

# ***Wilson Sons Limited***

***Consolidated Financial Statements  
for the Years Ended 31 December 2008  
and 2007 and Independent Auditors' Report***

Deloitte Touche Tohmatsu Auditores Independentes

## INDEPENDENT AUDITORS' REPORT

To the Directors of  
Wilson Sons Limited  
Hamilton, Bermuda

We have audited the accompanying consolidated financial statements of Wilson Sons Limited ("the Group"), which comprise the consolidated balance sheets as of 31 December 2008 and 2007, and the related consolidated income statements, statements of changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes, all expressed in United States dollars, the presentation currency of the Group.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

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

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

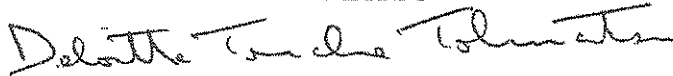
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2008 and 2007 and the consolidated results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards, expressed in United States dollars.

Our audits also comprehended the convenience translation of the presentation currency amounts (United States dollar) into Brazilian real amounts and, in our opinion, such convenience translation has been made in conformity with the basis stated in Note 2. The translation of the consolidated financial statements amounts into Brazilian reais has been made solely for the convenience of readers in Brazil.

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

Rio de Janeiro, Brazil  
24 March 2009

WILSON SONS LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT  
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

|   | <u>Notes</u> | <u>2008</u>     | <u>2007</u>     | <u>Convenience Translation</u> |                              |
|---|--------------|-----------------|-----------------|--------------------------------|------------------------------|
|   |              | <u>US\$000</u>  | <u>US\$000</u>  | <u>2008</u><br><u>R\$000</u>   | <u>2007</u><br><u>R\$000</u> |
| REVENUE   | 4            | 498,285         | 404,046         | 1,164,492                      | 715,687                      |
| Raw materials and consumables used                  |              | (86,480)        | (40,464)        | (202,104)                      | (71,674)                     |
| Personnel expenses                                  | 5            | (136,316)       | (116,180)       | (318,570)                      | (205,790)                    |
| Depreciation and amortization expense               |              | (26,256)        | (19,066)        | (61,360)                       | (33,772)                     |
| Other operating expenses                            | 6            | (153,480)       | (160,866)       | (358,683)                      | (284,942)                    |
| Profit on disposal of property, plant and equipment | 7            | <u>680</u>      | <u>4,819</u>    | <u>1,589</u>                   | <u>8,536</u>                 |
| OPERATING PROFIT                                    |              | 96,433          | 72,289          | 225,364                        | 128,045                      |
| Result on disposal of investment                    | 9            | 4,191           | -               | 9,794                          | -                            |
| Investment income (expense)                         | 10           | (822)           | 19,238          | (1,921)                        | 34,076                       |
| Finance costs                                       | 10           | <u>(14,210)</u> | <u>(7,565)</u>  | <u>(33,209)</u>                | <u>(13,400)</u>              |
| PROFIT BEFORE TAX                                   |              | 85,592          | 83,962          | 200,028                        | 148,721                      |
| Income tax expense                                  | 11           | <u>(38,695)</u> | <u>(26,165)</u> | <u>(90,430)</u>                | <u>(46,346)</u>              |
| PROFIT FOR THE YEAR                                 |              | <u>46,897</u>   | <u>57,797</u>   | <u>109,598</u>                 | <u>102,375</u>               |
| Attributable to:                                    |              |                 |                 |                                |                              |
| Equity holders of parent                            |              | 46,855          | 56,151          | 109,500                        | 99,460                       |
| Minority interests                                  |              | <u>42</u>       | <u>1,646</u>    | <u>98</u>                      | <u>2,916</u>                 |
|   |              | <u>46,897</u>   | <u>57,797</u>   | <u>109,598</u>                 | <u>102,376</u>               |
| Earnings per share                                  |              |                 |                 |                                |                              |
| Basic and diluted                                   | 25           | 65.9c           | 94.4c           | 153.9c                         | 167.3c                       |
| Exchange rates                                      |              |                 |                 |                                |                              |
| 12/31/08 - R\$2.3370 / US\$1.00                     |              |                 |                 |                                |                              |
| 12/31/07 - R\$1.7713 / US\$1.00                     |              |                 |                 |                                |                              |

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

# WILSON SONS LIMITED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2008 AND 2007

|   |       | 2008           | 2007           | Convenience Translation |                  |
|---|-------|----------------|----------------|-------------------------|------------------|
|   | Notes | US\$000        | US\$000        | 2008<br>R\$000          | 2007<br>R\$000   |
| <b>NON-CURRENT ASSETS</b>                           |       |                |                |                         |                  |
| Goodwill  | 12    | 15,612         | 13,132         | 36,485                  | 23,261           |
| Other intangible assets                             | 13    | 1,799          | 2,041          | 4,204                   | 3,615            |
| Property, plant and equipment                       | 14    | 305,022        | 252,105        | 712,836                 | 446,554          |
| Deferred tax assets                                 | 19    | 10,889         | 12,713         | 25,448                  | 22,519           |
| Available for sale investment                       | 9     | -              | 6,466          | -                       | 11,453           |
| Other non-current assets                            |       | 8,066          | 11,123         | 18,852                  | 19,701           |
| Total non-current assets                            |       | <u>341,388</u> | <u>297,580</u> | <u>797,825</u>          | <u>527,103</u>   |
| <b>CURRENT ASSETS</b>                               |       |                |                |                         |                  |
| Inventories   | 15    | 9,402          | 7,379          | 21,972                  | 13,070           |
| Trade and other receivables                         | 16    | 78,751         | 72,755         | 184,041                 | 128,871          |
| Cash and cash equivalents                           | 17    | <u>180,022</u> | <u>197,688</u> | <u>420,711</u>          | <u>350,165</u>   |
| Total current assets                                |       | <u>268,175</u> | <u>277,822</u> | <u>626,724</u>          | <u>492,106</u>   |
| <b>TOTAL ASSETS</b>                                 |       | <u>609,563</u> | <u>575,402</u> | <u>1,424,549</u>        | <u>1,019,209</u> |
| <b>EQUITY AND LIABILITIES</b>                       |       |                |                |                         |                  |
| <b>CAPITAL AND RESERVES</b>                         |       |                |                |                         |                  |
| Share capital                                       | 25    | 9,905          | 9,905          | 23,148                  | 17,545           |
| Capital reserves                                    |       | 146,334        | 146,334        | 341,983                 | 259,201          |
| Profit reserves                                     |       | 1,981          | -              | 4,630                   | -                |
| Unrealized gain in investments                      |       | -              | 2,341          | -                       | 4,147            |
| Retained earnings                                   |       | 170,779        | 141,912        | 399,111                 | 251,368          |
| Translation reserve                                 |       | <u>1,773</u>   | <u>15,807</u>  | <u>4,144</u>            | <u>27,999</u>    |
| Equity attributable to equity holders of the parent |       | 330,772        | 316,299        | 773,016                 | 560,260          |
| Minority interests                                  |       | <u>1,411</u>   | <u>5,254</u>   | <u>3,298</u>            | <u>9,306</u>     |
| Total equity  |       | <u>332,183</u> | <u>321,553</u> | <u>776,314</u>          | <u>569,566</u>   |
| <b>NON-CURRENT LIABILITIES</b>                      |       |                |                |                         |                  |
| Bank loans  | 18    | 167,440        | 134,744        | 391,307                 | 238,672          |
| Deferred tax liabilities                            | 19    | 15,632         | 10,807         | 36,532                  | 19,142           |
| Provisions for contingencies                        | 20    | 8,455          | 12,484         | 19,759                  | 22,113           |
| Obligations under finance leases                    | 21    | <u>3,139</u>   | <u>1,441</u>   | <u>7,336</u>            | <u>2,552</u>     |
| Total non-current liabilities                       |       | <u>194,666</u> | <u>159,476</u> | <u>454,934</u>          | <u>282,479</u>   |
| <b>CURRENT LIABILITIES</b>                          |       |                |                |                         |                  |
| Trade and other payables                            | 22    | 62,722         | 78,042         | 146,579                 | 138,236          |
| Current tax liabilities                             |       | 1,099          | 742            | 2,568                   | 1,315            |
| Obligations under finance leases                    | 21    | 1,116          | 869            | 2,609                   | 1,539            |
| Bank overdrafts and loans                           | 18    | <u>17,777</u>  | <u>14,720</u>  | <u>41,545</u>           | <u>26,074</u>    |
| Total current liabilities                           |       | <u>82,714</u>  | <u>94,373</u>  | <u>193,301</u>          | <u>167,164</u>   |
| Total liabilities                                   |       | <u>277,380</u> | <u>253,849</u> | <u>648,235</u>          | <u>449,643</u>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |       | <u>609,563</u> | <u>575,402</u> | <u>1,424,549</u>        | <u>1,019,209</u> |
| Exchange rates                                      |       |                |                |                         |                  |
| 12/31/08 - R\$2.3370 / US\$1.00                     |       |                |                |                         |                  |
| 12/31/07 - R\$1.7713 / US\$1.00                     |       |                |                |                         |                  |

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

WILSON SONS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

|  | Note | Share capital<br>US\$000 | Share premium<br>US\$000 | Others<br>US\$000 | Legal reserve<br>US\$000 | Unrealized gain in investments<br>US\$000 | Retained earnings<br>US\$000 | Currency translation reserve<br>US\$000 | Attributable to equity holders of the parent<br>US\$000 | Minority interests<br>US\$000 | Total<br>US\$000 |
|--|------|--------------------------|--------------------------|-------------------|--------------------------|---|------------------------------|---|---|-------------------------------|------------------|
| BALANCE AT 1 JANUARY 2007  |      | 8,072                    | -                        | 24,577            | -                        | 2,381                                     | 97,567                       | 8,573                                   | 141,170   | 3,830                         | 145,000          |
| Gains on available for sale investment                                     |      | -                        | -                        | -                 | -                        | (40)                                      | -                            | -                                       | (40)  | -                             | (40)             |
| Currency translation adjustment  |      | -                        | -                        | -                 | -                        | -   | -                            | 7,234                                   | 7,234   | 655                           | 7,889            |
| Profit for the year  |      | -                        | -                        | -                 | -                        | -   | 56,151                       | -                                       | 56,151  | 1,646                         | 57,797           |
| Total income and expenses for the year                                     |      | -                        | -                        | -                 | -                        | (40)                                      | 56,151                       | 7,234                                   | 63,345  | 2,301                         | 65,646           |
| Transfer to capital reserves   |      | -                        | -                        | 3,806             | -                        | -   | (3,806)                      | -                                       | -   | -                             | -                |
| Subscription to capital on IPO with premium arising on the issue of shares |      | 1,833                    | 117,951                  | -                 | -                        | -   | -                            | -                                       | 119,784   | -                             | 119,784          |
| Dividends  | 25   | -                        | -                        | -                 | -                        | -   | (8,000)                      | -                                       | (8,000)   | (877)                         | (8,877)          |
| BALANCE AT 31 DECEMBER 2007  | 25   | 9,905                    | 117,951                  | 28,383            | -                        | 2,341                                     | 141,912                      | 15,807                                  | 316,299   | 5,254                         | 321,553          |
| Gains on available for sale investment                                     |      | -                        | -                        | -                 | -                        | (2,341)                                   | -                            | -                                       | (2,341)   | -                             | (2,341)          |
| Currency translation adjustment  |      | -                        | -                        | -                 | -                        | -   | -                            | (14,034)                                | (14,034)  | (1,297)                       | (15,331)         |
| Legal reserve increase   |      | -                        | -                        | -                 | 1,981                    | -   | (1,981)                      | -                                       | -   | -                             | -                |
| Profit for the year  |      | -                        | -                        | -                 | -                        | -   | 46,855                       | -                                       | 46,855  | 42                            | 46,897           |
| Total income and expenses for the year                                     |      | -                        | -                        | -                 | -                        | (2,341)                                   | 44,874                       | (14,034)                                | 30,480  | (1,255)                       | 29,225           |
| Purchase minority  |      | -                        | -                        | -                 | -                        | -   | -                            | -                                       | -   | (2,588)                       | (2,588)          |
| Dividends  | 25   | -                        | -                        | -                 | -                        | -   | (16,007)                     | -                                       | (16,007)  | -                             | (16,007)         |
| BALANCE AT 31 DECEMBER 2008  | 25   | 9,905                    | 117,951                  | 28,383            | 1,981                    | -   | 170,779                      | 1,773                                   | 330,772   | 1,411                         | 332,183          |

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WILSON SONS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

|  | Note | Convenience translation |                      |               |                                |                   |                              | Attributable to equity holders of the parent |          | Minority interests | Total    |
|--|------|-------------------------|----------------------|---------------|--------------------------------|-------------------|------------------------------|--|----------|--------------------|----------|
|  |      | Share capital           | Capital Reserves     | Legal reserve | Unrealized gain in investments | Retained earnings | Currency translation reserve | R\$000                                       | R\$000   |                    |          |
|  |      | R\$000                  | Share premium R\$000 | Others R\$000 | R\$000                         | R\$000            | R\$000                       | R\$000                                       | R\$000   | R\$000             | R\$000   |
| BALANCE AT 1 JANUARY 2007  |      | 17,258                  | -                    | 52,546        | -                              | 5,091             | 208,598                      | 18,329                                       | 301,822  | 8,189              | 310,011  |
| Gains on available for sale investment                                     |      | -                       | -                    | -             | -                              | (71)              | -                            | -  | (71)     | -                  | (71)     |
| Currency translation adjustment  |      | -                       | -                    | -             | -                              | -                 | -                            | 12,814                                       | 12,814   | 1,158              | 13,972   |
| Profit for the year  |      | -                       | -                    | -             | -                              | -                 | 99,460                       | -  | 99,460   | 2,916              | 102,376  |
| Total income and expenses for the year                                     |      | -                       | -                    | -             | -                              | (71)              | 99,460                       | 12,814                                       | 112,203  | 4,074              | 116,277  |
| Transfer to capital reserves   |      | -                       | -                    | -             | -                              | -                 | (6,742)                      | -  | -        | -                  | -        |
| Subscription to capital on IPO with premium arising on the issue of shares |      | 3,247                   | 208,925              | -             | -                              | -                 | -                            | -  | 212,172  | -                  | 212,172  |
| Dividends  | 25   | -                       | -                    | -             | -                              | -                 | (14,170)                     | -  | (14,170) | (1,553)            | (15,723) |
| Translation adjustment to Real   |      | (2,960)                 | -                    | (9,012)       | -                              | (873)             | (35,778)                     | (3,144)                                      | (51,767) | (1,404)            | (53,171) |
| BALANCE AT 31 DECEMBER 2007  | 25   | 17,545                  | 208,925              | 50,276        | -                              | 4,147             | 251,368                      | 27,999                                       | 560,260  | 9,306              | 569,566  |
| Gains on available for sale investment                                     |      | -                       | -                    | -             | -                              | (5,471)           | -                            | -  | (5,471)  | -                  | (5,471)  |
| Currency translation adjustment  |      | -                       | -                    | -             | -                              | -                 | -                            | (32,797)                                     | (32,797) | (3,031)            | (35,828) |
| Legal reserve increase   |      | -                       | -                    | -             | -                              | -                 | (4,630)                      | -  | -        | -                  | -        |
| Profit for the year  |      | -                       | -                    | -             | -                              | -                 | 109,500                      | -  | 109,500  | 98                 | 109,598  |
| Total income and expenses for the period                                   |      | -                       | -                    | -             | -                              | (5,471)           | 104,870                      | (32,797)                                     | 71,232   | (2,933)            | 68,299   |
| Purchase minority  |      | -                       | -                    | -             | -                              | -                 | -                            | -  | -        | (6,048)            | (6,048)  |
| Dividends  | 25   | -                       | -                    | -             | -                              | -                 | (37,408)                     | -  | (37,408) | -                  | (37,408) |
| Translation adjustment to Real   |      | 5,603                   | 66,727               | 16,056        | -                              | 1,324             | 80,281                       | 8,942  | 178,933  | 2,973              | 181,906  |
| BALANCE AT 31 DECEMBER 2008  | 25   | 23,148                  | 275,652              | 66,332        | -                              | -                 | 399,111                      | 4,144  | 773,017  | 3,298              | 776,315  |

