(Convenience Translation into English from the Original Previously Issued in Portuguese)

São Martinho S.A.

Financial Statements for the Years Ended March 31, 2008 and 2007and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
São Martinho S.A.
Pradópolis - SP

1. We have audited the accompanying individual (Company) and consolidated balance sheets of São Martinho S.A. and subsidiaries as of March 31, 2008 and 2007, and the related statements of operations changes in shareholders' equity (Company), and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of São Martinho S.A. and subsidiaries as of March 31, 2008 and 2007, and the results of their operations, the changes in shareholders' equity (Company), and the changes in their financial positions for the years then ended, in conformity with Brazilian accounting practices.

4. As described in note 2, at the Extraordinary Shareholders' Meeting held on September 28, 2006, the Company's shareholders approved the change of the fiscal year-end to March 31 of each year. As a result, the statements of operations, changes in shareholders' equity, and changes in financial position for the year ended March 31, 2007 and the notes to these financial statements cover an eleven-month period of operations and, therefore, are not comparable with the financial statements for the year ended March 31, 2008, which cover a twelve-month period of operations. Due to this fact, supplemental information is presented in note 28, related to the consolidated statements of income for the twelve-month period ended March 31, 2007, for purposes of comparative analysis of the operations of the Company and its subsidiaries.

5. Our audits were conducted for the purpose of forming an opinion on the basic financial statements referred to in paragraph 1, taken as a whole. The individual and consolidated statements of cash flows for the years ended March 31, 2008 and 2007 and the consolidated statement of income for the twelve-month period ended March 31, 2007, included in note 28, are presented for purposes of additional analysis and are not a required part of the basic financial statements in conformity with Brazilian accounting practices. Such information has been subjected to the auditing procedures described in paragraph 2 and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements for the years ended December 31, 2008 and 2007 taken as a whole.

6. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Campinas, June 16, 2008

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Carlos Amadi
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SÃO MARTINHO S.A.

BALANCE SHEETS AS OF MARCH 31, 2008 AND 2007
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
ASSETS	Notes	03/31/08	03/31/07	03/31/08	03/31/07
CURRENT ASSETS					
Cash and banks	4	357	15,126	14,320	70,557
Temporary cash investments	5	20,200	255,348	58,214	296,407
Receivables from Copersucar	6	34,715	7,874	94,225	22,708
Inventories	7	38,273	45,135	173,625	168,890
Recoverable taxes	8	13,182	6,201	42,006	21,219
Other assets		3,449	5,524	15,350	21,650
		110,176	335,208	397,740	601,431
NONCURRENT ASSETS					
Long-term assets:					
Related parties	9	100,451	11,766	208	18
Assets held for sale	10.2.	-	-	31,649	-
Deferred income and social contribution taxes	18	34,256	36,594	95,397	83,488
Other assets		3,410	3,244	25,162	11,280
Investments:					
In subsidiaries and affiliates	10.1.	1,049,186	1,026,938	-	-
In subsidiaries and affiliates - goodwill	10.2.	-	-	38,691	-
Other investments		40	40	167	142
Property, plant and equipment	11	597,863	591,434	2,292,442	1,938,917
Deferred charges	12	22	22	35,167	7,650
		1,785,228	1,670,038	2,518,883	2,041,495
TOTAL ASSETS		1,895,404	2,005,246	2,916,623	2,642,926

		Company		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	03/31/08	03/31/07	03/31/08	03/31/07
CURRENT LIABILITIES					
Loans and financing	13	31,786	42,106	144,761	110,148
Trade accounts payable	14	11,367	14,223	55,705	55,468
Payables to Copersucar	15	21,120	814	77,446	2,233
Payroll and related charges		5,019	5,443	23,158	20,064
Taxes payable		3,397	2,570	9,970	6,883
Related parties	9	269	39,243	153	46
Dividends payable		-	20,000	-	20,000
Other liabilities		144	2,163	1,620	3,014
		73,102	126,562	312,813	217,856
NONCURRENT LIABILITIES					
Long-term liabilities:					
Loans and financing	13	61,911	70,961	446,583	212,655
Payables to Copersucar	15	61,693	61,422	232,056	220,894
Taxes in installments		9,136	-	9,136	-
Deferred income and social contribution taxes	18	57,910	67,804	212,121	238,562
Provision for contingencies	20	7,071	7,017	70,165	72,160
Other liabilities		-	-	1,557	1,708
		197,721	207,204	971,618	745,979
MINORITY INTEREST		-	-	7,611	7,611
SHAREHOLDERS' EQUITY	16				
Capital		360,000	360,000	360,000	360,000
Revaluation reserves		1,161,846	1,210,974	1,161,846	1,210,974
Legal reserve		5,079	5,079	5,079	5,079
Capital budget reserve		97,656	95,427	97,656	95,427
		1,624,581	1,671,480	1,624,581	1,671,480
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,895,404	2,005,246	2,916,623	2,642,926

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

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SÃO MARTINHO S.A.

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED MARCH 31, 2008
(TWELVE MONTHS) AND 2007 (ELEVEN MONTHS)
(In thousands of Brazilian reais - R$, except per share data)

		Company		Consolidated	
	Notes	03/31/08 (12 months)	03/31/07 (11 months)	03/31/08 (12 months)	03/31/07 (11 months)
GROSS SALES		214,711	232,872	787,424	838,693
DEDUCTIONS		(18,733)	(19,458)	(75,004)	(71,671)
NET SALES		195,978	213,414	712,420	767,022
COST OF SALES		(186,381)	(158,996)	(623,583)	(529,736)
GROSS PROFIT		9,597	54,418	88,837	237,286
Operating (expenses) income:					
Selling expenses		(8,829)	(12,158)	(42,624)	(52,316)
General and administrative expenses		(21,114)	(20,174)	(91,223)	(68,623)
Management fees	21	(5,232)	(3,432)	(8,172)	(7,133)
Equity in subsidiaries	10	(29,210)	58,803	-	-
Other operating income (expenses), net	22	(7,458)	(9,455)	(9,938)	(1,562)
		(71,843)	13,584	(151,957)	(129,634)
Income (loss) from operations before financial income expenses)		(62,246)	68,002	(63,120)	107,652
Financial income (expenses):					
Financial income		30,285	18,977	78,677	60,961
Financial expenses		(24,013)	(28,177)	(85,213)	(82,158)
Monetary and exchange gains		2,140	3,695	9,374	16,921
Monetary and exchange losses		(2,344)	(3,735)	(8,915)	(16,752)
		6,068	(9,240)	(6,077)	(21,028)
Income (loss) from operations		(56,178)	58,762	(69,197)	86,624
Nonoperating income	23	615	12,491	797	13,442
Income (loss) before income and social contribution taxes		(55,563)	71,253	(68,400)	100,066
Income and social contribution taxes - current		(338)	(8,543)	(2,601)	(34,296)
Income and social contribution taxes - deferred		9,002	4,295	24,102	1,235
	18	8,664	(4,248)	21,501	(33,061)
Net income (loss)		(46,899)	67,005	(46,899)	67,005
Earnings (loss) per share at the end of period		(0.42)	0.59		

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

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SÃO MARTINHO S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY) FOR THE YEARS ENDED MARCH 31, 2008 (TWELVE MONTHS) AND 2007 (ELEVEN MONTHS)
(In thousands of Brazilian reais - R$)

			Revaluation reserves			Profit reserve			
	Notes	Capital	Company	Subsidiaries	Total	Legal reserve	Capital budget	Retained earnings	Total
BALANCE AS OF APRIL 30, 2006		2,786	242,484	64,323	306,807	1,729	-	52,006	363,328
Capital increase		3,346	-	-	-	-	-	(3,346)	-
Merger of shares	1.5.	93,868	-	478,693	478,693	-	-	-	572,561
Payment of shares - public offering	1.1.	260,000	-	-	-	-	-	-	260,000
Recognition of revaluation reserve		-	153,946	288,233	442,179	-	-	-	442,179
Realization of revaluation reserve		-	(5,042)	(11,663)	(16,705)	-	-	16,705	-
Dividends paid from retained earnings	16	-	-	-	-	-	-	(13,593)	(13,593)
Net income		-	-	-	-	-	-	67,005	67,005
Proposed allocation of net income:									
Legal reserve	16	-	-	-	-	3,350	-	(3,350)	-
Proposed dividends	16	-	-	-	-	-	-	(20,000)	(20,000)
Retention of profits reserve	16	-	-	-	-	-	95,427	(95,427)	-
BALANCE AS OF MARCH 31, 2007		360,000	391,388	819,586	1,210,974	5,079	95,427	-	1,671,480
Realization of revaluation reserve		-	(12,987)	(36,141)	(49,128)	-	-	49,128	-
Net loss		-	-	-	-	-	-	(46,899)	(46,899)
Proposed allocation of retained earnings:									
Retention of profits reserve	16	-	-	-	-	-	2,229	(2,229)	-
BALANCE AS OF MARCH 31, 2008		360,000	378,401	783,445	1,161,846	5,079	97,656	-	1,624,581

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

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SÃO MARTINHO S.A.

STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED MARCH 31, 2008 (TWELVE MONTHS) AND 2007 (ELEVEN MONTHS)
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Notes	03/31/08 (12 months)	03/31/07 (11 months)	03/31/08 (12 months)	03/31/07 (11 months)
SOURCES OF FUNDS					
From operations:					
Net income (loss)		(46,899)	67,005	(46,899)	67,005
Items not affecting working capital:					
Provision for contingencies		1,843	3,409	5,906	5,857
Income from long-term assets		(107)	(195)	(27)	(1)
Equity in subsidiaries	10	29,210	(58,803)	-	-
Proceeds from sale of equity interest	1.6.	-	(215)	-	(717)
Net book value of property, plant and equipment written off		453	5,060	3,995	5,101
Depreciation and amortization		54,096	41,162	180,558	129,623
Interest on long-term liabilities		7,441	4,152	11,982	10,627
Deferred income and social contribution taxes		(9,002)	(4,295)	(24,102)	(1,235)
Adjusted net income		37,035	57,280	131,413	216,260
Other sources:					
Long-term borrowingss		11,087	23,651	292,298	79,586
Working capital derived from the merger of Etanol Participações S.A.		-	-	294	-
Capital payment	1.1.	-	260,000	-	260,000
Effect of the increase in consolidation of Mogi Agrícola to 46.02% on working capital of Usina São Martinho	1.4.	-	-	-	8
Effect of the increase in consolidation of Usina São Martinho to 100% on working capital	1.5.	-	-	-	147,194
Income from sale of equity interest	1.6.	-	2,367	-	7,890
Total sources		48,122	343,298	424,005	710,938
USES OF FUNDS					
In long-term assets		166	4,525	14,938	7,677
Repayment of intercompany loans		88,578	7,619	-	-
In permanent assets:					
Investments		51,458	18,334	24	-
Goodwill arising from the acquisition of Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. based on expected future earnings	1.7.	-	-	60,134	-
Property, plant and equipment		60,978	71,337	572,940	279,423
Deferred charges		-	22	22,882	6,827
Decrease in long-term liabilities, net		18,514	19,320	51,735	47,025
Dividends paid	16	-	13,593	-	13,593
Proposed dividends	16	-	20,000	-	20,000
Total uses		219,694	154,750	722,653	374,545
INCREASE (DECREASE) IN WORKING CAPITAL		(171,572)	188,548	(298,648)	336,393
REPRESENTED BY:					
Current assets:					
At end of year		110,176	335,208	397,740	601,431
At beginning of year		335,208	70,748	601,431	114,386
		(225,032)	264,460	(203,691)	487,045
Current liabilities:					
At end of year		73,102	126,562	312,813	217,856
At beginning of year		126,562	50,650	217,856	67,204
		(53,460)	75,912	94,957	150,652
INCREASE (DECREASE) IN WORKING CAPITAL		(171,572)	188,548	(298,648)	336,393

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

1. OPERATIONS

1.1. Operations

São Martinho S.A. (the "Company") and its subsidiaries are primarily engaged in planting sugarcane and manufacturing and selling sugar, alcohol and other sugarcane by-products; cattle raising and agricultural production; import and export of goods, products and raw material, and holding of equity interest in other companies.

Approximately 69% (63% - Consolidated) of the sugarcane used in the manufacture of products derives from the Company's own plantations, shareholders, related parties and agricultural partnerships, and the remaining 31% (37% - consolidated), from third-party suppliers.

Sugarcane planting demands an 18-month period for maturing and for the beginning of the harvest, which generally takes place between April and December, when sugar and alcohol are produced. The sale of the production is made throughout the year and is not subject to seasonal variations but only to normal market variations in demand and supply.

1.2. Withdrawal from Copersucar

Up to March 31, 2008, the Company, its direct subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luiza S.A., were associated with the Cooperativa de Produtores de Cana, Açúcar e Álcool do Estado de São Paulo Ltda. - Copersucar [Cooperative of Sugarcane, Sugar and Alcohol Producers of the State of São Paulo] (also called the "Cooperative"), whose cooperative bylaws signed by the parties required the Companies to make available immediately and definitively to Copersucar their total production of sugar and alcohol.

On February 25, 2008, the Company, its direct subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luiza S.A. announced that their Boards of Directors approved a request for their withdrawal from the cooperative. The termination of membership occurred according to the terms of Copersucar bylaws at the end of the 2007/2008 crop and is intended to focus the Companies' production on higher value added products and is part of different commercial strategies.

The terms and conditions of the termination of membership were negotiated through the settlement or assumption of commitments to the Cooperative or to third parties for which the Cooperative is jointly liable, arising until the date of the termination, even if the conclusion of the commitments surpasses that date. The Company, its direct subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luiza S.A. have the right to a proportional share of the outcome of indemnification actions filed by Copersucar, even if they are concluded after the date of the termination.

The Company, its direct subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luiza S.A. assumed the liability for a share proportionate to their volume of operations during the period in which they were members of the cooperative in respect of tax lawsuits filed by Copersucar, as specified in note 20.

