Consolidated Financial Statements

Cosan S.A. Indústria e Comércio

March 31, 2011 and 2010

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Financial Statements

March 31, 2011 and 2010

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Condomínio São Luiz
Av. Pres. Juscelino Kubitschek, 1830
Torre I - 8º Andar - Itaim Bibi
04543-900 - São Paulo, SP, Brasil
Tel: (5511) 2573-3000
Fax: (5511) 2573-5780
www.ey.com.br

Report of Independent Auditors to the Shareholders of Cosan S.A. Indústria e Comércio

We have audited the accompanying consolidated financial statements of Cosan S.A. Indústria e Comércio, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cosan S.A. Indústria e Comércio as at March 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

São Paulo, June 6, 2011

ERNST & YOUNG TERCO
Auditores Independentes S.S.

Luiz Carlos Nannini
Partner

COSAN S.A INDÚSTRIA E COMÉRCIO

Consolidated Statements of Financial Position
March 31, 2011, 2010 and April 1, 2009
(In Thousands of Reais)

	Note	March 31, 2011	March 31, 2010	April 1, 2009
Assets				
Current				
Cash and cash equivalents	4	**1,254,070**	1,078,366	719,356
Restricted cash	5	**187,944**	44,972	11,757
Accounts receivable	7	**594,857**	766,415	599,163
Derivatives	26	**55,682**	230,561	17,022
Inventories	8	**670,331**	612,683	719,656
Advances to suppliers		**229,325**	201,573	206,032
Related parties	10	**14,669**	27,246	57,232
Recoverable taxes	9	**374,991**	327,864	265,417
Other current assets		**80,385**	75,157	69,508
		3,462,254	3,364,837	2,665,143
Non-current				
Deferred income taxes	18	**715,333**	686,139	809,218
Advances to suppliers		**46,037**	63,741	48,035
Related parties	10	**91,954**	81,411	-
Recoverable taxes	9	**55,066**	45,018	21,374
Judicial deposits		**218,371**	167,562	171,266
Other financial assets	6	**420,417**	355,370	303,467
Other non-current assets		**443,752**	450,819	392,023
Equity method investments	12	**304,142**	260,814	323,077
Biological assets	13	**1,561,132**	963,244	754,231
Property, plant and equipment	14	**7,980,524**	6,114,531	3,923,623
Intangible assets	15	**3,445,674**	3,381,466	2,465,955
		15,282,402	12,570,115	9,212,269
Total Assets		**18,744,656**	15,934,952	11,877,412

COSAN S.A INDÚSTRIA E COMÉRCIO

Consolidated Statements of Financial Position
March 31, 2011, 2010 and April 1.2009
(In Thousands of Reais)

	Nota	March 31, 2011	March 31, 2010	April 1, 2009
Liabilities				
Current				
Current portion of long-term debt	16	**916,400**	795,001	1,449,504
Derivatives	26	**132,289**	76,703	66,895
Trade accounts payable		**558,766**	569,399	456,116
Salaries payable		**183,560**	141,584	93,156
Taxes payable	17	**245,284**	215,862	168,596
Dividends payable	21	**190,285**	116,569	-
Related parties	10	**41,163**	16,105	4,458
Other current liabilities		**189,629**	182,434	85,794
		2,457,376	2,113,657	2,324,519
Non-current				
Long-term debt	16	**6,274,895**	5,136,529	2,885,456
Taxes payable	17	**639,071**	592,854	328,760
Legal proceedings	19	**666,282**	611,983	1,277,165
Related parties	10	**4,444**	-	405,871
Pension	27	**24,380**	-	65,108
Deferred income taxes	18	**1,510,965**	1,122,408	528,969
Other non-current liabilities		**382,897**	375,344	362,393
		9,502,934	7,839,118	5,853,722
Equity				
Common stock	21	**4,691,822**	4,687,826	3,819,770
Treasury shares		**(19,405)**	(4,186)	(4,186)
Capital reserve		**537,468**	491,329	45,841
Profit reserves		**1,248,976**	744,089	-
Accumulated losses		**-**	-	(193,075)
Equity attributable to owners of the Company		**6,458,861**	5,919,058	3,668,350
Equity attributable to non-controlling interests		**325,485**	63,119	30,821
Total Equity		**6,784,346**	5,982,177	3,699,171
Total Liabilities and Equity		**18,744,656**	15,934,952	11,877,412

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Income Statements
Years ended March 31, 2011 and 2010
(In thousands of Reais, except otherwise stated)

	Note	2011	2010
Net sales	22	**18,063,480**	15,336,055
Cost of goods sold	23	**(15,150,079)**	(13,271,331)
Gross profit		**2,913,401**	2,064,724
Operational income /(expenses)			
Selling	23	**(1,026,000)**	(862,726)
General and administrative	23	**(541,002)**	(496,346)
Other, net	25	**(33,828)**	37,523
Gain on tax recovery program	17	**-**	270,333
		(1,600,830)	(1,051,216)
Income before financial results, equity income of associates and income taxes		**1,312,571**	1,013,508
Equity income of associates	12	**25,187**	4,178
Financial results, net	24	**(146,688)**	455,168
		(121,501)	459,346
Income before income taxes		**1,191,070**	1,472,854
Income Taxes			
Current	18	**(85,437)**	(78,381)
Deferred	18	**(329,071)**	(344,923)
Net income for the year		**776,562**	1,049,550
Net income attributable to non-controlling interests		**(4,997)**	4,183
Net income attributable to Cosan		**771,565**	1,053,733
Earnings per share (in Reais)	21		
Basic		**1.90**	2.81
Diluted		**1.90**	2.72

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Statements of Changes in Equity
Years ended March 31, 2011 and 2010
(In Thousands of Reais)

			Capital Reserve		Profit Reserves					
	Common Stock	Treasury shares	Additional paid-in capital	Other Components of equity	Legal reserve	Retained earnings	Accumulated earnings (losses)	Total	Non-controlling interests	Total ´ Equity
April 1. 2009	**3,819,770**	**(4,186)**	**45,841**	**-**	**-**	**-**	**(193,075)**	**3,668,350**	**30,821**	**3,699,171**
Acquisition of Teaçu	-	-	164,976	-	-	-	-	164,976	142,535	307,511
Acquisition of Curupay	334,172	-	232,429	-	-	-	-	566,601	(121,927)	444,674
Exercise of stock option	6,003	-	-	-	-	-	-	6,003	-	6,003
Exercise of common stock warrants	527,881	-	-	-	-	-	-	527,881	-	527,881
Acquisition of TEAS	-	-	-	-	-	-	-	-	15,873	15,873
Cumulative translation adjustment - CTA	-	-	-	(2,944)	-	-	-	(2,944)	-	(2,944)
Pension	-	-	-	42,056		-	-	42,056	-	42,056
Share based compensation	-	-	8,971	-	-	-	-	8,971	-	8,971
Net Income	-	-	-	-	-	-	1,053,733	1,053,733	(4,183)	1,049,550
Destination:										
Legal reserve	-	-	-	-	24,541	-	(24,541)	-	-	-
Proposed Dividends (Note 21)	-	-	-	-	-	-	(116,569)	(116,569)	-	(116,569)
Reserves						719,548	(719,548)	-	-	-
March 31, 2010	**4,687,826**	**(4,186)**	**452,217**	**39,112**	**24,541**	**719,548**	**-**	**5,919,058**	**63,119**	**5,982,177**
Exercise of stock option	3,995	-	-		-	-	-	3,995	-	3,995
Exercise of common stock warrants	1	-	-		-	-	-	1	-	1
Issuance of common stock by Rumo to non-controlling shareholders´	-	-	206,404	-	--	-	-	206,404	193,596	400,000
Acquisition of Logispot	-	-	-		-	-	-	-	64,277	64,277
Hedge accounting	-	-	-	(143,298)	-	-	-	(143,298)	-	(143,298)
Cumulative Translation Adjustment - CTA	-	-	-	346	-	-	-	346	-	346
Pension	-	-	-	(19,435)	-	-	-	(19,435)	-	(19,435)
Acquisition of treasury shares	-	(15,219)	-	-	-	-	-	(15,219)	-	(15,219)
Adjustment from impact recorded directly in equity of subsidiary	-	-	(839)	-	-	-	-	(839)	(504)	(1,343)
Share based compensation	-	-	2,961	-	-	-	-	2,961	-	2,961
Net Income	-	-	-	-	-	-	771,565	771,565	4,997	776,562
Destination:										
Complementary dividends						(83,431)		(83,431)	-	(83,431)
Legal reserve	-	-	-	-	38,578	-	(38,578)	-	-	-
Proposed dividends (Note 21)	-	-	-	-	-	-	(183,247)	(183,247)	-	(183,247)
Reserves	-	-	-	-	-	549,740	(549,740)	-	-	-
Balance at March 31, 2011	**4,691,822**	**(19,405)**	**660,743**	**(123,275)**	**63,119**	**1,185,857**	**-**	**6,458,861**	**325,485**	**6,784,346**

