using the discounted future cash flows model based on CGU Management's budget estimates, reviewed by Group Management, which take into consideration assumptions related to each business, using available market data as well as past performance.

The main assumptions and estimates used for the sugar and ethanol activities are: expected sugar and ethanol sales prices, costs of energy as well as raw materials and other macroeconomic factors.

In order to take into account the business characteristics of Mozambique operations, and in accordance with IAS 36 (CPC 01), Management elected to use cash flow projections over an eight-year period (plus a terminal value after that). The Group considers that periods are more appropriate in the context of its CGU Sugar Mozambique, given the expected time to ramp-up their to ramp-up their operational performance and achieve full potential.

15.2 Impairment recognised during the year

Impairment loss was recorded on 31 March 2020 on the property, plant and equipment of the CGU Sugar Mozambique for R\$ 16 million (note 5.3).

15.3 Sensitivity analysis

The value in use of the CGUs Sugar Mozambique and Sugar & Energy Brazil decreased due to the drop in sugar prices in the last years. Despite this, the value in use remains higher than the carrying value for each of these CGUs.

However, a significant change in the markets and / or external assumptions used to determine the value in use, for example an extended period of very low sugar prices, could lead the Group to reconsider the need to update its impairment tests.

During the last quarter of the 2019/2020 financial year, the sensitivity analysis of the recoverable value of the main CGUs was based on the following assumptions:

CGU Sugar Mozambique

A deviation of more than 10% from the sugar price assumptions used for the first three years of the business plan would lead to an impairment loss of R\$ 34 million, all else being equal.

A one-point increase or decrease in the post-tax discount rate would increase the recoverable amount by R\$ 40 million, or decrease it by R\$ 34 million, respectively, with the recognition of a R\$ 34 million impairment loss in the first case, all else being equal.

A half-point increase or decrease in the perpetuity growth rate used to determine terminal value would increase the recoverable amount by R\$ 11 million, or decrease it by R\$ 11 million, respectively, with the recognition of a R\$ 11 million impairment loss in the second case, all else being equal.

A one-point increase or decrease in the EBITDA margin rate, for the terminal year of the economic model, would increase the recoverable amount by R\$ 11 million, or decrease it by R\$ 11 million, respectively, with the recognition of a R\$ 11 million impairment loss in the second case, all else being equal.

CGU Sugar Brazil

The Group considers it unlikely that a change in the assumptions of Sugar Brazil CGU would bring their value in use below their book value. The sensitivity analyses focused on the following assumptions:

- Change in the post-tax discount rate of +/- 1 point
- Change in the perpetuity growth rate of +/- 0.5 point
- Change in the EBITDA margin over the terminal year of the economic model by +/- 1 point
- 10% decrease in the prices of sugar, alcohol and ethanol over the first three years of the plan

These changes to the assumptions would not result in the recognition of an impairment loss, all else being equal.

During the last quarter of the 2018/2019 financial year, the sensitivity analysis of the recoverable value of the main CGUs was based on the following assumptions:

CGU Sugar Mozambique

In CGU Sugar Mozambique, value in use was close to the carrying amount and therefore material changes in the business and/or external assumptions retained to determine value in use would lead the Group to reconsider the need for impairment.

A one-point increase or decrease in the post-tax discount rate would increase the recoverable amount by R\$ 31 million, or decrease it by R\$ 39 million, respectively, with the recognition of a R\$ 31 million impairment loss in the second case, all else being equal.

A half-point increase or decrease in the perpetuity growth rate used to determine terminal value would increase the recoverable amount by R\$ 13 million, or decrease it by R\$ 9 million, respectively, with the recognition of a R\$ 9 million impairment loss in the second case, all else being equal.

A one-point increase or decrease in the EBITDA margin rate, for the terminal year of the economic model, would increase the recoverable amount by R\$ 9 million, or decrease it by R\$ 9 million, respectively, with the recognition of a R\$ 4 million impairment loss in the second case, all else being equal.

CGU Sugar Brazil

In CGU Sugar Brazil, value in use is close to the carrying amount and therefore material changes in the business and/or external assumptions retained to determine value in use would lead the Group to reconsider the need for impairment.

A one-point increase or decrease in the post-tax discount rate would increase the recoverable amount by R\$ 643 million, or decrease it by R\$ 845 million, respectively, with the recognition of a R\$ 105 million impairment loss in the second case, all else being equal.

A half-point increase or decrease in the perpetuity growth rate used to determine terminal value would increase the recoverable amount by R\$ 306 million, or decrease it by R\$ 267 million, respectively, without triggering the recognition of an impairment loss, all else being equal.

A one-point increase or decrease in the EBITDA margin rate, for the terminal year of the economic model, would increase the recoverable amount by R\$ 228 million, or decrease it by R\$ 228 million, respectively, without triggering the recognition of an impairment loss, all else being equal.

16. Provisions

Provisions are set aside for the following contingencies:

(MILLIONS OF R\$)	Current		Non-current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Labor	0	0	31	32
Environment	0	0	13	9
Other	0	0	5	3
TOTAL PROVISIONS	0	0	49	44

Changes in provisions over the year were as follows:

(MILLIONS OF R\$)	Social	Environment	Other	Total
At 1 April 2018	42	3	3	48
Addition of the period	1	8	0	9
Amounts used	(11)	(2)	0	(13)
Unused amounts reversed	(0)	0	1	0
At 31 March 2019	32	9	3	44
Addition of the period	3	4	2	8
Amounts used	(1)	0	0	(1)
Unused amounts reversed	(3)	0	0	(2)
At 31 March 2020	31	13	5	49

The table below presents a summary of disputes with probable and possible loss involving the Group:

(MILLIONS OF R\$)	Probable		Possible	
	Number of claims	Provision	Number of claims	Claims with possible losses
Social	258	31	1,397	176
Tax	0	0	372	1,852
Environment	27	13	156	27
Other	6	5	61	32
At 31 March 2020	291	49	1,986	2,087
Social	378	32	1,021	148
Tax	0	0	353	1,531
Environment	27	9	187	31
Other	12	3	77	33
At 31 March 2019	417	44	1,638	1,743

There is no dispute known to Management carrying material risks that could affect the Group's profit or financial position which has not been recognised at 31 March 2020.