After the termination of membership, the sale of the sugar and alcohol production and the consequent management of credit risks are made by the Company and its subsidiaries, which resulted in the setting of policies and strategies of exchange rate and price risk management in order to protect against changes in exchange rates and prices of their products.

The production made available to Copersucar remained physically at the Company's and its subsidiaries' warehouses, which were lent for use by Copersucar without paying for it. The Agribusiness Directors of the Companies remained as depositaries of the inventories stored in the warehouses. The production sold was removed by Coopersucar according to its logistics.

As established in Copersucar's bylaws, revenue from the sale of these products and expenses incurred due to the Cooperative's operations are allocated by Copersucar to each cooperative member, proportionally to the products made available, regardless the physical amount removed from the cooperative member's warehouses. As stated in its annual financial statements, Copersucar uses the accrual basis to allocate revenues and expenses to its cooperative members in conformity with Brazilian accounting practices and Regulatory Opinion No. 66 issued by the CST (Coordination of the Tax System) on September 5, 1986.

The amounts of revenues and expenses calculated by Copersucar upon the apportionment to each cooperative member, including the inventory amounts to be allocated to cost of sales, are reported monthly by COPERSUCAR to its cooperative members in specific and detailed reports according to the nature of the event, on a monthly basis. The total amount is recorded in accounting books and presented in the Cooperative's financial statements, which are audited by independent auditors, ending March 31 of each year.

During the years ended March 31, 2008 (12 months) and 2007 (11 months), revenues from transactions with Copersucar accounted for approximately 94% and 92%, respectively, of the Company's individual revenue. Compared to consolidated balances, these transactions represented 93% and 94% for the years ended March 31, 2008 and 2007, respectively, according to the amounts shown below:

	Company		Consolidated	
	03/31/08 (12 months)	03/31/07 (11 months)	03/31/08 (12 months)	03/31/07 (11 months)
Sugar sales	72,073	112,163	294,383	426,785
Alcohol sales	129,324	102,693	448,660	372,813
Total sales derived from Copersucar	201,397	214,856	743,043	799,598
Sodium salt	-	-	11,587	16,083
Other sales	13,314	18,016	32,794	23,012
Total gross sales	214,711	232,872	787,424	838,693

For the year ended March 31, 2008, selling and administrative expenses arising from the Cooperative allocations accounted for 29% (30% in 2007) of operating expenses recorded by the Company, and 37% of consolidated expenses (40% in 2007). These expenses include expenses on the sale process, logistics and distribution, port and administrative expenses.

1.3. Partial spin-off of assets and liabilities

On March 31, 2006, the Company and its subsidiary Usina São Martinho S.A. completed a spin-off of certain assets and liabilities not related to the planting of sugarcane and production of sugar and alcohol, which were transferred to affiliates. The spin-off was approved by the Extraordinary Shareholders' Meetings of both companies, held on April 30, 2006.

The balances of revenues, expenses and the related tax effects arising from spun-off assets and liabilities for the twelve-month period ended March 31, 2007 are presented in specific captions of the consolidated statements of income presented in note 28, for purposes of segregation from the other balances representing sugarcane plantation and sugar and alcohol production, allowing for a comparative analysis of the Company's operations for the twelve-month period without such effects.

In the twelve-month period ended March 31, 2007, the main impact of the spun-off assets and liabilities on the consolidated income derives from the equity loss in subsidiaries of R$ 277.

1.4. Increase in ownership interest in the jointly-owned indirect subsidiary Mogi Agrícola S.A.

On May 5, 2006, the subsidiary Usina São Martinho S.A. acquired 2,039,057 common shares from a Mogi Agrícola S.A. shareholder for R$ 7,233, increasing its ownership interest in that jointly-owned indirect subsidiary to 30.86%. In addition to this acquisition, on May 17, 2006, Usina São Martinho S.A. granted an intercompany loan of R$ 7,116, payable in 24 months, to the same shareholder, which still holds 2,039,056 common shares (corresponding to 15.16% of total capital) of Mogi Agrícola S.A.. This loan is subject to monetary adjustment corresponding to the income distributed by Mogi Agrícola S.A. on any account during the period in which the loan is in effect. Usina São Martinho S.A. will also exercise the voting right arising from the shares held by this shareholder during the loan period. In view of the strategic interest of Usina São Martinho S.A. in Mogi Agrícola S.A.'s operations and the possibility that this loan may be settled through the delivery of 2,039,056 shares of Mogi Agrícola S.A. to Usina São Martinho S.A., according to the agreement between the parties, Usina São Martinho S.A. recorded this transaction as an acquisition, increasing its ownership interest in Mogi Agrícola S.A. to 46.02%. There was no amendment to the shareholders' agreement of Mogi Agrícola S.A. arising from these transactions, and Mogi Agrícola S.A. continued to be a jointly-owned subsidiary of Usina São Martinho S.A.. These increases in ownership interest resulted in a negative goodwill of R$ 358, calculated based on Mogi Agrícola S.A.'s financial statements as of April 30, 2006, conformed to the accounting practices of the parent company as mentioned in note 2(e).

At present the contract that formalizes the settlement of the above-mentioned loan with the delivery of 2,039,056 shares of Mogi Agrícola S.A. to Usina São Martinho S.A. is being finalized.

1.5. Merger of shares of Usina São Martinho S.A. into the Company

At the Extraordinary Shareholders' Meeting held on September 28, 2006, the shareholders of Usina São Martinho S.A. approved the merger of all its shares into the Company, based on Usina São Martinho S.A.'s financial statements as of April 30, 2006. This operation was approved by the Company's shareholders at the Extraordinary Shareholders' Meeting held on the same date. The ratio of exchange of Usina São Martinho's shares for the Company's shares was determined through a business valuation of both companies by an independent specialized firm. After this merger, Usina São Martinho S.A. became a subsidiary of the Company. As provided for in the share merger agreement, the Company recorded the income of Usina São Martinho S.A. beginning May 1, 2006 as equity in subsidiaries. These effects, retroactive to May 1, 2006, were recorded in the accounting books beginning on the date of the Extraordinary Shareholders' Meeting which took place on September 28, 2006.

1.6. Sale of interest in Usina Boa Vista S.A.

On March 26, 2007 the Company and its subsidiary Usina São Martinho S.A. sold to Mitsubishi Corporation, for R$ 7,890, a 10% interest (7,172,627 shares) in Usina Boa Vista S.A. ("Usina Boa Vista"), of which 2,151,788 shares (3% interest) were owned by the Company and 5,020,839 shares (7% interest) were owned by the subsidiary Usina São Martinho S.A.. As a result, the Company's interest in Usina Boa Vista is now 27% (90% - Consolidated). The gain on this operation, in the amount of R$ 215 (R$ 717 - Consolidated), was recorded under the caption "nonoperating income".

1.7. Acquisition of companies followed by spin-off and merger of the jointly-owned indirect subsidiary Etanol Participações S.A.

On April 12, 2007, Etanol Participações S.A., a holding company composed of the subsidiary Usina São Martinho S.A., together with Cosan S.A. Indústria e Comércio and Santa Cruz S.A. Açúcar e Álcool, with interests of 41.67%, 33.33% and 25.00%, respectively, acquired Usina Santa Luiza S.A., whose management is shared by them, with a board of directors and an executive board composed of representatives of each shareholder. The acquisition value of Usina Santa Luiza S.A. was R$ 184,080. Etanol Participações S.A. also acquired Agropecuária Aquidaban S.A. from the shareholders of Usina Santa Luiza S.A., for R$ 61,360.

In order to achieve one of the objectives of said acquisition, related to gaining operating and administrative synergies, on December 10, 2007 the shareholders of Etanol Participações S.A. announced their decision to absorb the operations of the jointly-owned indirect subsidiaries Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A.. The activities of said subsidiaries will be developed directly by the shareholders, according to their interest in the capital of Etanol Participações S.A., beginning the 2008/2009 crop.

On December 21, 2007, the subsidiary Usina São Martinho S.A. and the other shareholders of Etanol Participações S.A. resolved to conduct a full spin-off of the assets and liabilities of Etanol Participações S.A., which were transferred to Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A.. Such spin-off followed by merger was approved by the Extraordinary Shareholders' Meetings held on December 21, 2007. The spun-off and merged net assets, according to the book value appraisal report issued by independent experts, were R$ 226,948 as of October 31, 2007.

As mentioned in note 27 'Subsequent Events', at the Extraordinary Shareholders' Meeting held on April 14, 2008, the shareholders approved the merger of the jointly-owned indirect subsidiary Agropecuária Aquidaban S.A. into the jointly-owned indirect subsidiary Usina Santa Luiza S.A. and, subsequently, the spin-off of Usina Santa Luiza S.A., whose spun-off net assets were absorbed by the subsidiary Usina São Martinho S.A. and the other shareholders of Usina Santa Luiza S.A., at book values, according to their respective equity interests.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

At the Extraordinary Shareholders' Meeting held on September 28, 2006, the shareholders resolved to change the end of the Company's fiscal year to March 31 of each year, in line with the start and end of the sugarcane crop. As a result, the statements of income, changes in shareholders' equity, and changes in financial position for the year ended March 31, 2007 and the notes to these financial statements comprise an eleven-month period of operations and, therefore, are no comparable with the financial statements for the year ended March 31, 2007, which comprise a twelve-month period of operations. The consolidated statement of income for the twelve-month period ended March 31, 2007 and the consolidated statements of cash flows for the twelve-month periods ended March 31, 2008 and 2007 are presented in note 28 as supplemental information, to allow for comparative analysis of the Company's operations by the readers of the financial statements.

The financial statements have been prepared and are presented in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Commission (CVM).

The significant accounting practices adopted in the preparation of the financial statements are as follows:

(a) Results of operations: The results of operations of the Company are recorded on the accrual basis. Income and expenses from cooperative member transactions and support and management activities informed by Copersucar are credited or charged to operations based on monthly apportionments, determined according to the Company's production in relation to other cooperative members, in conformity with CST Regulatory Opinion No. 66, of September 5, 1986, and on the accrual basis.

(b) Temporary cash investments: Stated at cost plus income earned through the balance sheet date, which does not exceed market value.

(c) Trade accounts receivable: Recorded based on information received from Copersucar. Represents the net balance receivable by the Company based on its proportional share of the Cooperative's income and expenses, and advances received on future sales. The expense related to the allowance for doubtful accounts is transferred to cooperative members proportionally when recognized by the Cooperative.

(d) Inventories: Stated at average acquisition or production cost, which does not exceed replacement and/or realizable value. Costs incurred on maintenance of sugarcane crops are stated as crop treatment under the caption "sugarcane - crops" and are recorded as cost (results of operations) upon the harvest of the crop.

(e) Investments and goodwill: Significant investments in subsidiaries and jointly-owned subsidiaries are accounted for under the equity method, based on the financial statements as of the same date as the Company's financial statements. The goodwill based on the future earnings of the subsidiary Usina São Martinho S.A., arising from the acquisitions made through the jointly-owned subsidiary Etanol Participações S.A. (see note 1.7.), is amortized based on projections of future earnings of the acquired businesses and by means of the depreciation or write-off of the related assets. Investment in cooperative entity is stated at cost less a provision to reflect the reimbursement amount stipulated in the bylaws.

(f) Property, plant and equipment: Land, buildings, industrial equipment and facilities are stated at cost of acquisition or construction plus revaluation as of March 31, 2007. Other property, plant and equipment items are stated at cost of acquisition or construction. Depreciation is calculated under the straight-line method, based on the estimated useful lives of the assets, at the following annual rates applied up to March 31, 2007, as per the revaluation report, when applicable: buildings and premises - 5.88%; industrial equipment and facilities - 13.27%; vehicles - 20.0%; agricultural machinery and implements - 25.0% and other property, plant and equipment - 13.67%. The depreciation rates used beginning March 31, 2007 are shown in note 11. Depreciation of costs to grow sugarcane crops is calculated under the straight-line method, considering an average estimated useful life of five to seven years, after the beginning of cutting, based on the proportion of production to date in relation to total estimated production. Maintenance that does not extend the useful life of the assets is expensed when incurred. Maintenance that extends the useful life of property, plant and equipment items is capitalized. Items that have wear and tear during the crop are recorded as assets when replaced, and are depreciated during the subsequent crop period.

(g) Deferred charges: In the consolidated financial statements, deferred charges are represented by: (a) costs related to the implementation of an integrated management system in the subsidiary Usina São Martinho S.A., with amortization calculated under the straight-line method based upon an estimated useful life of 5 years; and (ii) costs incurred on the construction of the plant of the indirect subsidiary Usina Boa Vista S.A., which is still in the preoperating stage, whose amortization will begin when the plant starts its regular operations, under the method and rate to be timely defined according to the estimated time of the future benefit.

(h) Loans and financing: Loans and financing are subject to monetary or exchange variations, as applicable, plus interest accrued through the balance sheet date.

(i) Leases: Assets acquired under capital lease agreements are capitalized considering the present value of the transaction.

(j) Receivables and payables: Assets and liabilities subject to monetary and exchange variations are adjusted through the balance sheet date. These variations are recorded in results of operations.

(k) Revaluation reserves: The revaluation reserves of the Company and its subsidiaries are realized through the depreciation and write-off of the revalued assets, as a credit to retained earnings. When applicable, a provision for deferred income and social contribution taxes on revaluation reserve is recorded.

(l) Income and social contribution taxes: Provisions for income and social contribution taxes are calculated based on book income, adjusted for permanent additions and deductions at the rates of 15% plus a 10% surtax for income exceeding R$ 240 for income tax, and at the rate of 9% for social contribution tax. Income and social contribution taxes on temporary differences, revaluation of property, plant and equipment and tax loss carryforwards are recognized in the financial statements as deferred income and social contribution taxes in long-term assets and liabilities, in accordance with IBRACON Accounting Standard and Procedure (NPC) 25, CVM Resolution No. 273/98 and CVM Instruction No. 371/02.

(m) Use of estimates: The preparation of financial statements in conformity with Brazilian accounting practices requires the Company's and subsidiaries' Management to make estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Major estimates related to the financial statements refer to the allowance for investment losses, provision for contingencies, amortization, depreciation, and deferred taxes.

