Wilson Sons Limited

Consolidated Financial Statements
for the Year Ended December 31, 2010
and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

Deloitte Touche Tohmatsu
Av. Presidente Wilson, 231 – 22º
25º e 26º andares
Rio de Janeiro – RJ – 20030-905
Brasil

Tel: + 55 (21) 3981-0500
Fax:+ 55 (21) 3981-0600
www.deloitte.com.br

INDEPENDENT AUDITORS' REPORT

To the Directors of
Wilson Sons Limited
Hamilton, Bermuda

We have audited the accompanying consolidated financial statements of Wilson Sons Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as at December 31, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in United States Dollars, the presentation currency of the Group.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 about 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2010, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, expressed in United States dollars.

Our audit 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 and does not purport to represent amounts in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Rio de Janeiro, Brazil
March 24, 2011

WILSON SONS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts expressed in thousands, unless otherwise noted – Brazilian Real amounts are the result of a Convenience Translation)

				Convenience translation (*)	
	Notes	2010 US$	2009 US$	2010 R$	2009 R$
REVENUE	4	575,551	477,888	958,982	832,098
Raw materials and consumables used		(67,222)	(49,570)	(112,005)	(86,311)
Employee benefits expense	5	(198,736)	(149,086)	(331,134)	(259,588)
Depreciation and amortization expenses		(42,921)	(32,065)	(71,515)	(55,832)
Other operating expenses	6	(188,276)	(151,337)	(313,705)	(263,508)
Profit on disposal of property, plant and equipment		90	470	150	818
Investment income	7	13,940	34,343	23,227	59,798
Finance costs	7	(11,814)	(9,555)	(19,684)	(16,637)
Capital gain in joint venture transaction	23	20,407	-	34,002	-
PROFIT BEFORE TAX		101,019	121,088	168,318	210,838
Income tax expense	8	(30,514)	(31,104)	(50,843)	(54,158)
PROFIT FOR THE YEAR		70,505	89,984	117,475	156,680
Profit for the year attributable to:					
Owners of the Company		69,996	88,531	116,627	154,149
Non-controlling interests		509	1,453	848	2,531
		70,505	89,984	117,475	156.680
OTHER COMPREHENSIVE INCOME					
Exchange differences on translating		4,607	15,538	7,676	27,053
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		75,112	105,522	125,151	183,733
Total comprehensive income for the year attributable to:					
Owners of the Company		74,855	102,823	124,723	179,034
Non-controlling interests		257	2,699	428	4,699
		75,112	105,522	125,151	183,733
Earnings per share from continuing operations					
Basic and diluted (cents per share)	21	98.39c	124.44c	163.93c	216.67c

(*) Exchange rates for convenience translation
12/31/10 – R$1.6662/ US$1.00
12/31/09 – R$1.7412/ US$1.00

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

WILSON SONS LIMITED

CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2010
(Amounts expressed in thousands, unless otherwise noted – Brazilian Real amounts are the result of a Convenience Translation)

				Convenience translation (*)	
	Notes	2010 US$	2009 US$	2010 R$	2009 R$
ASSETS					
NON-CURRENT ASSETS					
Goodwill	9	15,612	15,612	26,013	27.184
Other intangible assets	10	16,841	2,239	28,060	3,899
Property, plant and equipment	11	560,832	438,878	934,458	764,174
Deferred tax assets	16	28,923	25,499	48,192	44,398
Trade and other receivables	13	6,400	-	10,665	-
Other non-current assets		6,552	10,521	10,918	18,319
Total non-current assets		635,160	492,749	1,058,306	857,974
CURRENT ASSETS					
Inventories	12	20,147	20,687	33,569	36.021
Trade and other receivables	13	128,561	105,499	214,206	183,695
Short term investments	14	36,729	11,116	61,198	19,355
Cash and cash equivalents	14	118,172	178,136	196,898	310,170
Total current assets		303,609	315,438	505,871	549,241
TOTAL ASSETS		938,769	808,187	1,564,177	1,407,215
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	21	9,905	9,905	16,504	17,247
Capital reserves		91,484	146,334	152,431	254,797
Profit reserve		1,981	1,981	3,301	3,449
Contributed surplus		27,449	-	45,737	-
Retained earnings		313,299	243,303	522,017	423,640
Translation reserve		20,924	16,065	34,864	27,972
Equity attributable to owners of the Company		465,042	417,588	774,854	727,105
Non controlling interests		-	5,891	-	10,257
Total equity		465,042	423,479	774,854	737,362
NON-CURRENT LIABILITIES					
Bank loans	15	288,596	237,271	480,859	413.136
Deferred tax liabilities	16	15,073	16,140	25,115	28,102
Provisions for contingencies	17	12,289	9,831	20,476	17,118
Obligations under finance leases	18	6,305	8,653	10,505	15,067
Total non-current liabilities		322,263	271,895	536,955	473,423
CURRENT LIABILITIES					
Trade and other payables	19	117,698	89,927	196,108	156,581
Current tax liabilities		3,354	838	5,588	1,460
Obligations under finance leases	18	4,847	3,902	8,076	6,793
Bank overdrafts and loans	15	25,565	18,146	42,596	31,596
Total current liabilities		151,464	112,813	252,368	196,430
Total liabilities		473,727	384,708	789,323	669,853
TOTAL EQUITY AND LIABILITIES		938,769	808,187	1,564,177	1,407,215

(*) Exchange rates for convenience translation
12/31/10 – R$1.6662/ US$1.00
12/31/09 – R$1.7412/ US$1.00

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

WILSON SONS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts expressed in thousands, unless otherwise noted – Brazilian Real amounts are the result of a Convenience Translation)

			Capital reserves									
	Notes	Share capital US$	Share premium US$	Others US$	Additional paid in capital US$	Profit reserve US$	Contributed surplus US$	Retained earnings US$	Translation reserve US$	Attributable to owners of the parent US$	Non-controlling interests US$	Total US$
BALANCE AT JANUARY 1, 2009		9,905	117,951	28,383	-	1,981	-	170,779	1,773	330,772	1,411	332,183
Profit for the year		-	-	-	-	-	-	88,531	-	88,531	1,453	89,984
Other comprehensive income for the year		-	-	-	-	-	-	-	14,292	14,292	1,246	15,538
Total comprehensive income for the year		-	-	-	-	-	-	88,531	14,292	102,823	2,699	105,522
Capital increase		-	-	-	-	-	-	-	-	-	1,781	1,781
Dividends		-	-	-	-	-	-	(16,007)	-	(16,007)	-	(16,007)
BALANCE AT DECEMBER 31, 2009	21	9,905	117,951	28,383	-	1,981	-	243,303	16,065	417,588	5,891	423,479
Profit for the year		-	-	-	-	-		69,996	-	69,996	509	70,505
Other comprehensive income for the year		-	-	-	-	-	-	-	4,859	4,859	(252)	4,607
Total comprehensive income for the year		-	-	-	-	-		69,996	4,859	74,855	257	75,112
Purchase of non-controlling interests	22	-	-	-	(4,850)	-		-	-	(4,850)	(4,156)	(9,006)
Transfer to retained earnings		-	(50,000)	-	-	-	50,000	-	-	-	-	-
Dividends		-	-	-	-	-	(22,551)	-	-	(22,551)	(1,992)	(24,543)
BALANCE AT DECEMBER 31, 2010	21	9,905	67,951	28,383	(4,850)	1,981	27,449	313,299	20,924	465,042	-	465,042

(continue)

WILSON SONS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts expressed in thousands, unless otherwise noted – Brazilian Real amounts are the result of a Convenience Translation)

		Convenience translation (*)										
			Capital reserves									
	Notes	Share capital R$	Share premium R$	Others R$	Additional paid in capital R$	Profit reserve R$	Contributed surplus R$	Retained earnings R$	Translation reserve R$	to owners of the parent R$	Non-controlling interests R$	Total R$
BALANCE AT JANUARY 1, 2009		23,148	275,652	66,331	-	4,630	-	399,111	4,144	773,016	3,298	776,314
Profit for the year		-	-	-	-	-	-	154,149	-	154,149	2,531	156,680
Other comprehensive income for the year		-	-	-	-	-	-	-	24,885	24,885	2,168	27,053
Total comprehensive income for the year		-	-	-	-	-	-	154,149	24,885	179,034	4,699	183,733
Capital increase		-	-	-	-	-	-	-	-	-	3,101	3,101
Dividends		-	-	-	-	-	-	(27,871)	-	(27,871)	-	(27,871)
Translation adjustment to Real		(5,901)	(70,275)	(16,911)	-	(1,181)	-	(101,749)	(1,057)	(197,074)	(841)	(197,915)
BALANCE AT DECEMBER 31, 2009	21	17,247	205,377	49,420	-	3,499	-	423,640	27,972	727,105	10,257	737,362
Profit for the year		-	-	-	-	-	-	116,627	-	116,627	848	117,475
Other comprehensive income for the year		-	-	-	-	-	-	-	8,096	8,096	(420)	7,676
Total comprehensive income for the year		-	-	-	-	-	-	116,627	8,096	124,723	428	125,151
Purchase of non-controlling interest	22	-	-	-	(8,080)	-	-	-	-	(8,080)	(6,925)	(15,005)
Transfer to retained earnings		-	(83,311)	-	-	-	83,311	-	-	-	-	-
Dividends		-	-	-	-	-	(37,574)	-	-	(37,574)	(3,320)	(40,894)
Translation adjustment to Real		(743)	(8,846)	(2,129)	-	(148)	-	(18,250)	(1,204)	(31,320)	(440)	(31,760)
BALANCE AT DECEMBER 31, 2010	21	16,504	113,220	47,291	(8,080)	3,301	45,737	522,017	34,864	774,854	-	774,854

(*) Exchange rates for convenience translation
12/31/10 – R$1.6662/ US$1.00
12/31/09 – R$1.7412/ US$1.00