Disputes hereby are described to our best knowledge at the date of completion of consolidated financial statements.

Labor

The Company faces labor claims. The main demands regarding the labor lawsuits are related to: (i) commuting time; (ii) overtime; (iii) overtime due to partial lunchtime breaks fruition; (iv) hazard pay and exposure to unhealthy agents pay; and (v) illness and work accident compensations. The risk of loss in these cases is generally linked to the facts involved in each case.

Provisions are recorded for a total amount to R\$ 31 million at 31 March 2020 (R\$ 32 million at 31 March 2019).

Environment

The sugarcane industry requires constant intervention in the environment and may occasionally affect and have an influence on protected vegetation, soil water and water bodies or cause air pollution. The Group is currently party to recurrent administrative and judicial proceedings, related to sugarcane burning other than those expressly permitted by local regulations. In such cases the environmental authorities have opted to impose penalties to the Group merely based on the fact that it had purchased or harvested the sugarcane after the burning. According to the best knowledge of the group, no major claim procedure has been identified.

Tax claims

The Company faces tax claims involving mainly: offset and refunds of unratified federal taxes (IRPJ / CSLL / PIS / COFINS); ICMS collection related to the reduction of the tax rate applied to raw crystal type of sugars (VHP and VVHP); ICMS collection related to Tax Assessment (LPD – Daily Entry Book); ICMS collection related to tax reversal in diesel oil operations.

Civil

The Company faces claims of many different natures, mainly referring to traffic accidents; work accidents; fires; contractual disagreements, credit recovery and others.

17. Equity

17.1 Issued capital and share premium

(MILLIONS OF R\$)	Number of shares	Issued Capital
Balance at 31 March 2018	601,128,646	2,640
Balance at 31 March 2019	601,128,646	2,640
Capital increase	45,542,071	200
Balance at 31 March 2020	646,670,717	2,840

17.2 Earnings (loss) per share

The average number of ordinary shares used in the calculation of earnings per share is 602 625 920 shares for the year ended 31 March 2020 due to the increase in capital of 45 542 071 shares of USINA ITAJOBÍ Açúcar e Energia Brasil, that occurred on the March 19th, 2020. It was 601 128 646 for the year ended 2019.

For the year 31 March 2020 and 2019, there is no difference between diluted and basic earnings per share.

The earnings (loss) per share for the year 31 March 2020 and 2019, amounted to R\$ (0.2014), and R\$ (0.66672), respectively.

17.3 Dividends proposed and paid

These consolidated financial statements reflect only the mandatory minimum dividend, as requested by Brazilian Corporate Law and the Company's bylaws.

In accordance with the above regulation, shareholders are entitled to receive annual mandatory minimum payment of 25% of the annual individual statutory net income adjusted for the following items: (i) allocation to Legal Reserve; (ii) movements on the Contingencies reserve; (iii) allocation to the tax incentives fund and (iv) realisation of the Unrealised Income Reserve.

Minimum dividend calculation is based on the net result of the Parent Company of the consolidated Group USINA ITAJOBÍ Açúcar e Energia Brasil S.A and distribution is allowed only if reserves in equity are positive. Considering reserves at March 2020 are negative no minimum payment will be proposed to the Shareholder's meeting.

18. Financial assets and liabilities

18.1 Financial assets

At 31 March 2020

(MILLIONS OF R\$)	Notes	Non-consolidated investment	Loans and receivables at amortised cost	Financial assets at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Trade receivables	18.1.1	0	361	0	0	361
Cash and cash equivalent	18.1.2	0	0	1,561	0	1,561
Current fin. assets with related parties	22.2	0	206	0	0	206
Other current financial assets	18.1.3	0	135	1	283	418
Total current financial assets		0	702	1,562	283	2,547
Non-consolidated Investment		4	0	0	0	4
Non-current fin. assets with related parties	22.2	0	2	0	0	2
Other non-current financial assets	18.1.3	0	273	0	64	337
Total non-current financial assets		4	275	0	64	343
TOTAL FINANCIAL ASSETS		4	977	1,562	347	2,890

At 31 March 2019

(MILLIONS OF R\$)	Notes	Investments at fair value through OCI	Loans and receivables at amortised cost	Financial assets at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Trade receivables	18.1.1	0	433	0	0	433
Cash and cash equivalent	18.1.2	0	0	1,349	0	1,349
Other current financial assets	18.1.3	0	147	1	28	176
Total current financial assets		0	580	1,350	28	1,958
Non-consolidated investment		6	0	0	0	6
Non-current fin. assets with related parties	22.2	0	2	0	0	2
Other non-current financial assets	18.1.3	0	204	0	3	207
Total non-current financial assets		6	206	0	3	215
TOTAL FINANCIAL ASSETS		6	786	1,350	31	2,173

18.1.1 Trade receivables

At 31 March 2020 and 31 March 2019, trade receivables were as follows:

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Gross trade receivables	371	442
Allowance	(10)	(9)
TOTAL TRADE RECEIVABLES	361	433

Changes in trade receivables are presented as follows:

(MILLIONS OF R\$)	
At 31 March 2019	433
Change in the period	(85)
Change in write-down of trade receivables in the statement of operations	(0)
Effect of foreign currency exchange differences	7
Change due to acquisition or divestiture	0
Other	6
At 31 March 2020	361

On March 2020, the Group has entered into a factoring program. Under the Group's factoring and securitisation programs, R\$ 103 million of trade receivables have been sold, of which R\$ 103 million have been deconsolidated in accordance with IFRS 9 (CPC 48). Receivables have been sold without recourse.

(MILLIONS OF R\$)	31 March 2020			31 March 2019		
	Total sold to financial institutions	Portion sold and not derecognised	Portion sold and derecognised	Total sold to financial institutions	Portion sold and not derecognised	Portion sold and derecognised
Maximum authorised amount to be financed	103	0	0	0	0	0
Sold to financial institutions	103	0	103	0	0	0

Past due trade receivables were as follows:

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Trade receivables	371	442
Not overdue	358	420
Overdue	13	22
Overdue from 1 to 30 days	3	12
Overdue from 31 to 60 days	1	0
Overdue from 61 to 90 days	0	1
Overdue from 91 to 180 days	1	1
Overdue from 181 to 360 days	0	0
Overdue more than 360 days	9	7
Allowance	(10)	(9)
TOTAL	361	433

18.1.2 Cash and cash equivalents

Changes in cash and cash equivalents are presented in the consolidated statement of cash flows.