(n) Earnings per share: Calculated based on the number of shares outstanding at the balance sheet date.

(o) Statement of cash flows: Prepared in accordance with IBRACON Accounting Standard and Procedure 20.

3. CONSOLIDATION CRITERIA

The consolidated financial statements as of March 31, 2008 and 2007 consider the percentage of ownership interest in subsidiaries in effect on the respective dates and the applicable proportionate consolidation criteria. The consolidated balances include the following subsidiaries:

Company	Main activities
Usina São Martinho S.A. - 100% interest as of March 31, 2008 and 11.4% up to April 30, 2006.	Sugarcane processing; own production and production acquired from third parties; manufacture and sale of sugar, alcohol and their by-products; agricultural production and cattle raising; import and export of goods, products and raw material; and holding of equity interests in other companies.
Usina Boa Vista S.A. - 27% interest as of March 31, 2008 and 2007 (90% including the interest of Usina São Martinho S.A.)	Sugarcane processing; own production and production acquired from third parties; manufacture and sale of sugar, alcohol and their by-products; agricultural production and cattle raising; import and export of goods, products and raw material; and holding of equity interests in other companies.

Company	Main activities
Omtek Indústria e Comércio Ltda. - 99.99% interest for all reported periods (100% including the interest of Usina São Martinho S.A.)	Sodium salt processing and sale in the foreign market. The operating cycle is the same as the parent company's, which is responsible for supplying (under specific conditions) sugarcane molasses, steam and electric power, inputs necessary for the company's production.

Usina São Martinho S.A. was a jointly-owned subsidiary until September 28, 2006, since no shareholder individually had the control of the company until that date, as established in paragraph 1, article 32 of CVM Instruction No. 247, of March 27, 2006. Due to the event described in note 1.5., related to the increase in the Company's interest in Usina São Martinho S.A. with the merger of shares approved at the Extraordinary Shareholders' Meeting on September 28, 2006, beginning in the second quarter of the year ended March 31, 2007, the consolidation of the financial statements are made considering a 100% interest in Usina São Martinho S.A. In compliance with the respective merger agreement, the Company recognized Usina São Martinho S.A.'s results of operations beginning May 1, 2006 as equity in subsidiaries and consolidated them.

The financial statements of Usina São Martinho S.A. are consolidated prior to the consolidation by the Company, using accounting practices and consolidation criteria consistent with those used by the Company. The main captions of the consolidated financial statements of this subsidiary have the following consolidated balances:

	03/31/08	03/31/07
Current assets	273,543	252,353
Noncurrent assets:		
Long-term assets	112,921	93,410
Permanent assets	1,756,515	1,342,507
Total assets	2,142,979	1,688,270
Current liabilities	239,331	130,835
Noncurrent liabilities	771,105	535,904
Advance for future capital increase	97,895	4,045
Minority interest	28,161	28,159
Shareholders' equity	1,006,487	989,327
Total liabilities	2,142,979	1,688,270

	03/31/08 (12 months)	03/31/07 (11 months)
Net sales	511,705	551,245
Operating costs and expenses	(549,023)	(462,574)
Income (loss) from operations	(37,318)	88,671
Net income (loss)	(25,972)	60,128

The consolidation of Usina São Martinho S.A. includes the following subsidiaries:

- Usina Boa Vista S.A.: 63% interest. Usina São Martinho S.A. fully consolidates Usina Boa Vista S.A., stating in a separate caption of its consolidated financial statements the 37% minority interest. The main captions of the financial statements of this indirect subsidiary are as follows:

	03/31/08	03/31/07
Current assets	45,735	395
Noncurrent assets:		
Long-term assets	14,304	4,687
Permanent assets	469,055	103,312
Total assets	529,094	108,394
Current liabilities	47,774	9,239
Noncurrent liabilities	251,944	8,046
Advance for future capital increase	153,265	14,998
Shareholders' equity	76,111	76,111
Total liabilities	529,094	108,394

Usina Boa Vista S.A. is in the preoperating stage and the control of its common shares is held by Usina São Martinho S.A.. The consolidation of this subsidiary by the Company is made in proportion to its 27% interest. With the purpose of capturing all its interest in Usina Boa Vista S.A., both direct (27%) and indirect (63%), as part of the financial statement consolidation process, the respective investment balance is eliminated against the minority interest presented in liabilities in the consolidated financial statements of Usina São Martinho S.A..

- Mogi Agrícola S.A.: 46.02% interest - see note 1.4. Mogi Agrícola S.A. is engaged in agricultural production and holding equity interests in other companies. Usina São Martinho S.A. is the parent company of Mogi Agrícola S.A. jointly with other shareholders under an agreement between them. The main captions of the financial statements of this jointly-owned subsidiary have the following balances:

	03/31/08	03/31/07
Current assets	52	53
Noncurrent assets:		
Long-term assets	568	513
Permanent assets	57,174	57,195
Total assets	57,794	57,761
Current liabilities	18	57
Shareholders' equity	57,776	57,704
Total liabilities	57,794	57,761

	03/31/08 (12 months)	03/31/07 (11 months)
Income from leased land	1,899	3,119
Operating expenses	(451)	(570)
Income from operations	1,448	2,550
Net income	1,448	2,547

- Usina Santa Luiza S.A.: 41.67% interest. Usina São Martinho S.A. is the parent company of Usina Santa Luiza S.A. jointly with other shareholders under an agreement between them. The financial statements of the jointly-owned indirect subsidiary Usina Santa Luiza S.A. are consolidated on a proportionate basis by the subsidiary Usina São Martinho S.A., using accounting practices and consolidation criteria consistent with those adopted by the Company. The main captions of the financial statements of this jointly-owned subsidiary for the twelve-month period from April 1, 2007 (date immediately subsequent to the calculation of the equity in subsidiaries by Etanol Participações S.A.) to March 31, 2008, have the following balances:

	03/31/08
Current assets	41,057
Noncurrent assets:	
Long-term assets	53,329
Permanent assets	43,629
Total assets	138,015
Current liabilities	13,766
Noncurrent liabilities	39,798
Shareholders' equity	84,451
Total liabilities	138,015

	03/31/08 (12 months)
Net sales	120,040
Operating costs and expenses	(122,897)
Loss from operations	(2,857)
Net loss	(2,236)

- Agropecuária Aquidaban S.A. - 41.67% interest. Usina São Martinho S.A. is the parent company of Agropecuária Aquidaban S.A. jointly with other shareholders under an agreement between them. The financial statements of Agropecuária Aquidaban S.A. were consolidated on a proportionate basis by the subsidiary Usina São Martinho S.A., using accounting practices and consolidation criteria consistent with those adopted by the Company. The main captions of the financial statements of this jointly-owned subsidiary for the twelve-month period from April 1, 2007 (date immediately subsequent to the calculation of the equity in subsidiaries by Etanol Participações S.A.) to March 31, 2008, have the following balances:

	03/31/08
Current assets	17,680
Noncurrent assets:	
Long-term assets	18,670
Permanent assets	38,376
Total assets	74,726
Current liabilities	51,524
Noncurrent liabilities	15,658
Shareholders' equity	7,544
Total liabilities	74,726

	03/31/08 (12 months)
Net sales	46,120
Operating costs and expenses	(71,371)
Loss from operations	(24,804)
Net loss	(18,994)

The revenues and expenses of Etanol Participações S.A. until the merger on October 31, 2007 are not material.

The main captions of the financial statements of Omtek Indústria e Comércio Ltda., considered as a subsidiary of the Company, have the following balances:

	03/31/08	03/31/07
Current assets	14,019	13,871
Noncurrent assets:		
Long-term assets	2,166	908
Permanent assets	12,027	12,706
Total assets	28,212	27,485
Current liabilities	3,269	7,554
Noncurrent liabilities	2,794	2,871
Shareholders' equity	22,149	17,060
Total liabilities	28,212	27,485

	03/31/08 (12 months)	03/31/07 (11 months)
Net sales	11,671	16,089
Operating costs and expenses	(16,579)	(18,096)
Loss from operations	(4,908)	(2,007)
Net loss	(3,238)	(1,325)

In addition, the main consolidation procedures adopted were as follows:

a) Elimination of interests in subsidiaries' shareholders' equity;

b) Elimination of investments and equity in subsidiaries;

c) Elimination of intercompany balances and unrealized profits arising from intercompany transactions;

d) Reclassification of negative goodwill on indirect subsidiaries to long-term liabilities - other and goodwill on indirect subsidiaries to a specific caption under investments.

The financial statements of Usina São Martinho S.A. as of March 31, 2008 and 2007 were audited by the same independent auditors that audited the Company. The financial statements of Usina Boa Vista S.A., Omtek Indústria e Comércio Ltda. and Mogi Agrícola S.A. were reviewed by the same independent auditors that audited the Company. The financial statements of Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. as of March 31, 2008 were audited by other independent auditors.

4. CASH AND BANKS

Includes deposits in bank accounts available for immediate use. These balances reflect significant amounts as of March 31, 2008 resulting from the normal flow of operations of the Company and its subsidiaries and the use of such cash to pay commitments at the beginning of the month subsequent to the closing of the financial statements.

5. TEMPORARY CASH INVESTMENTS

		Company	
Type	Yield	03/31/08	03/31/07
CDB (bank certificates of deposit)	101.32% of the CDI variation - weighted average rate	13,282	-
Debenture repurchase agreements	101.16% of the CDI variation - weighted average rate	6,918	-
Fixed-income investment funds	100.58% of the CDI variation	-	255,348
Total		20,200	255,348

		Consolidated	
Type	Yield	03/31/08	03/31/07
Repurchase agreements	100% of the CDI variation	-	11,372
Variable-income investment funds	100.20% of the CDI variation	385	-
Debenture repurchase agreements	100.18% to 101.16% of the CDI variation - weighted average rate	22,488	4,246
CDB (bank certificates of deposit)	101.32% of the CDI variation - weighted average rate	34,376	-
Interest-bearing account	US dollar variation + floating rate of 1.45% to 2.55% p.a.	965	-
Collection account	US dollar variation + 85% of the quarterly LIBOR	-	1,073
Fixed-income investment funds	100.59% of the CDI variation	-	279,716
Total		58,214	296,407

Repurchase and debenture repurchase agreements represent fixed-rate investments backed by government securities, ensuring fixed-rate yield as specified above, regardless of the variation in the yield of the securities acquired.

All other investments may be redeemed within 30 days, without loss of yield.

6. RECEIVABLES FROM COPERSUCAR

Receivables from Copersucar are similar to a current account, including amounts receivable for apportionment of sales of products and amounts deductible for apportionment of expenses and advances. The advances received that exceed the cooperative members' right arising from the apportionment of revenues and expenses are subject to interest equivalent to 100% of the daily DI (interbank deposit rate) disclosed by CETIP (Clearinghouse for the Custody and Financial Settlement of Securities), representing the average funding by COPERSUCAR. Other components of this account are not subject to interest.

Average collection periods are as follows:

- 12 days for alcohol sales in the domestic market;
- 21 days for alcohol sales in the foreign market;
- 32 days for sugar sales in the domestic market;
- 25 days for sugar sales in the foreign market.

The above collection profile results in an expected average turnover of 22 days for these receivables as of March 31, 2008.

The apportioned operating expenses were offset against amounts receivable on a monthly basis.

Copersucar passes on to the cooperative members any expenses arising from provisions for losses on end customers, in view of its management of the credit granting and collection processes. The Company identified no need to record an allowance for doubtful accounts in addition to the amounts passed on by Copersucar. Historically, receivables from COPERSUCAR have not presented material losses.

7. INVENTORIES

	Company	
	03/31/08	03/31/07
Finished products transferred to Copersucar - Sugar and Alcohol	-	13,231
Sugarcane - crop treatment	28,276	24,592
Advances - purchases of sugarcane	3,694	1,215
Inputs, indirect materials, maintenance materials and other	6,303	6,097
	38,273	45,135

	Consolidated	
	03/31/08	03/31/07
Finished products transferred to Copersucar - Sugar and Alcohol	4,551	45,924
Sodium salt	6,139	3,069
Sugarcane - crop treatment	103,480	75,718
Advances - purchases of sugarcane	25,498	27,213
Inputs, indirect materials, maintenance materials and other	35,523	17,576
Provision for losses on sodium salt	(1,566)	(610)
	173,625	168,890

For the Company and its subsidiary Usina São Martinho S.A., the negotiation of their withdrawal from Copersucar as of March 31, 2008 comprised the early sale of the whole sugar and alcohol inventory existing at that date at the average price in effect in March 2008. The inventory related to the jointly-owned indirect subsidiary Usina Santa Luiza S.A. was sold to the Cooperative in April 2008.

As the production of the Company and its subsidiary Usina São Martinho S.A. and its jointly-owned indirect subsidiary Usina Santa Luzia S.A. is immediately made available to Copersucar and the distribution to customers by the Cooperative is not necessarily linked to sales proportionally attributed to the companies and considering that a significant portion of the inventory existing on March 31, 2008 was sold, as mentioned in the preceding paragraph, because of the withdrawal of the Company, the subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luiza S.A., the amount of sugar and alcohol inventory that is physically kept by the Companies differs from the book balance of inventories. As of March 31, 2008, the Company physically kept sugar and alcohol inventories in the amounts of R$ 30,604 (R$ 39,897 - Consolidated), and R$ 27,224 (R$ 44,534 - Consolidated) in 2007, stated at average production cost. The Company and its subsidiaries are responsible for the physical safekeeping of inventories made available to COPERSUCAR that are stored in their facilities until the delivery of the inventories related to the 2007/2008 crop, according to the termination of membership agreement. The risk associated to the physical safekeeping of the alcohol made available to COPERSUCAR is mitigated through the purchase of insurance coverage, whose costs are charged to the Company and its subsidiaries (note 25).

To secure the payment of part of the obligations assumed at the time of the withdrawal from Copersucar, as mentioned in note 1.2., the Company has pledged in favor of Copersucar 8,907,711 liters of fuel alcohol (25,756,738 liters - Consolidated).