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

WILSON SONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Amounts expressed in thousands, unless otherwise noted – Brazilian real amounts are the result of a Convenience Translation)

				Convenience Translation (*)	
	Notes	2010 US$	2009 US$	2010 R$	2009 R$
NET CASH GENERATED BY OPERATING ACTIVITIES	27	97,013	69,908	161,643	121,724
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	7	8,467	6,874	14,107	11,969
Proceeds on disposal of property, plant and equipment		959	751	1,598	1,308
Purchases of property, plant and equipment		(161,971)	(139,743)	(269,876)	(243,320)
Other intangible assets		(14,546)	-	(24,237)	-
Investment - short term investment		(25,613)	(11,130)	(42,676)	(19,380)
Net cash from the joint venture transaction		5,040	-	8,398	-
Net cash used in investing activities		(187,664)	(143,248)	(312,686)	(249,423)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(24,543)	(16,007)	(40,894)	(27,871)
Repayments of borrowings		(18,953)	(16,848)	(31,579)	(29,336)
Repayments of obligation under finance leases		(3,969)	(3,844)	(6,613)	(6,693)
New bank loans raised		77,650	83,894	129,380	146,076
Bank overdrafts raised		6,391	227	10,649	396
Acquisition of minority interest in subsidiary		(9,006)	-	(15,005)	-
Net cash generated by financing activities		27,570	47,422	45,938	82,572
NET DECREASE IN CASH AND CASH EQUIVALENTS		(63,081)	(25,918)	(105,105)	(45,127)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		178,136	180,022	310,170	420,711
Effect of foreign exchange rate changes		3,117	24,032	5,193	41,844
Translation adjustment to Real		-	-	(13,360)	(107,258)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		118,172	178,136	196,898	310,170

(*) Exchange rates for convenience translation
12/31/10 – R$1.6662/ US$1.00
12/31/09 – R$1.7412/ US$1.00

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

1. GENERAL INFORMATION

Wilson Sons Limited (the "Group" or "Company") is a limited 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 in Brazil. Throughout over 173 years in the Brazilian market, we have developed an extensive Brazilian network and provide a variety of services related to 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, support to offshore oil and natural gas platforms and shipyard.

2. SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation

The consolidated 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 accounting policies described below.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and share-based payments liability that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Convenience translation

The consolidated financial statements were originally prepared in US Dollars. A convenience translation to the Real, the Brazilian currency, was carried out solely for the convenience of readers in Brazil and does not purport to represent amounts in accordance with International Financial Reporting Standards, and should not be construed as implying that the amounts in US Dollars represent, or could have been or could be converted into, Reais, at such rates or at any other rate. 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, 2010 and 2009 the applicable exchange rates were R$1.6662 and R$1.7412, respectively. The difference between the applicable exchanges rates, on each of the closing dates, generates impacts of translation on the beginning balances of the consolidated financial statements in Brazilian Real and on the changes therein through the subsequent period. The effect of this difference was disclosed in the Brazilian Real Consolidated Statement of Changes in Equity and respective notes as "Translation adjustment to Real".

The principal accounting policies 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 statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When 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 in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The consolidated financial statements include the accounts of the direct and indirect subsidiaries which are listed in Note 22.

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 of the joint venture require the unanimous consent of the parties sharing control.

When 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 venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group’s share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer 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.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Foreign currency

The functional currency for each Group entity is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency 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 other comprehensive income.

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The 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.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items charged or credited directly to equity, in which case the tax is also taken directly to equity.

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
Improvements in Rented Buildings:	(*)
Floating Craft:	20 years
Vehicles:	5 years
Plant and Equipment:	5 to 20 years

(*) lowest than period of the rental or useful life

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, except when there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term in which the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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, if applicable, and the carrying amount of the asset and is recognized in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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.

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.

Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets other than goodwill

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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 labor 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 for inventories less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

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

1. Financial Assets

   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.

Investments are recognized and derecognized on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset 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 trough profit or loss (FVTPL), which are initially measured at fair value.

All recognized financial assets are subsequently measured in their entirety at either amortised cost or fair value.

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

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

<u>The financial assets of the Company have been classified as loan and receivables.</u>

<u>Loans and receivables</u>

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

- Cash and Cash Equivalents / Short Term Investments: Cash and cash equivalents comprise cash in hand and other short-term highly liquid before 90 days and which are subject to an insignificant risk of changes in value; and Short Term Investments comprise cash in hand and other short-term investments with more than 90 days of maturity but less than 365 days.
- Trade Receivables: Trade receivables and other amounts receivable are stated at the present value of the amounts due, reduced by the impairment loss.

<u>Impairment of financial assets</u>

Financial assets that are measured at amortized cost are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

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; or
- The disappearance of an active market for that financial asset of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, reflecting the impact of collateral and guarantees, 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.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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 are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities are initially 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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

There are no financial liabilities classified at FVTPL.

Other financial liabilities

- Bank overdrafts and loans: 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 payables and other amounts payables 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.

Derivatives

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 derivatives for the periods presented.

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 for the periods presented.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably, have been agreed with the customer and consequently is considered probable.

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

In accordance with IFRS 2 Share-based Payment, for cash settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability.

At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

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 recognized when the work contracted has been performed in accordance with contracted terms.

Revenue from construction contracts is recognized by reference to the stage of completion of the contract, in accordance with the Group's accounting policy on construction contracts aforementioned.

Interest income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

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.

The Group as lessee:

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, at 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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Operating leases payments are recognized as an expense on a straight-line basis over the lease term.

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, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements as mentioned below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1. Provision for legal contingencies

   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 labor claims the provision is based on prior experience and managements' best knowledge of the relevant facts and circumstances.

2. 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's management 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 end of the reporting period was US$15.6 million (R$26.0 million) (2009: US$15.6 million (R$27.2 million)). Details of the impairment loss calculation are provided in note 9. There is any impairment loss recognized for the periods presented.

3. Fair value of derivatives and other financial instruments

As described in Note 25, 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. The Group does not have any derivatives for the periods presented.

4. 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.

5. 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.

Adoption of new and revised International Financial Reporting Standards (IFRS)

1. Standards and Interpretations affecting amounts reported in the current period and/or prior periods

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements are set below.

New and revised Standards and Interpretations that effect the financial statements

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)

The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

The revised Standard affects accounting policies regarding changes in ownership interests in subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes in accounting policies have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

<u>New and revised Standards and Interpretations adopted with no effect on the financial statements</u>

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters

The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

IFRS 3 (revised in 2008) Business Combinations

IFRS 3(2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its adoption has affected the accounting for business combinations in the current year.

The impact of the application of IFRS 3(2008) is as follows:

- IFRS 3(2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as ‘minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquire.

- IFRS 3(2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- IFRS 3(2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- IFRS 3(2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

As part of Improvements to IFRSs issued in 2010, IFRS 3 (2008) was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition (see above) is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.

In addition, as part of Improvements to IFRSs issued in 2010, IFRS 3(2008) was amended to give more guidance regarding the accounting for share-based payment awards held by the acquirer's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ('market-based measure').

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008)

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

IAS 28 (revised in 2008) Investments in Associates

The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

As part of Improvements to IFRSs issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively. The Group has applied the amendments to IAS 28(2008) as part of Improvements to IFRSs issued in 2010 in advance of their effective dates (annual periods beginning on or after 1 July 2010).

IFRIC 17 Distributions of Non-cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders

IFRIC 18 Transfers of Assets from Customers

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from ‘customers’ and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue.

Improvements to IFRSs issued in 2009

Except for the amendments to IAS 1, IAS 27, IFRS 2 and IFRS 7, the application of Improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

2. New and revised Standards and Interpretations in issue not yet adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[1]
Amendments to IFRS 1	Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRS[2]
Amendments to IFRS 1	Additional Exemption for Entities Ceasing to Suffer from Severe Hyperinflation[2]
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[2]
IFRS 9 (as amended in 2010)	Financial Instruments[3]
IAS 24 (revised in 2009)	Related Party Disclosures[4]
Amendments to IAS 32	Classification of Right Issues[5]
Amendments to IAS 12	Income taxes – Limited scope amendment (Recovery of Underlying Assets)[6]
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishment Financial Liabilities with Equity Instruments[1]

Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3 (2008), IFRS 7, IAS 1and IAS 28 described earlier in section 2.1)7

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 July 2011
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 February 2010
6 Effective for annual periods beginning on or after 1 January 2012
7 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

IAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

Amendments to IAS 32 Financial Instruments: Presentation regarding Classification of Rights Issues

The amendments to IAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

3. SEGMENT INFORMATION

Adoption of IFRS 8 Operating Segments

The Group has adopted IFRS 8 Operating Segments as from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

Reportable segments

For management purposes, the Group is currently organized into six reportable segments: towage, port terminals, ship agency, offshore, logistics and shipyards. These divisions are reported to the Group's chief operating decision maker for the purposes of resources allocation and assessment of segment performance.
Segment information relating to these businesses is presented below:

	2010								
	Towage US$	Port terminals US$	Ship agency US$	Offshore US$	Logistics US$	Shipyard US$	Non segment activities US$	Elimination US$	Consolidated US$
Revenue	156,179	228,001	17,620	28,034	102,448	115,913	-	(72,644)	575,551
Operating profit	39,967	62,746	640	6,504	6,041	16,761	(43,366)	(10,807)	78,486
Finance costs	(3,997)	(1,730)	(9)	(3,125)	(2,885)	(71)	-	3	(11,814)
Operating profit adjusted by finance cost	35,970	61,016	631	3,379	3,156	16,690	(43,366)	(10,804)	66,672
Investment income									13,940
Capital gain in joint venture transaction									20,407
Profit before tax									101,019
Other information									
Capital expenditures	(36,180)	(52,657)	(727)	(39,183)	(28,714)	(7,215)	(2,063)	-	(166,739)
Depreciation and amortization	(13,479)	(13,536)	(173)	(6,614)	(7,090)	(134)	(1,895)	-	(42,921)
Balance Sheet									
Segment assets	203,479	295,008	7,405	156,040	79,496	81,928	115,413	-	938,769
Segment liabilities	(113,419)	(118,798)	(6,686)	(133,041)	(61,947)	(33,428)	(6,408)	-	(473,727)