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Statements of Comprehensive Income
Years ended March 31, 2011 and 2010
(In Thousands of Reais)

	2011	2010
Net income of the period	**776,562**	1,049,550
Other Comprehensive Income (Loss):		
Exchange differences on translation of foreign operations - CTA	**346**	(2,944)
Net movement on cash flow hedges	**(217,118)**	-
Actuarial gains and losses on defined benefit plans	**(29,447)**	63,721
Income tax effects	**83,832**	(21,665)
Other Comprehensive Income (Loss) for the year, net of tax	**(162,387)**	39,112
Total Comprehensive Income for the year, net of tax	**614,175**	1,088,662
Attributable to:		
Owners of the Company	**619,172**	1,084,479
Non-controlling interests	**(4,997)**	4,183

See accompanying notes to consolidated financial statements.

COSAN S.A. INDÚSTRIA E COMÉRCIO

Consolidated Statements of Cash Flows
Years ended March 31, 2011 and 2010
(In Thousands of Reais)

	2011	2010
Operating Activities		
Net Income	**771,565**	1,053,733
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:		
Depreciation and amortization	**742,307**	644,635
Biological assets	**234,799**	438,454
Equity income	**(25,187)**	(4,178)
Gain on disposal of property, plant and equipment	**(35,295)**	(80,466)
Goodwill write-off aviation business	**-**	41,066
Deferred income taxes	**329,071**	344,923
Provision for legal proceedings	**26,859**	25,829
Non-controlling interests	**4,997**	(4,183)
Share based compensation expenses	**2,961**	8,971
Gain on tax recovery program	**-**	(270,333)
Interest, monetary variations and foreign exchange variation, net	**238,482**	(185,280)
Other	**4,584**	(26,858)
	2,295,143	1,986,313
Change in assets/ liabilities		
Trade accounts receivable	**164,693**	2,415
Restricted Cash	**(142,972)**	(33,215)
Inventories	**84,581**	413,437
Taxes recoverable	**(50,068)**	(36,572)
Advances to suppliers	**16,779**	66,542
Suppliers	**(32,361)**	(46,515)
Salaries payable	**36,224**	30,565
Derivatives	**13,347**	(231,043)
Other assets/ liabilities, net	**(48,268)**	(20,534)
Net cash flows from operating activities	**2,337,098**	2,131,393
Investing activities		
Acquisitions , net of cash acquired	**(157,345)**	(16,041)
Purchase of property, plant and equipment	**(2,291,647)**	(1,852,215)
Sugar cane planting and growing costs	**(745,572)**	(647,467)
Proceeds from sale of the aviation business	**-**	115,601
Proceeds from sale of other investments and property, plant and equipment	**48,832**	10,613
Net cash flows used in investing activities	**(3,145,732)**	(2,389,509)
Financing Activities		
Proceeds from long-term debt	**2,719,522**	3,427,928
Repayment of long-term debt	**(1,967,938)**	(2,846,648)
Capital increase	**3,996**	533,884
Cash proceeds from non-controlling interests	**400,000**	-
Share buy-back program (treasury shares)	**(15,219)**	-
Dividends paid	**(193,095)**	-
Cash from/ to related parties	**37,072**	(498,038)
Net cash flows from financing activities	**984,338**	617,126
Net increase in cash and cash equivalents	**175,704**	359,010
Cash and cash equivalents at the beginning of the year	**1,078,366**	719,356
Cash and cash equivalents at the end of the year	**1,254,070**	1,078,366
Supplemental disclosure of cash flow information:		
Income taxes paid	**(38,844)**	(62,337)
Financial interest expenses paid	**(450,051)**	(388,854)
Issuance of shares for acquisition of Curupay	**-**	624,192
Issuance of subsidiary shares (Rumo) for acquisition of Teaçu	**-**	261,777

See accompanying notes to the consolidated financial statements.

1. Operations

Cosan S.A. Indústria e Comércio ("Cosan" or "the Company") is a Brazilian Company with its shares traded on the São Paulo Stock Exchange (Bovespa – CSAN 3). Its registered office is located in the city of São Paulo, Brazil. Cosan Limited is the controlling shareholder of Cosan, holding a 62.2% interest therein as of March 31, 2011.

Cosan's primary activities are in the following business segments (i) Sugar & Ethanol: the production of sugar and ethanol, as well as the energy cogeneration produced from sugar cane bagasse, (ii) Fuel Distribution and Lubricants: the marketing and distribution of fuel and lubricants, and the production of lubricants in Brazil, and (iii) Rumo: logistics services including transportation, port lifting and storage of sugar.

On February 1, 2010, the Company announced that it, along with Royal Dutch Shell ("Shell"), had reached a non-binding memorandum of understanding ("MOU") to form a joint venture for a combined 50/50 investment. On August 25, 2010 the Company announced the conclusion of the negotiations with Shell and signed a binding MOU along with other arrangements. Cosan will contribute its sugar and ethanol and its distribution assets to the joint venture while Shell will contribute its distribution assets in Brazil and its interests on second generation ethanol research and development entities (Iogen and Codexis). Shell will also make a fixed cash contribution in the amount of approximately $1.6 billion over a two year period. The sugar logistics and lubricants distribution business along with the investment in Radar Propriedades Agrícolas S.A. will not be contributed to the joint venture. On January 4, 2011, the Company received unconditional merger clearance from the European Union to form the proposed Joint Venture in Brazil. On June 1, 2011, the Company signed the closing agreement to form the joint venture, named Raízen. During the year ended March 31, 2011, the joint venture did not impact Cosan's financial statements except for the incurrance of costs and expenses related to its future formation.

2. Summary of significant accounting policies

2.1 Basis of preparation

a) Statement of compliance

The consolidated financial statements of Cosan have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements for the year ended March 31, 2011 are the first Cosan has prepared in accordance with IFRS. Refer to Note 3 for information on how the Company adopted IFRS.