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

WILSON SONS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

|   | Notes | Convenience Translation       |                               |                              |                              |
|---|-------|-------------------------------|-------------------------------|------------------------------|------------------------------|
|   |       | <u>2008</u><br><u>US\$000</u> | <u>2007</u><br><u>US\$000</u> | <u>2008</u><br><u>R\$000</u> | <u>2007</u><br><u>R\$000</u> |
| NET CASH FROM OPERATING ACTIVITIES                      | 31    | 58,734                        | 58,364                        | 137,261                      | 103,380                      |
| INVESTING ACTIVITIES                                    |       |                               |                               |                              |                              |
| Interest received                                       |       | 22,702                        | 11,396                        | 53,055                       | 20,186                       |
| Proceeds on disposal of property, plant and equipment   |       | 1,950                         | 8,702                         | 4,556                        | 15,414                       |
| Purchases of property, plant and equipment              |       | (90,190)                      | (92,583)                      | (210,774)                    | (163,992)                    |
| Net cash outflow arising from acquisition of subsidiary |       | <u>(5,059)</u>                | <u>-</u>                      | <u>(11,823)</u>              | <u>-</u>                     |
| Net cash used in investing activities                   |       | <u>(70,597)</u>               | <u>(72,485)</u>               | <u>(164,986)</u>             | <u>(128,392)</u>             |
| FINANCING ACTIVITIES                                    |       |                               |                               |                              |                              |
| Subscription to capital (IPO)                           |       | -                             | 119,784                       | -                            | 212,173                      |
| Dividends paid  |       | (16,007)                      | (8,000)                       | (37,408)                     | (14,170)                     |
| Repayments of borrowings                                |       | (13,449)                      | (22,590)                      | (31,431)                     | (40,014)                     |
| Repayments of obligations under finance leases          |       | (1,980)                       | (633)                         | (4,627)                      | (1,121)                      |
| New bank loans raised                                   |       | 49,044                        | 54,882                        | 114,616                      | 97,212                       |
| Increase in bank overdrafts                             |       | <u>113</u>                    | <u>5,927</u>                  | <u>264</u>                   | <u>10,498</u>                |
| Net cash generated by financing activities              |       | <u>17,721</u>                 | <u>149,370</u>                | <u>41,414</u>                | <u>264,578</u>               |
| NET INCREASE IN CASH AND CASH EQUIVALENTS               |       | 5,858                         | 135,249                       | 13,689                       | 239,566                      |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR          |       | 197,688                       | 54,597                        | 350,165                      | 116,729                      |
| Effect of foreign exchange rate changes                 |       | (23,524)                      | 7,842                         | (54,976)                     | 13,891                       |
| Translation adjustment to Real                          |       | <u>-</u>                      | <u>-</u>                      | <u>111,832</u>               | <u>(20,021)</u>              |
| CASH AND CASH EQUIVALENTS AT END OF YEAR                |       | <u>180,022</u>                | <u>197,688</u>                | <u>420,710</u>               | <u>350,165</u>               |
| Exchange rates  |       |                               |                               |                              |                              |
| 12/31/08 - R\$2.3370 / US\$1.00                         |       |                               |                               |                              |                              |
| 12/31/07 - R\$1.7713 / US\$1.00                         |       |                               |                               |                              |                              |

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



## WILSON SONS LIMITED AND SUBSIDIARIES

### NOTES FOR THE ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2008 and 2007

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#### 1. GENERAL INFORMATION

Wilson Sons Limited (the “Group” or “Company”) is a Company incorporated in Bermuda under the Companies Act 1981. The address of the registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The Group is one of the largest providers of integrated port and maritime logistics and supply chain solutions. Throughout over 171 years in the Brazilian market, we have developed an extensive national network and provide a variety of services related international trade, particularly in the port and maritime sectors. Our principal activities are divided into the following segments: operation of port terminals, towage services, logistics, shipping assistance and support to offshore oil and natural gas platforms.

On 24 march 2009, the Board of Directors formally approved the current financial statements.

These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the Group operates. Entities with a functional currency other than US Dollars are included in accordance with the policies (see note 2).

#### 2. SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

##### Basis of accounting

The financial statements have been prepared in US dollars according to the International Financial Reporting Standards (IFRS) on the historical cost basis, except for the revaluation of financial instruments and share based payments liability.

New Standards and Interpretations effective in the current period

In the current year, the Company has adopted the following amendments and interpretations issued by the IASB and IFRIC, respectively, which are or have become effective.

- IAS 39 and IFRS 7- (Amendments) Reclassification of Financial Instruments;
- IFRIC 11 – relating to IFRS 2: *Group and Treasury Share Transactions*;
- IFRIC 12 – relating to *Service Concession Arrangements*; and
- IFRIC 14 relating to IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

The adoption of these Interpretations has not led to any changes in the Group’s accounting policies.

At the date of authorization of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 13: *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 15: *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009);
- IFRIC 16: *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after 1 October 2008);
- IFRIC 17: *Distributions of Non-cash Assets to Owners* (effective for annual periods beginning on or after 1 July 2009); and
- IFRIC 18: *Transfers of Assets from Customers* (effective for transfers received on or after 1 July 2009).

The following Standards and Interpretations which have not been applied in these financial statements had been revised until the date of the authorization of these financial statements but not yet effective:

- IAS 1: *Presentation of Financial Statements* – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation and amendments resulting from May 2008 Annual Improvements to IFRSs (revised in 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 16: *Property, Plant and Equipment* – Amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 19: *Employee Benefits* – Amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 20: *Government Grants and Disclosure of Government Assistance* – Amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 23: *Borrowing Costs* – Comprehensive revision to prohibit immediate expensing (revised in 2007 and effective for borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009) and amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 27: *Consolidated and Separate Financial Statements* – Consequential amendments arising from amendments to IFRS 3 (revised in 2008 and effective for annual periods beginning on or after 1 July 2009), amendment relating to cost of an investment on first-time adoption and amendments resulting from May 2008 Annual Improvements to IFRSs (revised in 2008 and effective for annual periods beginning on or after 1 January 2009);

- IAS 28: *Investments in Associates* – Consequential amendments arising from amendments to IFRS 3 (revised in 2008 and effective for annual periods beginning on or after 1 July 2009) and amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 29: *Financial Reporting in Hyperinflationary Economies* – Amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 31: *Interests in Joint Ventures* – Consequential amendments arising from amendments to IFRS 3 (revised in 2008 and effective for annual periods beginning on or after 1 July 2009) and amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 32: *Financial Instruments: Presentation* – Amendments relating to puttable instruments and obligations arising on liquidation (revised in 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 36: *Impairment of Assets* – Amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 38: *Intangible Assets* – Amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 39: *Financial Instruments: Recognition and Measurement* – Amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009) and amendments for eligible hedged items (revised in July 2008 and effective for annual periods beginning on or after 1 July 2009);
- IAS 40: *Investment Property* – Amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IAS 41: *Agriculture* – Amendments resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IFRS 1: *First-time Adoption of International Financial Reporting Standards* – Amendment relating to cost of an investment on first-time adoption (revised in May 2008 and effective for annual periods beginning on or after 1 January 2009);
- IFRS 2: *Share-based Payment* – Amendment relating to vesting conditions and cancellations (revised in 2008 and effective for annual periods beginning on or after 1 January 2009);
- IFRS 3: *Business Combinations* – Comprehensive revision on applying the acquisition method (revised in 2008 and effective for annual periods beginning on or after 1 July 2009);
- IFRS 5: *Non-current Held for Sale and Discontinued Operations* – Amendment resulting from May 2008 Annual Improvements to IFRSs (revised in May 2008 and effective for annual periods beginning on or after 1 July 2009);

The directors anticipate that all of the above Standards and Interpretations will be adopted in the Group's financial statements for the period in which they are effective and that the adoption of those Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

#### Convenience translation

The financial statements were originally prepared in US Dollars, and also have been translated into the Real, the Brazilian currency. The exchange rates used for the purposes of this convenience translation were the PTAX exchange rates ruling as at the closing dates of the consolidated financial statements, as published by the Brazilian Central Bank. On December 31, 2008 and 2007 the applicable exchange rates were R\$2.3370 and R\$1.7713, respectively. The difference between the applicable exchange rates, on each of the closing dates, generates impacts of translation on the beginning balances of the financial statements and on the changes therein through the subsequent year end. The effect of this difference was disclosed in the Brazilian Currency (Real) Consolidated Statement of Changes in Equity and respective notes as "Translation adjustment to Real". This convenience translation to the Real was carried out with the sole objective of providing the user of the financial statements a view of the numbers in the currency of the country in which the Group carries out its operations.

The principal accounting policies adopted are set out below.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

### Foreign currency

The functional currency for each Group entity is determined as the currency of the primary economic environment in which it operates. Transactions other than those in the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates.

Non-monetary assets are not retranslated.

On consolidation, the income statement items of entities with a functional currency other than US Dollars are translated into US Dollars, the Group's presentational currency, at average rates of exchange. Balance sheet items are translated into US Dollars at year end exchange rates. Exchange differences arising on consolidation of entities with functional currencies other than US Dollars are classified as equity and are recognized in the Group's translation reserve.

### Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interests in the joint venture.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

## Taxation

Tax expense for the year comprises current tax and deferred tax.

Current tax is based on assessable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes or includes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences with certain limited exceptions as follows. Deferred tax is not provided:

- In respect of tax payable on undistributed earnings of subsidiaries, associates and joint ventures where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future;
- On the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; nor is deferred tax provided on subsequent changes in the carrying value of such assets and liabilities, for example where they are depreciated; and
- On the initial recognition of any goodwill.

Deferred tax assets are recognized only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

A company will normally have a legally enforceable right to set off a deferred tax asset against a deferred tax liability when these items are in the same entity and relate to income taxes levied by the same taxation authority and the taxation authority permits the company to make or receive a single net payment. In the consolidated financial statements, a deferred tax asset of one entity in the Group cannot be offset against a deferred tax liability of another entity in the Group as there is no legally enforceable right to offset tax assets and liabilities between Group companies.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method as follows.

|                      |                     |
|----------------------|---------------------|
| Freehold Buildings:  | 25 years            |
| Leasehold Buildings: | Period of the lease |
| Floating Craft:      | 20 years            |
| Vehicles:            | 5 years             |
| Plant and Equipment: | 5 to 20 years       |

Assets in the course of construction are carried at cost, less any recognized impairment loss. Costs include professional fees for qualifying assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for intended use.

Borrowing costs are not capitalized but are expensed in the period in which they are incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Docking costs are capitalized and depreciated over the period in which the economic benefits are received.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

### Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where a purchase of additional share interest in a controlled entity does not result in a change of control, goodwill is calculated as the difference between the consideration paid for the additional interest and the book value of the net assets in the subsidiary at the time of the transaction.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, growth rates and expected changes to selling prices and costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit. Growth rates are based on management's forecasts and historical trends. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

#### Impairment of tangible and other intangible assets

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows.

#### Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, directly attributable labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

##### 1. Financial Assets

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at "fair value through profit or loss" (FVTPL), "held to maturity" investments, "available for sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group does not have any financial assets classified as at FVTPL and "held to maturity" on 31 December 2008.



The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

#### Available for sale financial assets

- Available for sale investments: For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

#### Loans and receivables

The following instruments have been classified as loans and receivables and are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- Cash and Cash Equivalents: Cash and cash equivalents comprise cash in hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.
- Trade Receivables: Trade receivables and other amounts receivable are stated at the fair value of the amounts due, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognized in the income statement.

#### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

#### Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## 2. Financial Liabilities

Financial liabilities are classified as either financial liabilities “as FVTPL” or “other financial liabilities”.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in the profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability, fair value is determined in manner described in Note 29.

Other financial liabilities are measured at fair value, net of transaction cost. Other financial liabilities are subsequently measured at amortization cost, using the effective interest method, with interest expense recognized on an effective yield basis.

### Financial liabilities at FVTPL:

- **Derivatives:** The Group may use derivative financial instruments to reduce exposure to foreign exchange movements. Derivatives are measured at each balance sheet date at fair value. The Group does not have “hedge accounting” and the gains and losses arising from changes in fair value are included in the income statement for the period within investment revenue or finance costs. The Group does not have any outstanding derivatives on December 31, 2008 and 2007.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement. The Group does not have embedded derivatives on December 31, 2008 and 2007.

### Other financial liabilities

- **Bank Borrowings:** Interest-bearing bank loans, overdrafts and obligations under finance leases are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on the accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.
- **Trade Payables:** Trade receivables and other amounts receivable are measured at fair value, net of transaction cost.

### Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

### Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

### Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. Cash settled long-term incentive plans are measured at fair value at the balance sheet date. A liability equal to the portion of the services received is recognized at the current fair value determined at each balance sheet date. Any increase or decrease in the liability is recognized in the income statement.

Fair value is measured by use of a binomial model. The fair value calculated by the model has been adjusted, based on management's best estimate, for the effects of behavioural considerations.

### Revenue

Revenue is measured at fair value of the consideration received or receivable for goods and services provided in the normal course of business net of trade discounts and other sales related taxes. If the Group is acting solely as an agent, amounts billed to customers are offset against relevant costs.

Sales of services are recognised when the work contracted has been performed in accordance with contracted terms.