	2009								
	Towage US$	Port terminals US$	Ship agency US$	Offshore US$	Logistics US$	Shipyard US$	Non segment activities US$	Elimination US$	Consolidated US$
Revenue	145,707	175,408	15,204	38,144	75,788	110,445	212	(83,020)	477,888
Operating profit	52,050	46,562	2,171	13,711	3,311	22,226	(31,276)	(12,455)	96,300
Finance costs	(3,418)	(553)	(92)	(2,903)	(1,333)	(124)	(1,132)	-	(9,555)
Operating profit adjusted by finance cost	48,632	46,009	2,079	10,808	1,978	22,102	(32,408)	(12,455)	86,745
Investment income									34,343
Profit before tax									121,088
Other information									
Capital expenditures	(67,877)	(31,978)	(169)	(33,331)	(14,944)	(1,254)	-	-	(149,553)
Depreciation and amortization	(9,261)	(11,721)	(162)	(5,478)	(3,742)	(99)	(1,602)	-	(32,065)
Balance Sheet									
Segment assets	168,156	227,992	5,027	129,500	43,451	83,811	150,250	-	808,187
Segment liabilities	(117,780)	(71,149)	(5,541)	(147,114)	(27,968)	(5,436)	(9,720)	-	(384,708)

	2010								
	Towage R$	Port terminals R$	Ship agency R$	Offshore R$	Logistics R$	Shipyard R$	Non segment activities R$	Elimination R$	Consolidated R$
Revenue	260,225	379,895	29,358	46,710	170,699	193,134	-	(121,039)	958,982
Operating profit	66,592	104,546	1,066	10,837	10,066	27,927	(72,254)	(18,007)	130,773
Finance costs	(6,659)	(2,883)	(15)	(5,207)	(4,807)	(118)	-	5	(19,684)
Operating profit adjusted by finance cost	59,933	101,663	1,051	5,630	5,259	27,809	(72,254)	(18,002)	111,089
Investment income									23,227
Capital gain in joint venture transaction									34,002
Profit before tax									168,318
Other information									
Capital expenditures	(60,284)	(87,737)	(1,211)	(65,287)	(47,843)	(12,022)	(3,437)	-	(277,821)
Depreciation and amortization	(22,460)	(22,554)	(288)	(11,020)	(11,813)	(223)	(3,157)	-	(71,515)
Balance Sheet									
Segment assets	339,038	491,542	12,338	259,994	132,456	136,508	192,301	-	1,564,177
Segment liabilities	(188,978)	(197,941)	(11,140)	(221,673)	(103,216)	(55,698)	(10,677)	-	(789,323)

	2009								
	Towage R$	Port terminals R$	Ship agency R$	Offshore R$	Logistics R$	Shipyard R$	Non segment activities R$	Elimination R$	Consolidated R$
Revenue	253,705	305,420	26,473	66,416	131,962	192,306	370	(144,554)	832,098
Operating profit	90,629	81,074	3,780	23,874	5,765	38,699	(54,458)	(21,686)	167,677
Finance costs	(5,951)	(963)	(160)	(5,055)	(2,321)	(217)	(1,970)	-	(16,637)
Operating profit adjusted by finance cost	84,678	80,111	3,620	18,819	3,444	38,482	(56,428)	(21,686)	151,040
Investment income									59,798
Profit before tax									210,838
Other information									
Capital expenditures	(118,187)	(55,680)	(294)	(58,036)	(26,020)	(2,185)	-	-	(260,402)
Depreciation and amortization	(16,125)	(20,409)	(282)	(9,538)	(6,516)	(172)	(2,790)	-	(55,832)
Balance Sheet									
Segment assets	292,793	396,979	8,753	225,485	75,657	145,933	261,615	-	1,407,215
Segment liabilities	(205,080)	(123,885)	(9,648)	(256,155)	(48,698)	(9,462)	(16,925)	-	(669,853)

Financial expenses and respective liabilities were allocated to reporting segments where interest arises from loans is related to finance of the acquisition, or 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. Administrative expenses are presented as unallocated.

Geographical information

The Group's operations are mainly located 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

The following is an analysis of the Group's revenue for the year from continuing operations (excluding investment revenue – see Note 7).

	2010 US$	2009 US$	2010 R$	2009 R$
Sales of services	536,258	455,801	893,511	793,641
Revenue from construction contracts	39,293	22,087	65,471	38,457
Total	575,551	477,888	958,982	832,098

5. EMPLOYEE BENEFITS EXPENSE

	2010 US$	2009 US$	2010 R$	2009 R$
Salaries and benefits	146,301	111,759	243,766	194,594
Social securities and charges	38,376	27,318	63,942	47,566
Pension costs	855	585	1,425	1,019
Long term incentive plan (Note 20)	13,204	9,424	22,001	16,409
Total	198,736	149,086	331,134	259,588

Pension costs are for defined contribution retirement benefit schemes for all qualifying employees of the Group’s 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

	2010 US$	2009 US$	2010 R$	2009 R$
Service cost	64,365	54,233	107,245	94,430
Rent of tugs	26,243	25,830	43,726	44,975
Freight	19,954	20,619	33,247	35,902
Other rentals	24,448	17,765	40,735	30,932
Energy, water and communication	14,773	12,246	24,616	21,323
Container movement	12,307	10,394	20,506	18,098
Insurance	7,328	5,618	12,210	9,782
Maintenance	4,189	5,088	6,979	8,859
Allowance for doubtful debts	(375)	(1,569)	(625)	(2,731)
Other expenses	15,044	1,113	25,066	1,938
Total	188,276	151,337	313,705	263,508

7. INVESTMENT INCOME AND FINANCE COSTS

	2010 US$	2009 US$	2010 R$	2009 R$
Interest on investments	8,467	6,874	14,107	11,969
Exchange gain on investments	3,794	24,031	6,322	41,843
Other interest income	1,679	3,438	2,798	5,986
Total investment income	13,940	34,343	23,227	59,798
Interest on bank loans and overdrafts	(9,557)	(7,724)	(15,924)	(13,449)
Exchange gain on loans	227	2,098	378	3,653
Interest on obligations under finance leases	(1,848)	(1,254)	(3,079)	(2,183)
Total borrowing costs	(11,178)	(6,880)	(18,625)	(11,979)
Other interest	(636)	(2,675)	(1,059)	(4,658)
Total finance costs	(11,814)	(9,555)	(19,684)	(16,637)

8. INCOME TAX

Income tax recognized in profit or loss:

Current	2010 US$	2009 US$	2010 R$	2009 R$
Brazilian taxation				
Income tax	22,709	31,402	37,838	54,677
Social contribution	8,480	12,022	14,130	20,933
Total Brazilian current tax	31,189	43,424	51,968	75,610
Deferred tax				
Total deferred tax	(675)	(12,320)	(1,125)	(21,452)
Total income tax	30,514	31,104	50,843	54,158

Brazilian income tax is calculated at 25% of the taxable profit for the period. Brazilian social contribution tax is calculated at 9% of the taxable profit for the period.

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

	2010 US$	2009 US$	2010 R$	2009 R$
Profit before tax	101,019	121,088	168,318	210,837
Tax at the standard Brazilian tax rate (34%)	34,347	41,170	57,228	71,685
Effect of exchange difference on non-monetary items	(13,295)	(28,550)	(22,152)	(49,711)
Reversal of exchange variation on loans in US Dollar	3,941	16,540	6,566	28,800
Effect of different tax rates in other jurisdictions	5,409	2,844	9,012	4,953
Others	112	(900)	189	(1,569)
Income tax expense	30,514	31,104	50,843	54,158
Effective rate for the period	30%	26%	30%	26%

The tax rate used for the 2010 and 2009 reconciliations above is the corporate tax rate of 34% payable by entities in Brazil under tax law in that jurisdiction.

9. GOODWILL

	2010 US$	2009 US$	2010 R$	2009 R$
Cost and carrying amount attributed to:				
Tecon Rio Grande	13,132	13,132	21,881	22,865
Tecon Salvador	2,480	2,480	4,132	4,319
Total	15,612	15,612	26,013	27,184

For the purposes of testing goodwill for impairment loss, 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 8% and 10% for Tecon Rio Grande and 7% and 10% for Tecon Salvador. This rate does not exceed the average long-term historical growth rate for the relevant market. After testing goodwill as mentioned above, no impairment losses were recognized for the periods presented.

10. OTHER INTANGIBLE ASSETS

	US$	R$
Cost		
At January 1, 2009	3,238	7,567
Exchange differences	824	1,435
Translation adjustment to Real	-	(1,929)
At December 31, 2009	4,062	7,073
Additions	14,546	24,236
Exchange differences	606	1,009
Translation adjustment to Real	-	(304)
At December 31, 2010	19,214	32,014
Amortization		
At January 1, 2009	1,439	3,363
Charge for the year	149	259
Exchange differences	235	409
Translation adjustment to Real	-	(857)
At December 31, 2009	1,823	3,174
Charge for the year	488	813
Exchange differences	62	103
Translation adjustment to Real	-	(136)
At December 31, 2010	2,373	3,954
Carrying amount		
December 31, 2010	16,841	28,060
December 31, 2009	2,239	3,899

Intangible assets arose from (i) the acquisition of the concession of the container and heavy cargo terminal in Salvador (Tecon Salvador) in 2000; (ii) the purchase of the remaining 50% of the concession rights for EADI Santo Andre (bonded warehouse); and (iii) for the Ponta Norte expansion (Tecon Salvador) in 2010.