8. RECOVERABLE TAXES

Recoverable taxes as of March 31, 2008 and 2007 are as follows:

	Company	
	03/31/08	03/31/07
COFINS (tax on revenue), including credits arising from purchases of property, plant and equipment items	6,175	3,564
IRPJ (corporate income tax)	3,022	-
ICMS (state VAT) on purchases of property, plant and equipment items	1,658	1,530
PIS (tax on revenue)	1,343	773
CSLL (social contribution tax)	106	33
ICMS (state VAT)	20	29
Other	858	272
	13,182	6,201

	Consolidated	
	03/31/08	03/31/07
COFINS (tax on revenue), including credits arising from purchases of property, plant and equipment items	10,237	4,543
ICMS (state VAT)	7,081	5,394
IRPJ (corporate income tax)	9,371	3,819
ICMS on purchases of property, plant and equipment items	6,868	3,089
CSLL (social contribution tax)	3,399	1,948
PIS (tax on revenue)	2,486	1,085
Other	2,564	1,341
	42,006	21,219

The balances of recoverable taxes arise from commercial transactions and prepayments. These balances are considered realizable by Management in the normal course of the Company's and subsidiaries' operations.

9. RELATED-PARTY TRANSACTIONS

a) Company and consolidated balances:

	Company			
	03/31/08		03/31/07	
	Long-term assets	Current liabilities	Long-term assets	Current liabilities
Of subsidiaries:				
Usina São Martinho S.A.	40	269	1,690	39,243
Omtek Ind. e Com. Ltda.	2,511	-	6,031	-
Usina Boa Vista S.A.	97,900	-	4,045	-
Subtotal	100,451	269	11,766	39,243
Of shareholders, arising from purchase of sugarcane (trade accounts payable)	-	579	-	277
	100,451	848	11,766	39,520

	Consolidated			
	03/31/08		03/31/07	
	Long-term assets	Current liabilities	Long-term assets	Current liabilities
Of subsidiary and indirect subsidiary:				
Mogi Agrícola S.A.	1	93	18	46
Agropecuária Aquidaban S.A.	-	57	-	-
Usina Santa Luiza S.A.	9	3	-	-
Subtotal	10	153	18	46
Of shareholders, arising from leased land (other noncurrent assets)	198	-	196	-
Of shareholders, arising from purchase of sugarcane (trade accounts payable)	-	1,209	-	1,708
	208	1,362	214	1,754

The balances with subsidiaries refer to advance for future capital increase and other intercompany transactions.

All long-term intercompany balances are estimated to be settled in a maximum of 24 months. Sugarcane purchases from shareholders are conducted under market conditions similar to those applicable to third parties.

b) Company’s transactions

	03/31/08 (12 months)			03/31/07 (11 months)		
	Financial income	Financial expenses and cost	Sales revenue	Financial income	Financial expenses and cost	Sales revenue
Usina São Martinho S.A.	-	147	301	-	2,213	3,752
Omtek Ind. e Com. Ltda.	107	-	7.177	195	-	9,101
Usina Boa Vista S.A.	-	-	112	-	-	3
Rental of properties from shareholders	-	64	-	-	53	-
Purchases of sugarcane from shareholders	-	1,019	-	-	1,559	-
	107	1,230	7.590	195	3,825	12,856

Intercompany transactions refer to revenues and expenses related to charges on loan agreements, revenue from sale of molasses, electric power and steam to Omtek Indústria e Comércio Ltda., rental of properties and purchase of sugarcane from shareholders.

The consolidated amounts of sugarcane purchases from shareholders for the years ended March 31, 2008 and 2007 were R$ 5,283 and R$ 6,674, respectively.

10. INVESTMENTS

10.1. Subsidiaries

	03/31/08			
	Usina São Martinho S.A.	Usina Boa Vista S.A.	Omtek Indústria e Comércio Ltda.	Total
In subsidiaries:				
Shares held (thousands)	23,500	71,726	5,598	-
Ownership interest	100%	27%	99.99%	-
Capital	60,000	71,726	13,925	-
Shareholders' equity	1,006,487	76,111	22,149	-
Net loss (12 months)	(25,972)	-	(3,238)	-
Changes in investments:				
Balances as of March 31, 2007	989,327	20,550	17,061	1,026,938
Merger of shares and capital increase	43,132	-	8,326	51,458
Equity in subsidiaries	(25,972)	-	(3,238)	(29,210)
Balances as of March 31, 2008	1,006,487	20,550	22,149	1,049,186

	03/31/07			
	Usina São Martinho S.A.	Usina Boa Vista S.A.	Omtek Indústria e Comércio Ltda.	Total
In subsidiaries:				
Shares held (thousands)	23,500	71,726	5,598	-
Ownership interest	100%	27%	99.99%	-
Capital	16,868	71,726	5,598	-
Shareholders' equity	989,327	71,111	17,060	-
Net income (loss) (11 months)	60,128	-	(1,325)	-
Changes in investments:				
Balances as of April 30, 2006	73,666	3,184	14,307	91,157
Merger of shares and capital increase	572,560	18,334	-	590,894
Revaluation of assets in subsidiaries	282,973	1,182	4,079	288,234
Write-off of investment sold	-	(2,150)	-	(2,150)
Equity in subsidiaries	60,128	-	(1,325)	58,803
Balances as of March 31, 2007	989,327	20,550	17,061	1,026,938

There are no reciprocal interests between the Company and direct and indirect subsidiaries.

10.2. Goodwill, spin-off and merger of Etanol Participações S.A.

As mentioned in note 1.7., on April 12, 2007 the jointly-owned indirect subsidiary Etanol Participações S.A. acquired interest in Usina Santa Luiza S.A. and in Agropecuária Aquidaban S.A. for R$ 184,080 and R$ 61,360, respectively, recording total goodwill in the amount of R$ 210,117, of which R$ 154,013 refers to the acquisition of Usina Santa Luiza S.A. and R$ 56,104 refers to the acquisition of Agropecuária Aquidaban S.A., based on the financial statements of the acquired companies as of March 31, 2007.

As mentioned in note 1.7., on December 10, 2007 the shareholders of Etanol Participações S.A. announced to the market the discontinuation of the operations of the jointly-owned subsidiaries Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. Subsequently, on December 21, 2007, the shareholders of Etanol Participações S.A. resolved to conduct a full spin-off of Etanol Participações S.A.'s assets and liabilities, which were transferred to Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A.. The ownership interests of Etanol Participações S.A. in Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. were eliminated, and the shares previously held by Etanol Participações S.A. in Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. were transferred to its shareholders.

Due to such decisions, the distribution of the goodwill paid by Etanol Participações S.A. on the acquisition of the above-mentioned subsidiaries between appreciation of assets and future profitability has been revised and the provisions of CVM Instructions No. 319, of December 3, 1999, and No. 349, of March 6, 2001, were applied in the consolidation process of Usina São Martinho S.A..

Such revision was based on an independent experts' appraisal report, taking into consideration the absorption of the operations of the subsidiaries by the controlling shareholders and the sale of a significant portion of their fixed assets. The portion of assets held for sale was classified in the consolidated balance sheet into a specific caption in current assets, at historical cost plus respective goodwill, whose sum represent the estimated realizable value, as determined in a report issued by independent appraisers. The property, plant and equipment items that will not be sold remain classified under a specific caption at the historical cost plus respective goodwill. The remaining goodwill was classified as future profitability, net of the related tax benefit, and is supported by a business appraisal report under the new operational assumption established in December 2007.

The portion of goodwill based upon future profitability will be amortized over a period not in excess of 10 years, according to the expected return on investment as set forth in the independent experts' report, following the new operational framework of the investment. The amortization began in April 2007 and the gross amortized amount attributable to the subsidiary Usina São Martinho S.A. as of March 31, 2008 was R$ 1,511, which represents 2.5% of total goodwill. The goodwill allocated as appreciation of assets will be amortized upon the depreciation or disposal of the assets. The goodwill related to the assets held for sale will be amortized upon the realization of such assets. The tax benefit arising from the goodwill related to the future profitability will be amortized according to its utilization in tax calculations subsequent to December 31, 2007.

After the above-mentioned events and amortization and write-off of assets sold, goodwill as of March 31, 2008 is as follows:

	Goodwill	Accumulated amortization /write-off	Net 03/31/08
Future profitability	39,688	(997)	38,691
Appreciation of assets held for sale	27,228	(2,228)	25,000
Appreciation of fixed assets	187	-	187
Tax benefit related to the portion of future profitability (Deferred taxes)	20,446	(514)	19,932
Total	87,549	(3,739)	83,810

11. PROPERTY, PLANT AND EQUIPMENT

	Company				
	03/31/08				03/31/07
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	20,852	293,200	-	314,052	313,501
Buildings and premisses	12,668	11,084	(4,746)	19,006	14,246
Industrial equipment and facilities	53,743	88,478	(34,248)	107,973	100,772
Vehicles	8,116	8,598	(3,643)	13,071	15,532
Agricultural machinery and implements	22,522	21,484	(10,797)	33,209	37,773
Sugarcane crops	113,531	-	(35,080)	78,451	67,825
Other	24,667	-	(5,748)	18,919	7,446
Construction in progress	13,182	-	-	13,182	34,339
Total	269,281	422,844	(94,262)	597,863	591,434

	Consolidated				
	03/31/08				03/31/07
	Cost	Revaluation	Accumulated depreciation	Net	Net
Land	92,988	905,084	-	998,072	996,114
Buildings and premisses	34,649	47,642	(14,288)	68,003	64,098
Industrial equipment and facilities	144,284	340,304	(143,176)	341,414	375,195
Vehicles	41,184	30,357	(17,374)	54,167	49,953
Agricultural machinery and implements	97,111	70,219	(30,184)	137,146	121,594
Sugarcane crops	426,612	-	(114,534)	312,078	211,693
Other	126,351	-	(22,514)	103,837	52,668
Construction in progress	277,727	-	-	277,727	67,602
Total	1,240,906	1,393,606	(342,070)	2,292,442	1,938,917

In the year ended March 31, 2008, the Company invested the amount of R$ 23,468 (R$ 21,854 as of March 31, 2007) to grow and/or renew sugarcane crops, and the consolidated balance is R$ 129,354 (R$ 83,509 as of March 31, 2007).

As of March 31, 2008, the Company's balance of construction in progress refers to boiler boiler soot treatment system, fermentation process, adjustment of the vinasse application process and improvements of the plant. The consolidated balance of construction in progress also includes improvements of the plant of the subsidiary Usina São Martinho S.A. related to improvements of the fermentation process, improvements of the sugar granularity and temperature, improvements of the electricity self-sufficiency system, in addition to construction works of the plant of the indirect subsidiary Usina Boa Vista S.A..

The sugar warehouses and alcohol tanks of the Company, its subsidiary Usina São Martinho S.A. and its jointly-owned indirect subsidiary Usina Santa Luiza S.A., were granted on a commodatum basis to Copersucar, free of charge, to store the production until June 4, 2008 or the date of the physical delivery of the 2007/2008 total production, whichever occurs first.

As of March 31, 2008, R$ 400,989 of fixed asset items were pledged as collateral for certain loans and financing of the Company and its subsidiaries. These items are mostly represented by industrial equipment and facilities, and agricultural machinery and implements. In addition, the amount of R$ 201,439 (R$ 498,516 - Consolidated) in land was pledged as collateral for securitized rural credits, recorded in current and long-term liabilities.

As of March 31, 2008, 3,553 ha used for sugarcane plantation by the subsidiary Usina São Martinho S.A., at the revalued book value of R$ 72,931, is pledged as collateral for lawsuits and loans of the Company.

As described in note 3, to update the revaluation recorded in April 2003, in conformity with the frequency established by the Pronouncement of the Brazilian Institute of Independent Auditors (IBRACON), as of March 31, 2007, the Company, its subsidiary Usina São Martinho S.A. (including respective subsidiaries) and the subsidiary Omtek Indústria e Comércio Ltda. recorded a revaluation of land, buildings, industrial equipment and facilities, based on appraisal reports issued by independent experts.

The revaluation update recorded as of March 31, 2007, based on an appraisal report issued by independent appraisers, is as follows:

	Revalued amounts	
Property, plant and equipment	Company	Consolidated
Land	313,501	996,114
Buildings and premises	14,246	64,098
Industrial equipment and facilities	100,772	375,195
Vehicles	15,532	49,953
Agricultural machinery and implements	37,773	121,594
Total	481,824	1,606,954
Book value prior to revaluation	(300,388)	(1,051,120)
Revaluation recorded in 2007	181,436	555,834

The revaluations were included in the property, plant and equipment balance with a credit to revaluation reserve in the Company's shareholders' equity, net of provision for deferred income and social contribution taxes calculated on the revaluation portion subject to depreciation, whose original amount of R$ 27,491 (R$ 113,653 - Consolidated) was recorded in long-term liabilities under the caption "Deferred Income and Social Contribution Taxes". Said deferred income and social contribution taxes are realized according to the depreciation or write-off of revalued assets.

From March 31, 2007, revalued assets began to be depreciated based upon their estimated remaining useful life specified in the revaluation report at the following weighted average rates, when applicable:

	New annual depreciation rates	
Property, plant and equipment	Company	Consolidated
Buildings and premises	8.00%	6.99%
Industrial equipment and facilities	12.14%	14.04%
Vehicles	23.56%	21.81%
Agricultural machinery and implements	12.62%	15.17%

The revaluation amounts, net of depreciation and gross of deferred charges, as of March 31, 2008 and 2007, were R$ 404,139 and R$ 423,231, respectively (R$ 1,323,186 and R$ 1,394,178 - Consolidated).

Depreciation and write-offs of revaluation which impacted the results for the years ended March 31, 2008 and 2007 totaled R$ 74,437 and R$ 25,249, respectively, net of amounts allocated to inventories and gross of taxes, in consolidated.

The Company and its subsidiaries capitalized financial charges in the amount of R$ 1,930 in the year ended March 31, 2008 (Consolidated).