These consolidated financial statements were authorized for issue by the Board of Directors on May 31, 2011.

b) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and biological assets that have been measured at fair value.

c) Functional and presentation currency

The consolidated financial statements are presented in Brazilian reais, which is the Company's functional currency. The financial statements of each subsidiary included in the consolidation and equity method investments are prepared based on the functional currency of each company. For subsidiaries and equity method investments with a functional currency other than Brazilian reais, their assets and liabilities were converted into Brazilian reais at the exchange rate as of year end and their revenues and expenses were converted by applying the average monthly rates.

d) Significant accounting judgments, estimates and assumptions

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the end of the reporting period. Such estimates and assumptions are reviewed on a continuous basis and changes are recognized in the period in which the estimates are revised and in any future periods affected.

A significant change in the facts and circumstances on which judgments, estimates and assumptions are based, may cause a material impact on the results and financial condition of the Company. The significant judgments, estimates and assumptions are as follows:

Deferred income taxes and social contribution

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. For further detail on deferred income taxes see Note 18.

Biological Assets

Biological assets are measured at fair value at each reporting date and the effects of changes in fair value between the periods are allocated directly to cost of goods sold. For further detail on the assumptions used see Note 13.

Intangible assets and Property, Plant and Equipment ("P,P&E")

The calculation of depreciation and amortization of intangible assets and P,P&E includes the estimation of the useful lives. Also, the determination of the acquisition date fair value of intangible assets and P,P&E acquired in business combinations is a significant estimate.

The Company annually performs a review of impairment indicators for intangible assets and P,P&E. Also, an impairment test is undertaken for goodwill. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The key assumptions used to determine the recoverable amount for the different cash generating units for which goodwill is allocated are further explained in Note 15.

Share based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The estimation of fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the assumption of the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

Pension benefits

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual results in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. A defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are included in Note 27.

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Further details about the assumptions used in accounting for business combinations are included in Note 19.

Fair value of financial instruments

When the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For further details on financial instruments refer to Note 26.

(In thousand Reais, unless otherwise stated)

2.2 Basis of consolidation

The following subsidiaries were included in the consolidated financial statements for the years ended March 31, 2011 and 2010:

	Ownership % direct and indirect	
	2011	**2010**
Administração de Participações Aguassanta Ltda.	**91.5%**	91.5%
Cosan S.A Açúcar e Álcool	**99.6%**	99.6%
Águas da Ponte Alta S.A.	**91.5%**	99.6%
Vale da Ponte Alta S.A.	**91.5%**	99.6%
Agrícola Ponte Alta S.A.	**99.6%**	99.6%
Cosan Centroeste S.A. Açúcar e Álcool	**99.6%**	99.6%
Barra Bioenergia S.A.	**99.6%**	99.6%
Benálcool Açúcar e Álcool S.A.	**99.6%**	99.6%
DaBarra Alimentos S.A.	**-**	99.6%
Docelar Alimentos e Bebidas S.A.	**99.9%**	99.6%
Barrapar Participações Ltda.	**99.6%**	99.6%
Aliança Indústria e Comercio de açúcar e Álcool S.A.	**99.6%**	99.6%
Agrobio Investimentos e Participações S.A.	**99.6%**	99.6%
Bioinvestments Negócios e Participações S.A.	**91.5%**	99.6%
Executive Participações S.A.	**99.6%**	-
Proud Participações S.A.	**99.9%**	99.9%
Cosan Distribuidora de Combustíveis Ltda.	**99.9%**	99.9%
Cosan S.A. Bioenergia	**100.0%**	100.0%
Cosan Energia S.A.	**100.0%**	100.0%
Cosan Biotecnologia S.A.	**99.9%**	99.9%
Cosan International Universal Corporation	**100.0%**	100.0%
Cosan Finance Limited	**100.0%**	100.0%
CCL Finance Limited	**100.0%**	100.0%
Cosan Overseas Limited	**100.0%**	-
Cosan Cayman Limited	**100.0%**	-
Cosan Cayman Finance Limited	**100.0%**	-
CCL Cayman Finance Limited	**100.0%**	-
Grançucar S.A. Refinadora de Açúcar	**-**	100.0%
Cosan Combustíveis e Lubrificantes S.A.	**100.0%**	100.0%
Copsapar Participações S.A.	**90.0%**	90.0%
Novo Rumo Logística S.A.	**92.9%**	92.9%
Rumo Logística S.A.	**69.7%**	92.9%
Cosan Operadora Portuária S.A.	**69.7%**	92.9%
Teaçú Armazéns Gerais S.A.	**69.7%**	92.9%
Pasadena Empreendimentos e Participações S.A.	**100.0%**	-
Teas Terminal Exportador de Álcool de Santos S.A.	**66.7%**	66.7%
Cosan Alimentos S.A. e empresas controladas	**100.0%**	100.0%
Cosan Araraquara Açúcar e Álcool Ltda. (former Usina Zanin Açúcar e Álcool Ltda.)	**100.0%**	-
Logispot Armazéns Gerais S.A.	**51%**	14.3%

Subsidiaries are fully consolidated from the date of acquisition, the date on which the Company obtains control, and continue to be consolidated until the Company ceases to have control of the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated.

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

2.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the subsidiaries and preparing the opening balance sheet as at April 1, 2009, except where indicated otherwise. The April 1, 2009 balance sheet was prepared to reflect the transition to IFRS.

a) Revenue recognition

Revenues from the sale of products or goods are recognized when the entity transfers to the buyer the significant risks and rewards incidental to ownership of the goods and merchandise, and when it is probable that the economic benefits associated with the transaction will flow to the Company. The sales prices are fixed based on purchase orders or contracts.

b) Foreign currency transactions

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

c) Financial instruments – Recognition initial and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets are classified into the following categories: at fair value through profit or loss, held-to-maturity, available for sale and loans and receivables. The Company determines the classification of its financial assets upon initial recognition. Financial assets are initially recognized at fair value, plus, in the case of investments not designated at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets.

Financial assets include cash and cash equivalents, restricted cash, trade accounts receivable, other receivables, marketable securities and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, which can be as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and assets designated upon initial recognition at fair value through profit and loss. They are classified as held for trading if they were acquired with the purpose of selling or repurchasing in the short term. Derivatives are also measured at fair value through profit or loss, except those designated as hedging instruments. Interest, monetary and exchange variations and changes arising from the valuation at fair value are recognized in the income statement when incurred in the line of revenue or expense.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs. Amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold them to maturity. Interest, monetary, exchange rate, less impairment losses, if any, are recognized in income when incurred in the line of financial income/expense.

Available-for-sale financial assets

Financial assets available for sale are those non-derivative financial assets that are not classified as (a) loans and receivables, (b) investments held to maturity or (c) financial assets at fair value through profit and loss.

The Company has no financial assets classified as available for sale.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the cash flows received without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, carried at amortized cost.

The Company's financial liabilities include payables to suppliers and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss and derivatives, except those designated as hedging instruments. Interest, monetary and exchange variations and changes arising from the valuation at fair value, where applicable, are recognized in the income statement when incurred.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are amortized or derecognized.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

The fair value of financial instruments for which there is no active market is determined using valuation techniques. These techniques can include using recent market transactions (interest free) reference to the current fair value of other similar instruments, analysis of discounted cash flows or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

(v) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Derivatives designated in hedge transactions are initially recognized at fair value on the date on which the derivative is acquired, and subsequently also revalued to fair value. Derivatives are presented as financial assets when the instrument's fair value is positive and as liabilities when fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges are expected to be highly effective in offsetting changes in fair value or cash flows, being continually assessed to determine whether they were actually highly effective over all the base periods for which they were intended.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement in other operating expenses.

Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. Refer to Note 26 for more details.

Fair value hedge and hedges of a net investment

The Company does not hold derivative financial instruments designated in these types of operations.

d) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash, bank deposits and other short-term investments of immediate liquidity, redeemable within 90 days from date of issue, readily convertible into a known amount as cash and cash with insignificant risk of change in their market value.

The restricted cash relates mainly to deposits of margin requirements made with brokers who trade commodity derivative instruments linked to Cosan's derivatives instruments and financial transactions.

e) Trade accounts receivable

Trade accounts receivable are receivables from customers and are reduced to their probable realizable value by a provision.

f) Inventories

Inventories are recorded at average cost of acquisition or production, not to exceed the net realizable value. Provisions for slow-moving or obsolete inventories are recorded when deemed necessary by management.

g) Equity method investments

Entities over which the Company exercises significant influence are accounted for by the equity method. Based on the equity method, investments are recorded on the balance sheet at cost, plus the changes following the acquisition of shares and the Company's share of equity income or loss of the associate.
The income statement reflects the share of operating results of associates based on the equity method. When a change is recognized directly in equity of the associate, the Company recognizes its share of the variations, where applicable, statement of changes in equity.
The financial statements of associates are prepared for the same period of presentation of the Company even if the fiscal year is not coincidental. Where necessary, adjustments are made to conform to the accounting practices of the Company.
After applying the equity method, the Company determines whether it is necessary to recognize additional loss of recoverable value on the Company's investment in its associate. The Company determines, at each year end, if there is objective evidence that investment in associate loss suffered by the impairment. If so, the Company calculates the amount of loss on the impairment as the difference between the recoverable value of the associate and the book value and the amount recognized in the income statement.
When there is loss of significant influence over the associate, the Company evaluates and recognizes the investment at fair value at that moment.
The unrealized gains and losses resulting from transactions between the Company and associate are eliminated in accordance with the participation held in the associate.

h) Biological assets

IAS 41 - *Agriculture* encompasses the accounting treatment of activities involving biological assets, which in the case of Cosan, refers to the sugarcane plantations. Biological assets are recognized at fair value at each balance sheet date and the effects of changes in fair values between the periods are allocated to cost of goods sold. The sugarcane plantation is measured at fair value in accordance with the discounted cash flow method. The harvest of Cosan begins generally in April each year and ends in the months of November and December.

Cosan's own land on which the biological asset is produced is accounted for in accordance with IAS 16 - *Property, Plant and Equipment*.

(In thousand Reais, unless otherwise stated)

i) Property, plant and equipment ("P,P&E")

Items of P,P&E are measured at historical cost of acquisition or construction, less accumulated depreciation and impairment when applicable.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets constructed by the entity includes the cost of materials and direct labor, other costs to put the asset in location and condition necessary for them to be able to operate in the manner intended by management, and borrowing costs on qualifying assets. Borrowing costs relating to funds raised for work in progress are capitalized until these projects are completed.

The Company carries out the planned major maintenance activities at its plants on an annual basis in order to inspect and replace components. This occurs between January and March. The principal costs include maintenance costs for labor, materials, third party services and overhead allocated during the interharvest period.

The estimated cost of a component of a piece of equipment that must be replaced each year is recorded as a component of cost of the equipment and depreciated over the following season. Costs of normal periodic maintenance are recorded as expenses when incurred since the components will not improve the production capacity or introduce improvements to equipment.

Depreciation is calculated on a straight line method based on useful life of each asset, following the annual depreciation rates shown below:

Buildings and improvements	4%
Containers	25%
Machinery and equipment	3% to 10%
Agricultural machinery	10%
Industrial equipment and facilities	10%
Furniture and fixtures	10%
Computer equipment	20%
Vehicles	10% to 20%
Locomotives	3.3%
Rail cars	2.9%
Boats and aircrafts	10%

j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date.

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement. A leased asset is depreciated over the useful life of the asset.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

k) Intangibles

(i) Goodwill

Under Brazilian GAAP, goodwill arising from business combinations that occurred before March 31, 2009 was amortized on a straight line basis over a period of 5 to 10 years. After March 31, 2009 any remaining balances or new goodwill were no longer amortized and subject to impairment testing.

The goodwill considered for IFRS purposes was the ending balance as of March 31, 2009 (under Brazilian GAAP), except for the goodwill arising from the acquisition of Cosan Combustíveis e Lubrificantes S.A. ("Cosan CL"), for which IFRS 3 was applied.

Goodwill is maintained at its cost, less any impairment losses. Goodwill is tested annually for impairment. In order to perform impairment tests goodwill is compared to the recoverable amount of the related cash generating unit to which it was originally allocated.

(ii) Intangible assets with finite lives

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

l) Impairment

In accordance with IAS 36, the Company assesses annually whether there are indications of impairment in its long lived assets. If these indicators are identified, the Company estimates the recoverable amount of the assets. The recoverable amount of an asset or a group of assets is the greater of: (a) the fair value less estimated costs to sell it, and (b) its value in use. Value in use is the discounted cash flow (before taxes) from the continued use of the assets until the end of its useful life.

Regardless of the existence of indicators of loss of value, goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year.

When the book value of an asset exceeds its recoverable amount, the impairment loss is recognized as an operating expense in the income statement.

m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

The Company capitalizes borrowing costs for all eligible assets where construction was commenced on or after April 1, 2009.

n) Provisions

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

o) Pension and other employment benefits

i) Defined benefit pension plan

The Company, through its subsidiary "Cosan CL" is the sponsor of a defined benefit pension plan for part of its employees. The cost of providing benefits under the defined benefit plan is determined annually by independent actuaries using the projected unit credit method.

Actuarial gains and losses for the defined benefit plan are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent periods.

ii) Defined contribution pension plan

The Company, through its subsidiary Cosan Alimentos S.A. ("Cosan Alimentos") sponsors a defined contribution plan, for all employees of that subsidiary. The Company does not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all benefits owed.

iii) Share-based payments

Employees (including senior executives) of the Company receive compensation in the form of equity investments for services rendered (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The Company uses the binomial model to estimate the fair value of the options at the date of the grant.

p) Treasury shares

The Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

q) Taxes

i) Income taxes

Income taxes are comprised of income tax and social contribution at a combined rate of 34%.

Deferred income tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized.

Deferred income tax assets and liabilities are presented as non-current assets or liabilities and measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted at the reporting date

ii) Indirect taxes

Net revenues is recognized net of discounts and sales taxes (IPI, ICMS, PIS e COFINS).

r) Business combinations

Business combinations are accounted for using the acquisition method, from December 1, 2008 (transition date of business combinations for IFRS purposes), and the assets and liabilities assumed are measured at fair value for purposes of goodwill calculation. Goodwill represents the excess of the acquisition cost in comparison the fair value of the acquired assets and liabilities. If there is an excess of the acquirer's interest in the fair value of assets and liabilities acquired over the cost, the difference is recognized immediately in the income statement.

s) Asset retirement obligations

The retirement obligations of the subsidiary Cosan CL relate to the legally required obligation to remove underground fuel tanks upon retirement, the initial measurement of which is recognized as a liability discounted to present values and subsequently accreted through earnings. An asset retirement cost equal to the initial estimated liability is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life.

t) Environmental matters

Cosan's production facilities and its plantation activities are both subject to environmental regulations. Cosan diminishes the risks associated with environmental matters, through operating procedures and controls and investments in pollution control equipment and systems. Cosan believes that no provision for losses related to environmental matters is currently required, based on existing Brazilian laws and regulations.