Tecon Salvador signed on September 2, 2010, an amendment to the lease agreement with Companhia das Docas do Estado da Bahia (CODEBA). This additive term, is for the expansion of the area known as Ponta Norte, in the Salvador Port, adjacent to TECON Salvador. An initial installment of US$14.5 million (R$24.2 million) was paid as a downpayment and a monthly price calculated on the leased area and a new price for container handling and general cargo, which are consistent with the original lease.

Intangible assets are amortized over the remaining terms of the concessions at the time of acquisition which, for Tecon Salvador is 25 years, for EADI Santo Andre is 10 years and for Ponta Norte is 15 years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Floating Craft	Vehicles, plant and equipment	Assets under construction	Total
	US$	US$	US$	US$	US$
Cost or valuation					
At January 1, 2009	86,709	228,200	101,666	19,651	436,226
Additions	23,265	3,737	27,172	95,379	149,553
Transfers	-	52,653	-	(52,653)	-
Exchange differences	8,700	-	14,032	-	22,732
Disposals	(6,230)	(472)	(584)	-	(7,286)
At December 31, 2009	112,444	284,118	142,286	62,377	601,225
Additions	30,959	6,908	64,175	64,697	166,739
Transfers	-	98,429	-	(98,429)	-
Exchange differences	2,112	-	4,701	-	6,813
Disposals	(485)	(574)	(3,151)	-	(4,210)
Net assets transferred to Joint Venture transaction	(13)	(8,606)	(1,097)	(4,586)	(14,302)
At December 31, 2010	145,017	380,275	206,914	24,059	756,265
Accumulated depreciation					
At January 1, 2009	21,655	73,770	35,779	-	131,204
Charge for the year	5,112	14,523	12,281	-	31,916
Exchange differences	1,572	-	4,561	-	6,133
Disposals	(6,157)	(165)	(584)	-	(6,906)
At December 31, 2009	22,182	88,128	52,037	-	162,347
Charge for the year	5,695	19,806	16,932	-	42,433
Exchange differences	432	-	1,780	-	2,212
Disposals	(397)	(122)	(3,124)	-	(3,643)
Net assets transferred to Joint Venture transaction	(4)	(7,639)	(273)	-	(7,916)
At December 31, 2010	27,908	100,173	67,352	-	195,433
December 31, 2010	117,109	280,102	139,562	24,059	560,832
December 31, 2009	90,262	195,990	90,249	62,377	438,878

	Land and Buildings	Floating	Vehicles, plant and equipment	assets under construction	Total
	R$	R$	R$	R$	R$
Cost or valuation					
At January 1, 2009	202,639	533,303	237,593	45,924	1,019,459
Additions	40,509	6,507	47,312	166,074	260,402
Transfers	-	91,679	-	(91,679)	-
Exchange differences	15,149	-	24,433	-	39,582
Disposals	(10,848)	(822)	(1,017)	-	(12,687)
Translation adjustment to Real	(51,662)	(135,961)	(60,573)	(11,707)	(259,903)
At December 31, 2009	195,787	494,706	247,748	108,612	1,046,853
Additions	51,584	11,510	106,928	107,799	277,821
Transfers	-	164,003	-	(164,003)	-
Exchange differences	3,520	-	7,833	-	11,353
Disposals	(808)	(956)	(5,251)	-	(7,015)
Net assets transferred to Joint Venture transaction	(22)	(14,340)	(1,829)	(7,641)	(23,832)
Translation adjustment to Real	(8,434)	(21,308)	(10,669)	(4,681)	(45,092)
At December 31, 2010	241,627	633,615	344,760	40,086	1,260,088
Accumulated depreciation					
At January 1, 2009	50,607	172,400	83,616	-	306,623
Charge for the year	8,901	25,287	21,384	-	55,572
Exchange differences	2,737	-	7,942	-	10,679
Disposals	(10,721)	(287)	(1,017)	-	(12,025)
Translation adjustment to Real	(12,901)	(43,951)	(21,318)	-	(78,170)
At December 31, 2009	38,623	153,449	90,607	-	282,679
Charge for the year	9,488	33,002	28,212	-	70,702
Exchange differences	720	-	2,967	-	3,687
Disposals	(661)	(203)	(5,206)	-	(6,070)
Net assets transferred to Joint Venture transaction	(6)	(12,728)	(455)	-	(13,189)
Translation adjustment to Real	(1,664)	(6,612)	(3,903)	-	(12,179)
At December 31, 2010	46,500	166,908	112,222	-	325,630
December 31, 2010	195,127	466,707	232,538	40,086	934,458
December 31, 2009	157,164	341,257	157,141	108,612	764,174

The cost amount of the Group's vehicles, plant and equipment includes an amount of US$24.9 million (R$41.5 million) (2009: US$23.0 million (R$40.0 million)) in respect of assets held under finance leases.

Land and buildings with a net book value of US$370 (R$616) (2009: US$385 (R$670)) and tugs with a net book value of US$2,587 (R$4,310) (2009: US$2,794 (R$4,865)) have been given in guarantee of various lawsuits.

The Group has pledged assets having a carrying amount of approximately US$317.1 million (R$528.4 million) (2009: US$235.4 million (R$409.9 million)) to secure loans granted to the Group.

The amount of capitalized interest in 2010 is US$1,889 (R$3,147) (2009: US$728 (R$1,268)), at an average interest rate of 3.83% (2009: 3.42%).

On December 31 2010, the Group had contractual commitments to suppliers for the acquisition and construction of property, plant and equipment amounting to US$116.4 million (R$194.0 million) (2009: US$23.7 million (R$41.2 million)). The amount mainly refers to the expansion of Tecon Salvador and Tecon Rio Grande and to the construction of the Guarujá II shipyard.

When the Company entered the Joint Venture with Magallanes Navegação Brasileira the property, plant and equipment was reduced by US$16.8 million (R$28.1 million), equivalent to the portion of the net assets transferred to the partner on setting up the joint venture.

12. INVENTORIES

	2010 US$	2009 US$	2010 R$	2009 R$
Operating materials	11,024	9,758	18,368	16,991
Raw materials for construction contracts (external customers)	9,123	10,929	15,201	19,030
Total	20,147	20,687	33,569	36,021

13. TRADE AND OTHER RECEIVABLES

	2010 US$	2009 US$	2010 R$	2009 R$
Accounts receivable for services rendered	65,240	49,948	108,703	86,971
Allowance for doubtful debts	(1,320)	(1,637)	(2,200)	(2,850)
Income tax recoverable	8,203	5,484	13,667	9,547
Prepayments and recoverable taxes and levies	62,838	51,704	104,701	90,027
Total	134,961	105,499	224,871	183,695
Total current	128,561	105,499	214,206	183,695
Total non-current	6,400	-	10,665	-

Trade receivables disclosed are classified as financial assets measured at amortised cost.

Long term trade receivables refers to recoverable taxes with maturity dates of more than 365 days and mainly refers to PIS, COFINS, ISS and INSS. There is any impairment evidence for this asset.

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

	2010 US$	2009 US$	2010 R$	2009 R$
Current	52,518	41,377	87,506	72,046
Overdue by:				
01 to 30 days	7,351	5,051	12,248	8,796
31 to 90 days	3,442	1,440	5,735	2,508
91 to 180 days	609	443	1,014	771
More than 180 days	1,320	1,637	2,200	2,850
Total	65,240	49,948	108,703	86,971

Allowances for doubtful debts are recognized decreasing the amount of accounts receivable and is established whenever a loss is detected, based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and on an analysis of the counterparty's current financial position. The Group has recognized an allowance for doubtful debts of 100% against all receivables over 180 days because historical experience has been that receivables that are past due beyond 180 days are not recoverable. Interest of 1 percent plus an average penalty of 2 percent is charged to customers on overdue accounts receivables balances.

Changes in allowance for doubtful debts are as follows:

	US$	R$
At January 1, 2009	2,761	6,452
Amounts written off during the period	(4,177)	(7,272)
Increase in allowance	2,423	4,220
Exchange difference	630	1,096
Translation adjustment to Real	-	(1,646)
At December 31, 2009	1,637	2,850
Amounts written off during the period	(2,288)	(3,812)
Increase in allowance	1,910	3,182
Exchange difference	61	103
Translation adjustment to Real	-	(123)
At December 31, 2010	1,320	2,200

Management believes that no additional accrual 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 ensuring 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.

In 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. The Group concluded this process at the end of 2009.

14. CASH AND CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

Cash and cash equivalents

Cash and cash equivalents comprises cash on hands, bank accounts and short term investments that are highly liquid and readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents denominated in US Dollar represent principally investments in deposit certificates placed with major financial institutions. Cash and cash equivalents denominated in Real represent principally investments in deposit certificates and Brazilian treasurys (mainly LFT).

Short term investments

Short term investments comprises investments with maturity dates of more than 90 days but less than 365 days.

The breakdown of cash and cash equivalents and short term investments is as follows:

	2010 US$	2009 US$	2010 R$	2009 R$
Denominated in US Dollar:				
Cash and cash equivalents	32,403	83,255	53,990	144,963
Short term investments	36,729	-	61,198	-
Total	69,132	83,255	115,188	144,963
Denominated in Real:				
Cash and cash equivalents	85,769	94,881	142,908	165,207
Short term investments	-	11,116	-	19,355
Total	85,769	105,997	142,908	184,562
Total cash and cash equivalents	118,172	178,136	196,898	310,170
Total short term investments	36,729	11,116	61,198	19,355

Private investment fund

The Group has investments in a private investment fund called the Hydrus Fixed Income Private Credit Investment Fund that are consolidated in these financial statements. This private investment fund comprises deposit certificates and equivalent instruments, with final maturities ranging from January 2011 to May 2013 and for government bonds, with final maturities ranging from September 2012 to September 2015.

About 86.1% of the securities included in the portfolio of the Private Investment Fund have daily liquidity and are marked to fair value on a daily basis against current earnings. This private investment fund does 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.