Revenue from construction contracts is recognized in accordance with the Group's accounting policy on construction contracts (see above).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the shareholders rights to receive payment have been established.

#### Operating profit

Operating profit is stated before investment income, finance costs and income tax.

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease, or if lower the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rentals payable under finance leases are charged to income on a straight-line basis over the term of the relevant lease.

#### Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described above, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

#### Legal cases

In the normal course of business in Brazil, the Group is exposed to local legal cases. Provisions for legal cases are made when the Group's management, together with their legal advisors, considers the probable outcome is a financial settlement against the Group. Provisions are measured at the Management's best estimate of the expenditure required to settle the obligation based upon legal advice received. For labour claims the provision is based on prior experience and managements' best knowledge of the relevant facts and circumstances.

### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was US\$15.6 million (R\$36.5 million) (2007: US\$13.1 million (R\$23.2 million)). Details of the impairment loss calculation are provided in note 12.

### Fair value of derivatives and other financial instruments

As described in Note 29, the Company may use derivatives contracts to manage foreign currency risk. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

### Cash settled share based payment schemes

The fair value of cash settled share based payments is determined using a binomial model. The assumptions used in determining this fair value include the life of the options, share price volatility, dividend yield and risk free rate. Expected volatility is determined by calculating the volatility of the Group's share price over a historical period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioural considerations. Expected dividend yield are based on the Groups dividend policy. In determining the risk free rate the Group utilizes the yield on a zero coupon government bond in the currency in which the exercise price is expressed. Forfeiture rates are applied and historical distributions to fair valuations in computing the share based payment charge. The Group uses forfeiture rates in line with management's best estimate of the percentage of awards which will be forfeited, based on the proportion of award holders expected to leave the Group.

Any changes in these assumptions will impact the carrying amount of cash settled share based payments liabilities.

### Useful lives of property, plant and equipment

Depreciation is charged so as to write off the cost or valuation of assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method. Estimated useful lives are determined based on prior experience and management's best knowledge, and are reviewed annually.

## 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organized into six operating activities; Towage, port terminals, ship agency, offshore, logistics and non segmented activities. These divisions are the basis on which the Group reports its primary segment information.

Segment information relating to these businesses is presented below.

|                                | 2008           |                           |                        |                  |                   |  | Consolidated         |
|--------------------------------|----------------|---------------------------|------------------------|------------------|-------------------|--|----------------------|
|                                | Towage<br>US\$ | Port<br>terminals<br>US\$ | Ship<br>agency<br>US\$ | Offshore<br>US\$ | Logistics<br>US\$ | Non<br>segment<br>activities<br>US\$   |                      |
| Revenue                        | 147,098        | 170,518                   | 17,588                 | 21,557           | 89,298            | 52,226                                 | 498,285              |
|                                | 147,098        | 170,518                   | 17,588                 | 21,557           | 89,298            | 52,226                                 | 498,285              |
| Result                         |                |                           |                        |                  |                   |  |                      |
| Segment result                 | 48,564         | 50,867                    | 3,132                  | 8,081            | 5,308             | (19,519)                               | 96,433               |
|                                | 48,564         | 50,867                    | 3,132                  | 8,081            | 5,308             | (19,519)                               | 96,433               |
| Investment income              | -              | -                         | -                      | -                | -                 | (822)                                  | (822)                |
| Finance costs                  | (4,077)        | (6,673)                   | (72)                   | (2,671)          | (475)             | (242)                                  | (14,210)             |
| Gain on disposal of investment | -              | -                         | -                      | -                | -                 | 4,191                                  | 4,191                |
| Profit before tax              | 44,487         | 44,194                    | 3,060                  | 5,410            | 4,833             | (16,392)                               | 85,592               |
| Income tax                     | -              | -                         | -                      | -                | -                 | (38,695)                               | (38,695)             |
| Profit for the year            | 44,487         | 44,194                    | 3,060                  | 5,410            | 4,833             | (55,087)                               | 46,897               |
| Other information              |                |                           |                        |                  |                   |  |                      |
| Capital expenditures           | (27,973)       | (30,554)                  | (603)                  | (23,901)         | (9,714)           | (1,400)                                | (93,535)             |
| Depreciation and amortization  | (5,916)        | (12,566)                  | (168)                  | (4,805)          | (1,318)           | (1,483)                                | (26,256)             |
| Balance Sheet                  |                |                           |                        |                  |                   |  |                      |
| Segment assets                 | 108,420        | 187,592                   | 4,873                  | 107,544          | 22,243            | 178,891                                | 609,563              |
| Segment liabilities            | (50,304)       | (66,809)                  | (3,298)                | (112,811)        | (11,908)          | (32,250)                               | (277,380)            |
| 2007                           |                |                           |                        |                  |                   |  |                      |
|                                | Towage<br>US\$ | Port<br>terminals<br>US\$ | Ship<br>agency<br>US\$ | Offshore<br>US\$ | Logistics<br>US\$ | Non<br>segmented<br>activities<br>US\$ | Consolidated<br>US\$ |
|                                | Towage<br>US\$ | Port<br>terminals<br>US\$ | Ship<br>agency<br>US\$ | Offshore<br>US\$ | Logistics<br>US\$ | Non<br>segmented<br>activities<br>US\$ |                      |
| Revenue                        | 146,838        | 148,995                   | 20,392                 | 10,710           | 69,052            | 8,059                                  | 404,046              |
|                                | 146,838        | 148,995                   | 20,392                 | 10,710           | 69,052            | 8,059                                  | 404,046              |
| Result                         |                |                           |                        |                  |                   |  |                      |
| Operating profit               | 47,201         | 42,840                    | 4,155                  | 1,841            | 4,568             | (28,316)                               | 72,289               |
|                                | 47,201         | 42,840                    | 4,155                  | 1,841            | 4,568             | (28,316)                               | 72,289               |
| Investment income              | -              | -                         | -                      | -                | -                 | 19,238                                 | 19,238               |
| Finance costs                  | (2,752)        | (2,464)                   | (23)                   | (1,313)          | (412)             | (601)                                  | (7,565)              |
| Profit before tax              | 44,449         | 40,376                    | 4,132                  | 528              | 4,156             | (9,679)                                | 83,962               |
| Income tax                     | -              | -                         | -                      | -                | -                 | (26,165)                               | (26,165)             |
| Profit for the year            | 44,449         | 40,376                    | 4,132                  | 528              | 4,156             | (35,844)                               | 57,797               |
| Other information              |                |                           |                        |                  |                   |  |                      |
| Capital expenditures           | (21,082)       | (26,266)                  | (849)                  | (41,965)         | (1,582)           | (839)                                  | (92,583)             |
| Depreciation and amortization  | (6,480)        | (6,724)                   | (348)                  | (2,618)          | (714)             | (2,182)                                | (19,066)             |
| Balance Sheet                  |                |                           |                        |                  |                   |  |                      |
| Segment assets                 | 121,422        | 171,027                   | 5,682                  | 77,417           | 18,289            | 181,565                                | 575,402              |
| Segment liabilities            | (72,072)       | (57,439)                  | (6,774)                | (73,904)         | (9,307)           | (34,353)                               | (253,849)            |

| 2008                           |                  |                  |                 |                  |                  |                   |                     |
|--------------------------------|------------------|------------------|-----------------|------------------|------------------|-------------------|---------------------|
|                                | <u>Towage</u>    | <u>Port</u>      | <u>Ship</u>     | <u>Offshore</u>  | <u>Logistics</u> | <u>Non</u>        | <u>Consolidated</u> |
|                                | <u>R\$</u>       | <u>terminals</u> | <u>agency</u>   | <u>R\$</u>       | <u>R\$</u>       | <u>segment</u>    | <u>R\$</u>          |
|                                |                  | <u>R\$</u>       | <u>R\$</u>      |                  |                  | <u>activities</u> |                     |
|                                |                  |                  |                 |                  |                  | <u>R\$</u>        |                     |
| Revenue                        | <u>343,768</u>   | <u>398,501</u>   | <u>41,103</u>   | <u>50,379</u>    | <u>208,689</u>   | <u>122,052</u>    | <u>1,164,492</u>    |
|                                | 343,768          | 398,501          | 41,103          | 50,379           | 208,689          | 122,052           | 1,164,492           |
| Operating profit               | <u>113,494</u>   | <u>118,876</u>   | <u>7,319</u>    | <u>18,885</u>    | <u>12,405</u>    | <u>(45,615)</u>   | <u>225,364</u>      |
|                                | 113,494          | 118,876          | 7,319           | 18,885           | 12,405           | (45,615)          | 225,364             |
| Investment income              | -                | -                | -               | -                | -                | (1,921)           | (1,921)             |
| Finance costs                  | (9,528)          | (15,595)         | (168)           | (6,242)          | (1,110)          | (566)             | (33,209)            |
| Gain on disposal of investment | -                | -                | -               | -                | -                | 9,794             | 9,794               |
| Profit before tax              | <u>103,966</u>   | <u>103,281</u>   | <u>7,151</u>    | <u>12,643</u>    | <u>11,295</u>    | <u>(38,308)</u>   | <u>200,028</u>      |
| Income tax                     | -                | -                | -               | -                | -                | (90,430)          | (90,430)            |
| Profit for the year            | <u>103,966</u>   | <u>103,281</u>   | <u>7,151</u>    | <u>12,643</u>    | <u>11,295</u>    | <u>(128,738)</u>  | <u>109,598</u>      |
| Other information              |                  |                  |                 |                  |                  |                   |                     |
| Capital expenditures           | <u>(65,373)</u>  | <u>(71,405)</u>  | <u>(1,409)</u>  | <u>(55,857)</u>  | <u>(21,276)</u>  | <u>(3,272)</u>    | <u>(218,592)</u>    |
| Depreciation and amortization  | <u>(13,826)</u>  | <u>(29,367)</u>  | <u>(393)</u>    | <u>(11,229)</u>  | <u>(3,080)</u>   | <u>(3,465)</u>    | <u>(61,360)</u>     |
| Balance Sheet                  |                  |                  |                 |                  |                  |                   |                     |
| Segment assets                 | <u>253,377</u>   | <u>438,404</u>   | <u>11,388</u>   | <u>251,331</u>   | <u>51,981</u>    | <u>418,066</u>    | <u>1,424,547</u>    |
| Segment liabilities            | <u>(117,560)</u> | <u>(156,129)</u> | <u>(7,707)</u>  | <u>(263,640)</u> | <u>(27,829)</u>  | <u>(75,368)</u>   | <u>(648,233)</u>    |
| 2007                           |                  |                  |                 |                  |                  |                   |                     |
|                                | <u>Towage</u>    | <u>Port</u>      | <u>Ship</u>     | <u>Offshore</u>  | <u>Logistics</u> | <u>Non</u>        | <u>Consolidated</u> |
|                                | <u>R\$</u>       | <u>terminals</u> | <u>agency</u>   | <u>R\$</u>       | <u>R\$</u>       | <u>segment</u>    | <u>R\$</u>          |
|                                |                  | <u>R\$</u>       | <u>R\$</u>      |                  |                  | <u>activities</u> |                     |
|                                |                  |                  |                 |                  |                  | <u>R\$</u>        |                     |
| Revenue                        | <u>260,094</u>   | <u>263,915</u>   | <u>36,120</u>   | <u>18,971</u>    | <u>122,312</u>   | <u>14,275</u>     | <u>715,687</u>      |
|                                | 260,094          | 263,915          | 36,120          | 18,971           | 122,312          | 14,275            | 715,687             |
| Result                         |                  |                  |                 |                  |                  |                   |                     |
| Operating profit               | <u>83,607</u>    | <u>75,882</u>    | <u>7,360</u>    | <u>3,261</u>     | <u>8,091</u>     | <u>(50,156)</u>   | <u>128,045</u>      |
|                                | 83,607           | 75,882           | 7,360           | 3,261            | 8,091            | (50,156)          | 128,045             |
| Investment income              | -                | -                | -               | -                | -                | 34,076            | 34,076              |
| Finance costs                  | (4,875)          | (4,364)          | (41)            | (2,326)          | (730)            | (1,064)           | (13,400)            |
| Profit before tax              | <u>78,732</u>    | <u>71,518</u>    | <u>7,319</u>    | <u>935</u>       | <u>7,361</u>     | <u>(17,144)</u>   | <u>148,721</u>      |
| Income tax                     | -                | -                | -               | -                | -                | (46,346)          | (46,346)            |
| Profit for the year            | <u>78,732</u>    | <u>71,518</u>    | <u>7,319</u>    | <u>935</u>       | <u>7,361</u>     | <u>(63,490)</u>   | <u>102,375</u>      |
| Other information              |                  |                  |                 |                  |                  |                   |                     |
| Capital expenditures           | <u>(37,343)</u>  | <u>(46,525)</u>  | <u>(1,504)</u>  | <u>(74,333)</u>  | <u>(2,802)</u>   | <u>(1,484)</u>    | <u>(163,991)</u>    |
| Depreciation and amortization  | <u>(11,478)</u>  | <u>(11,910)</u>  | <u>(616)</u>    | <u>(4,637)</u>   | <u>(1,265)</u>   | <u>(3,866)</u>    | <u>(33,772)</u>     |
| Balance Sheet                  |                  |                  |                 |                  |                  |                   |                     |
| Segment assets                 | <u>215,075</u>   | <u>302,940</u>   | <u>10,065</u>   | <u>137,129</u>   | <u>32,395</u>    | <u>321,605</u>    | <u>1,019,209</u>    |
| Segment liabilities            | <u>(127,661)</u> | <u>(101,743)</u> | <u>(11,999)</u> | <u>(130,906)</u> | <u>(16,485)</u>  | <u>(60,849)</u>   | <u>(449,643)</u>    |

Financial expenses and respective liabilities were allocated to reporting segments where interest arises from loans used to finance the construction of fixed assets in that segment.

Financial income arising from bank balances held in Brazilian operating segments, including foreign exchange variation on such balances, were not allocated to the business segments as cash management is performed centrally by the corporate function.



Geographical Segments

The Group's operations are mainly located in Brazil and all sales are originated in Brazil. The Group earns income on Cash and Cash Equivalents invested in Bermuda and in Brazil, and incurs expenses on its activities in the latter country.