2.4 New IFRS and IFRIC Interpretations Committee (Financial Reporting Interpretations of IASB) applicable to the consolidated financial statements

New accounting pronouncements from the IASB and IFRIC interpretations have been published and / or reviewed and have the optional adoption in March 31, 2011. The Management assessed the impact of these new pronouncements and interpretations and does not anticipate that its adoption will lead to a significant impact on the annual information of the Company and its subsidiaries in the year of initial application, as follows:

• IAS 24 Related Party Disclosures (Amendment) It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The amended standard is effective for annual periods beginning on or after 1 January 2011. Management is still evaluating the impact on its financial position or performance.

Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- IFRS 9 Financial Instruments – Classification and measurement - It reflects the first phase of the IASBs work on the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a simplified approach to determine whether a financial asset is measured at amortized cost or fair value, based on the manner in which an entity manages its financial instruments (business model) and the typical contractual cash flow of financial assets. The standard also requires the adoption of only one method for determining losses in recoverable value of assets. The standard is effective for annual periods beginning on or after 1 January 2013. Management is still evaluating the impact on its financial position or performance in relation to IFRS 9..

- IFRS 10 Consolidated Financial Statements - IFRS 10 as issued establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation—Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements* and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. Management is still evaluating the impact on its financial position or performancefrom the adoption of IFRS 10.

- IFRS 11 Joint Arrangements - IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 13 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Ventures,* and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 11.

- IFRS 12 Disclosures of Interests in Other Entities - IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 12.

- IFRS 13 Fair Value Measurement - IFRS 13 establishes new requirements on how to measure fair value and the related disclosures for IFRS and US generally accepted accounting principles. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Management is still evaluating the impact on its financial position or performance from the adoption of IFRS 13.

- IFRIC 14 Prepayments of a minimum funding requirement. This standard applies only to those situations where an entity is subject to minimum funding requirements and anticipated contributions to cover these requirements. The standard allows the entity to account for the benefit of such prepayment as an asset. This standard is effective for fiscal years beginning from January 1, 2011. Management is still evaluating the impact on its financial position or performance from the adoption of IFRIC 14.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments - IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. Management is still evaluating the impact on its financial position or performance from the adoption of IFRIC 19.

Improvements to IFRS – The IASB standards for improvements and amendments to IFRS in May 2010 and the amendments will be effective from January 1, 2011:

- IFRS 3 – Business combination.
- IFRS 7 – Financial instrument: Disclosures.
- IAS 1 – Presentation of Financial Statements
- IAS 27 – Consolidated and Separate Financial Statements
- IFRIC 13 – Customer Loyalty Programme

Management is still evaluating the impact on its financial position or performance in relation to the 2010 improvements and amendments.

3. First-time adoption of IFRS

As mentioned in Note 2.1(a), these financial statements for the year ended March 31, 2011 are the first Cosan has prepared in accordance with IFRS.

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on March 31, 2011, together with the comparative period data as at and for the year ended March 31, 2010, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as of April 1, 2009, the Company's date of transition to IFRS. This note explains the principal adjustments made by Cosan in restating its Brazilian GAAP statement of financial position as at April 1, 2009 and its previously published Brazilian GAAP financial statements as of and for the year ended March 31, 2010.

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Company has applied the following exemptions:

- Business combinations: the Company used the exemption of IFRS 1 and has applied IFRS 3 - Business combinations - for acquisitions from December 1, 2008, date of purchase of Cosan CL (formerly known as Esso Brasileira de Petroleo Ltda.) and elected not to remeasure and restate business combinations that occurred before that date.

- Deemed cost: the Company elected to measure its farming land at fair value at the date of transition to IFRS. The effects of the deemed cost increased fixed assets with a corresponding increase in equity, net of income tax effects (see Note 14). The Company elected not to remeasure the remaining fixed assets. Remaining cost basis dfferences between inflation indexed asset values under IFRS and Brazilian GAAP attributable to Brazil's hyper-iinflationary designation until 1997 are immaterial as of the IFRS transition date.

- Defined benefit pension plan: the Company elected to recognize all actuarial gains and losses against the retained earnings as at the date of transition to IFRS. See Note 27 for further details.

- Borrowing costs: The Company has applied the transitional provisions in IAS 23 *Borrowing Costs* and capitalizes borrowing costs on assets where construction was commenced on or after the date of transition.

- Cumulative currency translation differences: cumulative currency translation differences are deemed to be zero as at April 1, 2009.

Estimates

The estimates at April 1, 2009 and at March 31, 2010 are consistent with those made for the same dates in accordance with Brazilian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Brazilian GAAP did not require estimation:

- Biological assets
- Contingent consideration
- Certain financial instruments

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at April 1, 2009, the date of transition to IFRS and as of March 31, 2010.

(In thousand Reais, unless otherwise stated)

In preparing its opening balance sheet under IFRS, the Company has reclassified and adjusted amounts previously presented under Brazilian GAAP. An explanation of the effects of the transition from Brazilian GAAP to IFRS is presented as follows:

3.1 Reconciliation of the statement of financial position

		April 1, 2009				March 31, 2010			
	Note	BRGAAP	Reclassification	Adjustments to IFRS	IFRS	BRGAAP	Reclassification	Adjustments to IFRS	IFRS
Assets									
Current									
Cash and cash equivalents		719,356	-	-	719,356	**1,078,366**	**-**	**-**	**1,078,366**
Restricted cash		11,757	-	-	11,757	**44,972**	**-**	**-**	**44,972**
Accounts receivable		599,163	-	-	599,163	**766,415**	**-**	**-**	**766,415**
Derivatives		17,022	-	-	17,022	**230,561**	**-**	**-**	**230,561**
Inventories	**A**	1,106,185	(386,529)	-	719,656	**1,046,730**	**(434,047)**	**-**	**612,683**
Advances to suppliers		206,032	-	-	206,032	**235,552**	**(33,979)**	**-**	**201,573**
Related parties		57,232	-	-	57,232	**24,859**	**1,689**	**698**	**27,246**
Deferred income taxes	**i.ii**	42,471	(42,471)	-	-	**76,310**	**(76,310)**	**-**	**-**
Recoverable taxes		265,417	-	-	265,417	**327,864**	**-**	**-**	**327,864**
Other current assets		50,277	19,231	-	69,508	**61,163**	**13,994**	**-**	**75,157**
		3,074,912	(409,769)	-	2,665,143	**3,892,792**	**(528,653)**	**698**	**3,364,837**
Non-current									
Deferred income taxes	**ii**	700,044	42,471	66,703	809,218	**560,114**	**76,310**	**49,715**	**686,139**
Advances to suppliers	**.ii**	48,035	-	-	48,035	**63,741**	**-**	**-**	**63,741**
Related parties		-	-	-	-	**81,411**	**-**	**-**	**81,411**
Recoverable taxes		21,374	-	-	21,374	**45,018**	**-**	**-**	**45,018**
Judicial deposits	**i.**	-	171,266	-	171,266	**-**	**167,562**	**-**	**167,562**
Other financial assets	**gi**	177,626	-	125,841	303,467	**205,657**	**-**	**149,713**	**355,370**
Other non-current assets		434,491	(42,468)	-	392,023	**500,556**	**(49,737)**	**-**	**450,819**
Equity method investments	**f**	278,209	-	44,868	323,077	**193,123**	**-**	**67,691**	**260,814**
Biological assets	**a**	-	942,533	(188,302)	754,231	**-**	**1,106,675**	**(143,431)**	**963,244**
Property, plant and equipment	**a a, b, d, e**	3,465,236	(592,171)	1,050,558	3,923,623	**5,561,065**	**(678,342)**	**1,231,808**	**6,114,531**
Intangible assets	**b**	2,447,464	59,404	(40,913)	2,465,955	**2,901,307**	**75,436**	**404,722**	**3,381,466**
		7,572,479	581,035	1,058,755	9,212,269	**10,111,993**	**697,904**	**1,760,218**	**12,570,115**
Total assets		10,647,391	171,266	1,058,755	11,877,412	**14,004,785**	**169,251**	**1,760,216**	**15,934,952**