15. BANK OVERDRAFTS AND LOANS

	Interest rate - %	2010 US$	2009 US$	2010 R$	2009 R$
Unsecured borrowings					
Bank overdrafts	12.4-15.45% p.a.	6,479	227	10,795	395
Total unsecured borrowings		6,479	227	10,795	395
Secured borrowings					
BNDES - FINAME Real	4.5% to 14% p.a.	26,789	5,089	44,636	8,861
BNDES - FMM linked to US Dollar	2.64% to 5% p.a.	198,192	230,563	330,228	401,456
Total BNDES		224,981	235,652	374,864	410,317
IFC - US Dollar	2.99% to 8.49% p.a.	9,813	14,080	16,350	24,516
IFC linked to Real	14.09% p.a.	4,888	5,458	8,145	9,504
Total IFC		14,701	19,538	24,495	34,020
Eximbank - US Dollar	2.43% p.a.	14,818	-	24,690	-
Finimp - US Dollar	2.12% - 2.27% p.a.	4,051	-	6,749	-
BB – FMM linked to US Dollar	3.10% p.a.	49,131	-	81,862	-
Total secured borrowings		307,682	255,190	512,660	444,337
Total		314,161	255,417	523,455	444,732

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

	US$	US$	R$	R$
Within one year	25,565	18,146	42,596	31,596
In the second year	26,194	20,545	43,644	35,773
In the third to fifth years (including)	82,187	60,166	136,941	104,761
After five years	180,215	156,560	300,274	272,602
Total	314,161	255,417	523,455	444,732
Total current	25,565	18,146	42,596	31,596
Total non-current	288,596	237,271	480,859	413,136

The analysis of borrowings by currency is as follows:

December 31, 2010	Real US$	Real linked to US Dollars US$	US Dollars US$	Total US$	Real R$	Real linked to US Dollars R$	US Dollars R$	Total R$
Bank overdrafts	6,479	-	-	6,479	10,795	-	-	10,795
Bank loans	31,677	247,323	28,682	307,682	52,781	412,090	47,789	512,660
Total	38,156	247,323	28,682	314,161	63,576	412,090	47,789	523,455
December 31, 2009								
Bank overdrafts	227	-	-	227	395	-	-	395
Bank loans	10,547	230,563	14,080	255,190	18,365	401,456	24,516	444,337
Total	10,774	230,563	14,080	255,417	18,760	401,456	24,516	444,732

The principal lenders of the Group are discussed as follows:

Brazilian Economic and Social Development Bank ("BNDES"), as an agent of Brazilian Merchant Maritime Fund ("FMM") finances tug boat and platform supply vessel construction, in the amount outstanding as of December 31, 2010 of US$198.2 million (R$330.2 million) (2009: US$230.6 million (R$401.5 million)). As of December 31, 2010 the BNDES's FINAME product mainly finances equipment for logistic operations, US$26.8 million (R$44.6 million) (2009: US$5.1 million (R$8.9 million)). The amounts outstanding at December 31, 2010 are repayable over periods varying up to 21 years. For the part linked to US Dollars the loans carry fixed interest rates between 2.64% and 5% per year, whereas for the loans denominated in Real, the interest rates are between 4.5% and 14% per year.

The Banco do Brasil ("BB"), as an agent of Brazilian Merchant Maritime Fund ("FMM") finances platform supply vessel's construction, in the amount outstanding as of December 31, 2010 of US$49.1 million (R$81.9 million). This liability was assumed when the Company entered the Joint Venture with Magallanes Navegação Brasileira. All contracts are in a grace period and will be amortized from January 2012 and are repayable over periods varying up to 18 years. These loans are denominated in the U.S. dollar and bear fixed interest rates of 3.1% per year.

The International Finance Corporation ("IFC") finances both port terminals – Tecon Rio Grande and Tecon Salvador. There are two loan agreements with this bank: one for Tecon Salvador and one for Tecon Rio Grande. The amounts outstanding at December 31, 2010 are repayable over periods varying up to 6 years. These loans are denominated partly in the US Dollar and partly in the Real. For the part linked to the US Dollar, one of the loans has an interest rate fixed at 8.49% per year, while the others bear interest at a variable rate of Libor (6 monthly) plus spread of between 2.5% to 3.5% per year, whereas for the part denominated in Real, the interest rate is fixed at 14.09% per year.

The Export-Import Bank of China ("Eximbank"), finances Tecon Rio Grande's equipment. The amount is US$16.66 million, with initial outlay of US$6.9 million in January 2010 and a second outlay of US$7.8 million in October 2010. The outstanding amount is repayable over 10 years, including a grace period of 2 years. The amortization and interest payment are 6 monthly. The loan is denominated in US Dollars with a variable rate Libor (6 monthly). The spread is 1.7% per year and there is a payment for Bank Itaú BBA's guarantee of 2% per year.

The Banco Itaú BBA S.A. credit line, Finimp, finances Tecon Rio Grande's equipment. The amount is US$4.0 million and is repayable up to 5 years, including a grace period of one year. The amortization and interest payment are 6 monthly. The loan is denominated in US Dollars with a variable rate (Libor – 6 month) and carries fixed interest rates of 1.63% per year. The local commission for Banco Itaú BBA S.A. is 1.75% per year.

Bank loans was reduced by US$12 million (R$20 million) due to the net assets transferred to the partner on setting up the joint venture.

Guarantees

The loans from BNDES are secured by a pledge over the tug boats and supply vessels financed. Financing of three of the seven platform supply vessels is guarantee by receivables from the client Petrobras.

The loans from BB are secured by a pledge over the supply vessels that are financed, by a "Standby Letter of Credit" and by fiduciary assignment of long-term contracts with Petrobras.

The loans from the IFC are secured by the Group's shares in Tecon Salvador and Tecon Rio Grande, the projects cash flows, and, in the case of Tecon Rio Grande, equipment and building.

The loan with "The Export-Import Bank of China" is secured by a "Standby Letter of Credit" issued for Tecon Rio Grande, with a financing bank as beneficiary.

As counter-guarantee for the operation, Tecon Rio Grande obtained a formal authorization of the IFC trustee to dispose the equipment funded by "The Export-Import Bank of China" to the bank Itau BBA.

Undrawn borrowing facilities

At December 31, 2010, the Group had available US$389.4 million of undrawn borrowing facilities. This value includes fifty percent of the loan agreements on September 28, 2010, as described below. For every disbursement there is a set of conditions precedent that should be fulfilled.

Loan agreements signed

On September 28, 2010, the Group signed a US$ 670 million Financing Agreement. The Financing Agreement is between the joint venture Wilson, Sons Ultratug Offshore and BNDES as agent for the Fundo da Marinha Mercante (FMM). The 18 year financing includes a three year repayment grace period and is intended for the construction of 13 Offshore Support Vessels (OSV's), to be constructed in the Wilson, Sons' Shipyards.
The 13 vessels are expected to be delivered between early 2011 and 2015 increasing the joint venture fleet to 24 vessels. Construction has already commenced on three of the vessels.

Fair value

Management estimates the fair value of the Group's borrowings as follows:

	2010 US$	2009 US$	2010 R$	2009 R$
Bank overdrafts	6,479	227	10,794	395
Bank loans				
BNDES	224,981	235,652	374,864	410,317
IFC	15,096	20,160	25,152	35,103
Eximbank	14,818	-	24,690	-
Finimp	4,051	-	6,749	-
BB	49,131	-	81,862	-
Total bank loans	308,077	255,812	513,317	445,420
Total	314,556	256,039	524,111	445,815

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 December 31, 2010, the Group is in compliance with all clauses of these contracts.

16. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognized by the Group during the current and prior reporting periods:

	Accelerated depreciation US$	Exchange variance on loans US$	Timing differences US$	Non-monetary items US$	Total US$
At January 1, 2009	(13,243)	1,906	10,618	(4,024)	(4,743)
(Charge)/Credit to income	(8,351)	(15,156)	741	35,086	12,320
Exchange differences	-	3	1,779	-	1,782
At December 31, 2009	(21,594)	(13,247)	13,138	31,062	9,359
(Charge)/Credit to income	(5,869)	(1,484)	1,415	6,613	675
Deferred tax booked in disposed investment	5,058	2,885	216	(4,686)	3,473
Exchange differences	-	35	308	-	343
At December 31, 2010	(22,405)	(11,811)	15.077	32,989	13,850

	Accelerated depreciation R$	Exchange variance on loans R$	Timing differences R$	Non-monetary items R$	Total R$
At January 1, 2009	(30,949)	4,454	24,815	(9,404)	(11,084)
(Charge)/Credit to income	(14,541)	(26,390)	1,290	61,092	21,452
Exchange differences	-	5	3,098	-	3,102
Translation adjustment to Real	7,891	(1,135)	(6,327)	2,397	2,826
At December 31, 2009	(37,599)	(23,066)	22,876	54,085	16,296
(Charge)/Credit to income	(9,779)	(2,473)	2,358	11,019	1,125
Deferred tax booked in disposed investment	8,427	4,806	359	(7,808)	5,784
Exchange differences	-	58	513	-	571
Translation adjustment to Real	1,619	995	(983)	(2,330)	(699)
At December 31, 2010	(37,332)	(19,680)	25,123	54,966	23,077

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

	2010 US$	2009 US$	2010 R$	2009 R$
Deferred tax liabilities	(15,073)	(16,140)	(25,115)	(28,102)
Deferred tax assets	28,923	25,499	48,192	44,398
Total	13,850	9,359	23,077	16,296

At the balance sheet date, the Group has unused tax losses of US$30,487 (R$50,797) (2009: US$23,664 (R$41,203)) available for offset against future fiscal profits. No deferred tax asset has been recognized in the amount of US$10,366 (R$17,272) (2009: US$ 8,046 (R$14,009)) due to the unpredictability of future streams of related taxable income.