The net cash presented in the consolidated statement of cash flows is as follows:

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Cash and cash equivalents	1,561	1,349
NET CASH	1,561	1,349

At 31 March 2020, cash and cash equivalents can be analysed as follows:

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Certificates of deposit	861	883
Money Market funds (SICAV)	455	308
Term accounts or deposits	6	7
Total Cash equivalents	1,322	1,197
Cash	239	152
TOTAL CASH AND CASH EQUIVALENTS	1,561	1,349

18.1.3 Other financial assets

(MILLIONS OF R\$)	Current		Non-current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Tax receivables	109	93	133	67
Financial assets pledged as collateral	9	7	0	0
Derivatives	284	28	64	3
Paid deposit	0	0	61	55
Advance payments	8	16	10	11
Trade notes and accounts receivable > 1 year	0	0	20	23
Accrued Income	0	0	0	0
Other	8	32	49	48
OTHER FINANCIAL ASSETS	418	176	337	207

Derivative assets are composed of the positive fair value of derivatives. See the details in note 19.2.

The details of financial assets pledged as collateral is broken down as follows:

(MILLIONS OF R\$)	Sugar & Energy Brazil	TOTAL
Initial margin	7	7
Margin variation	2	2
At 31 March 2020	9	9
Initial margin	7	7
Margin variation	0	0
At 31 March 2019	7	7

18.2 Financial liabilities

The various categories of financial liabilities are presented in the tables below:

At 31 March 2020

(MILLIONS OF R\$)	Notes	Financial liabilities at amortised cost	Financial liabilities at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Short-term borrowings	18.2.1	1,416	6	342	1,765
Trade payables		488	0	0	488
Current fin. liabilities with related parties	22.2	0	0	0	0
Other current financial liabilities	18.2.3	295	0	179	473
Total current financial liabilities		2,199	6	521	2,726
Long-term borrowings	18.2.1	3,389	0	446	3,835
Non-current fin. liabilities with related parties	22.2	77	0	0	77
Other non-current financial liabilities	18.2.3	22	0	95	117
Total non-current financial liabilities		3,488	0	541	4,029
TOTAL FINANCIAL LIABILITIES		5,686	6	1,063	6,755

At 31 March 2019

(MILLIONS OF R\$)	Notes	Financial liabilities at amortised cost	Financial liabilities at fair value through statement of operations	Financial instruments qualified as cash flow hedge	Total
Short-term borrowings	18.2.1	756	5	129	890
Trade payables		411	0	0	411
Current fin. liabilities with related parties	22.2	0	0	0	0
Other current financial liabilities	18.2.3	322	0	13	335
Total current financial liabilities		1,488	5	142	1,635
Long-term borrowings	18.2.1	3,237	0	260	3,497
Non-current fin. liabilities with related parties	22.2	17	0	0	17
Other non-current financial liabilities	18.2.3	21	0	8	29
Total non-current financial liabilities		3,275	0	268	3,543
TOTAL FINANCIAL LIABILITIES		4,763	5	410	5,178

18.2.1 Borrowings

The Group's various credit facilities are presented below:

At 31 March 2020

(MILLIONS OF R\$)			Current	Non-current	Total	Average interest rate	Maximum maturity
INDEX	Currency	Type					
a / CDI	BRL	Working capital and other ST/LT	327	826	1,153	5.0%	1/15/2025
b / LIBOR	USD	Export prepayment and LT Financings	1,026	1,515	2,540	5.0%	5/15/2031
c / TJLP	BRL	Investment financing (BNDES)	106	651	757	8.4%	5/15/2028
d / UMBNDES	USD	Investment financing (BNDES)	17	37	54	7.6%	7/17/2023
e / IPCA	BRL	Certificate of Agribusiness Receivables	6	233	239	6.1%	10/15/2024
e / IPCA	BRL	PCA - BNDES	0	30	30	6.3%	7/15/2033
TOTAL FLOATING			1,483	3,290	4,773	5.6%	
f / Fixed rates	BRL	Investment Financing (Finame)	9	18	27	3.4%	11/18/2024
	BRL	Investment Financing (BNDES - PSI)	47	8	54	6.7%	7/15/2021
	BRL	Investment Financing (PCA)	5	19	24	7.5%	7/15/2030
	BRL	Working Capital (RPL and Custeio)	160	160	320	7.8%	7/12/2021
TOTAL FIXED			221	204	425	7.4%	
TOTAL GROSS DEBT BEFORE AMORTISED COSTS			1,704	3,495	5,199	6.7%	
Amortised cost			(13)	(29)	(42)		
TOTAL GROSS DEBT			1,690	3,467	5,157		
Lease liability			74	369	443		
TOTAL FINANCIAL DEBT			1,765	3,835	5,600		
Cash and cash equivalent					(1,561)		
Total net financial debt					4,039		
Related parties' financial assets					(208)		
Related parties' financial liabilities					77		
Total net financial debt including related-parties					3,908		

At 31 March 2019

(MILLIONS OF R\$)			Current	Non-current	Total	Average interest rate	Maximum maturity
INDEX	Currency	Type					
a / CDI	BRL	Working capital and other ST/LT	15	809	824	6.9%	1/15/2025
b / LIBOR	USD	Export prepayment and LT Financings	559	1,683	2,242	6.0%	1/31/2024
c / TJLP	BRL	Investment financing (BNDES)	37	516	553	9.4%	5/15/2028
d / UMBNDES	USD	Investment financing (BNDES)	13	41	55	8.2%	7/17/2023
e / IGPM	BRL	Securitização (PESA)	1	2	4	13.1%	11/1/2022
f / IPCA	BRL	Certificate of Agribusiness Receivables	5	224	229	6.1%	10/15/2024
TOTAL FLOATING			631	3,276	3,907	6.7%	
g/ Fixed rates	BRL	Investment Financing (Finame)	10	28	38	3.4%	11/18/2024
	BRL	Investment Financing (BNDES - PSI)	47	54	101	6.6%	7/15/2021
	BRL	Investment Financing (PCA)	5	21	26	7.5%	1/15/2030
	BRL	Working Capital (RPL and Custeio)	214	150	364	8.3%	7/20/2020
TOTAL FIXED			277	253	530	7.6%	
TOTAL GROSS DEBT BEFORE AMORTISED COSTS			908	3,528	4,436	6.8%	
Amortised cost			(17)	(32)	(49)		
TOTAL GROSS DEBT			890	3,497	4,387		
TOTAL FINANCIAL DEBT			890	3,497	4,387		
Cash and cash equivalent					(1,349)		
Total net financial debt					3,038		
Related parties' financial assets					(2)		
Related parties' financial liabilities					18		
Total net financial debt including related-parties					3,054		