12. DEFERRED CHARGES

	Company		Consolidated	
	03/31/08	03/31/07	03/31/08	03/31/07
Preoperating expenses	-	-	22,399	5,328
Financial charges	-	-	11,434	948
Other	22	22	1,334	1,374
	22	22	35,167	7,650

13. LOANS AND FINANCING

Type	Charges	Guarantees	Maturity	Company 03/31/08	Company 03/31/07
In local currency:					
Securitized rural credits	IGP-M (general market price index) paid annually	(a)	Annual installments with final maturity between September 2018 and July 2020	41,260	41,862
Rural credit	Fixed-rate weighted average interest of 6.75% p.a. paid on final maturity of contracts	(m)	Single installment with final maturity in July 2008	1,254	13,667
Finame / BNDES loan	Quarterly TJLP (long-term interest rate) + weighted average interest of 3.72% p.a. paid monthly	(b)	Monthly installments with final maturity between April 2008 and June 2014	31,548	29,338
Finame / BNDES loan	Fixed-rate weighted average interest of 11.96% p.a. paid monthly	(c)	Monthly installments with final maturity between April 2008 and October 2011	11,151	15,990
Working capital	Fixed-rate interest of 16.53% p.a. paid on final maturity of contract	(m)	Single installment with final maturity between April 2007 and May 2014	-	5,439
Working capital	Monthly TR + fixed-rate interest of 12.99% p.a. paid on final maturity of contract	(m)	Single installment with final maturity in July 2007	-	5,657
Other securitized credits	Fixed-rate interest of 3% p.a. paid on final maturity of contract	(d)	Annual installments with final maturity in October 2025	82	85
Working capital	Fixed-rate weighted average interest of 0.75% p.a. + Variation of 100% of CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of contracts	(m)	Single installment with final maturities between October 2008 and December 2008	7,693	-
Lease	Fixed-rate interest of 7.08% p.a. paid monthly	(e)	Monthly installments with final maturity between June 2008 and May 2013	77	-
In foreign currency:					
Finame / BNDES loan	Currency basket (Dollar, Euro and Yen) + fixed-rate weighted average interest of 11.44% p.a. paid monthly	(f)	Monthly installments with final maturity between April 2008 and March 2014	632	1,029
Total				93,697	113,067
Current liabilities				31,786	42,106
Long-term liabilities				61,911	70,961

Type	Charges	Guarantees	Maturity	Consolidated 03/31/08	03/31/07
In local currency:					
Securitized rural credits	IGP-M (general market price index) paid annually	(g)	Annual installments with final maturities between September 2018 and July 2020	119,682	120,533
Rural credit	Fixed-rate weighted average interest of 8.75% p.a. paid on final maturity of contract	(n)	Single installment with final maturities between July 2007 and July 2008	54,904	42,981
Rural credit	Fixed-rate interest of 9.97% p.a. + monetary adjustment of TR (managed prime rate) paid on final maturity of contract	(h)	Single installment with maturity in November 2008	7,270	-
Finame / BNDES loan	Quarterly TJLP (long-term interest rate) + weighted average interest of 4.12% p.a. paid monthly	(i)	Monthly installments with final maturities between March 2007 and November 2014	300,892	73,603
Finame / BNDES loan	Fixed-rate weighted average interest of 11.78% p.a. paid monthly	(j)	Monthly installments with final maturities between April 2007 and October 2011	48,744	50,355
Working capital	Interest of 16.56% p.a. paid on final maturity of contract	(n)	Single installment with final maturity between April 2007 and May 2007	-	16,745
Working capital	TR+ Interest of 12.99% p.a. paid on final maturity of contract	(n)	Single installment with final maturity in July 2007	-	5,657
Other securitized credits	Fixed-rate interest of 3.00% p.a. paid annually	(d)	Single installment with maturity in October 2025	82	85
Working capital	Fixed-rate weighted average interest of 0.61% p.a. + Variation of 101.04% of CDI OVER CETIP (average rate for interbank loans for one day registered with CETIP) paid on final maturities of contracts	(n)	Single installment with final maturity between November 2008 and July 2014	36,361	-
Lease	Fixed-rate interest of 7.08% p.a. paid monthly	(k)	Monthly installments with final maturity between June 2008 and May 2013	1,120	-
In foreign currency:					
Finame / BNDES loan	Currency basket (Dollar, Euro and Yen) + fixed rate of 7.83% p.a. paid monthly	(l)	Monthly installments with final maturities between April 2008 and March 2012	22,289	2,436
Commercial papers	US dollar variation + 9% p.a. paid semiannually	(n)	Single installment with final maturity in January 2014	-	10,408
Total				591,344	322,803
Current liabilities				144,761	110,148
Long-term liabilities				446,583	212,655

	Description of guarantees for loans and financing as of March 31, 2008	Book or contractual value
(a)	Mortgage - 7,703.88 ha of land	133,762
(b)	Liens on industrial equipment	13,149
	Liens on agricultural equipment	29,907
	Promissory note	19,466
	Mortgage - 2,477.46 ha of land	53,525
(c)	Liens on industrial equipment	3,866
	Liens on agricultural equipment	23,331
	Promissory note	3,981
	Mortgage - 591.60 ha of land	12,549
(d)	Mortgage - 78.53 ha of land	1,603
(e)	Promissory note	109
(f)	Liens on industrial equipment	4,795
	Liens on agricultural equipment	47,360
	Promissory note	15,471
	Mortgage - 1,949.78 ha of land	40,823
	Agricultural lien (sugarcane)	5,940
(g)	Mortgage - 17,351.30 ha of land	320,685
(h)	Agricultural lien (sugarcane)	8,177
(i)	Liens on industrial equipment	192,120
	Liens on agricultural equipment	89,368
	Promissory note	42,164
	Mortgage - 6,805.24 ha of land	138,467
	Agricultural lien (sugarcane)	5,940
(j)	Liens on industrial equipment	29,162
	Liens on agricultural equipment	58,759
	Promissory note	23,793
	Mortgage - 1,601.30 ha of land	33,343
(k)	Promissory note	1.362
(l)	Liens on industrial equipment	22,257
	Liens on agricultural equipment	47,360
	Promissory note	15,471
	Mortgage - 2,209.78 ha of land	45,241
	Agricultural lien (sugarcane)	5,940
(m)	Guarantee from Usina São Martinho S.A.	8,947
(n)	Guarantee from Usina São Martinho S.A. and loan of the subsidiary Usina São Martinho S.A. collateralized by a guarantee from São Martinho S.A.	91,265

ha: hectares.

The plots of land given as guarantee for loans and financing refer to sugarcane plantation areas.

Long-term loans have the following maturities:

	03/31/08	
	Company	Consolidated
From 04/01/09 to 03/31/10	15,754	96,282
From 04/01/10 to 03/31/11	10,197	72,770
From 04/01/11 to 03/31/12	6,924	63,794
From 04/01/12 to 03/31/13	4,225	53,715
From 04/01/13 to 03/31/14	3,550	51,303
From 04/01/14 to 03/31/26	21,261	108,719
	61,911	446,583

	03/31/07	
	Company	Consolidated
From 04/01/08 to 03/31/09	19,128	50,365
From 04/01/09 to 03/31/10	13,400	37,854
From 04/01/10 to 03/31/11	7,958	24,047
From 04/01/11 to 03/31/12	4,233	25,689
From 04/01/12 to 03/31/13	3,142	23,142
From 04/01/13 to 03/31/26	23,100	51,558
	70,961	212,655

14. TRADE ACCOUNTS PAYABLE

	Company	
	03/31/08	03/31/07
Sugarcane	3,481	2,278
Materials, services and other	7,886	11,945
	11,367	14,223

	Consolidated	
	03/31/08	03/31/07
Sugarcane	12,218	17,502
Materials, services and other	43,487	37,966
	55,705	55,468

The sugarcane crop period, between April and December of each year on average, has a direct impact on the balance payable to sugarcane suppliers and providers of cutting, loading and transportation services.

15. PAYABLES TO COPERSUCAR

Copersucar provides funds to its cooperative members through bills of exchange for the purpose of financing their operations. The Cooperative's funds come from the following sources:

(a) Funds obtained by the Cooperative in the market and transferred to cooperative members with short-term maturity;

(b) The Cooperative's temporary cash surplus arising from injunctions in lawsuits claiming the suspension of liabilities. This cash surplus is related to provision for contingencies recorded by the Cooperative in long-term liabilities. Accordingly, the Company also records these liabilities in long-term liabilities. However, in case of unfavorable outcome in lawsuits in which the Cooperative obtained an injunction, the Company may be required to disburse, within 120 days, the amount that was transferred to it. The main amounts included in these liabilities arise from the IPI (federal VAT) whose constitutionality and legality is challenged in court by the Cooperative, and are represented by R$ 13,614 as of March 31, 2008 and R$ 16,812 as of March 31, 2007 (R$ 54,185 and R$ 62,664 - Consolidated, respectively).

The Company's payables to Copersucar are as follows:

	Company	
	03/31/08	03/31/07
Exchange bill - Updated based on 103.35% of the CDI (interbank deposit rate) variation	1,088	974
Exchange bill - Updated from 105% to 105.5% of the CDI variation	7,741	-
Exchange bill - Updated based on 92% of the CDI variation	12,582	-
Exchange bill - Updated based on SELIC (Central Bank overnight rate)	27,503	34,460
Exchange bill - Onlending not subject to charges	25,269	20,004
Exchange bill - Updated based on TJLP (long-term interest rate)	5,980	6,798
Exchange bill - Updated based on the US dollar variation + interest of 5.65% p.a.	2,650	-
Total	82,813	62,236
Current liabilities	21,120	814
Long-term liabilities	61,693	61,422

	Consolidated	
	03/31/08	03/31/07
Exchange bill - Updated based on 103.35% of the CDI variation	4,219	3,538
Exchange bill - Updated from 105% to 105.5% of the CDI variation	25,803	-
Exchange bill - Updated based on 92% of the CDI variation	48,976	-
Exchange bill - Updated based on SELIC (Central Bank overnight rate)	105,384	126,960
Exchange bill - Onlending not subject to charges	96,062	72,970
Exchange bill - Updated based on TJLP (long-term interest rate)	19,760	19,659
Exchange bill - Updated based on the US dollar variation + interest of 5.65% p.a.	9,298	-
Total	309,502	223,127
Current liabilities	77,446	2,233
Long-term liabilities	232,056	220,894

All obligations of the Company and its subsidiaries are guaranteed by directors' collateral signatures. Exchange bill amounts that exceed the indebtedness limit established in the Cooperative agreement are collateralized also by bank guarantees. Considering the indebtedness limits in each period, it was not necessary to issue bank guarantees for the years ended March 31, 2008 and 2007.

Pursuant to the terms of the withdrawal from Copersucar, as mentioned in note 1.2., from the date of the withdrawal from the Cooperative, the Company, its subsidiary Usina São Martinho S.A. and its jointly-owned indirect subsidiary Usina Santa Luiza S.A. will remain liable for the obligations recorded under the caption “Payables to Copersucar” in long-term liabilities, without any change in maturity dates, until the matters that gave rise to these obligations and are under judicial dispute handled by the Cooperative’s attorneys are finally and definitively judged by court. Such obligations are collateralized by bank guarantees in the amount of R$ 36,077 (R$ 140,188 - Consolidated).

16. SHAREHOLDERS’ EQUITY

(a) Capital

The Annual and Extraordinary Shareholders’ Meeting, held on September 28, 2006, approved the use of R$ 3,346 from the retained earnings account for capital increase. In this same Meeting, the shareholders approved a capital increase of R$ 93,868 and an increase in the revaluation reserve in the amount of R$ 478,693 due to the merger of shares of Usina São Martinho S.A. as mentioned in note 1.5. As a result of such capital increase, the number of shares was increased to 50,000,000 registered common shares without par value.

At the Extraordinary Shareholders’ Meeting held on November 24, 2006, the shareholders approved the split of the Company’s shares in the proportion of 1 new share for 1 common share existing on November 1, 2006, without any change in capital. Due to such split, the number of shares composing the capital was increased to 100,000,000 common shares.

As the Company went public in February 2007, 13,000,000 registered common shares without par value were issued, increasing the number of outstanding shares to 113,000,000.

Dividends declared during the year ended March 31, 2007, in the amount of R$ 13,593, were paid from retained earnings.

(b) Dividends

Shareholders are entitled to receive a minimum dividend of 25% on net income for the year, after the recognition of the legal reserve.

(c) Allocation of net income for the year and retained earnings

The Company’s management will submit to the Annual Shareholders' Meeting that will approve the financial statements a proposal to allocate the remaining balance of retained earnings for the year ended March 31, 2008 after the realization of revaluation reserve to a Capital Budget Reserve to meet the investment plans for the next years, as per the Capital Budget that will also be submitted to said Annual Shareholders' Meeting, in accordance with Brazilian Corporate Law.

17. PROFIT SHARING PROGRAM

In conformity with the Collective Bargaining Agreements with labor unions, in May 1998 the Company and its subsidiaries introduced a profit sharing program based on operational and financial targets previously agreed upon with the employees.

The operational and financial indicators agreed upon between the Company and its subsidiaries and employees, through labor unions representing them, are related to the following: (i) use of industrial plant time (productivity); (ii) total industrial losses; (iii) agricultural productivity; (iv) actual vs. budget indicator; (v) occupational accident; (vi) shared service customer satisfaction; (vii) accounting closing deadline; (viii) economic gains on changes of processes and respective quality; (ix) profile of existing debt; (x) financial performance measured especially by indebtedness level and quality; (xi) efficiency in use of financing in budgeted investments; and (xii) quality of analyses and presentations to the market. These indicators are segregated for specific application in the departments involved, which are divided, for purposes of this program, into the agribusiness, shared service center and corporate areas.

The profit sharing as of March 31, 2008, recorded as operating costs or expenses in the consolidated statement of income for the quarter was R$ 5,607 (R$ 12,270 as of March 31, 2007).

18. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Deferred income and social contribution taxes are as follows:

	Company		Consolidated	
	03/31/08	03/31/07	03/31/08	03/31/07
Assets:				
Income tax loss carryforwards	21,986	23,118	32,181	39,188
Social contribution tax loss carryforwards	8,537	8,982	13,768	16,175
Provision for contingencies	2,929	2,542	21,221	19,649
Securitized financing	-	-	2,860	4,489
Income and social contribution taxes on goodwill absorbed	-	-	19,932	-
Other	804	1,952	5,435	3,987
Deferred income and social contribution tax assets	34,256	36,594	95,397	83,488
Liabilities:				
Revaluation of assets	(28,468)	(35,276)	(133,302)	(158,780)
Accelerated depreciation	(21,781)	(26,154)	(71,158)	(73,399)
Securitized financing	(7,639)	(6,352)	(7,639)	(6,352)
Other	(22)	(22)	(22)	(31)
Deferred income and social contribution tax liabilities	(57,910)	(67,804)	(212,121)	(238,562)

Tax losses can be carried forward indefinitely to be offset against 30% of annual taxable income, without monetary adjustment or interest. Deferred tax credits arising from tax loss carryforwards are recognized based on projections of taxable income of the Company and its subsidiaries, which support the recovery of the tax credits in accordance with applicable accounting practices. On a conservative basis, the Company classifies all deferred tax credits into long-term assets.

The recovery of these credits as indicated by the projections of taxable income approved by Management is estimated as shown below:

Company:

Year ended March 31	2009	2010	2011	2012	2013	2014 and thereafter
Estimated realization	1,665	4,014	4,413	4,348	4,958	14,858

Consolidated:

Year ended March 31	2009	2010	2011	2012	2013	2014 and thereafter
Estimated realization	17,196	14,016	12,516	12,448	13,013	26,208

Deferred income and social contribution tax liabilities are realized principally through the depreciation and write-off of fixed assets that gave rise to them. The realization of this liability is estimated at the average rate of 13% per year, according to the depreciation rates of the respective property, plant and equipment items. In addition, the period for settlement of securitized loans with maturity through 2021 impacts the period for recovery of deferred income and social contribution tax assets.

b) Reconciliation of income and social contribution taxes - Income and social contribution tax expenses are reconciled to effective rates, as shown below:

	03/31/08		03/31/07	
Company	Income tax	Social contribution tax	Income tax	Social contribution tax
Income (loss) before income and social contribution taxes	(55,563)	(55,563)	71,253	71,253
Statutory rates - %	25%	9%	25%	9%
Income and social contribution taxes at statutory rates	13,891	5,001	(17,813)	(6,413)
Reconciliation to effective rate:				
Permanent differences:				
Equity in subsidiaries	(7,267)	(2,616)	14,701	5,292
Realization of revaluation reserve for land sold	-	-	(30)	(11)
Other nondeductible expenses	(262)	(95)	(130)	(47)
PAT (Workers' Meal Program)	12	-	43	-
Donations with tax incentive - Rouanet Law and Children's Fund	-	-	160	-
Income and social contribution tax (expenses) credit	6,374	2,290	(3,069)	(1,179)
Income and social contribution tax (expenses) credit	8,664		(4,248)	

	03/31/08		03/31/07	
Consolidated	Income tax	Social contribution tax	Income tax	Social contribution tax
Income (loss) before income and social contribution taxes	(68,400)	(68,400)	100,066	100,066
Statutory rates - %	25%	9%	25%	9%
Income and social contribution taxes at statutory rates	17,100	6,156	(25,016)	(9,006)
Reconciliation to effective rate:				
Permanent differences:				
Realization of revaluation reserve for land sold	-	-	(30)	(11)
Other nondeductible expenses	(1,325)	(482)	(154)	(56)
PAT (Workers' Meal Program)	52	-	347	-
Donations with tax incentive - Rouanet Law and Children's Fund	-	-	865	-
Income and social contribution tax (expenses) credit	15,827	5,674	(23,988)	(9,073)
Income and social contribution tax (expenses) credit	21,501		(33,061)	

19. COMMITMENTS

19.1. Land for legal reserve and riverbank forests

The Company and its subsidiaries have uncultivated areas covered by preserved native vegetation or in process of reforestation intended to assure the ecological balance of the environment. Such tracts of land are riverbank forests and the so called “legal reserve” areas, pursuant to applicable environmental legislation.

Riverbank forest areas (for example, riverbank forests and hillsides) are observed at the time of cultivation of sugarcane and the Company and its subsidiaries do not cultivate the land on these areas.

The obligation to abandon currently cultivated areas for legal reserve purposes has been discussed at political and judicial levels, for which reason environmental authorities have not yet performed decisive inspections. The Company and its subsidiaries, except for Usina Boa Vista S.A., own land registered as legal reserve in an area smaller than the minimum percentage set by law.

The Company and its subsidiary Usina São Martinho S.A. are discussing this matter in court and the risk of loss on the lawsuits is assessed as possible.

The Company and its subsidiary Usina São Martinho S.A. are evaluating legal alternatives for meeting this legal requirement, in the time limit set by legislation of 30 years (10% for each 3-year period). Specifically in the state of São Paulo, such time limit began in 2006 upon the rgulation of the federal legislation. The amounts to be invested to meet this requirement, the manner in which it will be met and the time required for completion cannot be determined at this time. The indirect subsidiary Usina Boa Vista S.A. acquired preserved forest areas and is making the registration of these reserves, in conformity with the legislation of the Goiás State.

Investments in preservation areas, when made, are recorded under “property, plant and equipment”.

19.2. Sugarcane purchase agreements

The Company and its subsidiaries Usina São Martinho S.A. and Usina Boa Vista S.A. entered into agreements for purchase of sugarcane produced in third parties’ rural properties, in the amount of approximately 279,000 tons (1,296,000 tons - Consolidated). The amount to be disbursed for these purchases will be determined at the end of each crop at the price per ton of sugarcane established by the model of the Conselho dos Produtores de Cana-de-açúcar, Açúcar e Álcool do Estado de São Paulo - CONSECANA (Council of Sugarcane, Sugar and Alcohol Producers of the State of São Paulo). This commitment as of March 31, 2008 at the average price for the 2007/2008 crop is R$ 33.87 (R$ 32.95 - Consolidated) per ton of sugarcane, totaling approximately R$ 9,443 (R$ 42,681 - Consolidated).

19.3. Ethanol supply agreement

Under a sale agreement, the indirect subsidiary Usina Boa Vista S.A. agreed to supply 30% of its ethanol production to Mitsubishi Corporation (shareholder of Usina Boa Vista S.A.) for a period of 30 years, beginning in the 2008/2009 crop. The agreement is automatically renewable for 10 years.

19.4. Guarantees

The Company and its subsidiary Usina São Martinho S.A. have guaranteed the loans of the subsidiary Usina Boa Vista S.A. in the amount of R$ 270,143.

20. PROVISION FOR CONTINGENCIES

Income and social contribution tax calculations, as well as tax returns and other taxes and payroll charges, are subject to review by tax authorities for varying periods according to the date of payment or filing of tax returns.

The Company and its subsidiaries are parties to tax, civil and labor lawsuits in different courts. Provisions for contingencies are determined by Management, based on legal counsel's assessment, for probable losses and are stated at monetarily adjusted amounts. The provision for contingencies recorded is composed of:

	Company				
	03/31/07	Additions	Uses/reversals	Monetary adjustment	03/31/08
Tax	5,575	-	(2,683)	76	2,968
Civil	1,880	1,949	-	156	3,985
Labor	2,954	815	(261)	317	3,825
	10,409	2,764	(2,944)	549	10,778
(-) Escrow deposits	(3,392)	(401)	150	(64)	(3,707)
Total	7,017	2,363	(2,794)	485	7,071

	Consolidated				
	03/31/07	Additions	Uses/reversals	Monetary adjustment	03/31/08
Tax	43,887	1,704	(3,153)	1,725	44,163
Civil	3,154	2,263	(17)	422	5,822
Labor	47,298	6,004	(9,501)	4,229	48,030
	94,339	9,971	(12,671)	6,376	98,015
(-) Escrow deposits	(22,179)	(8,532)	7,803	(4,942)	(27,850)
Total	72,160	1,439	(4,868)	1,434	70,165

The column "additions" (Consolidated) includes the amount of R$ 986, relating to the effect of investment acquisitions and respective proportionate consolidation of the jointly-owned indirect subsidiaries Usina Santa Luiza S.A. (R$ 349) and Agropecuária Aquidaban S.A. (R$ 637).

As of March 31, 2008, the nature of the main lawsuits assessed by Management as probable loss based on the legal counsel's opinion and which, therefore, were included in the above provisions is as follows (Company and Consolidated):

a) Tax lawsuits:

(i) Offset of tax loss carryforwards: Federal tax authorities filed a tax collection action to collect the IRPJ (corporate income tax) for 1997, when the subsidiary Usina São Martinho S.A., supported by a lawsuit, offset tax losses determined from 1992 to 1996 without complying with the 30% limit required by Law No. 8981/95. The total amount involved in this lawsuit is R$ 10,676 (Consolidated).

(ii) Offset of tax loss carryforwards of merged company: Federal tax authorities filed a tax collection action to collect the IRPJ for the period from October 1997 to March 1998, which was not paid by the company merged into the subsidiary Usina São Martinho S.A. due to the offset of tax losses incurred between 1992 and 1994 without complying with the 30% limit required by Law No. 8981/95.The total amount involved is R$ 20,178 (Consolidated).

(iii) Social contribution tax loss carryforwards: Federal tax authorities filed a tax collection action against Usina São Martinho S.A. to collect the CSLL (social contribution on net profit) for 1997, which was not paid due to the offset of social contribution tax loss carryforwards determined from 1992 to 1996. The total amount involved is R$ 8,928 (Consolidated).

(iv) Social security contribution on fringe benefits: The National Institute of Social Security (INSS) issued a tax debt assessment notice (NFLD) against the Company for collecting social security contribution on benefits paid to management and employees and classified by the tax authority as fringe benefits. The debts relate to the period from January 1999 to March 2006. A provision was recorded for the period from January 2001 to March 2006 in the amount of R$ 791 (Company and consolidated), which corresponds to the portion assessed as probable risk.

(v) Other tax lawsuits involving: (i) INSS (social security contribution) at 2.6% for the period from November 1990 to November 1991; (ii) contribution to SENAR (National Rural Learning Service) for the period from November 1992 to September 1997; (iii) SAT (Occupational Accident Insurance) for the period from February 1993 to April 1994; (iv) social security contribution for rural employees for the period from May to July 1994; (v) PIS (tax on revenue) basis for the period from December 2000 to November 2002; (vi) COFINS (tax on revenue) basis for the period from August 2001 to March 2003; (vii) FGTS (severance pay fund) and surtax on termination fine for the period from November 2001 to December 2002; and (viii) INSS (social security contribution) related to profit sharing paid to employees for the period from January to August 2001; (ix) IPI (federal VAT) deemed credit on materials used in the production process in the period from the 2nd quarter of 2000 to the 1st quarter of 2002 (x) social contribution tax on salary in kind (housing). The total amount involved is R$ 2,177 (R$ 3, 590 - Consolidated).

b) Civil lawsuits:

The Company and its subsidiaries have provisions for civil lawsuits in which they are defendants, involving: (i) indemnity for property damage and pain and suffering for occupational illness and accidents; (ii) indemnity for property damage and pain and suffering for traffic accidents; (iii) rescission of residential land sale agreements; and (iv) public civil actions and tax foreclosure for sugarcane burning; (v) public civil actions for formation of legal reserve. These lawsuits total R$ 3,985 (R$ 5,822 - Consolidated).

c) Labor lawsuits:

The Company and its subsidiaries have provisions for contingencies for labor lawsuits in which they are defendants, involving claims for: (i) overtime; (ii) commute hours; (iii) indemnity for elimination of lunch break; (iv) hazardous duty premium and health hazard premium; (v) refund of payroll deductions such as union confederation dues, union dues, etc.; (vi) night shift premium; (vii) indemnity for occupational acident; and (viii) continuity of employment relationship with the consequent payment of 13th salary and vacation pay plus 1/3 vacation bonus. These lawsuits total R$ 3,825 (R$ 48,030 - Consolidated).

The Company and its subsidiaries are parties to several judicial and administrative proceedings involving tax and civil matters that were assessed by Management, based on the legal counsel's opinion, as possible loss. No provision has been recorded for these proceedings in the accounting books. The nature and the amount of these lawsuits are as follows:

Tax proceedings:

Consolidated			Stage				
Subject		Number of proceedings	Administ.	Trial court	Lower court	Higher court	Total
(i)	Social security contribution	18	43,361	30,503	-	-	73,864
(ii)	Funrural (rural worker assistance fund)	3	-	-	35	6,244	6,279
(iii)	Negative balance of income tax (IRPJ)	7	3,498	1,830	710	-	6,038
(iv)	Offset of credits - PIS (tax on revenue)	2	3,158	-	1,428	-	4,586
(v)	Income tax on investment losses	2	-	-	1,474	-	1,474
(vi)	Offset of federal taxes	6	926	788	1,199	-	2,913
(vii)	Other tax proceedings	44	1,790	133	1,881	-	3,804
		82	52,733	33,254	6,727	6,244	98,958

(i) Social security contribution

(a) The National Institute of Social Security (INSS) filed four tax collection actions against the Company seeking collection of the social security contribution for 1997, since the amounts were determined according to Law No. 8212/92 and not according to Law No. 8870/94. At present, such tax collection actions are suspended because of an injunction intended to assure the Company's right not to pay the social security contribution according to Regulatory Guidance No 7/97 and Service Order No 157/97, alleging that the principles of legal security, equal treatment and contribution capacity, among others, were violated. The total amount of the tax collection actions is R$ 30,503. The case was not judged by the higher courts and is unresolved in the federal regional courts. There are favorable precedents (Injunction Appeal No 98.05.39590-1 - 1st Panel of the Federal Regional Court of the 5th Region and Bill of Review No. 1998.01.00.043888-1 - 2nd Panel of the Federal Regional Court of the 1st Region) and unfavorable precedents (Injunction Appeal No 94.03.047472-6 - 2nd Panel of the Federal Regional Court of the 3rd Region). On the other hand, Law No. 10736 of September 15, 2003 was published, permitting remission of social security debts for the period from April 1994 to April 1997, relating to the payment of this social security contribution, by agribusiness companies based on Law No. 8870/94; however, the INSS understood that the remission would not apply to the total amount of the debt, despite the classification of the social security debts under tax collection actions into Law No. 10736/2003. Thus, as the remission of said social security debts will depend on an analysis of the peculiarities of the case, the Company's legal counsel understands that an unfavorable outcome is possible.