Deferred tax assets and liabilities arise on Brazilian property, plant and equipment, inventories and prepaid expense held in US Dollar functional currency businesses. Deferred tax is calculated on the difference between the historical US Dollar balances recorded in the Group’s accounts and the Real balances used in the Group's Brazilian tax calculations.

Deferred tax liabilities arise from exchange gains on the Group’s US Dollar and Real denominated loans linked to the US Dollar that are taxable on settlement and not in the period in which the gains arise.

17. PROVISIONS FOR CONTINGENCIES

	US$	R$
At January 1, 2009	8,455	19,759
Addition provision in the year	2,192	3,818
Reversal of provision in the year	(3,846)	(6,697)
Exchange difference	3,030	5,275
Translation adjustment to Real	-	(5,037)
At December 31, 2009	9,831	17,118
Addition provision in the year	4,464	7,437
Reversal of provision in the year	(2,575)	(4,290)
Exchange difference	569	947
Translation adjustment to Real	-	(736)
At December 31, 2010	12,289	20,476

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

	2010 US$	2009 US$	2010 R$	2009 R$
Civil cases	1,128	781	1,879	1,360
Tax cases	261	921	435	1,604
Labor claims	10,900	8,129	18,162	14,154
Total	12,289	9,831	20,476	17,118

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 advisors. There are no material claims outstanding at December 31, 2010 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.

In addition to the cases for which the Group booked the provision for contingencies there are other tax, civil and labor disputes amounting to US$53,404 (R$88,981) (2009: US$60,355 (R$105,089)), whose probability of loss was estimated by the legal advisors as possible.

The breakdown of possible claims is described below as follows:

	2010 US$	2009 US$	2010 R$	2009 R$
Civil cases	7,259	6,001	12,094	10,449
Tax cases	15,829	12,220	26,375	21,277
Labor claims	30,316	42,134	50,512	73,363
Total	53,404	60,355	88,981	105,089

The main probable and possible claims against the Group are described below:

- Civil and Environmental cases: Discussions on contractual matters related to a punctual disagreement in transport supply contract and casuals demands based on service contracts, regarding some of its obligations.

- Labor claims: These lawsuits litigate about salary differences, overtime worked without payments, and other additional.

- Tax cases: The Group itself litigates against the respective governments in respect of Group considers inappropriate.

18. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	2010	2009
	US$	US$	US$	US$
Amounts payable under finance leases:				
Within one year	5,921	5,263	4,847	3,902
In the second to fifth years, inclusive	7,098	9,950	6,305	8,653
	13,019	15,213	11,152	12,555
Less future finance charges	(1,867)	(2,658)	N/A	N/A
Present value of lease obligations	11,152	12,555		
Total current	4,847	3,902	4,847	3,902
Total non-current	6,305	8,653	6,305	8,653

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	2010	2009
	R$	R$	R$	R$
Amounts payable under finance leases:				
Within one year	9,866	9,164	8,076	6,793
In the second to fifth years inclusive	11,826	17,324	10,505	15,067
	21,692	26,488	18,581	21,860
Less future finance charges	(3,111)	(4,628)	N/A	N/A
Present value of lease obligations	18,581	21,860		
Total current	8,076	6,793	8,076	6,793
Total non-current	10,505	15,067	10,505	15,067

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is forty-seven months, of which, at the end of December 2010, there remained only twenty-six months on average.

For the year ended December 31, 2010 the average effective leasing interest rate was 15.87% per year (2009: 15.21%). 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 10.05% to 20.39% per year.

Leases are denominated in Reais.

The fair value of the Group's lease obligations is the present value of the future instalments of each contract calculated with its own interest rate and is approximately equal to their carrying amount.

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

19. TRADE AND OTHER PAYABLES

	2010 US$	2009 US$	2010 R$	2009 R$
Suppliers	70,353	61,756	117,222	107,530
Taxes	16,657	11,847	27,754	20,628
Share-based payment (provision)	23,795	10,591	39,647	18,441
Accruals and other payables	6,893	5,733	11,485	9,982
Total	117,698	89,927	196,108	156,581

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

	2010 US$	2009 US$	2010 R$	2009 R$
Construction contracts				
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognized revenues less recognized losses to date	41,632	22,807	69,367	39,712
Less billings in process	(58,705)	(35,207)	(97,814)	(61,302)
Net liability included in suppliers	(17,073)	(12,400)	(28,447)	(21,590)

20. CASH-SETTLED SHARE-BASED PAYMENTS

On April 9, 2007, the board of Wilson Sons Limited approved a stock option plan (the “Share-Based Payment” or “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 Brazilian Depositary Receipts (“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 changes on the accrual for the plan are as follows:

	US$	R$
Liability at January 1, 2009	1,167	2,728
Charge for the year	9,424	16,409
Translation adjustment to Real	-	(696)
Liability at December 31, 2009	10,591	18,441
Charge for the year	13,204	22,001
Translation adjustment to Real	-	(795)
Liability at December 31, 2010	23,795	39,647

The liability above is included in “Share-Based Payment” presented in Note 19.

	2010 Number of share options
Outstanding at the beginning of the year	3,912,760
Granted (surrendered) during the year	(15,000)
Outstanding at the end of the year	3,897,760

The fair value of the recorded liability in the amount of US$23,795 (R$39,647) (2009: US$10,591 (R$18,441)) was determined using the Binomial model based on the assumptions mentioned below:

	2010	2009
Closing share price (in real)	R$32.00	R$21.48
Expected volatility	26-32%	34%
Expected life	10 years	10 years
Risk free rate	8.60%	9.49%
Expected dividend yield	1.80%	2.2 %

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 behavioral considerations.

Options series	Number	Grant date	Vesting date	Expiry date	Exercise price (R$)
07 ESO – 2 Year	940,690	5/5/2007	5/5/2009	5/5/2017	23.77
07 ESO – 3 Year	940,690	5/5/2007	5/5/2010	5/5/2017	23.77
07 ESO – 4 Year	940,690	5/5/2007	5/5/2011	5/5/2017	23.77
07 ESO – 5 Year	940,690	5/5/2007	5/5/2012	5/5/2017	23.77
08 ESO – 2 Year	33,750	15/8/2008	17/8/2010	17/8/2019	18.70
08 ESO – 3 Year	33,750	15/8/2008	17/8/2011	17/8/2019	18.70
08 ESO – 4 Year	33,750	15/8/2008	17/8/2012	17/8/2019	18.70
08 ESO – 5 Year	33,750	15/8/2008	17/8/2013	17/8/2019	18.70

The options terminate on the Expiry date or within one month of the resignation of the director or senior employee, whichever is earlier.

Share options outstanding at the end of the year had a weighted average exercise price of R$ 23.59 (2009: R$23.60) and a weighted average remaining contractual life of 2,346 days (2009: 2,712 days).

The Group, to show the sensitivity of the charge to changes in the share price, considered a 10% increase/decrease in the share price. In each case, the dividend yield was adjusted in line with the change in share price, but all other assumptions were kept unchanged, including the volatility of the share price.

	Actual	(+10%)	(-10%)
Share price at December 31, 2010 - R$	32.00	35.20	28.80
	US$	US$	US$
Balance sheet liability at December 31, 2010	23,795	28,662	20,071
	R$	R$	R$
Balance sheet liability at December 31, 2010	39,648	47,757	33,442

The sensitivities here are notional and purely for information as the share price on the reporting date is a known fact.

21. EQUITY

Share Capital

	2010 US$	2009 US$	2010 R$	2009 R$
71,144,000 ordinary shares issued and fully paid	9,905	9,905	16,504	17,247

Dividends

According to the Company's by-laws, 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. The by-laws provided that the 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.

Amounts recognized as distributions to owners of the Company:

	2010 US$	2009 US$	2010 R$	2009 R$
Dividends	22,551	16,007	37,574	27,871
Total	22,551	16,007	37,574	27,871

In the Board Meeting held on May 11, 2010 the Board of Directors declared the payment of a dividend in the amount of US$0.317 cents per share (R$0.528 cents per share) in the total amount of US$22,551 (R$37,574) to Shareholders of record as at May 11, 2010 and the payment of such dividend on May 17, 2010.

Earnings per share

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

	2010 US$	2009 US$	2010 R$	2009 R$
Profit for the year attributable to owners of the Company	69,996	88,531	116,627	154,149
Weighted average number of ordinary shares	71,144,000	71,144,000	71,144,000	71,144,000
Basic and diluted earnings per share (cents per share)	98.4	124.4	163.9	216.7

Profit reserve

An amount equal to 5% of the Company's net profit for the current year is to be credited to a retained earnings account to be called "Profit Reserve" until such account equals 20% of the Company's paid up share capital. The Company does not recognize any further profit reserve, because it has already reached the limit of 20% of share capital.

Translation reserve

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

22. SUBSIDIARIES

The Group acquired the minority 25% share participation in Brasco Logística Offshore Ltda. As a result of this transaction, the Group became the sole owner of 100% of Brasco's total share capital.

The transaction was completed on June 16, 2010, with a consideration of US$9.0 million (R$15.0 million) measured by reference to the fair value, for the acquisition of shares equivalent to 25% of the total Brasco share capital. This transaction resulted in additional paid in capital of US$4.9 million (R$8.1 million) reported in the consolidated statement of changes in equity.

Created in 1999, Brasco is an integrated port and logistics service provider to the Oil & Gas industry in Brazil. The company has support bases in the cities of Niterói, Rio de Janeiro, and Guaxindiba (Rio de Janeiro); São Luis (Maranhão); and Vitória (Espírito Santo).