Financings available in the Group

Group's financings are composed mostly by bank loans and funding through capital markets, through the issuance of Agrobusiness Receivables Certificates (CRA). The company benefits from a major BNDES project financing loan, two major export pre-financing loans and several bilateral short-term and medium-term credit lines.

All average rates listed below are weighted by outstanding amounts.

The average interest rate of the Group's financings at 31 March 2020 is 6,7%.

Borrowings on a floating rate basis are based on a variable reference rate (Euribor, Libor USD...) to which a contractual margin is added. The effective interest rate is the sum of both items and changes over time, but an average interest rate on a yearly basis can be calculated as per the above table.

a / CDI-based financings of Brazilian subsidiaries (CDI – Brazilian Overnight Interbank Deposit rate)

At 31 March 2020 the bulk of USINA ITAJOBÍ's CDI based on debt was in the form working capital and structured financings and CRAs. These loans bearing an average interest rate of 5,0%.

During the year, Company made new funding with Brazilian banks (BTG Pactual, Safra and Santander) in lines with the CDI rate.

The outstanding amount of CDI based financings was R\$ 1.153 million at 31 March 2020 (R\$ 824 million at 31 March 2019).

b / LIBOR-based USD- denominated financings

In order to extend maturities on working capital financings and improve natural hedge of income from exports, TAEB structured its Brazilian financing with a significant portion of medium-term export pre-financing contracts at LIBOR plus a margin. These Libor-based financings are denominated in USD. The margin on the USD floating rate loans ranges from 2.5 to 4.80% with an average of 3.45%. Most of these financings are secured by the assignment of future export receivables.

The total outstanding amount of LIBOR-based USD financings was R\$ 2.540 million at 31 March 2020 (R\$ 2.242 million at 31 March 2019).

On October 2019, Company made a new funding with Proparco in the amount of USD 40 million, at a fixed rate of 3.41% + libor 06, with repayment starting on November 2021 with final maturity date on May 2031.

c / Medium-Term / Long-Term financings based on TJLP (Taxa de juros de longo prazo – long-term state interest rate)

Medium-term/Long-term financings consist of equipment financing facilities from BNDES (based on TJLP + margin + a base rate BNDES between 0.9% and 1.3%). These financings are denominated in BRL for a total amount of R\$ 757 million from BNDES at 31 March 2020 and bearing interest at the long term Brazilian rate ("TJLP"). The margins applied range from 2.9 to 4.6% with an average of 3.4%.

d / UMBNDES

A specific line of BNDES financing is available and negotiated based on a basket of currencies (average of the loans in international currencies of the BNDES - "Cesta de moedas") + a spread + BNDES base rate (1.3%). The outstanding amount was R\$ 54 million at 31 March 2020. Applied margins range from 3.3 to 3.6% with an average of 3.5%.

e / IPCA (Índice Nacional de Preços ao Consumidor Amplo– Special Amplified Consumer Prince Index) based long-term CRA issuing

The outstanding amount of IPCA based financings was R\$ 269 million at 31 March 2020.

On November 2019, Company made a new funding with the BNDES in a PCA/Finem line, the amount disbursed was R\$ 30 million, it will be a 2-year grace period for payment of principal, during this period, only interest will be paid each quarter. Principal amortisation will begin in August 2021 with the final maturity in July 2033.

The balance of this line in March 2020 is R\$ 30 million with an average interest rate of 6.3%.

f / Fixed rate financings

Fixed rate financings consist of BNDES investment financing (FINEM – Financiamento a Empreendimentos), equipment financing loans in Brazil (FINAME), Working Capital lines (PCA) and medium-term export pre-financing contracts.

Long-term debts at fixed rate in BRL are basically equipment financings (BNDES – Finame) for which the interest rates vary from 2.5 to 6% with an average of 3.4%. Loans are secured by pledge over the equipment financed. The outstanding amount of FINAME is R\$ 27 million and the outstanding of the BNDES financing (FINEM – Financiamento a Empreendimentos) is R\$ 54 million at 31 March 2020.

The outstanding amount of PCA lines (Programa de Construção e Amplicação de Armazéns) - specific financings in BRL through local financial institutions - is R\$ 24 million, bearing an average interest rate of 7.5%.

Working Capital lines (custeio) specific financings in BRL through local financial institutions, bearing an average interest rate of 7.8%. The outstanding amount was R\$ 320 million at 31 March 2020.

Average interest rate

The global average interest rate is at 6,7% at 31 March 2020. The global average interest rate was at 6.8% at 31 March 2019.

Foreign currency breakdown

The foreign currency breakdown of the debt at 31 March 2020 is as follows:

Currency	BRL	USD	Total
Millions of R\$ at 31 March 2020	2,604	2,595	5,199

Reconciliation of changes in financial debt with the cash flow statement

Changes in financial debt are presented as follows:

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Financial debt - Opening	4,387	3,139
Change with effect on cash	66	896
Borrowings issues	928	2,386
Borrowings repayments	(862)	(1,518)
Change in treasury liabilities	0	28
Change with no effect on cash	1,147	352
Change in fair value	552	346
Effect of exchange rate on financial debt in foreign currency	17	8
Impact of IFRS16 (CPC 06 (R2))	562	0
Other	16	(2)
Financial debt - Closing	5,600	4,387

18.2.2 Covenants

The ratios below relate to covenants of USINA ITAJOBÍ Açúcar e Energia Brasil S.A. and its subsidiaries:

Type at 31 March 2020	Definition	Triggering level
Gearing	Consolidated Net Debt USINA ITAJOBÍ Açúcar e Energia Brasil Group. / Consolidated Net Debt USINA ITAJOBÍ Açúcar e Energia Brasil Group. / Consolidated Equity USINA ITAJOBÍ Açúcar e Energia Brasil Group	Max. 1.25
Interest coverage	CUSINA ITAJOBÍ Açúcar e Energia Brasil Group (Itaú only) consolidated Adjusted EBITDA USINA ITAJOBÍ Açúcar e Energia Brasil Group / Consolidated Net Financial Expenses USINA ITAJOBÍ Açúcar e Energia Brasil Group	Max. 1.50 Min. 2.0
Liquidity	Consolidated Current Assets USINA ITAJOBÍ Açúcar e Energia Brasil Group / Consolidated Current Liabilities USINA ITAJOBÍ Açúcar e Energia Brasil Group	Min. 1.0

The Group complies with all of its financial ratio clauses on the date of issuing the financial statements with the exception of the covenant "Consolidated net debt USINA ITAJOBÍ Açúcar e Energia Brasil Group/Consolidated Equity USINA ITAJOBÍ Açúcar e Energia Brasil Group". The Group obtained a waiver from its banks before the reporting date for all the credit lines concerned (R\$ 2 366 million) except for a credit line (R\$ 52 million), which was early reimbursed in April 2020. This credit line is classified as current borrowings at 31 March 2020.

18.2.3 Other financial liabilities

(MILLIONS OF R\$)	Current		Non-current	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Taxes payables	45	20	1	1
Received deposit	51	178	0	0
Staff and social security payables	84	78	0	0
Derivatives	179	13	95	8
Other	114	46	21	20
OTHER FINANCIAL LIABILITIES	473	335	117	29

The line "Other" includes R\$ 56 million of margin calls to brokers. See details about derivatives in note 19.2.

19. Fair value

The fair values of financial assets and liabilities are the same as their carrying amounts, except for borrowings for which the fair value at 31 March 2020 is presented in the table below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate fair value:

Since cash and cash equivalents, trade receivables and payables and other short-term borrowings mature in the near term, their fair value approximates their carrying amount.

The fair value of fixed- and variable-rate long-term borrowings is based on the estimated present value of the associated future cash flows (principal and interest repayments). A discount rate is calculated for each type of loan, determined by comparison with the interest rate used for similar transactions carried out during the previous period.

The fair value of available-for-sale securities (financial assets) is based on quoted prices in an active market, where available. Investments in equity instruments for which there are no quoted prices in an active market and whose fair value cannot be reliably measured are carried at cost, less any impairment losses, generally calculated in relation to the proportion of equity held.

The Group contracts derivative instruments with counterparties and financial institutions with investment grade ratings. Derivatives are measured using valuation techniques based on observable market inputs. The instruments concerned are mainly interest rate swaps, forward rate agreements, and commodity options and futures. The most frequently applied valuation techniques include forward pricing and swap models, which use present value calculations.

The Group measures biological assets at fair value less costs of sale, if any.

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities and biological assets:

- Level 1: unadjusted quoted prices in an active market for identical assets or liabilities.
- Level 2: other techniques for which all inputs with a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs with a significant effect on the recorded fair value that are not based on observable market data.

At 31 March 2020 the Group held the following items:

(MILLIONS OF R\$)	Level 1	Level 2	Level 3	Total
Financial assets at fair value	342	6	0	348
Interest rate derivatives (OTC)				
Swaps	0	6	0	6
Foreign exchange derivatives (OTC)				
Forwards	0	0	0	0
Commodity derivatives				
Futures (listed)	342	0	0	342
Non-consolidated Investments	0	0	4	4
Cash and cash equivalents	1,561	0	0	1,561
Biological assets	0	0	474	474
Financial liabilities at fair value	(2)	(5,714)	0	(5,716)
Financial debt	0	(4,653)	0	(4,653)
Interest rate derivatives (OTC)				
Swaps	0	(29)	0	(29)
Foreign exchange derivatives (OTC)				
Forwards	0	(243)	0	(243)
USD borrowings qualified as CFH	0	(789)	0	(789)
Commodities derivatives				
Futures (listed)	(2)	0	0	(2)
Total fin. assets and liabilities at fair value on a recurring basis	1,901	(1,055)	0	846
Total fin. assets and liabilities at fair value on a non-recurring basis	0	(4,653)	478	(4,175)
TOTAL FIN. ASSETS AND LIABILITIES AT FAIR VALUE	1,901	(5,708)	478	(3,329)

The methodology adopted by the Group to determine the fair value of assets and liabilities that belong to the level 2 of the fair value hierarchy is as follows:

- Loans, borrowings and interest rate derivatives are valued using the discounted future cash flows method. This method uses interest rates and interest rate curves directly observable on the market at valuation date;
- Foreign exchange derivatives (forwards) are valued on the basis of a recalculation, at valuation date, of the forward exchange rate at maturity of the contract. This recalculation uses exchange rates and interest rate curves directly observable on the market at the valuation date;
- Any interest rate option, foreign exchange option or commodity option is valued using the Black & Scholes model. This model uses the implied volatility of the underlying asset at valuation date;
- Counterparty risk is measured using the CDS quoted on the market at valuation date or, failing that, using the data available on the secondary market (credit spread of listed securities).

19.1 Change in levels and focus on level 3

The methodology adopted by the Group to determine the fair value of level 3 biological assets is described in note 9.