## 4. REVENUE

An analysis of the Group's revenue is as follows:

|                                     | <u>2008</u>    | <u>2007</u>    | <u>2008</u>      | <u>2007</u>    |
|-------------------------------------|----------------|----------------|------------------|----------------|
|                                     | <u>US\$</u>    | <u>US\$</u>    | <u>R\$</u>       | <u>R\$</u>     |
| Sales of services                   | 449,652        | 400,570        | 1,050,837        | 709,530        |
| Revenue from construction contracts | <u>48,633</u>  | <u>3,476</u>   | <u>113,655</u>   | <u>6,157</u>   |
| Total                               | <u>498,285</u> | <u>404,046</u> | <u>1,164,492</u> | <u>715,687</u> |

## 5. PERSONNEL EXPENSES

|                                    | <u>2008</u>    | <u>2007</u>    | <u>2008</u>    | <u>2007</u>    |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | <u>US\$</u>    | <u>US\$</u>    | <u>R\$</u>     | <u>R\$</u>     |
| Salaries and benefits              | 110,141        | 90,176         | 257,400        | 159,729        |
| Social securities and charges      | 26,584         | 21,677         | 62,126         | 38,396         |
| Pension costs                      | 1,022          | 1,729          | 2,388          | 3,063          |
| Long term incentive plan (note 24) | <u>(1,431)</u> | <u>2,598</u>   | <u>(3,344)</u> | <u>4,602</u>   |
| Total                              | <u>136,316</u> | <u>116,180</u> | <u>318,570</u> | <u>205,790</u> |

Pension costs are for defined contribution retirement benefit schemes for all qualifying employees of its Brazilian business. Group contributions to the scheme are at rates specified in the rules of the plan. The assets of the scheme are held separately from those of the Group in funds under the control of independent managers.

## 6. OTHER OPERATING EXPENSES

|                                    | <u>2008</u>    | <u>2007</u>    | <u>2008</u>    | <u>2007</u>    |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | <u>US\$</u>    | <u>US\$</u>    | <u>R\$</u>     | <u>R\$</u>     |
| Service cost                       | 49,699         | 48,082         | 116,147        | 85,168         |
| Rent of tugs                       | 25,316         | 26,666         | 59,164         | 47,234         |
| Freight                            | 30,496         | 29,062         | 71,269         | 51,478         |
| Other rentals                      | 12,663         | 12,057         | 29,593         | 21,357         |
| Utilities                          | 10,839         | 10,362         | 25,332         | 18,354         |
| Container movement                 | 9,949          | 9,065          | 23,248         | 16,057         |
| Insurance                          | 6,969          | 5,338          | 16,287         | 9,455          |
| Maintenance                        | 6,359          | 7,063          | 14,862         | 12,510         |
| Provision for contingencies        | (505)          | 6,094          | (1,180)        | 10,794         |
| Provision for doubtful receivables | (880)          | 2,911          | (2,057)        | 5,156          |
| Other expenses                     | <u>2,575</u>   | <u>4,166</u>   | <u>6,018</u>   | <u>7,379</u>   |
| Total                              | <u>153,480</u> | <u>160,866</u> | <u>358,683</u> | <u>284,942</u> |

## 7. PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

In December 2007, the Joint Venture Dragaport Ltda., in which the Group has a shareholding of 33.33%, disposed of its Dredgers to Great Lakes Dredge & Dock Company, LLC for US\$25,665 (R\$45,460). The Group booked its share of the revenue at US\$8,555 (R\$15,153), against the cost of these assets of US\$5,162 (R\$9,143). The disposal was intended to meet the strategic objective of optimizing the operations of the Group. The gain on other disposals of property, plant and equipment was reported in the amount of US\$1,426 (R\$2,526).

## 8. ACQUISITION OF SUBSIDIARY

On 7 December 2008 the Group acquired from IFC – International Finance Corporation 2,761,695 option shares that represent the remaining participation of 10% in the company Tecon. Salvador S.A. that works on port operation business. The Group bought this participation for an amount of US\$5.3 million (R\$12.5 million), the excess cost paid, US\$2.5 million (R\$6.2 million) was recognized as goodwill. Prior to this shareholding reorganization, the Group's participation in the Tecon Salvador S.A. have already been recognized for the integral consolidation method with the constitution of minority interests in the equity.

## 9. GAIN ON DISPOSAL OF INVESTMENT

The gain on disposal of investments in the amount of US\$4,191 (R\$9,794) relates to the write-off in third quarter of 2008 of investment in Barcas S.A Transportes Marítimos.

## 10. INVESTMENT INCOME AND FINANCE COSTS

|  | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| Interest on investments                      | 11,340                     | 8,827                      | 26,502                    | 15,635                    |
| Exchange gain (loss) on investments          | (23,524)                   | 7,842                      | (54,976)                  | 13,891                    |
| Interest income                              | <u>11,362</u>              | <u>2,569</u>               | <u>26,553</u>             | <u>4,550</u>              |
| Total investment income                      | <u>(822)</u>               | <u>19,238</u>              | <u>(1,921)</u>            | <u>34,076</u>             |
| Interest on bank loans and overdrafts        | (7,028)                    | (6,415)                    | (16,424)                  | (11,363)                  |
| Exchange gain (loss) on loans                | (2,369)                    | 1,075                      | (5,536)                   | 1,904                     |
| Interest on obligations under finance leases | (677)                      | (313)                      | (1,583)                   | (555)                     |
| (Losses) with derivatives - book value       | -                          | (412)                      | -                         | (729)                     |
| Other interest                               | <u>(4,136)</u>             | <u>(1,500)</u>             | <u>(9,666)</u>            | <u>(2,657)</u>            |
| Total finance costs                          | <u>(14,210)</u>            | <u>(7,565)</u>             | <u>(33,209)</u>           | <u>(13,400)</u>           |

## 11. INCOME TAX

|  | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| Current  |                            |                            |                           |                           |
| Brazilian taxation   |                            |                            |                           |                           |
| Corporation tax  | 22,901                     | 21,700                     | 53,520                    | 38,437                    |
| Social contribution  | <u>9,302</u>               | <u>8,055</u>               | <u>21,738</u>             | <u>14,268</u>             |
| Total Brazilian current tax  | <u>32,203</u>              | <u>29,755</u>              | <u>75,258</u>             | <u>52,705</u>             |
| Deferred tax   |                            |                            |                           |                           |
| Charge (reverse) for the year in respect of deferred tax liabilities | (22,551)                   | 11,760                     | (52,702)                  | 20,832                    |
| Credit (reverse) for the year in respect of deferred tax assets      | <u>29,043</u>              | <u>(15,350)</u>            | <u>67,874</u>             | <u>(27,190)</u>           |
| Total deferred tax   | <u>6,492</u>               | <u>(3,590)</u>             | <u>15,172</u>             | <u>(6,359)</u>            |
| Total income tax   | <u>38,695</u>              | <u>26,165</u>              | <u>90,430</u>             | <u>46,346</u>             |

Brazilian corporation tax is calculated at 25 percent of the taxable profit for the year.

Brazilian social contribution tax is calculated at 9 percent of the taxable profit for the year.

The charge for the year is reconciled to the profit per the income statement as follows:

|   | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|---|----------------------------|----------------------------|---------------------------|---------------------------|
| Profit before tax   | 85,592                     | 83,962                     | 200,029                   | 148,721                   |
| Tax at the standard Brazilian tax rate of 34% (2008/2007 – 34%)                   | 29,101                     | 28,547                     | 68,009                    | 50,570                    |
| Tax effect of expenses/income that are not included in determining taxable profit | 9,593                      | 1,574                      | 22,419                    | 2,783                     |
| Effect of different tax rates in other jurisdictions                              | <u>1</u>                   | <u>(3,956)</u>             | <u>2</u>                  | <u>(7,007)</u>            |
| Income tax expense  | <u>38,695</u>              | <u>26,165</u>              | <u>90,430</u>             | <u>46,346</u>             |
| Effective rate for the year   | 45%                        | 31%                        | 45%                       | 31%                       |

The Group earns its profits primarily in Brazil. Therefore the tax rate used for tax on profit on ordinary activities is the standard composite rate of the Corporation Tax and Social Contribution in Brazil of 34%.

## 12. GOODWILL

|   | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|---|----------------------------|----------------------------|---------------------------|---------------------------|
| Cost and carrying amount attributed to: |                            |                            |                           |                           |
| Tecon Rio Grande                        | 13,132                     | 13,132                     | 30,689                    | 23,261                    |
| Tecon Salvador S.A.                     | <u>2,480</u>               | <u>-</u>                   | <u>-</u>                  | <u>-</u>                  |
| Total                                   | <u>15,612</u>              | <u>13,132</u>              | <u>36,485</u>             | <u>23,261</u>             |

For the purposes of testing goodwill for impairment the Group prepares cash flow forecasts for the relevant cash generating unit (Tecon Rio Grande and Tecon Salvador) derived from the most recent financial budget for the next year and extrapolates cash flows for the remaining life of the concession based on an estimated annual growth of between 6% and 8% per cent for Tecon Rio Grande and 5.5% and 7% per cent for Tecon Salvador. This rate does not exceed the average long-term historical growth rate for the relevant market.

### 13. OTHER INTANGIBLE ASSETS

| <u>Cost</u>                    | <u>US\$</u>  | <u>R\$</u>   |
|--------------------------------|--------------|--------------|
| At January 1, 2007             | 3,021        | 6,459        |
| Exchange differences           | 359          | 634          |
| Translation adjustment to Real | -            | (1,106)      |
| At December 31, 2007           | 3,380        | 5,987        |
| Additions                      | 610          | 1,426        |
| Exchange differences           | (752)        | (1,757)      |
| Translation adjustment to Real | -            | 1,911        |
| At December 31, 2008           | 3,238        | 7,567        |
| <u>Amortization</u>            |              |              |
| At January 1, 2007             | 968          | 2,070        |
| Charge for the year            | 315          | 559          |
| Exchange differences           | 56           | 97           |
| Translation adjustment to Real | -            | (354)        |
| At December 31, 2007           | 1,339        | 2,372        |
| Charge for the year            | 299          | 699          |
| Exchange differences           | (199)        | (465)        |
| Translation adjustment to Real | -            | 757          |
| At December 31, 2008           | 1,439        | 3,363        |
| <u>Carrying amount</u>         |              |              |
| December 31, 2008              | <u>1,799</u> | <u>4,204</u> |
| December 31, 2007              | <u>2,041</u> | <u>3,615</u> |

Intangible assets arose from the acquisition of the concession of the container and heavy cargo terminal in Salvador, Tecon Salvador, in 2000 and the purchase of the remaining 50% rights of the concession for EADI Santo Andre (bonded warehouse).

On November, 2008 the Group's renewed the concession right for EADI Santo Andre for more ten years, this right were recognized as intangible asset that raised on US\$610 (R\$1,426).

Intangible assets are amortized over the remaining terms of the concessions at the time of acquisition which, for Tecon Salvador, is 25 years, and for EADI Santo Andre is 10 years.

## 14. PROPERTY, PLANT AND EQUIPMENT

| <u>Cost or valuation</u>        | <u>Land and<br/>buildings</u><br>US\$ | <u>Floating<br/>craft</u><br>US\$ | <u>Vehicles,<br/>plant and<br/>equipment</u><br>US\$ | <u>Assets under<br/>construction</u><br>US\$ | <u>Total</u><br>US\$ |
|---------------------------------|---------------------------------------|-----------------------------------|--|--|----------------------|
| At January 1, 2007              | 42,982                                | 126,359                           | 86,742   | 17,327                                       | 273,410              |
| Additions                       | 7,989                                 | 1,929                             | 23,046   | 59,619                                       | 92,583               |
| Transfers                       | 11,866                                | 31,051                            | (11,866)   | (31,051)                                     | -                    |
| Exchange differences            | 3,915                                 | 1,806                             | 4,876  | -  | 10,597               |
| Disposals                       | (198)                                 | (7,261)                           | (2,935)  | -  | (10,394)             |
| At December 31, 2007            | <u>66,554</u>                         | <u>153,884</u>                    | <u>99,863</u>  | <u>45,895</u>                                | <u>366,196</u>       |
| Additions                       | 23,697                                | 12,351                            | 20,420   | 37,067                                       | 93,535               |
| Transfers                       | 3,830                                 | 63,311                            | (3,830)  | (63,311)                                     | -                    |
| Exchange differences            | (7,320)                               | (491)                             | (11,501)   | -  | (19,312)             |
| Disposals                       | (52)                                  | (855)                             | (3,286)  | -  | (4,193)              |
| At December 31, 2008            | <u>86,709</u>                         | <u>228,200</u>                    | <u>101,666</u>                                       | <u>19,651</u>                                | <u>436,226</u>       |
| <u>Accumulated depreciation</u> |                                       |                                   |  |  |                      |
| At January 1, 2007              | 9,492                                 | 58,065                            | 30,068   | -  | 97,625               |
| Charge for the year             | 2,364                                 | 9,820                             | 6,567  | -  | 18,751               |
| Transfers                       | 3,271                                 | -                                 | (3,271)  | -  | -                    |
| Exchange differences            | 1,880                                 | 803                               | 1,545  | -  | 4,228                |
| Disposals                       | (133)                                 | (4,367)                           | (2,013)  | -  | (6,513)              |
| At December 31, 2007            | <u>16,874</u>                         | <u>64,321</u>                     | <u>32,896</u>  | <u>-</u>                                     | <u>114,091</u>       |
| Charge for the year             | 7,403                                 | 10,520                            | 8,034  | -  | 25,957               |
| Exchange differences            | (2,622)                               | (19)                              | (3,276)  | -  | (5,917)              |
| Disposals                       | -                                     | (1,052)                           | (1,875)  | -  | (2,927)              |
| At December 31, 2008            | <u>21,655</u>                         | <u>73,770</u>                     | <u>35,779</u>  | <u>-</u>                                     | <u>131,204</u>       |
| <u>Carrying amount</u>          |                                       |                                   |  |  |                      |
| December 31, 2008               | <u>65,054</u>                         | <u>154,430</u>                    | <u>65,887</u>  | <u>19,651</u>                                | <u>305,022</u>       |
| December 31, 2007               | <u>49,680</u>                         | <u>89,563</u>                     | <u>66,967</u>  | <u>45,895</u>                                | <u>252,105</u>       |