Details of the Company’s subsidiaries at December 31, 2010 are as follows:

	Place of incorporation and operation	Proportion of ownership interest	Method used to account for investment
Holding company			
Wilson Sons de Administração e Comércio Ltda.	Brazil	100%	Consolidation
Vis Limited	Guernsey	100%	Consolidation
Towage			
Saveiros Camuyrano Serviços Marítimos S.A.	Brazil	100%	Consolidation
Sobrare-Servemar Ltda.	Brazil	100%	Consolidation
Wilson Sons Apoio Marítimo Ltda.	Brazil	100%	Consolidation
Wilson Sons Operações Marítimas Especiais Ltda.	Brazil	100%	Consolidation
Shipyard			
Wilson, Sons S.A. Comércio, Indústria, e Agência de Navegação Ltda.	Brazil	100%	Consolidation
Wilson Sons Estaleiro Ltda.	Brazil	100%	Consolidation
Ship Agency			
Wilson Sons Agência Marítima Ltda.	Brazil	100%	Consolidation
Wilson Sons Navegação Ltda.	Brazil	100%	Consolidation
Transamérica Visas Serviços de Despachos Ltda.	Brazil	100%	Consolidation
Logistics			
EADI Santo André Terminal de Carga Ltda.	Brazil	100%	Consolidation
Wilson, Sons Logística Ltda.	Brazil	100%	Consolidation
Port terminal			
Brasco Logística Offshore Ltda	Brazil	100%	Consolidation
Tecon Rio Grande S.A.	Brazil	100%	Consolidation
Tecon Salvador S.A.	Brazil	100%	Consolidation
Wilport Operadores Portuários Ltda.	Brazil	100%	Consolidation
Wilson, Sons Operadores Portuários Ltda.	Brazil	100%	Consolidation
Wilson, Sons Terminais de Cargas Ltda.	Brazil	100%	Consolidation

The Group also has 100% of ownership interest in a Brazilian Private Investment Fund called the Hydrus Fixed Income Private Credit Investment Fund. This fund is managed by Itaú bank and its policies and objectives are determined by the Group’s treasury (Note 14).

In 2010, Wilson, Sons Offshore S.A. and Wilson, Sons Ultratug S.A. became Joint Ventures, ceasing to be subsidiaries.

23. JOINT VENTURES

On 28 May 2010 the Group finalised the offshore joint venture "Wilson, Sons Ultratug Participacoes S.A" with Remolcadores Ultratug Ltda, a subsidiary of Ultratug Ltda, a Chilean Group.

The Group contributed its 50% participation of the joint venture with the issued shares of Wilson, Sons Offshore S.A., the company that owns and operates the Group's offshore supply vessels. The Ultratug Group contributed its 50% participation of the joint venture with the issued shares of Magallanes Navegacao Brasileira S.A., the owner of the Ultratug Group's offshore operations in Brazil and US$14.3 million in cash.

A gain of US$20.4 million calculated based on SIC13 was realized on formation of the joint venture as set out below.

	US$	R$
Wilsons Sons share of fair value of the assets contributed by Magallanes	16,165	26,935
Less Carrying value of Wilsons Sons Offshore S.A.	(6,208)	(10,344)
Consolidation elimination of intercompany profit	10,450	17,411
Wilsons Sons contribution at net book value	4,242	7,068
Total gain on joint venture formation*	20,407	34,002

*See note 27 for more details for net assets.

Consolidation elimination of intercompany profit represents profits on the construction of PSVs in the Groups shipyards previously eliminated on consolidation.

The Group has the following significant interests in joint ventures at December 31, 2010:

	Place of incorporation and operation	Proportion of ownership interest	Method used to account for investment
Towage			
Consórcio de Rebocadores Barra de Coqueiros	Brazil	50%	Proportional Consolidation
Consórcio de Rebocadores Baia de São Marcos	Brazil	50%	Proportional Consolidation
Non-vessel operating common carrier			
Allink Transportes Internacionais Limitada	Brazil	50%	Proportional Consolidation
Offshore			
Wilson, Sons Ultratug Participações S.A.*	Brazil	50%	Proportional Consolidation

* Wilson, Sons Ultratug Participações S.A. controls Wilson, Sons Offshore S.A. and Magallanes Navegação Brasileira S.A.. These latter two companies are indirect joint ventures of the Company.

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

	2010 US$	2009 US$	2010 R$	2009 R$
Current assets	17,991	3,639	29,977	6,336
Non-current assets	127,213	2,297	211,963	4,000
Current liabilities	(31,976)	(4,744)	(53,278)	(8,260)
Non-current liabilities	(109,242)	(21)	(182,020)	(37)

	2010 US$	2009 US$	2010 R$	2009 R$
Income	35,817	15,963	59,678	27,795
Expenses	(30,860)	(14,748)	(51,419)	(25,679)

In 2010, Wilson, Sons Offshore S.A. and Wilson, Sons Ultratug S.A. became joint ventures and their proportional contributions are equivalents to eight months results.

24. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2010 US$	2009 US$	2010 R$	2009 R$
Minimum lease payments under operating leases recognized in income for the year	14,528	12,440	24,207	21,661

At December 31, 2010, the minimum amount due by the Group for future minimum lease payments under cancellable operating leases was US$13,668 (R$22,774) (2009: US$8,390 (R$14,608)).

Lease commitments for land and buildings with a term of over 5 years are recognized as an expense on a straight-line basis over the lease term. These operating lease arrangements are 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, and 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:

	2010 US$	2009 US$	2010 R$	2009 R$
Within one year	2,211	1,453	3,684	2,530
In the second to fifth year inclusive	18,425	13,557	30,700	23,605
Total	20,636	15,010	34,384	26,135

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

In November, 2008 the Group's renewed the concession to operate the EADI Santo Andre (a bonded warehouse) for a further ten years. With this, the Group’s management renewed the rental agreement contract of the bonded warehouse used by EADI Santo Andre for the same period. The unexpired lease period at December 31, 2010 is 9 years and 4 months. These rental payments are updated by a Brazilian general inflation index (IGPM - General Market Price Index).

25. 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 a going concern 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 15, cash and cash equivalents. And short term investments disclosed in note 14 and equity attributable to owners of the parent comprising issued capital, reserves and retained earnings as disclosed in Note 21.

b) Categories of financial instruments:

	Fair value		Book value	
	2010	2009	2010	2009
	US$	US$	US$	US$
Financial assets:				
Loans and receivables (includes: cash and cash equivalents, short term investments and trade and other receivables)	289,862	294,751	289,862	294,751
Financial liabilities:				
Other financial liabilities (includes: bank loans and overdrafts, obligations under finance leases and trade and other payables)	443,406	358,521	443,411	357,899

	Fair value		Book value	
	2010	2009	2010	2009
	R$	R$	R$	R$
Financial assets:				
Loans and receivables (includes: cash and cash equivalents, short term investments and trade and other receivables)	482,697	513,220	482,697	513,220
Financial liabilities:				
Other financial liabilities (includes: bank loans and overdrafts, obligations under finance leases and trade and other payables)	738,799	624,256	738,144	623,173

c) 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.

d) Foreign currency risk management

The operating cash flows are subject to fluctuation in currency, because they are denominated part in Real and part in US Dollars, the proportions of which vary according to the characteristics of each business. In general terms, for operating cash flows, the Group seeks to neutralize the currency risk by matching assets (receivables) and liabilities (payments). Furthermore, the Group seeks to generate an operating cash surplus in the same currency in which the debt service of each business is denominated.

Cash flows from investments in fixed assets are mostly denominated in Real and US Dollars. These investments are subject to currency fluctuations within the period between when goods or services are contracted and the price is determined and the actual date of payment of those goods and services. These flows are monitored with the purpose of matching the currencies of sources and uses of funds and their due dates.

The Group has contracted debt that is US Dollar-denominated and Real-denominated, and the cash and cash equivalents balances are also invested in US Dollar-denominated and Real-denominated vehicles.

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

	Assets		Liabilities	
	2010 US$	2009 US$	2010 US$	2009 US$
Amounts denominated in Real	255,565	327,593	159,567	129,292

	Assets		Liabilities	
	2010 R$	2009 R$	2010 R$	2009 R$
Amounts denominated in Real	425,822	570,405	265,871	225,123

Foreign currency sensitivity analysis

Exchange rates

Probable Scenario	Possible Scenario (25%)
R$1.75/US$1.00	R$2.1875/US$1.00

Operation	Risk	Amount in USD	Result	Probable Scenario	Possible Scenario (25%)
Total assets	BRL	255,565	Exchange effects	(12,238)	(60,903)
Total liabilities	BRL	159,567	Exchange effects	7,641	38,026
			Net effect on results	(4,597)	(22,877)

e) Interest rate risk management

The Group is exposed to interest rate risk as entities within the Group borrow funds at both fixed and floating interest rates. BNDES and Banco do Brasil ("BB"), providing funds from the Brazilian Merchant Maritime Fund ("FMM"), charge fixed interest rates on loans for vessel construction. Since these rates are fixed and they are below market interest rates, the Group understands that the risk for these contracts is low.

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 depending on market conditions and yield curves. The Company's interest rate risk management strategy may use derivative instruments to reduce debt cost attributable to interest rate volatility.

The BNDES's FINAME product and the financial leasing provide financing for equipment in our Logistics Operations. The interest rate for BNDES's FINAME product is the Long Term Interest Rate ("TJLP") and there are no instruments on the market to mitigate fluctuations of this rate. However, the risk is considered low because the rate is determined below market rates, it is lower than the interest rate of the economy (Selic), and has the inflation target as one of the components of its calculation (as well as the Selic).

The Real-linked investments yield interest rates that follow the "DI" (Brazilian Interbank interest rates) daily variation for privately-issued securities and/or "Selic-Over" government-issued bonds. The US Dollar-linked investments are time deposits, with short-term maturities.

Interest rate sensitivity analysis

The following analysis considers a notional variation of revenue or expenses associated with the operations and scenarios shown, without any impact on fair value.