The change in fair value of biological assets can be analysed as follows:

(MILLIONS OF R\$)		Level 3 Biological assets
Fair value at 31 March 2019		324
Gain (loss) in the statement of operations (**)		146 *
Gain (loss) in the other comprehensive income		4
Fair value at 31 March 2020		474

* Corresponds to the increase in tilling costs, the change due to harvest and the change in fair value
 ** Included in cost of sales

19.2 Derivatives

Breakdown by type of derivative:

At 31 March 2020		Fair value			
(MILLIONS OF R\$)		Notional Amount	Assets	Liabilities	Net
Interest rate vanilla swaps	Hedge	1,310	6	(29)	(23)
FX forward contracts	Hedge	1,376	0	(243)	(243)
Commodities futures	Hedge	2,204	342	(2)	340
USD Borrowings qualified as CFH	Hedge	2,246	0	(789)	(789)
TOTAL		7,135	348	(1,063)	(715)

At 31 March 2019		Fair value			
(MILLIONS OF R\$)		Notional Amount	Assets	Liabilities	Net
Interest rate vanilla swaps	Hedge	1,490	5	(5)	0
FX forward contracts	Hedge	865	9	(15)	(6)
Commodities futures	Hedge	367	17	0	17
USD Borrowings qualified as CFH	Hedge	1,956	0	(390)	(390)
TOTAL		4,678	31	(410)	(379)

Derivatives impacts are presented as follows:

Change through Comprehensive Income or through statement of operations		At 31 March 2020		OCI
		Income / (expenses)		
Category		Fair value	OCI recycling	
Interest rate derivatives	Trading	0	0	0
	Hedge	(0)	1	(23)
Foreign exchange derivatives	Trading	24	0	0
	Hedge	0	(76)	(237)
	USD loan qualified as cash flow hedge	0	(187)	(364)
Commodity derivatives	Trading	(6)	0	0
	Hedge	0	37	358
Total		18	(225)	(265)
Effect of deferred taxes on OCI				90
Total OCI net of taxes				(175)
Of which OCI recycled into net revenue			1	(1)
Of which OCI recycled into cost of goods sold			(26)	26
Of which OCI recycled into financial result			(0)	0

20. Risk management

In the context of its operating and financing activities, the Group is exposed to the following financial risks:

- market risks: interest rate risk, foreign exchange risk, commodities risk and energy risk;
- liquidity risks.

20.1 Market risk management

The Group manages its financial risks centrally or at the level of each subsidiary, depending on the type of transaction. Market risks are managed through the use of derivative instruments in accordance with Group procedures.

20.1.1 Interest rate risk management

The Group's exposure to interest rate risk is generated primarily by its borrowings at floating rates which impact future financial results.

When the Group's wants to minimise the exposure of its subsidiaries to the risk of an increase in interest rates, the Group uses derivative instruments in the form of vanilla swaps. The interest rate hedging policy is defined centrally at Group level. Transactions are negotiated locally, and approved locally and centrally, according to Group procedures.

The notional amounts and fair values of interest rate derivatives by maturity breakdown are as follows:

(MILLIONS OF R\$)		Notional			TOTAL	Fair value
At 31 March 2020		less than 1 year	1 to 5 years	more than 5 years		
Vanilla swaps		764	545	0	1,310	(23)
in cash-flow hedge		614	465	0	1,080	(29)
at fair value through profit or loss		150	80	0	230	6
Structured		0	0	0	0	0
TOTAL INTEREST RATE		764	545	0	1,310	(23)
of which CDI based derivatives		150	80	0	230	6
of which Libor 6M based derivatives		25	50	0	74	(1)
of which Libor 3M based derivatives		590	416	0	1,006	(28)

8% of the Group's borrowings was fixed rate debt at 31 March 2020, 92% was on floating rate debt.

33% of the Group's debt was short-term debt and 67% was medium-and long-term at 31 March 2020.

Sensitivity of the statement of operations and other comprehensive income

The sensitivity analysis applies movements in interest rates and determines for various scenarios the impact of changes in interest rates on the statement of operations and other comprehensive income. The table below summarises financial exposures to changes in interest rates.

(MILLIONS OF R\$)		Impacts in a probable scenario		Impacts in a possible scenario		Impacts in a stress scenario	
At 31 March 2020	Notional	+10%	-10%	+25%	-25%	+50%	-50%
Borrowings at floating rate not hedged	0	0	0	0	0	0	0
Interest rate derivatives	1,310	0	(0)	1	(0)	1	(1)
Trading (Statement of operations impact)	230	(1)	1	(1)	1	(3)	3
Cash-flow hedge (Other comprehensive income impact)	1,080	1	(1)	2	(2)	3	(3)
Total	1,310	0	(0)	1	(0)	1	(1)
of which impact on Statement of operations		(1)	1	(1)	1	(3)	3
of which impact on other comprehensive income		1	(1)	2	(2)	3	(3)

All floating interest rates were shocked using a change of +/- 10%, considered as reasonable based on observed market conditions. All other variables of the underlying amounts were held constant.

Underlying amounts contain unhedged borrowings taken at floating rates and the fair value of interest rate derivatives.

These changes would impact the statement of operations, except for the fair value of interest rate derivatives qualified as cash flow hedges, whose changes would impact other comprehensive income.

20.1.2 Foreign exchange risk management

To hedge exposures to foreign exchange risk, the Group uses derivative instruments, primarily outright forward contracts maturing in less than 12 months and USD borrowings to cover foreign exchange changes on sugar sales. These instruments are qualified as cash flow hedges.

The notional amounts and fair values of foreign exchange derivatives by maturity breakdown as follows:

(MILLIONS OF R\$)		Notional			TOTAL	Fair value
At 31 March 2020		less than 1 year	1 to 5 years	more than 5 years		
Forwards / NDF		937	439	0	1,376	(243)
in cash-flow hedge		937	439	0	1,376	(243)
at fair value through profit or loss		0	0	0	0	0
USD Borrowings qualified as CFH		659	1,587	0	2,246	(789)
TOTAL FOREX		1,596	2,027	0	3,622	(1,032)
of which USD / BRL derivatives		1,596	2,027	0	3,622	(1,032)
of which EUR / USD derivatives		0	0	0	0	0

Sensitivity of the statement of operations and other comprehensive income

The sensitivity analysis considers for various scenarios the impacts of a change in underlying foreign exchange rates on the statement of operations and other comprehensive income.