|                                 | Land and<br>buildings | Floating<br>craft | Vehicles,<br>plant and<br>equipment | Assets under<br>construction | Total            |
|---------------------------------|-----------------------|-------------------|-------------------------------------|------------------------------|------------------|
| <u>Cost or valuation</u>        | <u>R\$</u>            | <u>R\$</u>        | <u>R\$</u>                          | <u>R\$</u>                   | <u>R\$</u>       |
| At January 1, 2007              | 91,895                | 270,156           | 185,454                             | 37,045                       | 584,550          |
| Additions                       | 14,151                | 3,417             | 40,821                              | 105,606                      | 163,995          |
| Transfers                       | 21,018                | 55,001            | (21,018)                            | (55,001)                     | -                |
| Exchange differences            | 6,935                 | 3,199             | 8,635                               | -                            | 18,769           |
| Disposals                       | (351)                 | (12,861)          | (5,199)                             | -                            | (18,411)         |
| Translation adjustment to Real  | <u>(15,761)</u>       | <u>(46,337)</u>   | <u>(31,808)</u>                     | <u>(6,353)</u>               | <u>(100,259)</u> |
| At December 31, 2007            | <u>117,887</u>        | <u>272,575</u>    | <u>176,885</u>                      | <u>81,297</u>                | <u>648,644</u>   |
| Additions                       | 55,380                | 28,864            | 47,722                              | 86,626                       | 218,592          |
| Transfers                       | 8,951                 | 147,958           | (8,951)                             | (147,958)                    | -                |
| Exchange differences            | (17,107)              | (1,147)           | (26,876)                            | -                            | (45,130)         |
| Disposals                       | (122)                 | (1,998)           | (7,679)                             | -                            | (9,799)          |
| Translation adjustment to Real  | <u>37,650</u>         | <u>87,051</u>     | <u>56,492</u>                       | <u>25,959</u>                | <u>207,152</u>   |
| At December 31, 2008            | <u>202,639</u>        | <u>533,303</u>    | <u>237,593</u>                      | <u>45,924</u>                | <u>1,019,459</u> |
| <u>Accumulated depreciation</u> |                       |                   |                                     |                              |                  |
| At January 1, 2007              | 20,294                | 124,143           | 64,285                              | -                            | 208,722          |
| Charge for the year             | 4,187                 | 17,394            | 11,632                              | -                            | 33,213           |
| Transfers                       | 5,794                 | -                 | (5,794)                             | -                            | -                |
| Exchange differences            | 3,330                 | 1,422             | 2,737                               | -                            | 7,489            |
| Disposals                       | (236)                 | (7,735)           | (3,566)                             | -                            | (11,537)         |
| Translation adjustment to Real  | <u>(3,480)</u>        | <u>(21,292)</u>   | <u>(11,025)</u>                     | <u>-</u>                     | <u>(35,797)</u>  |
| At December 31, 2007            | <u>29,889</u>         | <u>113,932</u>    | <u>58,269</u>                       | <u>-</u>                     | <u>202,090</u>   |
| Charge for the year             | 17,301                | 24,585            | 18,775                              | -                            | 60,661           |
| Exchange differences            | (6,128)               | (44)              | (7,656)                             | -                            | (13,828)         |
| Disposals                       | -                     | (2,459)           | (4,382)                             | -                            | (6,841)          |
| Translation adjustment to Real  | <u>9,545</u>          | <u>36,386</u>     | <u>18,610</u>                       | <u>-</u>                     | <u>64,542</u>    |
| At December 31, 2008            | <u>50,608</u>         | <u>172,400</u>    | <u>83,616</u>                       | <u>-</u>                     | <u>306,623</u>   |
| December 31, 2008               | <u>152,031</u>        | <u>360,903</u>    | <u>153,977</u>                      | <u>45,924</u>                | <u>712,835</u>   |
| December 31, 2007               | <u>87,998</u>         | <u>158,643</u>    | <u>118,616</u>                      | <u>81,297</u>                | <u>446,554</u>   |

The carrying amount of the Group's vehicles, plant and equipment includes an amount of US\$13.8 million (R\$32.3 million) (2007: US\$9.9 million (R\$17.5 million)) in respect of assets held under finance leases.

Land and buildings with a net book value of US\$299 (R\$699) (2007: US\$303 (R\$537)) and tugs with a net book value of US\$3,001 million (R\$7,013) (2007: US\$3,287 (R\$5,822)) have been given in guarantee of various legal processes.

The Group has pledged assets having a carrying amount of approximately US\$35.2 million (R\$82.3 million) (2007: US\$38.6 million (R\$68.3 million)) to secure loans granted to the Group.

At 31 December 2008, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting US\$23.9 million (R\$55.9 million) (2007: US\$16.2 million (R\$28.7 million)). This figure comprises principally assets under construction at Tecon Rio Grande.

## 15. INVENTORIES

|  | <u>2008</u>  | <u>2007</u>  | <u>2008</u>   | <u>2007</u>   |
|--|--------------|--------------|---------------|---------------|
|  | <u>US\$</u>  | <u>US\$</u>  | <u>R\$</u>    | <u>R\$</u>    |
| Operating materials  | 8,360        | 5,066        | 19,537        | 8,973         |
| Raw materials for construction contracts<br>(external customers) | <u>1,042</u> | <u>2,313</u> | <u>2,435</u>  | <u>4,097</u>  |
| Total  | <u>9,402</u> | <u>7,379</u> | <u>21,972</u> | <u>13,070</u> |

## 16. TRADE AND OTHER RECEIVABLES

|  | <u>2008</u>   | <u>2007</u>   | <u>2008</u>    | <u>2007</u>    |
|--|---------------|---------------|----------------|----------------|
|  | <u>US\$</u>   | <u>US\$</u>   | <u>R\$</u>     | <u>R\$</u>     |
| Accounts receivable for services rendered    | 36,138        | 43,043        | 84,455         | 76,242         |
| Provision for doubtful receivables           | (2,761)       | (4,208)       | (6,452)        | (7,454)        |
| Income Tax recoverable                       | 2,676         | 2,383         | 6,254          | 4,221          |
| Prepayments and recoverable taxes and levies | <u>42,698</u> | <u>31,537</u> | <u>99,784</u>  | <u>55,862</u>  |
| Total  | <u>78,751</u> | <u>72,755</u> | <u>184,041</u> | <u>128,871</u> |

The average credit period taken on services ranges from zero to 30 days (2007:30 days).

Interest of 1 percent per month plus an average fine of 2 percent per month is charged on overdue balances.

The aging list of accounts receivable for services rendered are shown below as follows:

|                     | <u>2008</u>   | <u>2007</u>   | <u>2008</u>   | <u>2007</u>   |
|---------------------|---------------|---------------|---------------|---------------|
|                     | <u>US\$</u>   | <u>US\$</u>   | <u>R\$</u>    | <u>R\$</u>    |
| Not due             | 31,744        | 32,757        | 74,187        | 58,022        |
| From 0 to 30 days   | 1,369         | 4,353         | 3,199         | 7,711         |
| From 31 to 90 days  | 188           | 467           | 439           | 827           |
| From 91 to 180 days | 76            | 1,258         | 178           | 2,228         |
| More than 180 days  | <u>2,761</u>  | <u>4,208</u>  | <u>6,452</u>  | <u>7,454</u>  |
| Total               | <u>36,138</u> | <u>43,043</u> | <u>84,455</u> | <u>76,242</u> |

A provision for doubtful receivables was recognized decreasing the amount of accounts receivable. The valuation provision is established whenever a loss is detected, which, based on past experience, for accounts receivable overdue more than 180 days.

## Movement in the allowance for doubtful debts:

|                                     | <u>US\$</u> | <u>R\$</u> |
|-------------------------------------|-------------|------------|
| At 1 January 2007                   | 933         | 1,995      |
| Amounts written off during the year | (344)       | (610)      |
| Increase in allowance               | 3,255       | 5,766      |
| Exchange difference                 | 364         | 644        |
| Translation adjustment to Real      | -           | (341)      |
| At 31 December 2007                 | 4,208       | 7,454      |
| Amounts written off during the year | (1,277)     | (2,985)    |
| Increase in allowance               | 397         | 928        |
| Exchange difference                 | (567)       | (1,325)    |
| Translation adjustment to Real      | -           | 2,380      |
| At 31 December 2008                 | 2,761       | 6,452      |

Management believes that no further credit provision is required for the allowance for doubtful debts.

As a matter of routine, the Group reviews taxes and levies impacting its businesses with a view to ensure that payments of such amounts are correctly made and that no amounts are paid unnecessarily. In this process, where it is confirmed that taxes and/or levies have been overpaid, the Group takes appropriate measures to recover such amounts. During the year ended 31 December 2007, the Group received a response to a consultation to tax officials confirming the exemption of certain transactions to taxes, which the Group had been paying through that date. This response permits the Group to recoup such amounts paid in the past provided that the Group takes certain measures to demonstrate that it has met the requirements of tax regulations for such recovery. During 2008, the Group was able to meet such requirements and recognized US\$22.4 million (R\$52.3 million) (2007: US\$5.9 million (R\$10.5 million)) as credits in the Consolidated Income Statement for those years (line "other operating expenses"). The Group expects to conclude the accounting for such amounts in 2009, but it is not practicable to quantify them as at the issuance date of the financial statements.

## 17. CASH AND CASH EQUIVALENT

Cash and cash equivalent comprise cash in hand, bank accounts and short-term investments that are highly liquid and readily convertible to a known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents denominated in United States dollars represent principally investments in deposit certificates placed with major financial institutions.



The breakdown of cash and cash equivalents is as follows:

|  | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| Cash and cash equivalents in United States dollars           | <u>104,672</u>             | <u>125,650</u>             | <u>244,618</u>            | <u>222,564</u>            |
| Cash and cash equivalents in Brazilian Reais                 |                            |                            |                           |                           |
| Bank deposits and cash in hand                               | <u>3,757</u>               | <u>19,714</u>              | <u>8,780</u>              | <u>34,919</u>             |
| Short-term investments                                       |                            |                            |                           |                           |
| Quotas of investment funds                                   | -                          | 4,935                      | -                         | 8,741                     |
| Bank certificates of deposit and repurchase agreement (REPO) | <u>71,593</u>              | <u>47,389</u>              | <u>167,313</u>            | <u>83,941</u>             |
| Total short-term investments                                 | <u>71,593</u>              | <u>52,324</u>              | <u>167,313</u>            | <u>92,682</u>             |
| Total cash and cash equivalents in Brazilian Reais           | <u>75,350</u>              | <u>72,038</u>              | <u>176,093</u>            | <u>127,601</u>            |
| Total cash and cash equivalents                              | <u>180,022</u>             | <u>197,688</u>             | <u>420,711</u>            | <u>350,165</u>            |

#### Private investment funds

The Group has investments in private investment funds that are consolidated in these financial statements. These private investment funds comprise certificates of deposit and equivalent instruments with final maturities ranging from October 2009 to 2011.

The securities included in the portfolio of the private investment funds have daily liquidity and are marked to market on a daily basis against current earnings. These private investment funds do not have significant financial obligations. Any financial obligations are limited to service fees to the asset management company employed to execute investment transactions, audit fees and other similar expenses.

## 18. BANK OVERDRAFTS AND LOANS

|                                 | <u>Annual</u><br><u>Interest rate - %</u> | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|---------------------------------|---|----------------------------|----------------------------|---------------------------|---------------------------|
| <u>Unsecured Borrowings</u>     |   |                            |                            |                           |                           |
| Bank overdrafts                 | CDI + 1.53%                               | <u>113</u>                 | <u>43</u>                  | <u>264</u>                | <u>76</u>                 |
| <u>Secured Borrowings</u>       |   |                            |                            |                           |                           |
| BNDES                           | 2.64% to 5%                               | <u>159,721</u>             | <u>125,736</u>             | <u>373,266</u>            | <u>222,717</u>            |
| IFC linked to US Dollars        | 3.08% to 8.49%                            | 21,316                     | 23,685                     | 49,815                    | 41,953                    |
| IFC linked to R\$               | 14.09%                                    | 4,067                      | -                          | 9,507                     | -                         |
| Total IFC                       |   | <u>25,383</u>              | <u>23,685</u>              | <u>59,322</u>             | <u>41,953</u>             |
| Bank loans                      |   | <u>185,104</u>             | <u>149,421</u>             | <u>432,588</u>            | <u>264,670</u>            |
| Total bank overdrafts and loans |   | <u>185,217</u>             | <u>149,464</u>             | <u>432,852</u>            | <u>264,746</u>            |

The breakdown of bank overdrafts and loans by maturity is as follows:

|                                       |                   |                   |                   |                   |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Within one year                       | 17,777            | 14,720            | 41,545            | 26,074            |
| In the second year                    | 15,096            | 15,863            | 35,277            | 28,099            |
| In the third to fifth years inclusive | 43,321            | 34,939            | 101,241           | 61,885            |
| After five years                      | <u>109,023</u>    | <u>83,942</u>     | <u>254,789</u>    | <u>148,688</u>    |
| Total                                 | <u>185,217</u>    | <u>149,464</u>    | <u>432,852</u>    | <u>264,746</u>    |
| <br>Total current                     | <br><u>17,777</u> | <br><u>14,720</u> | <br><u>41,545</u> | <br><u>26,074</u> |
| Total non-current                     | <u>167,440</u>    | <u>134,744</u>    | <u>391,307</u>    | <u>238,672</u>    |

Analysis of borrowings by currency:

|                 | \$Real<br>US\$ | \$Real<br>linked to<br>US Dollars<br>US\$ | US Dollars<br>US\$ | Total<br>US\$  | \$Real<br>R\$ | \$Real<br>linked to<br>US Dollars<br>R\$ | US Dollars<br>R\$ | Total<br>R\$   |
|-----------------|----------------|---|--------------------|----------------|---------------|--|-------------------|----------------|
| <u>2008</u>     |                |   |                    |                |               |  |                   |                |
| Bank overdrafts | 113            | -   | -                  | 113            | 264           | -  | -                 | 264            |
| Bank loans      | <u>4,067</u>   | <u>159,721</u>                            | <u>21,316</u>      | <u>185,104</u> | <u>9,505</u>  | <u>373,266</u>                           | <u>49,817</u>     | <u>432,588</u> |
| Total           | <u>4,180</u>   | <u>159,721</u>                            | <u>21,316</u>      | <u>185,217</u> | <u>9,769</u>  | <u>373,266</u>                           | <u>49,817</u>     | <u>432,852</u> |
| <br><u>2007</u> |                |   |                    |                |               |  |                   |                |
| Bank overdrafts | 43             | -   | -                  | 43             | 76            | -  | -                 | 76             |
| Bank loans      | <u>-</u>       | <u>125,736</u>                            | <u>23,685</u>      | <u>149,421</u> | <u>-</u>      | <u>222,717</u>                           | <u>41,953</u>     | <u>264,670</u> |
| Total           | <u>43</u>      | <u>125,736</u>                            | <u>23,685</u>      | <u>149,464</u> | <u>76</u>     | <u>222,717</u>                           | <u>41,953</u>     | <u>264,746</u> |

The Group has two main lenders:

**BNDES** (*Banco Nacional de Desenvolvimento Econômico e Social*): As an agent of "FMM (*Fundo da Marinha Mercante*)" BNDES finances tug boats and platform supply vessel's construction. The amount outstanding is US\$159.7 million (R\$373.3 million) (2007: US\$125.7 million (R\$222.7 million)). Contracts are either already in repayment period or in grace period depending on when they were taken out. The amounts outstanding at 31 December 2008 are repayable over periods varying up to 20 years. These loans are denominated in US Dollar and carry fixed interest rates between 2.64% and 5%.