(b) The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) against the Company seeking to collect the social security contribution due by agribusiness companies for the period from November 2001 to April 2002, as a result of the amounts being determined based on Law No. 8212/91, without taking into consideration the changes introduced by Law No. 10256/2001. The tax debt assessment notice also seeks the collection of contributions for the period from November 2001 to March 2006 (interrupted), upon the delivery of the production to Copersucar for subsequent sale and not upon the recognition of revenue based on Regulatory Opinions CST No 77/76 and No. 66/86, in relation to the total gross revenue earned based on Regulatory Instruction MPS/SRP No 03/2004. A tax debt assessment notice (NFLD) was also issued against the subsidiary Usina São Martinho S.A. seeking to collect social security contribution on revenues from exports made through Copersucar. The total amount involved in these proceedings is R$ 30,778. The payment requirement is suspended as a result of an administrative appeal filed by the Company based on the understanding that revenues from exports to foreign markets, made through Copersucar, are exempt from social security contribution, based on article 149, paragraph 1 of the Federal Constitution. The Company further believes that the taxable event is the sale of the production and not the delivery of the production to the Cooperative. The Company and its subsidiary Usina São Martinho S.A. are discussing in court the tax immunity of revenues from exports to foreign markets through the Cooperative. The success of this discussion will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

(c) The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) against the Company to collect payment of the contributions not withheld or withheld in lower amounts than required by legislation applicable to companies that contract services, corresponding to 11% of the gross value of the invoice, as set forth in article 31 of Law No. 8212/91, with wording of Law No. 9711/98. The total amount involved in this proceeding is R$ 9,200. The tax debt assessment notice is suspended as a result of the administrative appeal filed by the Company. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

(d) The National Institute of Social Security (INSS) filed five tax delinquency notices against the Company for noncompliance with the accessory obligations established by Law No. 8212/91. The debts relate to the period from January 1999 to March 2006. The total amount involved in these proceedings is R$ 2,305. The tax debt assessment notices are suspended as a result of the administrative appeal filed by the Company. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

(e) The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) against the Company seeking to collect the social security contribution on benefits paid to management and employees and classified by the tax authority as fringe benefits. The debts relate to the period from January 1999 to March 2006. Based on the opinion of its legal counsel, the Company understands that for the amount of R$ 495, relating to the period from January 1999 to December 2000, the INSS's right to collect the tax has already expired, since the social security contributions are of a tax nature and are, therefore, subject to the prescriptive period established by Law No. 5172/66. The tax debt assessment notice is suspended as a result of the administrative appeal filed by the Company. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible for this period.

(f) The National Institute of Social Security (INSS) filed a tax debt assessment notice (NFLD) and a tax delinquency notice against the Company to collect differences in the social security contributions on employees' compensation that are intended to finance premiums paid for environmental risks in the workplace. Based on the legal counsel's opinion, the Company understands that, for the amount of R$ 583 relating to the period prior to January 1, 2001, the INSS's right to collect the payment has already expired, since the social security contributions are of a tax nature and are, therefore, subject to the prescriptive period established by Law No. 5172/66. The tax debt assessment notice is suspended as a result of an escrow deposit made. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible for this period.

(ii) <u>Funrural (rural worker assistance fund):</u> The National Institute of Social Security (INSS) filed three tax collection actions against the subsidiary Usina São Martinho S.A., seeking collection of the Funrural contribution on the sale of the production acquired from suppliers for the periods from October 1991 to August 2001, based on Law No. 8212/91. The thesis discussed is that there was not sufficient legislation for the collection of this contribution, since Supplementary Law No. 11/71 was not considered by the Federal Constitution enacted in 1988 and, even if it had been considered, it would have been revoked by article 138 of Law No. 8213/91. Currently, two tax collection actions are in the Higher Courts due to an appeal against the unfavorable decision by the appellate court and a tax collection action is in the appeal stage. The amount involved is R$ 6,279. There is no established case law for the matters of the tax collection. The Company's legal counsel understands that an unfavorable outcome is possible.

(iii) <u>Negative balance of income tax (IRPJ):</u> The Company and its subsidiaries filed requests for offset of credits derived from prior years' negative balance of income tax, against IRRF (withholding income tax), Cofins (tax on revenue), PIS (tax on revenue) and third parties' debts. The Federal Revenue Service did not approve the offsets since it understood that the procedure adopted has no legal basis or because of the difference in the amount stated in the Income Tax Returns. Although there is an administrative appeal filed with the Board of Tax Appeals, the federal tax authorities filed tax collection actions for the collection of these debts, which are suspended because of appeals. The amount involved in these actions is R$ 6,038. There is no established case law for the matters of this tax collection. The success in this case will depend on an analysis of the peculiarities of the case and the Company's legal counsel understands that an unfavorable outcome is possible.

(iv) Offset of PIS Credits: In view of Federal Senate Resolution No. 49, of October 9, 1995, which suspended Decree-laws No. 2445 and No. 2449, both of 1998, Usina São Martinho S.A. filed a request for refund and offset of the amounts paid according to said decrees and that exceeded the amounts due according to Supplementary Law No. 7/70. The Federal Revenue Service did not approve the offsets made under the allegation that the right to refund had expired. Although there is an administrative appeal in the Board of Tax Appeals, the federal tax authorities filed two tax collection actions for the collection of these debts, which are suspended because of the bringing of motions. The adjusted amount of these actions is R$ 4,586. There are unfavorable precedents at the administrative level and favorable precedents at the judicial level. The Company's legal counsel understands that an unfavorable outcome is possible.

(v) Income Tax on Investment Losses: The Federal Revenue Service filed two tax collection actions against the merged company Usina São Martinho S.A. - Açúcar e Álcool seeking the collection of IRPJ (corporate income tax) for the period from 1987 to 1991 (tax years 1986 to 1990) on the provision for investment losses arising from the interest in Copersucar, based on article 32 and paragraphs of Decree-Law No. 1598/77. At present, the tax collection actions are in the higher court due to appeals filed against the unfavorable decision by the trial court. The adjusted amount of these actions is R$ 1,474. There is no established case law for the matters of the present tax collection actions. The Company's legal counsel understands that an unfavorable outcome is possible.

(vi) Offset of federal taxes: The Federal Revenue Service sent several collection notices to the Company and its subsidiary seeking collection of several federal taxes of the Company and its subsidiary and third parties that were offset by the Companies against credits arising from: (a) IPI (federal VAT) on purchases of raw material, intermediate products and packaging materials until December 31, 1998 and used in the Company's industrial process, based on article 82, item I, Decree No. 87981/82 and Regulatory Instruction No. 114/88 of the Federal Revenue Service; (b) overpayment of Finsocial (tax on revenue) on gross revenue at the rates established by article 9 of Law No. 7689/88, article 7 of Law No. 7894/89 and article 1 of Law No. 8147/90, which were subsequently declared unconstitutional; (c) negative balances of income tax arising from withholding income tax on cash investments, determined in tax years 1997, 1998 and 1999, which were offset against ITR (rural land tax) payable and gave rise to three tax collection actions. Against these collections the Company and its subsidiary filed an annulment action to assure their right to offset. The collections are suspended as a result of escrow deposits made. The adjusted amount of these actions is R$ 2,913. There is no established case law for the matters of the present tax collection. The Company's legal counsel understands that an unfavorable outcome is possible.

(vii) Other Tax Proceedings: Refer to several administrative and judicial collection proceedings filed by the INSS, federal, state and municipal tax authorities and are related, respectively, to differences in payroll taxes of rural workers and self-employed, other offsets of federal taxes, differences in ITR (rural land tax), ICMS (state VAT) on purchase of fixed assets, and differences in ISS (municipal service tax) and road conservation tax. The adjusted amount of these proceedings is R$ 3,804. There is no established case law for the matters of the present tax collection actions. The Company's and subsidiaries' legal counsel understands that an unfavorable outcome is possible, considering the peculiarities of each case.

Civil Proceedings:

Consolidated:			Stage				
Subject		Number of proceedings	Administ.	Trial court	Lower court	Higher court	Total
(i)	*Environmental*	110	1,153	5,172	3,264	747	10,336
(ii)	*Civil*						
a)	Indemnities for occupational disease and accidents	26	-	915	489	-	1,404
b)	Contract revisions	15	-	2	28	-	30
c)	Rectification of area and real estate registration	1	-	-	-	-	-
d)	Permits for obtaining Mining Research license	5	-	-	-	-	-
		157	1,153	6,089	3,781	747	11,770

(i) Environmental: The Company and its subsidiaries are party to several administrative and judicial proceedings relating principally to sugarcane burning and legal reserve. Regarding sugarcane burning, the matters arise from different interpretations of the applicable laws and regulations, although they can be divided into two groups: (i) burning upon tacit authorization of the state government since, according to Law No. 10547, of May 2, 2000, the absence of a response to authorization requests filed for more than 15 days implies tacit authorization; and (ii) burning from fire caused by third parties, accidental fire or arson, in areas operated by the Company or its subsidiaries or areas of suppliers. The adjusted amount of these proceedings is R$ 10,336. The proceedings related to legal reserve are commented in note 19.1 - Commitments. There is no established case law for the matters of the present proceedings. The Company's and subsidiaries' legal counsel understands that an unfavorable outcome is possible, considering the peculiarities of each case.

(ii) The Company and its subsidiaries are defendants in other 47 lawsuits in various courts, involving the following matters: (a) indemnity for occupational illness and accidents and indemnity for property damage and pain and suffering; (b) contract revisions; (c) rectification of area and property registration; and (d) mining research license. These lawsuits total approximately R$ 1,434. There is no established case law for the matters discussed in these lawsuits. The Company's legal counsel understands that an unfavorable outcome is possible, considering the peculiarities of each case.

Additionally, pursuant to the terms of the withdrawal from Copersucar, as mentioned in note 1.2., the Company, its subsidiary Usina São Martinho S.A. and its jointly-owned indirect subsidiary Usina Santa Luiza S.A. will remain liable for the payment of any obligations, proportionate to their interest in Copersucar in each crop, which may result from tax infraction notices in the monetarily adjusted amount of R$ 32,264 (calculated proportionately to the Company's and its subsidiaries' interest in Cooperativa), issued against Copersucar by the tax authorities of the States of Paraná, Minas Gerais and São Paulo, or new tax infraction notices of the same nature that may arise or that relate to periods in which the Company and its subsidiaries were cooperative members, with respect to ICMS (state VAT) levied on fuel and industrial alcohol sales made by Copersucar until March 31, 2008, as a principal taxpayer or substitute taxpayer. The legal counsel believes that an unfavorable outcome is possible. Copersucar believes that it has solid arguments for contesting the fines imposed by the state tax authorities.

The Management of the Company and its subsidiaries, based on the legal counsel's opinion, understands that there are no significant risks not covered by sufficient provisions in their financial statements or that might result in a significant impact on future results.

21. MANAGEMENT FEES

In the years ended March 31, 2008 and 2007, the Company paid R$ 5,232 and R$ 3,432 (R$ 8,172 and R$ 7,133 - Consolidated), respectively, for management fees. These amounts consist principally of the compensation of the executive board and board of directors and respective payroll charges.

22. OTHER OPERATING INCOME (EXPENSES), NET

The caption “other operating expenses, net” for year ended March 31, 2008 is impacted by expenses of R$ 7,364 related to the payment of ICMS (state VAT) on credits taken from merged companies, considered undue, and to the monetary adjustment of ICMS untimely used credits, which were being challenged in court and were until then evaluated by the Company’s management, based on the opinion of its legal counsel, as possible loss. Considering the recent change to a scenario unfavorable to the taxpayer at the Federal Superior Court, the Company decided to withdraw from the lawsuit and use the benefits of reduction of 40% in interest and 50% in fine granted by the Installment Payment Program - PPI (in up to 120 months), related to ICMS tax debts of the São Paulo State (State Decree No. 51960 of July 4, 2007), definitively terminating these lawsuits.

In addition, this caption is also impacted by expenses of R$ 2,919 (R$ 10,243 - Consolidated) incurred by Copersucar due to the portion attributable to the Company, the subsidiary Usina São Martinho S.A. and the jointly-owned indirect subsidiary Usina Santa Luiza S.A., related to the payment of ICMS levied on sale of alcohol that was being challenged in court by Copersucar. Considering the recent change to a scenario unfavorable to the taxpayer at the Federal Superior Court, Copersucar decided to withdraw from the lawsuit, with the purpose of using the benefits granted by the Installment Payment Program mentioned above. The contra entry of this amount was recorded by the Company under “payables to Copersucar”, and this liability will be settled within 60 months, adjusted by the US dollar variation, plus interest of 5.62% to 5.70% p.a.

This caption (Consolidated) for the year ended March 31, 2008 is also impacted by expenses on amortization of goodwill from the jointly-owned indirect subsidiaries Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. in the amount of R$ 2,607.

In addition, this caption includes revenues in the amount of R$ 2,491 (R$ 9,203 - Consolidated) transferred by Copersucar for the amount attributable to the Company, its subsidiary Usina São Martinho S.A. and its jointly-owned indirect subsidiary Usina Santa Luiza S.A., relating to proceeds from sale of properties of Copersucar and the reversal of provisions for lawsuits that were judged in favor of the Cooperative.

Other nonoperating expenses, net, for the year ended March 31, 2007 are impacted by a gain of R$ 4,404 (R$ 13,306 - Consolidated) transferred by COPERSUCAR, as a result of a favorable final outcome in a lawsuit related to the refund and offset of PIS (tax on revenue) and, by expenses amounting to R$ 14,362 (R$ 16,030 - Consolidated), incurred for listing the Company’s shares on BOVESPA (São Paulo Stock Exchange) and the public offering of common shares, as mentioned in note 1.1..