(MILLIONS OF R\$)		Impacts in a probable scenario		Impacts in a possible scenario		Impacts in a stress scenario	
At 31 March 2020	Notional	+10%	-10%	+25%	-25%	+50%	-50%
Assets and Liabilities	857	86	(86)	214	(214)	429	(429)
Net of financial assets and liabilities (P&L impact)	857	86	(86)	214	(214)	429	(429)
Receivables in Foreign Currency (Assets)	0	0	0	0	0	0	0
Payables in Foreign Currency (Liabilities)	0	0	0	0	0	0	0
FX Derivatives (including USD borrowings)	1,376	(138)	207	(345)	345	(690)	690
Trading (Statement of operations impact)	0	0	0	0	0	0	0
Cash-flow hedge (Other comprehensive income impact)	1,376	(138)	207	(345)	345	(690)	690
Commodities Derivatives	2,204	(155)	155	(387)	386	(773)	773
Trading (Statement of operations impact)	0	0	0	0	0	0	0
Cash-flow hedge (Other comprehensive income impact)	2,204	(155)	155	(387)	386	(773)	773
Interest Rate Derivatives	1,310	0	(0)	1	(0)	1	(1)
FVH (Statement of operations impact)	230	(1)	1	(1)	1	(3)	3
Cash-flow hedge (Other comprehensive income impact)	1,080	1	(1)	2	(2)	3	(3)
Total	5,746	(207)	276	(517)	517	(1,034)	1,034
of which impact on Statement of operations		85	(85)	213	(213)	426	(426)
of which impact on other comprehensive income		(292)	361	(730)	730	(1,460)	1,460

All foreign currency denominated items were included in the analysis, as well as the impact on the fair value of commodities derivatives which are denominated in USD (typically sugar).

The above table shows the sensitivity of the Group's statement of operations and other comprehensive income to changes in the underlying currency pairs (EUR/USD, EUR/GBP, USD/BRL).

The sensitivity analysis was prepared considering a +/- 10% change to be reasonable, based on general market observations. All other variables were held constant.

The different scenarios would impact the statement of operations, except for derivatives accounted for as cash flow hedges whose impacts would be recorded in other comprehensive income.

20.1.3 Commodities risk management

To hedge its commodities prices risk, several Group entities, depending on their activities, may buy and sell commodities future/forward contracts. The commodities negotiated are mainly: raw and white sugar for USINA ITAJOBÍ Açúcar e Energia Brasil S.A. representing their final products. Most derivatives are qualified as cash flow hedge instruments.

Commodities and finished products transactions are performed at the subsidiary level and reviewed by the Market Risk Committees at USINA ITAJOBÍ Açúcar e Energia Brasil.

The notional amounts of the commodities derivatives by maturity are as follows:

(MILLIONS OF R\$)		Notional			TOTAL	Fair value
At 31 March 2020		less than 1 year	1 to 5 years	more than 5 years		
Futures		1,763	440	0	2,204	340
in cash-flow hedge		1,763	440	0	2,204	340
at fair value through profit or loss		0	0	0	0	0
TOTAL COMMODITIES		1,763	440	0	2,204	340
<i>of which cereal derivatives</i>		0	0	0	0	0
<i>of which sugar derivatives</i>		1,763	440	0	2,204	340
<i>of which ethanol derivatives</i>		0	0	0	0	0

Sensitivity of the statement of operations and other comprehensive income

(MILLIONS OF R\$)		Impacts in a probable scenario		Impacts in a possible scenario		Impacts in a stress scenario	
At 31 March 2020	Notional	+10%	-10%	+25%	-25%	+50%	-50%
Sugar derivatives	2,204	(155)	155	(387)	386	(773)	773
Trading (Statement of operations impact)	0	0	0	0	0	0	0
Cash-flow hedge (Other comprehensive income impact)	2,204	(155)	155	(387)	386	(773)	773
Cereal derivatives	0	0	0	0	0	0	0
Trading (Statement of operations impact)	0	0	0	0	0	0	0
Cash-flow hedge (Other comprehensive income impact)	0	0	0	0	0	0	0
Ethanol derivatives	0	0	0	0	0	0	0
Trading (Statement of operations impact)	0	0	0	0	0	0	0
Cash-flow hedge (Other comprehensive income impact)	0	0	0	0	0	0	0
Total	2,204	(155)	155	(387)	386	(773)	773
<i>of which impact on Statement of operations</i>		0	0	0	0	0	0
<i>of which impact on other comprehensive income</i>		(155)	155	(387)	386	(773)	773

The impacts of the different scenarios are disclosed as impacting the statement of operations except those on commodities derivatives accounted for as cash-flow hedge which impacts would be through other comprehensive income.

20.2 Liquidity risk management

The Group finances itself predominantly by short-, medium and long-term bank loans as described above.

Liquidity management and financing of the Group are performed by the Group Treasury Department, supporting by the operating subsidiaries.

The main principles of the Group's policy in terms of liquidity risk management rely mostly on the diversification of the financing instruments in terms of type, tenor and source of funding and access to the longest maturities available on the market.

As such the Group finances itself with USD funding from the bank market, on the local "bond" market (Certificados de Recebíveis do Agronegócio), and when possible, also uses BNDES / Fname programs which give access to long maturities in R\$.

During the financial year 2017/2018, the Group successfully completed the refinancing of part of its USD-LIBOR based export pre-financings through the arrangement in January 2018 of a new club deal for USD 310 million, syndicated with a pool of 11 banks, which allowed it to extend the average tenor of its financings. Besides, it successfully placed Agribusiness Receivable Certificates (Certificados de Recebíveis do Agronegócio - CRA) with Brazilian investors for a total amount of R\$ 313 million in May 2017 with a 3-year maturity.

The Group's debt amortisation profile is mainly tied to the maturities of the USD syndicated loans and BNDES loans.

The Group's indebtedness is subject to fluctuations due to the seasonal nature of its businesses, which may generate cash surplus for short periods. The Group's policy is to make investments only in bank deposits or in liquid money market funds.

The undiscounted contractual cash outflows (interest, amortisations and final maturities) on the outstanding amount of the financial liabilities and derivatives by maturity date were as follows:

(MILLIONS OF R\$)

At 31 March 2020	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	TOTAL
Principal	1,701	1,461	753	474	386	424	5,199
Fixed interest payment commitments	127	93	42	23	17	33	335
Floating interest payment commitments	108	87	51	34	24	29	333
Total debts before amortised costs	1,936	1,641	846	531	426	487	5,866
Net flows on swap	(9)	(10)	(4)	0	0	0	(23)
Total derivatives	(9)	(10)	(4)	0	0	0	(23)
Total interest payment commitments including derivatives	226	170	88	58	40	63	645

At 31 March 2019	less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	more than 5 years	TOTAL
Principal	879	1,341	745	571	396	504	4,436
Fixed interest payment commitments	129	82	47	26	13	21	316
Floating interest payment commitments	138	112	79	54	36	37	456
Total debts before amortised costs	1,146	1,535	871	650	445	562	5,208
Net flows on swap	2	(1)	(1)	0	0	0	0
Total derivatives	2	(1)	(1)	0	0	0	0
Total interest payment commitments including derivatives	270	193	124	79	48	58	772

21. Unrecognised contractual commitments

Commitments given

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Purchases of sugarcane	2,469	2,770
Assets covered by commitments	37	37
Operating leases	0	498

Purchases of sugarcane

USINA ITAJOBÍ Açúcar e Energia Brasil entered into contracts for the purchase of sugarcane produced in third parties' rural properties, amounting to approximately 4.5 million tonnes per crop to be delivered between 2020 and 2025. As of 31 March 2020 the annual commitment is estimated at R\$ 2 469 million, based on the average price until that date of R\$ 90.48 per tonne of sugarcane purchased.