**IFC**: The International Finance Corporation (IFC) finances both port terminals – Tecon Rio Grande and Tecon Salvador. There are two loan agreements with this bank for each of the Group's port terminals. The amounts outstanding at 31 December 2008 are repayable over periods varying up to 6 years. These loans are denominated in US\$ Dollar and part in Brazilian Real. For the part linked to US\$ Dollar the interest rate are between 3.08% and 8.49% whereas for the part denominated in Real the interest rate is fixed at 14.09%.

### Guarantees

The loans from BNDES are secured by a charge over the tug boats and supply vessels that are object of these financings. For three of the seven supply vessels being financed there is also a guarantee involving receivables from client Petrobras.

The loans from IFC are secured by the Groups shares in Tecon Salvador and Tecon Rio Grande, the projects cash flows and equipments and building (equipment and building only for Tecon Rio Grande)

#### Undrawn borrowing facilities

At 31 December 2008, the Group had available US\$34 million of undrawn borrowing facilities in respect of which all conditions precedent had been met.

The directors estimate the fair value of the Group's borrowings as follows:

|                 | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|-----------------|----------------------------|----------------------------|---------------------------|---------------------------|
| Bank overdrafts | 113                        | 43                         | 264                       | 76                        |
| Bank loans      | <u>194,035</u>             | <u>149,138</u>             | <u>453,460</u>            | <u>264,169</u>            |
| BNDES           | 168,144                    | 125,736                    | 392,953                   | 222,716                   |
| IFC             | <u>25,891</u>              | <u>23,402</u>              | <u>60,507</u>             | <u>41,453</u>             |
| Total           | <u>194,148</u>             | <u>149,181</u>             | <u>453,724</u>            | <u>264,245</u>            |

#### Covenants

The subsidiaries Tecon Rio Grande and Tecon Salvador have specific restrictive clauses in their financing contracts with financial institutions related, basically, to the maintenance of liquidity ratios. At 31 December 2008, the Group is in accordance with all clauses of these contracts.

## 19. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting year.

|                              | <u>Accelerated</u><br><u>depreciation</u><br><u>US\$</u> | <u>Exchange</u><br><u>variance</u><br><u>on loans</u><br><u>US\$</u> | <u>Timing</u><br><u>differences</u><br><u>US\$</u> | <u>Tax</u><br><u>losses</u><br><u>US\$</u> | <u>Non-</u><br><u>monetary</u><br><u>items</u><br><u>US\$</u> | <u>Total</u><br><u>US\$</u> |
|------------------------------|--|--|--|--|---|-----------------------------|
| At 1 January 2007            | (10,576)   | (11,005)   | 5,879  | 901  | 14,001  | (800)                       |
| (Charge)/credit to income    | (4,283)  | (6,396)  | 970  | (933)                                      | 14,232  | 3,590                       |
| Charge to investment reserve | -  | -  | (1,206)  | -  | -   | (1,206)                     |
| Exchange differences         | -  | (197)  | 343  | 176  | -   | 322                         |
| At 31 December 2007          | <u>(14,859)</u>  | <u>(17,598)</u>  | <u>5,986</u>                                       | <u>144</u>                                 | <u>28,233</u>   | <u>1,906</u>                |
| (Charge)/credit to income    | 1,616  | 19,444   | 4,847  | (142)                                      | (32,257)  | (6,492)                     |
| Charge to investment reserve | -  | -  | 1,206  | -  | -   | 1,206                       |
| Exchange differences         | -  | 60   | (1,421)  | (2)  | -   | (1,363)                     |
| At 31 December 2008          | <u>(13,243)</u>  | <u>1,906</u>   | <u>10,618</u>                                      | <u>-</u>                                   | <u>(4,024)</u>  | <u>(4,743)</u>              |

|                                | Accelerated<br>depreciation<br>R\$ | Exchange<br>variance<br>on loans<br>R\$ | Timing<br>differences<br>R\$ | Tax<br>losses<br>R\$ | Non-<br>monetary<br>items<br>R\$ | Total<br>R\$ |
|--------------------------------|------------------------------------|---|------------------------------|----------------------|----------------------------------|--------------|
| At 1 January 2007              | (22,610)                           | (23,529)                                | 12,569                       | 1,927                | 29,933                           | (1,710)      |
| (Charge)/credit to income      | (7,587)                            | (11,329)                                | 1,719                        | (1,653)              | 25,209                           | 6,359        |
| Charge to investment reserve   | -                                  | -                                       | (2,135)                      | -                    | -                                | (2,135)      |
| Exchange differences           | -                                  | (349)                                   | 608                          | 310                  | -                                | 569          |
| Translation adjustment to Real | 3,877                              | 4,037                                   | (2,156)                      | (331)                | (5,133)                          | 294          |
| At 31 December 2007            | (26,320)                           | (31,170)                                | 10,605                       | 253                  | 50,009                           | 3,377        |
| (Charge)/credit to income      | 3,777                              | 45,441                                  | 11,327                       | (332)                | (75,385)                         | (15,172)     |
| Charge to investment reserve   | -                                  | -                                       | 2,818                        | -                    | -                                | 2,818        |
| Exchange differences           | -                                  | 140                                     | (3,321)                      | (5)                  | -                                | (3,186)      |
| Translation adjustment to Real | (8,406)                            | (9,957)                                 | 3,386                        | 84                   | 15,972                           | 1,079        |
| At 31 December 2008            | (30,949)                           | 4,454                                   | 24,815                       | -                    | (9,404)                          | (11,084)     |

Certain tax assets and liabilities have been offset on an entity by entity basis. After offset, deferred tax balances are presented in the balance sheet as follows:

|                          | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|--------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| Deferred tax liabilities | (15,632)                   | (10,807)                   | (36,532)                  | (19,142)                  |
| Deferred tax assets      | 10,889                     | 12,713                     | 25,448                    | 22,519                    |
| Total                    | (4,743)                    | 1,906                      | (11,084)                  | 3,377                     |

At the balance sheet date the Group has unused tax losses of US\$9,564 (R\$22,351) (2007: US\$11,802 (R\$20,905)) available for offset against future profits. No deferred tax asset has been recognized in respect of the US\$9,564 (R\$22,351) (2007: US\$11,802 (R\$20,905)) due to the unpredictability of future profit streams.

Deferred tax arises on Brazilian property, plant and equipment held in US dollar functional currency businesses. Deferred tax is calculated on the difference between the historical US Dollar balances recorded in the Groups accounts and the Brazilian Real balances used in the Group's Brazilian tax calculations.

Deferred tax on exchange gains arises from exchange gains on the Groups US Dollar and Brazilian Real denominated loans linked to the US Dollar that are taxable on settlement of the loans and not in the period in which the gains arise.

## 20. PROVISIONS FOR CONTINGENCIES

|                                     | <u>US\$</u>   | <u>R\$</u>    |
|-------------------------------------|---------------|---------------|
| At 1 January 2007                   | <u>5,913</u>  | <u>12,640</u> |
| Additional provision in the year    | 6,094         | 10,794        |
| Exchange difference                 | 477           | 845           |
| Translation adjustment to Real      | -             | (2,166)       |
| At 31 December 2007                 | <u>12,484</u> | <u>22,113</u> |
| Reversal in the year                | (505)         | (1,180)       |
| Settlement                          | (1,400)       | (3,272)       |
| Exchange difference                 | (2,124)       | (4,964)       |
| Translation adjustment to Real      | -             | 7,062         |
| At 31 December 2008                 | <u>8,455</u>  | <u>19,759</u> |
| Included in non-current liabilities | <u>8,455</u>  | <u>19,759</u> |

The breakdown of classes of provision is described below as follows:

|              | <u>2008</u>  | <u>2007</u>   | <u>2008</u>   | <u>2007</u>   |
|--------------|--------------|---------------|---------------|---------------|
|              | <u>US\$</u>  | <u>US\$</u>   | <u>R\$</u>    | <u>R\$</u>    |
| Civil cases  | 2,369        | 6,221         | 5,537         | 11,019        |
| Tax cases    | 1,291        | 3,282         | 3,016         | 5,813         |
| Labor claims | <u>4,795</u> | <u>2,981</u>  | <u>11,206</u> | <u>5,281</u>  |
| Total        | <u>8,455</u> | <u>12,484</u> | <u>19,759</u> | <u>22,113</u> |

In the normal course of business in Brazil, the Group continues to be exposed to numerous local legal claims. It is the Group's policy to vigorously contest such claims, many of which appear to have little substance in merit, and to manage such claims through its legal advisers. There are no material claims outstanding at 31 December 2008 which have not been provided for and which the Group's legal advisers consider are more likely than not to result in a financial settlement against the Group.

The mainly probable and possible Group's claims are described below as follows:

- Civil and Environmental cases: Indemnification for damages caused by floating crafts accidents. These claims are pleas related to environmental causes and indemnities for work accidents.
- Labour claims: These lawsuits litigate about salary differences, overtime worked without payments and labour.
- Tax cases: Brazilian taxes that the Group considers inappropriate and litigates against the government.

In addition to the cases for which the Group booked the provision for contingencies there are other tax, civil and labour disputes amounting to US\$33,074 (R\$77,293) (2007: US\$21,081 (R\$37,341)), whose probability of loss was estimated by the legal advisers as possible.

## 21. OBLIGATIONS UNDER FINANCE LEASES

|  | Minimum lease payments |              | Present value of minimum lease payments |              |
|--|------------------------|--------------|---|--------------|
|  | <u>2008</u>            | <u>2007</u>  | <u>2008</u>                             | <u>2007</u>  |
|  | <u>US\$</u>            | <u>US\$</u>  | <u>US\$</u>                             | <u>US\$</u>  |
| Amounts payable under finance leases   |                        |              |   |              |
| Within one year  | 1,616                  | 1,240        | 1,116                                   | 869          |
| In the second to fifth years inclusive   | <u>4,025</u>           | <u>1,994</u> | <u>3,139</u>                            | <u>1,441</u> |
|  | 5,641                  | 3,234        | 4,255                                   | 2,310        |
| Less future finance charges  | <u>(1,386)</u>         | <u>(924)</u> | N/A                                     | N/A          |
| Present value of lease obligations   | <u>4,255</u>           | <u>2,310</u> |   |              |
| Less : Amounts due for settlement within 12 months (shown under current liabilities) |                        |              | <u>(1,116)</u>                          | <u>(869)</u> |
| Amount due for settlement after 12 months  |                        |              | <u>3,139</u>                            | <u>1,441</u> |

|  | Minimum lease payments |                | Present value of minimum lease payments |                |
|--|------------------------|----------------|---|----------------|
|  | <u>2008</u>            | <u>2007</u>    | <u>2008</u>                             | <u>2007</u>    |
|  | <u>R\$</u>             | <u>R\$</u>     | <u>R\$</u>                              | <u>R\$</u>     |
| Amounts payable under finance leases   |                        |                |   |                |
| Within one year  | 3,776                  | 2,196          | 2,609                                   | 1,539          |
| In the second to fifth years inclusive   | <u>9,408</u>           | <u>3,532</u>   | <u>7,336</u>                            | <u>2,552</u>   |
|  | 13,184                 | 5,727          | 9,945                                   | 4,091          |
| Less future finance charges  | <u>(3,239)</u>         | <u>(1,636)</u> | N/A                                     | N/A            |
| Present value of lease obligations   | <u>9,945</u>           | <u>4,091</u>   |   |                |
| Less : Amounts due for settlement within 12 months (shown under current liabilities) |                        |                | <u>(2,609)</u>                          | <u>(1,539)</u> |
| Amount due for settlement after 12 months  |                        |                | <u>7,336</u>                            | <u>2,552</u>   |

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4 years.

For the year ended 31 December 2008 the average effective borrowing rate was 15.25 percent per year (2007: 14 percent per year). Interest rates are fixed at contract date.

All leases include a fixed repayment and a variable finance charge linked to the Brazilian interest rate. The interest rates ranges from 12.73% to 16.27%.

Leases are denominated in Brazilian Real.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

## 22. TRADE AND OTHER PAYABLES

|                             | <u>2008</u>   | <u>2007</u>   | <u>2008</u>    | <u>2007</u>    |
|-----------------------------|---------------|---------------|----------------|----------------|
|                             | <u>US\$</u>   | <u>US\$</u>   | <u>R\$</u>     | <u>R\$</u>     |
| Suppliers                   | 46,490        | 59,076        | 108,649        | 104,642        |
| Other taxes                 | 9,834         | 9,204         | 22,980         | 16,303         |
| Accruals and other payables | <u>6,398</u>  | <u>9,762</u>  | <u>14,950</u>  | <u>17,291</u>  |
| Total                       | <u>62,722</u> | <u>78,042</u> | <u>146,579</u> | <u>138,236</u> |

The average credit period for trade purchases is 46 days (2007: 20 days).

The Group has financial risk management policies in place to ensure that payables are paid within the credit timeframe.

Construction Contracts

Contracts in progress at the balance sheet date:

|  | <u>2008</u>     | <u>2007</u>    | <u>2008</u>      | <u>2007</u>     |
|--|-----------------|----------------|------------------|-----------------|
|  | <u>US\$</u>     | <u>US\$</u>    | <u>R\$</u>       | <u>R\$</u>      |
| Contracts in progress at the balance sheet date:                               |                 |                |                  |                 |
| Amounts due to contract customers included in trade and other payables         | <u>(1,954)</u>  | <u>(5,291)</u> | <u>(4,566)</u>   | <u>(9,372)</u>  |
| Contract costs incurred plus recognized profits less recognized losses to date | 40,928          | 3,496          | 95,649           | 6,192           |
| Less progress billings   | <u>(42,882)</u> | <u>(8,787)</u> | <u>(100,215)</u> | <u>(15,564)</u> |
| Net liabilities  | <u>(1,954)</u>  | <u>(5,291)</u> | <u>(4,566)</u>   | <u>(9,372)</u>  |

## 23. DERIVATIVES

The Group may engage in forward and swap operations to mitigate and manage the exposure to change in foreign exchange rates of loan agreements denominated in foreign currency.

The Group may enter into derivatives contracts such as forward contracts and swaps to hedge risks arising from exchange rate fluctuations. There were no such contracts on December 31, 2008 and 2007.

When the transactions with derivatives ended in the reporting period, the results are reported under Finance Costs (Note 10).

## 24. CASH-SETTLED SHARE-BASED PAYMENTS

On 9 April 2007, the board of Wilson Sons Limited approved a stock option plan (the “Long-Term Incentive Scheme”), which allows for the grant of phantom options to eligible employees to be selected by the board over the next five years. The options will provide cash payments, on exercise, based on the number of options multiplied by the growth in the price of a BDR of Wilson Sons Limited between the date of grant (the Base Price) and the date of exercise (the “Exercise Price”). The plan is regulated by the laws of Bermuda.