(In thousand Reais, unless otherwise stated)

		April 1, 2009				March 31, 2010			
	Note	BRGAAP	Reclassification	Adjustments to IFRS	IFRS	BRGAAP	Reclassification	Adjustments to IFRS	IFRS
Liability									
Current									
Current portion of long-term debt	b	1,449,504	-	-	1,449,504	**800,902**	**-**	**(5,901)**	**795,001**
Derivatives		66,895	-	-	66,895	**76,703**	**-**	**-**	**76,703**
Trade accounts payable		456,116	-	-	456,116	**569,399**	**-**	**-**	**569,399**
Salaries payable		93,156	-	-	93,156	**141,584**	**-**	**-**	**141,584**
Taxes payable		168,596	-	-	168,596	**215,862**	**-**	**-**	**215,862**
Dividends payable		-	-	-	-	**116,569**	**-**	**-**	**116,569**
Related parties		5,169	(711)	-	4,458	**14,416**	**1,689**	**-**	**16,105**
Other current liabilities		85,794	-	-	85,794	**182,434**	**-**	**-**	**182,434**
		2,325,230	(711)	-	2,324,519	**2,117,869**	**1,689**	**(5,901)**	**2,113,657**
Non-current									
Long-term debt		2,885,456	-	-	2,885,456	**5,136,529**	**-**	**-**	**5,136,529**
Taxes payable	b	328,760	-	-	328,760	**593,505**	**-**	**(651)**	**592,854**
Legal proceedings	i.i	1,105,899	171,266	-	1,277,165	**444,421**	**167,562**	**-**	**611,983**
Related parties		405,160	711	-	405,871	**-**	**-**	**-**	**-**
Pension	hh	60,378	-	4,730	65,108	**61,788**	**-**	**(61,788)**	**-**
Deferred income taxes		-	-	528,969	528,969	**346,599**	**-**	**775,809**	**1,122,408**
Other non-current liabilities	bb	139,882	-	222,511	362,393	**146,493**	**-**	**228,851**	**375,344**
		4,925,535	171,977	756,210	5,853,722	**6,729,335**	**167,562**	**942,221**	**7,839,118**
Equity									
Common stock		3,819,770			3,819,770	**4,687,826**			**4,687,826**
Treasury shares		(4,186)	-	-	(4,186	**(4,186)**	**-**	**-**	**(4,186)**
Capital reserves		45,841	-	-	45,841)	**51,868**	**-**	**439,461**	**491,329**
Profit reserves	b, h		-	-	-	**374,247**	**-**	**369,842**	**744,089**
Accumulated earnings (losses)		(495,678)	-	302,603	(193,075)			**-**	**-**
Equity attributable to owners of the Company		3,365,747	-	302,603	3,668,350	**5,109,755**	**-**	**809,303**	**5,919,058**
Equity attributable to non-controlling interests	c	30,879	-	(58)	30,821	**47,826**	**-**	**15,293**	**63,119**
Total Equity		3,396,626	-	302,545	3,699,171	**5,157,581**	**-**	**824,596**	**5,982,177**
Total Liabilities and Equity		10,647,391	171,266	1,058,755	11,877,412	**14,004,785**	**169,251**	**1,760,916**	**15,934,952**

(In thousand Reais, unless otherwise stated)

3.2 Reconciliation of the income statement – Year ended March 31, 2010

	Note	BR GAAP	Adjustments to IFRS	IFRS
Net sales		15,336,055	-	15,336,055
Cost of goods sold	b	(13,210,692)	(60,639)	(13,271,331)
Gross profit		2,125,363	(60,639)	2,064,724
Operational income /(expenses)				
Selling		(864,601)	1,875	(862,726)
General and administrative		(497,153)	807	(496,346)
Other, net	b	(22,781)	60,304	37,523
Gain on tax recovery program		270,333	-	270,333
		(1,114,202)	62,986	(1,051,216)
Income before financial results, equity income of associate and income taxes		1,011,161	2,347	1,013,508
Equity income of associates	f	(18,645)	22,823	4,178
Financial results, net	b	420,353	34,815	455,168
Income before income taxes		1,412,869	59,985	1,472,854
Income Taxes				
Current		(78,381)	-	(78,381)
Deferred		(355,454)	10,531	(344,923)
		(433,835)	10,531	(423,304)
Net income for the year		979,034	70,516	1,049,550
Net income attributable to non-controlling interests	c	7,461	(3,278)	4,183
Net income attributable to Cosan		986,495	67,238	1,053,733

3.3. Reconciliation of equity

	Note	01/04/2009	31/03/2010
BR GAAP equity		3,365,747	**5,109,755**
IFRS adjustments:			
Biological assets	a	(188,302)	**(143,431)**
Business combinations	b	57,891	**376,510**
Pension plan – defined benefit	h	(4,730)	**61,786**
Deemed cost of Property, plant and equipment	d	366,150	**366,151**
Borrowing costs	e	-	**42,154**
Other adjustments		(2,729)	**(2,372)**
Warrants on equity method investment	g	125,841	**149,713**
Investment property in associate	f	44,868	**67,691**
Deferred income tax on IFRS adjustments	ii	(96,444)	**(107,578)**
Non-controlling interest	c	58	**(1,321)**
IFRS equity excluding non-controlling interest		3,668,350	**5,919,058**
Presentation of non-controlling interest inside equity		30,821	**63,119**
IFRS equity		3,699,171	**5,982,177**

(In thousand Reais, unless otherwise stated)

3.4 Reconciliation of net income – Year ended March 31, 2010

	Note	Year ended March 31, 2010
BR GAAP net income		986,495
IFRS adjustments:		
Biological assets	a	**44,871**
Business combinations	b	**(76,886)**
Pension plan – defined benefit	h	**2,797**
Borrowing costs	e	**42,152**
Other adjustments		**355**
Warrants on equity method investment	g	**23,873**
Investment property in associate	F	**22,823**
Deferred income tax on IFRS adjustments	Ii	**10,531**
Non-controlling interest	c	**(3,278)**
IFRS net income		1,053,733

The transition from Brazilian GAAP to IFRS did not result in a material impact on the statement of cash flows.

The significant adjustments as a consequence of the adoption of IFRS are described as follows:

a) Biological assets

According to the IAS 41, biological assets of the Company are measured at fair value at each reporting period, using the discounted cash flow method.

In accordance with accounting practices prior to the adoption of IFRS, the biological assets were recorded at their historical cost less amortization and were classified and presented in the statement of financial position as inventories or fixed assets The costs classified in inventories related to maintenance costs of the crop to be harvested within 12 months, and the costs recognized in fixed assets related to the costs of the initial crop of sugarcane plants, which are amortized over five years, the estimated useful life.