Assets covered by commitments

The Group pledged properties and vehicles in the amount of R\$ 37 million as collateral for tax claims.

22. Related parties

USINA ITAJOBÍ S.C.A. is the ultimate parent company of USINA ITAJOBÍ France, USINA ITAJOBÍ Participations, USINA ITAJOBÍ Appro, USINA ITAJOBÍ Finance, USINA ITAJOBÍ Commodities Suisse and Océan Indien Participations.

22.1 Operating transactions with related parties

Transactions have been carried out with the following entities:

(MILLIONS OF R\$)	Sales		Purchases	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Entities controlling the Group	0	0	1	1
a/ USINA ITAJOBÍ Internacional	0	0	1	1
Entities controlled by USINA ITAJOBÍ Group	839	144	75	71
a/ USINA ITAJOBÍ Participations	2	4	75	70
a/ USINA ITAJOBÍ Amido e Adoçantes Brasil	1	2	0	0
	0	0	0	1
a/ USINA ITAJOBÍ Starch & Sweeteners Europe SAS a/ USINA ITAJOBÍ Commodities France (ex TBE)	19	18	0	0
	817	120	0	0

(MILLIONS OF R\$)	Receivables		Payables	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Entities controlling the Group	0	0	2	0
a/ USINA ITAJOBÍ Internacional	0	0	2	0
Entities controlled by USINA ITAJOBÍ Group	76	10	30	23
a/ USINA ITAJOBÍ Participations	6	4	29	21
a/ USINA ITAJOBÍ Amido e Adoçantes Brasil	3	2	0	0
	0	0	0	2
a/ USINA ITAJOBÍ Starch & Sweeteners Europe b/ USINA ITAJOBÍ Commodities Suisse	67	4	0	0

a/ An intra-group service agreement was entered into on April 1st, 2016 by and between USINA ITAJOBÍ Participations as service provider, and the Company and its subsidiaries. The agreement sets forth the terms and conditions under which USINA ITAJOBÍ Participations will provide to the beneficiaries certain services, in particular in IT, administrative, strategy, insurance, financing and treasury, accounting and consolidation, communication, business development, legal and tax areas. In consideration for the provision of such services, USINA ITAJOBÍ Participations will receive compensation equal to the direct and/or indirect costs incurred by USINA ITAJOBÍ Participations in connection with the provision of such services, plus a 9% margin.

b/ Some operational activities (sugar sales out of the Brazilian market) of USINA ITAJOBÍ Açúcar e Energia Brasil Group are performed with USINA ITAJOBÍ Commodities Suisse (a subsidiary of USINA ITAJOBÍ Cooperation) at market conditions.

22.2 Financing transactions with related parties

The main financing transactions were carried out with the following entities:

(MILLIONS OF R\$)	Financial assets		Financial liabilities	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Entities controlling the Group	206	0	53	0
a/ USINA ITAJOBÍ Internacional	206	0	53	0
Associates	1	1	0	0
b/ Sao Jose Agricultura	1	1	0	0
Other entities	1	1	24	17

No material amounts of interest were received or paid to related parties for the years ended 31 March 2020 and 2019.

The financial assets and liabilities of related parties are classified in the statement of financial position as follows:

(MILLIONS OF R\$)	31 March 2020	31 March 2019
Current financial assets with related parties	206	0
Current financial liabilities with related parties	(0)	(0)
Non-current financial assets with related parties	2	2
Non-current financial liabilities with related parties	(77)	(17)
TOTAL NET RELATED PARTY FINANCIAL ASSETS (LIABILITIES)	131	(15)

23. Subsequent events

None.

24. Scope of consolidation

		31 March 2020		31 March 2019	
Company name		% of interest	Consolidation Method	% of interest	Consolidation Method
USINA ITAJOBÍ Açúcar e Energia Brasil		Parent company		Parent company	
Agrícola Rodeio	Brazil	-	Merged	100.00	Controlled entity
Andrade Agricultura	Brazil	-	Not consolidated	51.90	Controlled entity
USINA ITAJOBÍ Açúcar e Energia Andrade S.A.	Brazil	-	Merged	100.00	Controlled entity
USINA ITAJOBÍ Açúcar e Energia Cruz Alta S.A.	Brazil	100.00	Controlled entity	100.00	Controlled entity
USINA ITAJOBÍ Açúcar e Energia São José S.A.	Brazil	-	Merged	100.00	Controlled entity
USINA ITAJOBÍ Commodities Brasil	Brazil	81.00	Controlled entity	81.00	Controlled entity
Vertente	Brazil	50.00	Controlled entity	50.00	Controlled entity
Sena Holding Limited	Mauritius	99.09	Controlled entity	99.09	Controlled entity
Societe Marromeu Limited	Mauritius	75.00	Controlled entity	75.00	Controlled entity
USINA ITAJOBÍ Sena Limited	Mauritius	100.00	Controlled entity	100.00	Controlled entity
Compania de Sena	Mozambique	94.15	Controlled entity	94.15	Controlled entity
Sena Lines	Mozambique	94.20	Controlled entity	94.20	Controlled entity
Centro de Tecnologia Canavieira	Brazil	4.42	Associates / Equity method	4.42	Associates / Equity method
Sao Jose Agricultura	Brazil	32.00	Associates / Equity method	32.00	Associates / Equity method
Teapar	Brazil	35.00	Associates / Equity method	35.00	Associates / Equity method