The movements of the accrual for the plan follow:

|                                | <u>US\$</u>  | <u>R\$</u>   |
|--------------------------------|--------------|--------------|
| Liability at January 1, 2007   | -            | -            |
| Charge for the year            | <u>2,598</u> | <u>4,602</u> |
| Liability at December 31, 2007 | <u>2,598</u> | <u>4,602</u> |
| Reversal for the year          | (1,431)      | (3,344)      |
| Exchange difference            | <u>-</u>     | <u>1,470</u> |
| Liability at December 31, 2008 | <u>1,167</u> | <u>2,728</u> |

The liability above is included in “accruals and other payables” presented in note 22.

Details of the share options outstanding during the year as follow:

|  | <u>2008</u>                    |
|--|--------------------------------|
|  | <u>Number of share options</u> |
| Outstanding at the beginning of the year | 3.837.760                      |
| Forfeited during the year                | <u>(60.000)</u>                |
| Outstanding at the end of the year       | 3.777.760                      |

Fair value of the recorded liability in the amount of US\$1,167 (R\$2,728) (2007: US\$2,598 (R\$4,602)) was determined using the Binomial model based on the assumptions note below:

|                               | <u>2008</u>                    |
|-------------------------------|--------------------------------|
|                               | <u>Number of share options</u> |
| Weighted average option price | R\$10,95                       |
| Expected volatility           | 30%                            |
| Expected life                 | 10 years                       |
| Risk free rate                | 11.23%                         |
| Expected dividend yield       | 3.40%                          |

Expected volatility was determined by calculating the historical volatility of the Group’s share price. The expected life used in the model has been adjusted based on management’s best estimate for exercise restrictions and behavioural considerations.



## 25. EQUITY

Share Capital

|  | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| Authorized and Issued and fully paid<br>71,144,000 ordinary shares of 8 1/3 p each | <u>9,905</u>               | <u>9,905</u>               | <u>23,148</u>             | <u>17,545</u>             |

In February 2007, the Group carried out a twelve for one share split increasing the number of shares from 5,012,000 to 60,144,000 and issued a further 11,000,000 shares in April 2007, totalling 71,144,000 shares.

Dividends

According to the Company's by-law, an amount of no less than 25% of the Adjusted Net Profit for the current year shall be declared by the Board as a dividend to be paid to the Members before the next Annual General Meeting, provided that dividend will be mandatory unless the Board considers that the payment of such dividends will not be in the interests of the Company. The final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Amounts recognized as distributions to equity holders in the year:

|   | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|---|----------------------------|----------------------------|---------------------------|---------------------------|
| Final dividend for the year ended December 31,<br>2007 of 11.2c (R\$19.9) per share | <u>16,007</u>              | <u>8,000</u>               | <u>37,408</u>             | <u>14,170</u>             |
| Total   | <u>16,007</u>              | <u>8,000</u>               | <u>37,408</u>             | <u>14,170</u>             |

In Board Meeting held on May 8, 2008 the Board of Directors declared the payment of dividend in the amount of US\$0.225 cents per share (R\$0.394 cents per share) in the total amount of US\$16,007 (R\$27,998) to Shareholders of record as at May 8, 2008 and the payment of such dividend on May 14, 2008.

Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

|  | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| <u>Earnings</u>                            |                            |                            |                           |                           |
| Dividends                                  | 16,007                     | 8,000                      | 37,408                    | 14,170                    |
| Undistributed earnings                     | <u>30,848</u>              | <u>48,151</u>              | <u>72,092</u>             | <u>85,290</u>             |
| Net income for the period                  | 46,855                     | 56,151                     | 109,500                   | 99,460                    |
| Weighted average number of ordinary shares | 71,144,000                 | 59,469,423                 | 71,144,000                | 59,469,423                |
| Earnings per share                         | 65.9c                      | 94.4c                      | 154.1c                    | 167.3c                    |

Legal reserve

An amount equal to 5% of the Company's net profit for the current year to be credited to a retained earnings account to be called "Legal Reserve" until such account equals 20% of the Company's paid up share capital.

Translation reserve

The translation reserve arises from exchange differences on the translation of operations with a functional currency other than US Dollars.

## 26. SUBSIDIARIES

|   | <u>Place of<br/>incorporation<br/>and operation</u> | <u>Proportion<br/>of ownership<br/>interest</u> | <u>Method used<br/>to account<br/>for investment</u> |
|---|---|---|--|
| Wilson Sons de Administração e Comércio Ltda.<br>Holding company                    | Brazil  | 100%  | Consolidation  |
| Saveiros Camuyrano Serviços Marítimos S.A.<br>Towage                                | Brazil  | 100%  | Consolidation  |
| Wilson, Sons S.A., Comércio, Indústria, e Agência de<br>Navegação Ltda.<br>Shipyard | Brazil  | 100%  | Consolidation  |
| Wilson Sons Agência Marítima Ltda.<br>Ship Agency                                   | Brazil  | 100%  | Consolidation  |
| Sobrare-Servemar Ltda.<br>Towage  | Brazil  | 100%  | Consolidation  |
| Wilport Operadores Portuários Ltda.<br>Stevedoring                                  | Brazil  | 100%  | Consolidation  |
| Wilson, Sons Logística Ltda<br>Logistics  | Brazil  | 100%  | Consolidation  |
| Wilson, Sons Terminais de Cargas Ltda.<br>Transport services                        | Brazil  | 100%  | Consolidation  |
| Wilson, Sons Offshore S.A.<br>Offshore  | Brazil  | 100%  | Consolidation  |
| Wilson, Sons Navegação Ltda.<br>Ship Agency   | Brazil  | 100%  | Consolidation  |
| Wilson, Sons Estaleiros Ltda.<br>Shipyard   | Brazil  | 100%  | Consolidation  |
| EADI Santo André Terminal de Carga Ltda.<br>Bonded warehousing                      | Brazil  | 100%  | Consolidation  |
| Vis Limited<br>Holding company  | Guernsey  | 100%  | Consolidation  |
| Tecon Rio Grande S.A.<br>Port terminal  | Brazil  | 100%  | Consolidation  |
| Tecon Salvador S.A.<br>Port terminal  | Brazil  | 100%  | Consolidation  |
| Brasco Logística Offshore Ltda.<br>Port operator                                    | Brazil  | 75%   | Consolidation  |

The Group also has 100% of ownership interest in two private investment funds denominated Hydrus Fundo de Investimento Multimercado and Rigel Fundo de Investimento em Cotas de Fundos de Investimentos. These funds are administrated by UBS Pactual bank and their policies and objectives are determined by the Group's treasury (Note 17).

On October 1, 2007, with the objective of simplifying the Group's organizational structure, Companhia de Navegação das Lagoas and Companhia de Navegação das Lagoas do Norte, subsidiaries of Wilson Sons Limited, were merged into Saveiros, Camuyrano Serviços Marítimos S.A., also a subsidiary of Wilson Sons Limited. This merger does not alter the shareholding in Saveiros, Camuyrano Serviços Marítimos S.A. and it will not affect any shareholder rights or the rights of bearers of Brazilian Depositary Receipts in Wilson Sons Limited.

On 31 October 2008 the Group's decided reorganize its investments structure. It resulted at Saveiros Camuyranos Serviços Marítimos S.A, a subsidiary of Wilson Sons Limited, spin-off into Wilson, Sons Offshore S.A., also a subsidiary of Wilson Sons Limited. This spin-off does not affect any shareholder rights or the rights of bearers of Brazilian Depositary Receipts in Wilson Sons Limited.

## 27. JOINT VENTURES

The following amounts are included in the Groups' financial statements as a result of proportionate consolidation of joint ventures.

|                         | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|-------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| Current assets          | 3,457                      | 6,764                      | 8,079                     | 11,981                    |
| Non-current assets      | 1,438                      | 1,843                      | 3,361                     | 3,264                     |
| Current liabilities     | (3,377)                    | (6,485)                    | (7,892)                   | (11,488)                  |
| Non-current liabilities | (54)                       | (63)                       | (126)                     | (111)                     |
| Income                  | 18,831                     | 25,800                     | 44,008                    | 45,699                    |
| Expenses                | (10,102)                   | (18,654)                   | (23,608)                  | (33,041)                  |

The Group has the following significant interests in joint ventures

|   | <u>Place of<br/>incorporation<br/>and operation</u> | <u>Proportion<br/>of ownership<br/>interest</u> | <u>Method used<br/>to account<br/>for investment</u> |
|---|---|---|--|
| Consórcio de Rebocadores Baía de São Marcos<br>Towage                             | Brazil  | 50%   | Proportional<br>consolidation                        |
| Allink Transportes Internacionais Limitada<br>Non-vessel operating common carrier | Brazil  | 50%   | Proportional<br>consolidation                        |
| Consórcio de Rebocadores Barra de Coqueiros<br>Towage                             | Brazil  | 50%   | Proportional<br>consolidation                        |
| Dragaport Engenharia<br>Dredging  | Brazil  | 33%   | Proportional<br>consolidation                        |

On December 1, 2007, with the objective of simplifying the Group's organizational structure, Dragaport Ltda., a subsidiary of Wilson Sons Limited, was merged into Dragaport Engenharia Ltda., also a subsidiary of Wilson Sons Limited. This merger did not affect any shareholder rights or the rights of bearers of Brazilian Depositary Receipts in Wilson Sons Limited.

## 28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

|   | <u>2008</u>   | <u>2007</u>   | <u>2008</u>   | <u>2007</u>   |
|---|---------------|---------------|---------------|---------------|
|   | <u>US\$</u>   | <u>US\$</u>   | <u>R\$</u>    | <u>R\$</u>    |
| Minimum lease payments under operating leases recognized in income for the year | <u>12,058</u> | <u>10,666</u> | <u>28,180</u> | <u>18,893</u> |

At December 31, 2008, the minimum amount due by the Group for future minimum lease payments under cancellable operating leases was US\$6,638 (R\$15,513) (2007: US\$7,753 (R\$13,733)).

Lease commitments for land and buildings with a term of over 5 years are for the minimum contractual lease obligations between Tecon Rio Grande and the Rio Grande port authority, and between Tecon Salvador and the Salvador port authority. The Tecon Rio Grande concession expires in 2022 and the Tecon Salvador concession in 2025. The Tecon Rio Grande guaranteed payments consist of two elements; a fixed rental, plus a fee per 1,000 containers moved based on forecast volumes made by the consortium. The amount shown in the accounts is based on the minimum volume forecast. Volumes are forecast to rise in future years. If container volumes moved through the terminal exceed forecast volumes in any given year additional payments will be required.

Tecon Salvador guaranteed payments consists of three elements; a fixed rental, a fee per container moved based on minimum forecast volumes and a fee per ton of non-containerized cargo moved based on minimum forecast volumes.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                                       | <u>2008</u>   | <u>2007</u>  | <u>2008</u>   | <u>2007</u>  |
|---------------------------------------|---------------|--------------|---------------|--------------|
|                                       | <u>US\$</u>   | <u>US\$</u>  | <u>R\$</u>    | <u>R\$</u>   |
| Within one year                       | 1,456         | 1,148        | 3,403         | 2,033        |
| In the Second to fifth year inclusive | <u>15,049</u> | <u>1,531</u> | <u>35,170</u> | <u>2,712</u> |
| Total                                 | <u>16,505</u> | <u>2,679</u> | <u>38,573</u> | <u>4,745</u> |

Non-cancellable lease payments represent rental payments by the Group for the bonded warehouse used by EADI Santo Andre.

On November, 2008 the Group's renewed the concession right for EADI Santo Andre for more ten years, this operation have done the Group's management to renew the rental agreement contract of the bonded warehouse used by EADI Santo Andre for the same time, after that the unexpired lease at December 31, 2008 have raised to 11 years and 4 months. These rental payments are updated by a Brazilian general inflation index.

## 29. FINANCIAL INSTRUMENTS AND RISK ASSESSMENT

## a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowing disclosed in Note 18, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in Notes 17 and 25, respectively.

## b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability are disclosed in Note 2 to the financial statements.

## c) Categories of financial instruments:

|                                      | Fair value     |                | Book value     |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2008           | 2007           | 2008           | 2007           |
|                                      | US\$           | US\$           | US\$           | US\$           |
| Financial assets:                    |                |                |                |                |
| Loans and receivables                |                |                |                |                |
| Cash and cash equivalents            | 180,022        | 197,688        | 180,022        | 197,688        |
| Trade and other receivables          | 78,751         | 72,755         | 78,751         | 72,755         |
| Available for sale investments (AFS) |                |                |                |                |
| Investment                           | -              | 6,466          | -              | 2,921          |
| Total                                | <u>258,773</u> | <u>276,909</u> | <u>258,773</u> | <u>273,364</u> |
| Financial liabilities:               |                |                |                |                |
| Bank loans and overdrafts            | 194,148        | 149,181        | 185,217        | 149,464        |
| Obligations under finance leases     | 4,255          | 2,310          | 4,255          | 2,310          |
| Trade and other payables             | <u>62,720</u>  | <u>78,042</u>  | <u>62,720</u>  | <u>78,042</u>  |
| Total                                | <u>261,123</u> | <u>229,533</u> | <u>252,192</u> | <u>229,816</u> |

|                                      | Fair value     |                | Book value     |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2008           | 2007           | 2008           | 2007           |
|                                      | R\$            | R\$            | R\$            | R\$            |
| Financial assets:                    |                |                |                |                |
| Loans and receivables                |                |                |                |                |
| Cash and cash equivalents            | 420,711        | 350,165        | 420,711        | 350,165        |
| Trade and other receivables          | 184,041        | 128,871        | 184,041        | 128,871        |
| Available for sale investments (AFS) |                |                |                |                |
| Investment                           | -              | 11,453         | -              | 5,174          |
| Total                                | <u>604,752</u> | <u>490,489</u> | <u>604,752</u> | <u>484,210</u> |
| Financial liabilities:               |                |                |                |                |
| Bank loans and overdrafts            | 453,724        | 264,244        | 432,852        | 264,746        |
| Obligations under finance leases     | 9,944          | 4,091          | 9,944          | 4,091          |
| Trade and other payables             | <u>146,577</u> | <u>138,236</u> | <u>146,577</u> | <u>138,236</u> |
| Total                                | <u>610,245</u> | <u>406,571</u> | <u>589,373</u> | <u>407,073</u> |

## d) Financial risk management objectives

The Group's Structured Operations Department monitors and manages financial risks related to the operations and coordinates access to domestic and international financial markets. These risks include market risk (currency and interest rate variation), credit risk and liquidity risk. The primary objective is to keep a minimum exposure to those risks by using non-derivative financial instruments and by assessing and controlling the credit and liquidity risks.