Libor interest rate		
Operation	Probable Scenario	Possible Scenario 25%
Loans	0.78%	0.98%
Investments	0.45%	0.57%

Operation	Risk	Principal US Dollars	Result	Probable Scenario	Possible Scenario 25%
Loan IFC	Libor	6,122	Loan Interest	(14)	(21)
Loan Eximbank	Libor	14,818	Loan Interest	(8)	(34)
Loan Finimp	Libor	4,051	Loan Interest	(5)	(11)
Investments	Libor	68,831	Investment Income	(81)	1
			Net Effect	(108)	(65)

CDI interest rate		
Operation	Probable Scenario	Possible Scenario 25%
Investments	12.44%	15.55%

Operation	Risk	Principal US Dollars	Result	Probable Scenario	Possible Scenario 25%
Investments	CDI	82,983	Investment income	918	3,113
			Net effect	918	3,113

The net effect was obtained by assuming a scenario for the 12 months starting January 1, 2011 in which interest rates and all other variables remain constant.

The other loans bear a fixed interest rate and represent 89.0% of the total loans.

The investment rate risk mix is 45.3% Libor and 54.7% CDI

f) Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash 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.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 12 months	1-5 years	More than 5 years	Total
	%	US$	US$	US$	US$
2010					
Finance lease liability	15.87%	4,847	6,184	121	11,152
Variable interest rate instruments	4.73%	5,261	19,669	7,851	32,781
Fixed interest rate instruments	3.95%	20,304	88,712	172,364	281,380
		30,412	114,565	180,336	325,313

	Weighted average effective interest rate	Less than 12 months	1-5 years	More than 5 years	Total
	%	US$	US$	US$	US$
2009					
Finance lease liability	15.21%	4,895	10,460	-	15,355
Variable interest rate instruments	3.47%	3,402	4,493	1,571	9,466
Fixed interest rate instruments	3.99%	14,744	76,217	154,989	245,950
		23,041	91,170	156,560	270,771

g) 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 booked whenever a loss is detected, which, based on past experience, evidences impaired possibility of recovering cash flows.

The Group invests surplus temporarily cash in government bonds and in private investment funds with regulations approved by Management which follow Group policy on concentration of credit risk. Credit risk on investments is non-government backed paper is mitigated by investing only in leading financial institutions.

The Group’s sales policy follow the criteria for credit sales set by Management, which seeks to mitigate any loss from customers’ delinquency.

h) Derivatives

The Group may enter into derivatives contracts to hedge risks arising from exchange rate fluctuations and interest. There were no such contracts on December 31, 2009. In 2010, the Group entered into futures contracts for one-day interbank deposits at notional average one day interest rate for the period between the trade date and the final day of the contracted trading period, marked to market against the effective average one day interest rate for the period, as calculated and published daily by CETIP. The result of these contracts was a loss of US$24 (R$40), settled during 2010. As of December 31, 2010 there were no such contracts.

i) Fair value of financial instruments

The Group's financial instruments are recorded in balance sheet accounts at December 31, 2010 and December 31, 2009 at amounts similar to the fair value at those dates. These instruments are managed though 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 in 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, considerable judgment was required when interpreting market data to derive the most adequate estimated realization value.

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

<u>Cash and cash equivalents</u>

The market values of the bank current account balances are consistent with book balances.

<u>Short term investments</u>

The book value of short-term financial investments approximates its fair value.

<u>Trade and other receivables/payables</u>

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

<u>Bank Overdrafts and Loans</u>

Fair value 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 BNDES and Eximbank financing arrangements is similar to book balances since there are no similar instruments, with comparable maturity dates and interest rates.

In the loan arrangement with IFC, fair value was obtained using the same spread as in the most recent agreement plus Libor.

26. 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, other investments and other parties are disclosed below.

	Current Liabilities US$	Revenues US$	Expenses US$
Joint ventures:			
3. Allink Transportes Internacionais Ltda.	(287)	1,308	3
4. Transamérica Ag. Marítima	1,635	-	114
5. Consórcio de Rebocadores Barra de Coqueiros	(5)	266	26
6. Consórcio de Rebocadores Baía de São Marcos	(1,722)	2,443	20
7. Wilson Sons Ultratug	(8,915)	1,623	590
8. Wilson Sons Offshore	23,575	17,573	2,241
9. Magallanes Navegação Brasileira	(6,630)	17,751	1,792
Other:			
1. Gouvêa Vieira Advogados	-	-	94
2. CMMR Intermediação Comercial Ltda.	-	-	338
At December 31, 2010	7,651	40,964	5,218
At December 31, 2009	(4,770)	4,608	457

	Current liabilities R$	Revenues R$	Expenses R$
Joint ventures:			
3. Allink Transportes Internacionais Ltda.	(478)	2,181	5
4. Transamérica Ag. Marítima	2,724	-	190
5. Consórcio de Rebocadores Barra de Coqueiros	(9)	444	43
6. Consórcio de Rebocadores Baía de São Marcos	(2,870)	4,071	33
7. Wilson Sons Ultratug	(14,854)	2,704	983
8. Wilson Sons Offshore	39,280	29,280	3,734
9. Magallanes Navegação Brasileira	(11,047)	29,576	2,987
Other:			
1. Gouvêa Vieira Advogados	-	-	157
2. CMMR Intermediação Comercial Ltda.	-	-	564
At December 31, 2010	12,746	68,256	8,696
At December 31, 2009	(8,306)	8,023	795

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. Allink Transportes Internacionais Limitada is 50% owned by the Group and rents office space from the Group.
4. Trade and other payables with Transamérica (Interest – 1% per month; with no maturity).

5-6. The transactions with the joint ventures are disclosed as a result of proportionate amounts not eliminated on consolidation.

7. Intercompany loan (Interest – 0.3% per month; with no maturity)

8-9. Trade payable (receivable) for Wilson Sons shipyards in respect of vessel construction

The Company adopted the policy of netting the assets and liabilities of the group related party transactions.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2010 US$	2009 US$	2010 R$	2009 R$
Profit before tax		101,019	121,088	168,318	210,837
Less: Investment revenues	7	(13,940)	(34,343)	(23,227)	(59,798)
Less: Result on disposal of investment	23	(20,407)	(97)	(34,002)	(169)
Add: Finance costs	7	11,814	9,555	19,684	16,637
Operating profit from operations		78,486	96,203	130,773	167,507
Adjustments for:					
Depreciation and amortization expenses		42,921	32,065	71,515	55,832
Gain on disposal of property, plant and equipment		(90)	(372)	(150)	(647)
Provision for cash-settled share-based payment	20	13,204	9,424	22,000	16,409
Increase/decrease in provisions		2,458	1,376	4,096	2,396
		136,979	138,696	228,234	241,497
(Increase)/decrease in inventories		24	(11,285)	41	(19,649)
(Increase) in trade and other receivables		(32,098)	(22,295)	(53,482)	(38,820)
Increase in trade and other payables		16,982	14,847	28,295	25,851
(Increase)/decrease in other non-current assets		3,921	(2,454)	6,533	(4,273)
Investment income		-	14	-	24
Cash generated by operations		125,808	117,523	209,621	204,630
Income taxes paid		(20,908)	(38,377)	(34,837)	(66,822)
Interest paid		(7,887)	(9,238)	(13,141)	(16,085)
Net cash from operating activities		97,013	69,908	161,643	121,723

Non-cash transactions:

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- Equipment acquisition under finance leasing of US$1,928 (R$3,213) (2009: US$8,928 (R$15,545);
- Tecon Rio Grande’s equipment financing of US$ 14,700 (R$ 24,493);
- Fixed Assets suplliers US$2,274 (R$3,788) (2009:US$1,117 (R$1,945));
- Capitalized interest US$1,683 (R$2,806) (2009:US$731 (R$1,271));
- Taxes settlement US$3,454 (R$5,755) (2009: US$4,595 (R$8,001));

Supplemental notes related to Cash Flow Statement:

Effect of joint venture transaction in the cash flow statement:

	2010	
	US$	R$
Cash and cash equivalents	5,040	8,398
Property, plant & equipment	(6,386)	(10,640)
Other non-current assets	49	82
Inventories	(515)	(858)
Trade and other receivables	(2,639)	(4,397)
Bank overdrafts and loans	12,002	19,998
Others liabilities	12,856	21,420
Total	20,407	34,002

28. 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:

	2010 US$	2009 US$	2010 R$	2009 R$
Short-term employee benefits	11,049	6,866	18,410	13,687
Post-employment benefits and social charges	2,692	1,537	4,486	3,065
Share-based payment provision	13,204	9,424	22,001	16,409
	26,945	17,827	44,897	33,161

29. INSURANCE COVERAGE

The main insurance coverage in December 31, 2010 that the Group contracted:

Risks	Subject	Coverage US$	Coverage R$
Managers and directors	Managers´ Civil Responsibility	30,008	50,000
Maritime Hull	Tugs	266,813	444,564
Maritime Hull	Platform Supply Vessels	284,473	473,989
Maritime Hull	CR - Protection and loss of income (*shipowners*)	6,000,000	9,997,200
Maritime Hull	Tugs and boats	31,131	51,870
Port Operator CR	Port Operator Civil Responsibility (including chattels and real estates), Terminals (including chattels and real estates), logistics operations	100,000	166,620
Property (Multiline)	Buildings, machines, furniture and fixtures, goods and raw materials	15,274	25,450
Total		6,727,699	11,209,693

30. SUBSEQUENT EVENT

On January 26, 2011 the Group announced that Intermarítima Terminais Ltda (“Intermarítima”) has exercised a call option granted by the Company to buy 7.5% of the ordinary shares of Tecon Salvador S.A at a price of US$6,723 (R$11,202). The right of Intermarítima to exercise this option was subject to the Company gaining the right to operate exclusively in the area of Salvador’s Port referred to as “Ponta Norte”.

Intermarítima is an important inland and port logistics operator with activities in the major ports of Bahia state - Salvador, Aratu and Ilhéus. This alliance will facilitate the continued growth of Tecon Salvador as well as the exploration of new general and bulk cargo opportunities in Bahia, the sixth largest Brazilian economy according to data from the Brazilian Institute of Geography and Statistics.

31. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statement were approved by the board of directors and authorized for issue on March 24, 2011.