23. NONOPERATING INCOME

Nonoperating income for the year ended March 31, 2007 is impacted by a gain of R$ 10,883 on the sale of a mill during the year.

24. FINANCIAL INSTRUMENTS

24.1. General considerations of risk management

Financial instruments are stated in the balance sheet at cost plus related income and expenses. Financial instruments consist of temporary cash investments, trade accounts receivable and onlendings from Copersucar, and loans and financing - the related charges are presented in the respective notes to the financial statements.

Since Copersucar had the responsibility to sell the sugar and alcohol produced by the Company and its subsidiary Usina São Martinho S.A. until March 31, 2008, the risk management policy - guaranteeing protection of cooperative members against fluctuations in exchange rates or prices of their products - was the responsibility of the Cooperative, which entered into hedge contracts in the futures market for commodities and exchange rates. Gains or losses on hedge transactions and other financial instruments conducted by Copersucar are passed through to the cooperative members according to monthly apportionments.

The production facilities and the activities of the Company and its subsidiaries are subject to environmental regulations. The Company minimizes environmental risks by means of operational control procedures and investments in pollution control systems and equipment.

24.2. Temporary cash investments

Temporary cash investments consist principally of repurchase agreements backed by government securities and CDBs (bank certificates of deposit) and fixed-income funds indexed to the CDI (interbank deposit rate), with high liquidity and trading on the market.

24.3. Concentration of credit risk

The credit risk is low due to the diversification of the customer portfolio and the risk control procedures of Copersucar. Historically, the Company has not recorded the pass-through of significant losses on the Cooperative’s trade accounts receivable. Beginning in April 2008, the Company implemented its own credit risk assessment policy, including risk concentration analysis.

24.4. Loans and financing and payables to Copersucar

Loans and financing are represented by rural credit, financing from the BNDES and short-term working capital loans, and are subject to market interest rates. Long-term loans and financing as of March 31, 2008, if stated at present value calculated at the discounted interest rate of 11% per year (which corresponds to the basic interest rate defined by the Central Bank of Brazil - SELIC - in force during the close of the financial statements as of March 31, 2008), would amount to R$ 39,905 (R$ 299,717 - Consolidated).

Payables to Copersucar refer to funds obtained by the Cooperative at more attractive interest rates than those that would be obtained directly by cooperative members and cash surplus with low interest rate or free of interest. Such payables as of March 31, 2008, if stated at present value calculated at the discounted interest rate of 11% per year, would amount to R$ 49,573 (R$ 186,306 - Consolidated).

25. INSURANCE (NOT AUDITED BY INDEPENDENT AUDITORS)

It is Company's and its subsidiaries' practice to maintain insurance coverage for assets subject to risks, such as industrial equipment and inventories that are lodged with them in the trust, in an amount considered sufficient by Management to cover potential losses, according to the nature of the operations and the advice from specialized consultants. The insurance coverage as of March 31, 2008 is as follows:

Policy No.	Insured risks	Effective	Coverage
03.18.0209064	Fire	September 2007 to September 2008	450
4100324/4100713/4100724	Fire and industrial machine breakdown	May 2007 to May 2008	212,700
321910	Agricultural machinery	January 2007 to May 2008	198
0706433/0716300	Agricultural machinery	April 2007 to April 2008	10,340
5341362	Agricultural machinery	May 2007 to May 2008	165
8865	Agricultural machinery	June 2007 to June 2008	1,734
0152523/8994/8995/9313/10120	Agricultural machinery	July 2007 to July 2008	15,954
156669/158289/8336/163396/3 502/3955/706433/716300	Agricultural machinery	August 2007 to August 2008	19,548
158127/0158335	Agricultural machinery	September 2007 to September 2008	7,000
10022/0169803	Agricultural machinery	October 2007 to October 2008	2,420
22894/022897/022991/230709/ 3222918	Agricultural machinery	November 2007 to January 2009	18,242
322974/975/976/977/25365/25 366/0010638/0179325	Agricultural machinery	December 2007 to December 2008	28,967
180713	Agricultural machinery	January 2008 to January 2009	2,160
3223607/08/09/10/822/027959/ 028111/232095/102057	Agricultural machinery	February 2007 to February 2008	3,955
3223944/945	Agricultural machinery	March 2007 to March 2008	8,180
808753/68305/01877/232948	Buses	March 2007 to December 2008	52,740
3.31.0808753/3.31.0809373	Vehicles	June 2007 to June 2008	196,642
3.31.1103072	Vehicles	December 2007 to June 2008	389
3.31.0862854	Vehicles	July 2007 to July 2008	28,323

26. AMENDMENT TO BRAZILIAN CORPORATE LAW, APPLICABLE FOR THE NEXT FISCAL YEAR

On December 28, 2007, Law No. 11638 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law, especially with respect to Chapter XV, Fiscal Year and Financial Statements. This Law is effective for fiscal years beginning on or after January 1, 2008 and updates the Brazilian Corporate Law so as to enable the convergence of Brazilian accounting practices with international accounting standards (IFRS) and allow the Brazilian Securities Commission (CVM) to issue new accounting standards and procedures, in conformity with such international accounting standards.

The changes introduced in Brazilian Corporate Law by Law No. 11638 are applicable to all companies incorporated as corporations, including public companies.

Law No. 11638/07 must be applied by the Company for the next fiscal year which begins on April 1, 2008. Certain of these changes are subject to regulation and guidelines to be issued by the CVM, including the application for the Interim Financial Statements, as informed by the CVM Release of January 14, 2008 and subsequent publications.

The main changes introduced by Law No. 11638/07 can be summarized as follows:

- Replacement of the statement of changes in financial position by the statement of cash flows;

- A new requirement for the presentation of a statement of value added, as part of the financial statements;

- Possibility of maintaining separate accounting records for purposes of complying with tax legislation and reflecting necessary adjustments in order to prepare the financial statements in conformity with the Brazilian Corporate Law;

- Creation of a new account group, Intangible Assets, which includes Goodwill, for purposes of balance sheet presentation;

- Requirement to record under the caption Property, Plant and Equipment those rights in tangible assets that are maintained or used in the operations of the company's business, including those rights received as a result of transactions that transfer the benefits, risks and control of such assets to the company (e.g. capital leases);

- Modification of the definition of those assets to be recorded under the caption Deferred Charges in the balance sheet;

- Requirement of periodic analysis of the recoverability of amounts recorded in property, plant and equipment, intangible assets and deferred charges, to ensure that allowances for impairment losses are recorded and the criteria used to determine the estimated remaining useful life of such assets for purposes of recording depreciation, amortization and depletion expense are reviewed and adjusted;

- Requirement that investments in financial instruments, including derivatives, be accounted for (i) at fair value or equivalent value for trading securities or securities available for sale or (ii) at the lower of historical cost, adjusted for contractual interest and other contractual provisions, and realizable value for other investments;

- Creation of a new account group, Valuation Adjustments to Shareholders' Equity, in order to record certain fair value adjustments, mainly for financial instruments, foreign exchange rate variations on foreign investments accounted for under the equity method of accounting, and certain fair value adjustments related to assets and liabilities as a result of a merger between unrelated parties that results in the transfer of control;

- Requirement that certain long-term assets and liabilities be recorded at present value, and if material, for certain other short-term assets and liabilities;

- Elimination of the possibility to record (i) the premium received on issue of debentures and (ii) donations and government investment grants (including tax incentives) directly as capital reserves in shareholders' equity. Such items are now required to be recorded as part of earnings in the income statement. To avoid the distribution as dividends, donations and government grants may be required to be allocated, after being recorded in earnings, to the tax incentive reserve;

- Elimination of the revaluation reserve. Any existing balance of revaluation reserve shall be maintained until its effective realization or reversed by the end of the fiscal year in which the Law became effective;

- Requirement that for transactions involving the merger or spin-off between unrelated parties that result in the effective transfer of control, the related assets and liabilities of the entity being merged or spun-off should be recorded at fair market value;

- Elimination of the materiality parameter in determining the applicability of the equity method of accounting for investments in affiliates and subsidiaries and replacement of the parameter of 20% of the capital of the investee by 20% of the outstanding voting capital of the investee.

As these changes have only been introduced recently, and some of them are still subject to regulation by the CVM, Management has not yet been able to assess the effects that such changes might have on its financial statements and results of operations.

27. SUBSEQUENT EVENTS

At the Extraordinary Shareholders' Meeting held on April 14, 2008, the shareholders approved the merger of the jointly-owned indirect subsidiary Agropecuária Aquidaban S.A. into the jointly-owned indirect subsidiary Usina Santa Luiza S.A., as part of the restructuring process designed to gain operational and administrative synergies, as mentioned in note 1.7.

Another resolution passed by the same Meeting was the spin-off of the jointly-owned indirect subsidiary Santa Luiza S.A., followed by the absorption of its spun-off net assets by the subsidiary Usina São Martinho S.A. and the other shareholders of Usina Santa Luiza S.A., according to their respective equity interests.

28. SUPPLEMENTAL COMBINED FINANCIAL INFORMATION

Due to the change of the fiscal year end from April 30 to March 31 of each year, as mentioned in note 2, the Company decided to present the consolidated statement of income for the twelve-month period ended March 31, 2007.

This information is presented to provide the financial statement readers with a comparative and broader view of the Company's operations considering the change of the fiscal year end.

In compliance with the New Market requirements, since the year ended March 31, 2007 the Company has presented the statements of cash flows (individual and consolidated).

The consolidation criteria adopted in preparing these financial statements are consistent with the criteria and ownership percentages mentioned in note 3. The monthly result for April 2006 of the Company and its subsidiary Usina São Martinho S.A. were fully considered for consolidation purposes as a result of the merger of shares mentioned in note 1.5.

SÃO MARTINHO S.A.

STATEMENT OF INCOME FOR THE TWELVE-MONTH
PERIOD ENDED MARCH 31, 2007
(In thousands of Brazilian reais - R$)

	Consolidated 03/31/07
GROSS SALES	906,825
DEDUCTIONS	(80,288)
NET SALES	826,537
COST OF SALES	(571,429)
GROSS PROFIT	255,108
Operating expenses:	
Selling expenses	(54,849)
General and administrative expenses	(74,912)
Management fees	(7,675)
Other operating expenses, net	(1,527)
	(138,963)
Income from operations before financial income (expenses)	116,145
Financial income (expenses):	
Financial income	68,447
Financial expenses	(91,114)
Monetary and exchange gains	18,127
Monetary and exchange losses	(21,569)
	(26,109)
Income from operations	90,036
Nonoperating income	11,063
Income before income and social contribution taxes and income from spun-off net assets	101,099
Income and social contribution taxes - current	(35,745)
Income and social contribution taxes - deferred	(552)
	(36,297)
Net loss from spun-off assets and liabilities	(277)
Net income	64,525

SÃO MARTINHO S.A.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2008
AND TWELVE-MONTH PERIOD ENDED MARCH 31, 2007
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	03/31/08	03/31/07	03/31/08	03/31/07
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	(46,899)	61,116	(46,899)	64,525
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Equity in subsidiaries	29,210	(58,826)	-	-
Depreciation and amortization	57,548	39,578	191,214	140,091
Proceeds from sale of equity interest	-	-	-	(717)
Net book value of property, plant and equipment written off	453	2,906	3,995	5,107
Financial charges and exchange variation on long-term intercompany balances, loans, financing, and taxes payable	12,166	11,522	46,914	12,430
Provision for contingencies	1,843	3,009	6,114	6,574
Deferred income and social contribution taxes	(9,002)	(3,718)	(24,102)	(1,601)
(Increase) decrease in assets:				
Receivables from Copersucar	(26,841)	13,627	(71,517)	73,965
Inventories	3,406	1,018	(12,266)	(24,146)
Recoverable taxes	(5,122)	(2,728)	(13,781)	(10,125)
Related parties	(88,685)	(7,828)	-	-
Other current assets	2,075	1,759	6,300	11,708
Other noncurrent assets	(166)	(1,976)	(14,088)	(7,560)
Increase (decrease) in liabilities:				
Trade accounts payable	(2,856)	2,134	237	14,385
Payroll and related taxes	(424)	(93)	3,094	(1,612)
Taxes payable	827	116	3,087	402
Taxes in installments	9,136	-	9,136	-
Related parties	(38,974)	30,282	107	46
Advances from customers	-	-	-	(23)
Provision for contingencies	(2,254)	-	(9,775)	1,170
Other current liabilities	(2,019)	1,722	(1,394)	(1,600)
Other noncurrent liabilities	-	-	(151)	-
Net cash provided by (used in) operating activities	(106,578)	93,620	76,225	283,019
CASH FLOWS FROM INVESTING ACTIVITIES				
Investiments	(51,458)	-	(24)	-
Goodwill arising from the acquisition of Usina Santa Luiza S.A. and Agropecuária Aquidaban S.A. based on expected future earnings	-	-	(60,134)	-
Income from sale of equity interest	-	-	-	7,890
Purchases of property, plant and equipment and increase in deferred charges	(60,978)	(80,864)	(595,822)	(302,479)
Change in spun-off assets and liabilities	-	(14,484)	-	5,469
Net cash used in investing activities	(112,436)	(95,348)	(655,980)	(289,120)
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings from third parties	24,655	48,157	418,429	144,395
Borrowings from Copersucar	17,314	1,950	74,118	7,920
Repayment of financing to third parties	(52,872)	(33,634)	(187,222)	(69,708)
Dividends paid	(20,000)	(14,156)	(20,000)	(18,669)
Capital increase	-	260,000	-	260,000
Net cash provided by financing activities	(30,903)	262,317	285,325	323,938
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(249,917)	260,589	(294,430)	317,837
CASH AND CASH EQUIVALENTS (including temporary cash investments)				
At beginning of year	270,474	9,885	366,964	49,127
At end of year	20,557	270,474	72,534	366,964
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(249,917)	260,589	(294,430)	317,837
SUPPLEMENTAL INFORMATION				
Interest paid in the period	(7,457)	(8,651)	(40,433)	19,725
Payments to suppliers for purchases of property, plant and equipment	1,266	4,434	17,285	11,338