## e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currency (Brazilian Reais). Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

|  | Liabilities |        | Assets  |         |
|--|-------------|--------|---------|---------|
|  | 2008        | 2007   | 2008    | 2007    |
|  | US\$        | US\$   | US\$    | US\$    |
| Amounts denominated in Brazilian Reais | 92,961      | 97,911 | 297,671 | 174,809 |

|  | Liabilities |         | Assets  |         |
|--|-------------|---------|---------|---------|
|  | 2008        | 2007    | 2008    | 2007    |
|  | R\$         | R\$     | R\$     | R\$     |
| Amounts denominated in Brazilian Reais | 217,250     | 173,430 | 695,657 | 309,639 |

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Brazil (Brazilian Real).

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollar against the relevant foreign currencies. Ten percent is the sensitivity rate when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analyses includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit for the year and in other equity resulting from the Brazilian Reals strengthening against the respective currency. For a 10% weakening in the US Dollar there would be equal and opposite impact on the profit for the year and on other equity, and the balances below would be negative.

|                     | Real currency impact |             |             |             |
|---------------------|----------------------|-------------|-------------|-------------|
|                     | <u>2008</u>          | <u>2007</u> | <u>2008</u> | <u>2007</u> |
|                     | <u>US\$</u>          | <u>US\$</u> | <u>R\$</u>  | <u>R\$</u>  |
| Profit for the year | 17,726               | 14,284      | 41,426      | 25,301      |
| Equity              | 23,077               | 17,414      | 53,931      | 30,845      |

Reasons for foreign currency impact:

This is mainly attributable to the exposure outstanding on Real - linked financial assets and receivables, but also to the payables at year end in the Group.

f) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. BNDES charges fixed interest rates on loans for construction of vessels. Since these rates are considerably low, the Group understands that there is hardly a market risk for this part of the debt. As for the financing of Port Operations, the Group's strategy for interest rate management has been to maintain a balanced portfolio of fixed and floating interest rates in order to optimize cost and volatility. The Company's interest rate risk management strategy may use derivative instruments to reduce debt cost attributable to interest rate volatility. As of December 31, 2008 the Company had no outstanding interest rate swap contracts.

The group has part of its financial assets linked to "DI" (Brazilian interbank interest rates) and part linked to fixed deposits in US Dollar.

Interest rate sensitivity analysis

If interest rates in US dollar had been 1% lower and all other variables held constant, post-tax profit for the year would have decreased by US\$1.0 million (in 2007 the profit would decrease by US\$1.1 million). This is mainly attributable to the Group's exposure to interest rates on its US dollar denominated investments from 2008 on. If interest rates had been 1% higher, with all other variables held constant, post-tax profit would have been US\$1.0 million higher (in 2007 the profit would have been US\$1.1 million higher), arising mainly as a result of a higher return on US dollar denominated investment.

If interest rates in US dollar had been 1% lower, equity reserves in USD dollar would have decreased by US\$1.1 million (in 2007 would have decreased by US\$1.1 million) because these are short maturity investments, which follow market conditions closely. Equity reserves would have increased by US\$1.0 million (in 2007 would have increased by US\$1.1 million) because of the same highly liquid nature of the investments, if interest rates in US dollar had been 1% higher.

If interest rates in Real had been 3% lower and all other variables held constant, equity reserves in Real would have decreased by US\$1.4 million (2007— US\$1.0 million).

If interest rates in Real had been 3% higher and all other variables held constant, equity reserves in Real would have increased by US\$1.4 million (2007— US\$1.0 million).

g) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

h) Credit Risk

The Group's credit risk can be attributed mainly to balances such as cash and cash equivalents and trade accounts receivable. The accounts receivable in the balance sheet are shown net of the provision for doubtful receivables. The valuation provision is established whenever a loss is detected, which, based on past experience, evidences impaired possibility of recovering cash flows.

The Group's sales policy is subordinated to the credit sales rules set by Management, which seeks to mitigate any loss from customers' delinquency.

i) Fair value of financial instruments

The Group's financial instruments are recorded in balance sheet accounts at December 31, 2008 and 2007 at amounts compatible with those practiced in the market at those dates. These instruments are managed through operating strategies aimed to obtain liquidity, profitability and security. The control policy consists of an ongoing monitoring of rates agreed versus those in force in the market and confirmation as to whether its short-term financial investments are being properly marked to market by the institutions dealing with its funds.

The Group does not make speculative investments in derivatives or any other risk assets. The determination of estimated realization values of Company's financial assets and liabilities relies on information available in the market and relevant assessment methodologies. Nevertheless, a considerable judgment was required when interpreting market data to derive the most adequate estimated realization value. Eventually, the following estimates do not necessarily indicate the amounts that can be realized in the present foreign exchange market.

j) Criteria, assumptions and limitations used when computing market values

*Available for sale financial assets*

The investment available for sale is in Barcas S.A. Transportes Marítimos. Such company does not have any market quotation, and its fair value is calculated in accordance with criteria and assumptions set by Group management.



*Cash and Cash equivalents*

The market values of the bank current account balances are consistent with book balances. The book value of short-term financial investments was calculated on market quotations.

*Trade and other receivables/payables*

In the Group management's view, the book balance of trade and other accounts receivable and payables approximates fair value.

*Bank Overdrafts and Loans*

Market values of loans arrangements were calculated at their present value determined by future cash flows and at interest rates applicable to instruments of similar nature, terms and risks or at market quotations of these securities.

Fair value of Fundo da Marinha Mercante/BNDES financing arrangements are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using the most recent interest rate negotiated with BNDES, comparable maturity.

With regards to loan arrangements with IFC, fair value was obtained using the same spread as in the most recent agreement plus Libor.

## 30. RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates, joint ventures and others investments are disclosed below.

|  | Current<br><u>assets</u><br><u>US\$</u> | Non-current<br><u>assets</u><br><u>US\$</u> | Current<br><u>liabilities</u><br><u>US\$</u> | Non-current<br><u>Liabilities</u><br><u>US\$</u> | <u>Revenues</u><br><u>US\$</u> | <u>Expenses</u><br><u>US\$</u> |
|--|---|---|--|--|--------------------------------|--------------------------------|
| Associates:                                    |   |   |  |  |                                |                                |
| 1. Gouvêa Vieira Advogados                     | -                                       | -   | -  | -  | -                              | 39                             |
| 2. CMMR Intermediação Comercial Ltda.          | -                                       | -   | -  | -  | -                              | 165                            |
| Joint ventures:                                |   |   |  |  |                                |                                |
| 3. Allink Transportes Internacionais Ltda.     | 17                                      | 1   | -  | -  | 688                            | 5                              |
| 4. Consórcio de Rebocadores Barra de Coqueiros | 19                                      | 109   | -  | -  | 221                            | -                              |
| 5. Consórcio de Rebocadores Baía de São Marcos | 184                                     | 2,612                                       | -  | -  | 4,749                          | -                              |
| 6. Dragaport Engenharia Ltda.                  | -                                       | -   | -  | -  | -                              | 296                            |
| Others   | -                                       | -   | -  | -  | -                              | -                              |
| 7. International Finance Corporation           | -                                       | -   | 1,138  | 10,573   | -                              | 684                            |
| Year ended 31 December 2008                    | 220                                     | 2,722                                       | 1,138  | 10,573   | 5,658                          | 1,189                          |
| Year ended 31 December 2007                    | 137                                     | 2,979                                       | 8,313  | 21,384   | 7,734                          | 3,129                          |

|  | Current<br>assets<br>R\$ | Non-current<br>assets<br>R\$ | Current<br>liabilities<br>R\$ | Non-current<br>liabilities<br>R\$ | Revenues<br>R\$ | Expenses<br>R\$ |
|--|--------------------------|------------------------------|-------------------------------|-----------------------------------|-----------------|-----------------|
| Associates:                                    |                          |                              |                               |                                   |                 |                 |
| 1. Gouvêa Vieira Advogados                     | -                        | -                            | -                             | -                                 | -               | 91              |
| 2. CMMR Intermediação Comercial Ltda.          | -                        | -                            | -                             | -                                 | -               | 386             |
| Joint ventures:                                |                          |                              |                               |                                   |                 |                 |
| 3. Allink Transportes Internacionais Ltda.     | 40                       | 2                            | -                             | -                                 | 1,608           | 12              |
| 4. Consórcio de Rebocadores Barra de Coqueiros | 44                       | 255                          | -                             | -                                 | 516             | -               |
| 5. Consórcio de Rebocadores Baía de São Marcos | 430                      | 6,104                        | -                             | -                                 | 11,098          | -               |
| 6. Dragaport Engenharia Ltda.                  | -                        | -                            | -                             | -                                 | -               | 692             |
| Others   |                          |                              |                               |                                   |                 |                 |
| 7. International Finance Corporation           | -                        | -                            | 2,660                         | 24,709                            | -               | 1,599           |
| Year ended 31 December 2008                    | <u>514</u>               | <u>6,361</u>                 | <u>2,660</u>                  | <u>24,709</u>                     | <u>13,222</u>   | <u>2,780</u>    |
| Year ended 31 December 2007                    | <u>244</u>               | <u>5,278</u>                 | <u>14,725</u>                 | <u>37,878</u>                     | <u>13,699</u>   | <u>5,542</u>    |

1. Dr J. F. Gouvea Vieira is a managing partner in the law firm Gouvea Vieira Advogados. Fees were paid to Gouvea Vieira Advogados for legal services.
2. Mr C. M. Marote is a shareholder and Director of CMMR Intermediação Comercial Limitada. Fees were paid to CMMR Intermediação Comercial Limitada for consultancy services.
3. Mr A. C. Baião is a shareholder of Allink Transportes Internacionais Limitada. Allink Transportes Internacionais Limitada is 50% owned by the Group and rents office space from the Group.
- 4-6. The transactions with the joint ventures are disclosed as a result of proportionate amounts not eliminated on consolidation. The proportion of ownership interest in each joint venture is described on note 27.

### 31. NOTES TO THE CASH FLOW STATEMENT

|  | <u>2008</u><br><u>US\$</u> | <u>2007</u><br><u>US\$</u> | <u>2008</u><br><u>R\$</u> | <u>2007</u><br><u>R\$</u> |
|--|----------------------------|----------------------------|---------------------------|---------------------------|
| Profit before tax  | 85,592                     | 83,962                     | 200,028                   | 148,721                   |
| Less: Investments revenues                               | 822                        | (19,238)                   | 1,921                     | (34,076)                  |
| Add: Gain on disposal of investment                      | (4,191)                    | -                          | (9,794)                   | -                         |
| Add: Finance costs and disposal of investment            | <u>14,210</u>              | <u>7,565</u>               | <u>33,209</u>             | <u>13,400</u>             |
| Operating profit from operations                         | 96,433                     | 72,289                     | 225,364                   | 128,045                   |
| Adjustments for:   |                            |                            |                           |                           |
| Depreciation of property, plant and equipment            | 25,957                     | 18,751                     | 60,661                    | 33,213                    |
| Amortization of intangible assets                        | 299                        | 315                        | 699                       | 559                       |
| Gain on disposal of property, plant and equipment        | (680)                      | (4,819)                    | (1,589)                   | (8,536)                   |
| (Decrease) Increase in provisions                        | <u>(4,029)</u>             | <u>6,571</u>               | <u>(9,415)</u>            | <u>11,639</u>             |
| Operating cash flows before movements in working capital | 117,980                    | 93,107                     | 275,720                   | 164,920                   |
| Increase in inventories                                  | (2,023)                    | (318)                      | (4,728)                   | (563)                     |
| Increase in receivables                                  | (6,109)                    | (19,475)                   | (14,277)                  | (34,496)                  |
| (Decrease) increase in payables                          | (9,502)                    | 24,681                     | (22,206)                  | 43,717                    |
| Increase in other non-current assets                     | <u>3,057</u>               | <u>(3,313)</u>             | <u>7,144</u>              | <u>(5,868)</u>            |
| Cash generated by operations                             | 103,403                    | 94,682                     | 241,653                   | 167,711                   |
| Income taxes   | (33,215)                   | (29,674)                   | (77,624)                  | (52,560)                  |
| Interest paid  | <u>(11,454)</u>            | <u>(6,645)</u>             | <u>(26,768)</u>           | <u>(11,771)</u>           |
| Net cash from operating activities                       | <u>58,734</u>              | <u>58,363</u>              | <u>137,261</u>            | <u>103,380</u>            |

## 32. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

|   | <u>2008</u>  | <u>2007</u>  | <u>2008</u>   | <u>2007</u>   |
|---|--------------|--------------|---------------|---------------|
|   | <u>US\$</u>  | <u>US\$</u>  | <u>R\$</u>    | <u>R\$</u>    |
| Short-term employee benefits                | 6,391        | 5,368        | 11,744        | 10,383        |
| Post-employment benefits and social charges | <u>1,760</u> | <u>2,702</u> | <u>3,234</u>  | <u>5,226</u>  |
|   | <u>8,151</u> | <u>8,070</u> | <u>14,978</u> | <u>15,609</u> |

## 33. INITIAL PUBLIC OFFERING OF SHARES (IPO)

On 1 June 2007, Wilson Sons Limited and its controlling shareholder, Ocean Wilsons Holdings Limited (the “Company” and the “Selling Shareholder”, respectively) concluded the Initial Public Offering consisting of a primary and secondary offering of Brazilian Depositary Receipts (the “BDRs”), representing common shares issued by the Company in accordance with the regulations of the Brazilian Securities Commission (the “CVM”) with sales made to international investors as defined by international regulations applicable to such operation.

The Initial Public Offering has been duly approved by the Company and the Selling Shareholder as per the respective corporate approvals dated on 9 April 2007.

Each BDR represents one common share issued by the Company and/or held by the Selling Shareholder. The BDRs have been issued by Banco Itaú S.A., as depositary. The Company is listed and trades its BDRs on the São Paulo Stock Exchange (the “Bovespa”) under the type Patrocinado Nível III and under the symbol “WSO11”.

The shares represented by the BDRs are deposited with The Bank of New York (Luxembourg) S.A., as custodian and have been listed for trading on the EURO MTF market, the exchange regulated market operated by the Luxembourg Stock Exchange.

Under the primary offering 11,000,000 BDRs issued by the Company have been traded under the offering price of US\$11.74/BDR (R\$23,77/BDR). The net proceeds from the primary offering amount to approximately US\$117,951 (R\$208,925).

## 34. SUBSEQUENT EVENT

On 12 January 2009 Wilson Sons Limited announced as a significant event to all of the Company’s shareholders, the purchase of the property located in the Ilha da Conceição, Niterói, on the state of Rio de Janeiro for US\$7.8 million (R\$18 million). This area measures 100,000 m2 approximately and has been used by the company Brasco Logística Offshore Ltda., subsidiary of Wilson Sons Limited, since May, 2002, with fixed rental payments, as a terminal in support of the oil and gas industry.