The negative adjustment of biological assets to fair value as of the IFRS transition date was not considered an indicator of impairment of the previous carrying value of the previously classified inventory or fixed assets under Brazilian GAAP. Rather, such previous asset values were deemed recoverable as of April 1, 2009 based on the estimated future cash flows of all crops to be grown on the land as they are used to produce sugar and ethanol, as compared to the current fair value of biological assets which is based on the current status on crops in process.

b) Business combinations

Under IFRS 3, all assets and liabilities of businesses acquired after the transition date, including any intangible assets are valued at their fair value at the date of transaction. In addition, purchases of businesses with payment in shares or other securities issued by the purchaser must also be measured at fair value for purposes of determining the purchase price, which consequently affects the value of goodwill calculated. Cosan considered the transition date for application of IFRS 3 to be December 1, 2008, the date of acquisition of Cosan CL.

The buyer must recognize contingent consideration at fair value at the acquisition date as part of the consideration for obtaining control of the acquiree.

If the Company's interest in the fair value of identifiable assets and liabilities acquired exceeds the acquisition cost, such excess is recorded as an immediate gain in income.

According to Brazilian GAAP, goodwill in a business combination was calculated based on the amount paid in cash. Amounts paid with shares considered the equity value of the shares given and not their market value and determination of the amounts did not consider the existence of any intangible assets to be recorded. Total consideration was then compared with the book value of the acquired company. If a discount was identified, it would be recorded in noncurrent liabilities.

Under Brazilian GAAP, up to March 31, 2010, goodwill on a business combination was calculated as the difference between the purchase price and the historical net assets of the business acquired. The purchase price, if not cash, and the net assets did not reflect any fair value considerations. Any negative goodwill would be presented as a liability.

c) Non-controlling interests

Under IAS 27 - Consolidated and Separate Financial Statements, the participation of non-controlling interets is presented as a component of equity.

According to Brazilian GAAP, up to March 31, 2010, non-controlling interests were presented between non-current liabilities and equity on the statement of financial position.

Also, some first time adoption adjustments impacted non-controlling interests.

d) Deemed cost

The Company elected to measure its farming land at fair value at the date of transition to IFRS. The adjustment was recorded against equity net of deferred taxes.

e) Borrowing costs

Under Brazilian GAAP, up to March 31, 2010, the Company did not capitalize borrowing costs. The Company has applied the transitional provisions in IAS 23 *Borrowing Costs* and capitalizes borrowing costs on assets where construction was commenced on or after the date of transition

f) Investment property in associate

Radar Propriedades Agricolas S.A. ("Radar") is an equity method investment of the Company that invests in farming land for rent and future appreciation. Under Brazilian GAAP, up to March 31, 2010, such land was recorded at cost. With the adoption of IFRS, Radar treated such land as investment property and elected to measure it at fair value. Fair value is measured at each reporting date, impacting the equity income of Cosan in regard to Radar.

g) Warrants on equity method investment

The Company holds warrants on Radar, exercisable at any time up to maturity (August 2018). Such warrants permit Cosan to purchase additional shares, equivalent to 20% of total shares as of the date of exercise. The exercise of warrants will not change the classification of this investment as an equity investment. Those warrants were not considered to be a financial instrument under Brazilian GAAP up to March 31, 2010 as they cannot be net settled. Radar is a privately owned entity. Under IFRS the warrants are treated as a separate financial instrument measured at fair value.

h) Pension plan - defined benefit

Under Brazilian GAAP, up to March 31, 2010, the Company recorded its defined benefit plan under the corridor approach with respect to actuarial gains and losses. With the adoption of IAS 19, the Company elected to recognize actuarial gain and losses in the period the occur as a component of other comprehensive income.

i) Reclassifications

The major reclassifications made in connection with the adoption of IFRS were as follows:

(In thousand Reais, unless otherwise stated)

i) Judicial deposits

Under IFRS, judicial deposits related to provisions for legal proceedings are presented on a gross basis in non-current assets as they do not satisfy the requirements for compensation with the related liability under IAS 1. Previously, under Brazilian GAAP up to March 31, 2010, provisions for legal proceedings were presented net of related judicial deposits.

ii) Deferred income taxes

As required by IAS 12, all deferred income taxes have been reclassified to non-current assets or liabilities. Also, the balance of deferred income taxes was impacted by the adjustments previously mentioned.

4. Cash and cash equivalents

	2011	2010	April 1, 2009
Local currency			
Cash	**289**	384	125
Bank accounts	**64,437**	22,740	74,586
Highly liquid investments	**1,076,599**	877,017	528,539
Foreign currency			
Bank accounts	**78,353**	127,755	48,969
Highly liquid investments	**34,392**	50,470	67,137
	1,254,070	1,078,366	719,356

On March 31, 2011, the Company had unused lines of credit with BNDES, at the amount of R$1,064,930 (2010: R$765,075). The use of these lines of credit depends upon fulfillment of certain contractual conditions.

5. Restricted cash

	2011	2010	April 1, 2009
Restricted Financial Investments	**61,072**	-	-
Deposits in connection with Derivative Transactions	**126,872**	44,972	11,757
	187,944	44,972	11,757

Deposits in connection with derivative transactions relate to margin calls by counterparties in derivative transactions.

(In thousand Reais, unless otherwise stated)

6. Other financial assets

	2011	2010	April 1, 2009
Fair value of Radar option (1)	**162,961**	149,713	125,841
Treasury certificates – CTN (2)	**257,456**	205,657	177,626
	420,417	355,370	303,467

(1) The Company holds warrants on Radar, exercisable at any time up to maturity (August 2018). Such warrants will allow Cosan to purchase additional shares at R$41.67 per share adjusted for inflation (IPCA), equivalent to 20% of the total shares issued by Radar as of the date of exercise. The exercise of warrants will not change the classification of this investment as an equity investment. The fair value of these warrants was calculated based on observable market data.

(2) Represented by bonds issued by the Brazilian National Treasury under the Special Program for Agricultural Securitization - "PESA" with original maturity of 20 years in connection with the long-term debt denominated PESA (note 16). These bonds yield inflation (IGPM) plus 12% p.a.. The value of these securities at maturity is expected to be equal to the amount due to the PESA at that date. If the PESA debt is paid in advance, the Company may still keep this investment until maturity.

7. Accounts receivable

The balances of accounts receivables as of March 31, 2011, 2010 and April 1, 2009 are composed as follows:

	2011	2010	April 1, 2009
Domestic	**678,498**	715,481	539,326
Foreign	**7,556**	148,655	162,822
Allowance for doubtful accounts	**(91,197)**	(97,721)	(102,985)
	594,857	766,415	599,163

The analysis of the maturity of the accounts receivable is as follows:

	2011	2010	April 1, 2009
Current	**555,826**	483,279	359,644
Overdue			
Up to 30 days	**21,097**	273,435	228,943
From 31 to 60 days	**4,317**	4,760	1,882
From 61 to 90 days	**553**	4,146	4,227
From 91 to 180 days	**4,096**	717	327
More than 180 days	**8,968**	78	4,140
	39,031	283,136	239,519
	594,857	766,415	599,163

(In thousand Reais, unless otherwise stated)

Changes in the allowance for doubtful accounts are as follows:

On April 1, 2009	(102,985)
Provision	(14,011)
Reversal	15,389
Write-offs	11,748
Addition from business combination	(7,862)
On March 31, 2010	(97,721)
Provision	**(16,573)**
Reversal	**18,238**
Write-offs	**6,130**
Addition from business combination	**(1,271)**
On March 31, 2011	**(91,197)**

8. Inventories

	2011	**2010**	**April 1, 2009**
Finished goods:			
Sugar	**77,673**	93,610	109,265
Ethanol	**42,840**	97,791	200,980
Fuel and Lubricants	**326,634**	226,248	274,430
Raw material	**51,598**	42,022	45,721
Spare parts and other	**191,153**	178,272	112,362
Provision for inventory realization and obsolescence	**(19,567)**	(25,260)	(23,102)
	670,331	612,683	719,656

Change in the provision for inventory realization and obsolescence is as follows:

On April 1, 2009	(23,102)
Addition	(14,528)
Reversal	12,370
On March 31, 2010	(25,260)
Addition	**(13,483)**
Reversal	**19,176**
On March 31, 2011	**(19,567)**

9. Recoverable taxes

	2011	**2010**	**April 1, 2009**
Income Tax	**66,274**	107,675	66,083
COFINS	**121,474**	74,571	81,024
PIS	**27,338**	24,263	21,667
ICMS – State VAT	**151,161**	119,404	76,474
IPI	**47,741**	21,911	35,204
Others	**16,069**	25,058	6,339
	430,057	372,882	286,791
Current	**(374,991)**	(327,864)	(265,417)
Non Current	**55,066**	45,018	21,374

10. Related parties

In the normal course of business the Company has operational and financing transactions with several related parties. The significant related party balances and transactions are summarized below:

- Aguassanta:

The Company has land leased from entities controlled by Group Aguassanta ("Aguassanta") a group of entities under common control, being Mr. Rubens Ometto de Silveira de Mello ultimate controlling shareholder. The lease costs are paid considering the ATR price published by CONSECANA and contracts having terms expiring between 2026 and 2027.

- Radar

The Company has land leased from entities controlled by Radar our associate. These lease costs are paid also considering the ATR price published by CONSECANA and most of the lease contracts have terms expiring in 2027.

- Rezende Barbosa

The Company holds a receivable originated from the acquisition of Curupay which are ultimately guaranteed by shares issued by the Company.

The Company executed a long-term sugar-cane supply agreement with Rezende Barbosa. Prices paid to them are based on ATR price published by CONSECANA .

- Vertical UK LLP

The Company sells and buys ethanol from Vertical UK ("Vertical") in the normal course of business. Vertical is a Trading Company headquartered in Switzerland for which we have a 50% stake .

- Logispot

In the year ended March 31, 2010 The Company acquired a minority stake in this entity and the installments outstanding represented the March 31, 2010 balance payable in regard to the share acquisition. In March 2011 The Company acquired the control of such entity as disclosed in Note 11.

(In thousand Reais, unless otherwise stated)

- Cosan Limited

Following the acquisition of Esso Brasileira de Petróleo Ltda. (CCL) which occurred in 2008, Cosan Limited purchased floating rate notes issued by this company in the past. The notes were denominated in US Dollars with interest based on Libor plus 2.8% per year. During the year ended March 31, 2010 the Company repaid such notes using resources raised from the issuance of Senior Notes due in 2014.

a. Summarized balances with related parties

	2011	2010	April 1, 2009
Current assets			
Vertical	**6,430**	5,015	26,850
Aguassanta	**-**	14,003	-
Rezende Barbosa	**7,298**	7,349	-
Other	**941**	879	30,382
Total current assets	**14,669**	27,246	57,232
Non-current assets			
Rezende Barbosa	**91,954**	81,411	-
Total assets	**106,623**	108,657	57,232

	2011	2010	April 1, 2009
Current Liabilities			
Rezende Barbosa	**37,664**	1,689	-
Logispot	**-**	11,244	-
Other	**3,499**	3,172	4,458
Total current liabilities	**41,163**	16,105	4,458
Non-current liabilities			
Cosan Limited	**-**	-	405,871
Other	**4,444**	-	-
Total non-current liabilities	**4,444**	-	405,871
Total Liabilities	**45,607**	16,105	410,329

(In thousand Reais, unless otherwise stated)

b. Summarized transactions with related parties

	2011	2010
Sales of products/ services		
Vertical UK	**160,202**	154,042
Aguassanta	**39,131**	101,902
Other	**832**	-
	200,165	255,944
Purchase of goods/ services		
Rezende Barbosa	**(352,195)**	(155,615)
Leased land		
Aguassanta	**(26,459)**	(18,817)
Radar	**(28,446)**	(23,852)
	(54,905)	(42,669)
Financial income/ (expense)		
Cosan Limited	**(12)**	78,615
Rezende Barbosa	**233**	18,045
Other	**524**	(84)
	745	96,576

c. Officers and directors compensation

Fixed and variable compensation for key management, including officers and directors were recorded as general, administrative and other expenses and amounted to as follows:

	2011	2010
Regular compensation	**7,894**	6,589
Stock option expense	**2,961**	8,971
Bonuses and other variable compensation	**23,791**	6,325
Total compensation recorded as expense	**34,646**	21,885

11. Business combination and acquisitions of non-controlling interest

a. Logispot Armazéns Gerais S.A. (“Logispot”)

On March 14, 2011, Cosan, through its indirect subsidiary Rumo Logística S.A. (“Rumo”), purchased 874,226 common shares of Logispot, totaling R$ 48,888 cash which increased its participation in the common shares of Logispot from 14.28% to 51.00%.

Logispot is located in the city of Sumaré and is an important link between plants in the state of São Paulo and Santos Port. The terminal is accessed by all railroads that cross the state of São Paulo and is beside the Anhanguera, Bandeirantes and Dom Pedro highways. The site has a static capacity of 400,000 tons, a structure to receive and send both through roads, as well as by rail, but the potential to carry a composition of 120 railcars of 90 tones per day (unaudited information).

(In thousand Reais, unless otherwise stated)

The fair value at the acquisition date of the consideration transferred totaled R$ 68,880, which consisted of the following:

Cash	48,888
Fair value of 14.28% of Cosan in Logispot immediately before the business combination	19,992
Total	68,880

The estimated fair value of assets acquired and liabilities assumed at the date of acquisition of Logispot were as follows:

Description	
Trade accounts receivable	1,297
Others assets	677
Property, plant and equipment	218,638
Deferred income and social contribution taxes	(64,394)
Others liabilities	(26,942)
Non-controlling interest	(63,901)
Net assets acquired	**65,375**
Consideration transferred, net of cash acquired	67,745
Provisional goodwill	**2,370**

The purchase price for the acquisition of Logispot was allocated on a preliminary basis based on the estimated fair value of assets acquired and liabilities assumed. The provisional goodwill has been allocated in the segment Rumo.

a. Cosan Araraquara Açúcar e Álcool Ltda. ("Usina Zanin")

On February 18, 2011, the Company acquired 100% of the share capital of Usina Zanin, for R$90,000 cash.

Usina Zanin is located in the city of Araraquara and has a production capacity of 300m ³ / day of anhydrous ethanol, 220m ³ / day of hydrous ethanol, 925 tons / day of sugar and storage capacity of 35,000 m³ of ethanol and 25,000 tons of sugar (unaudited information).

The estimated fair value of assets acquired and liabilities assumed at date of acquisition of Usina Zanin, was as follows:

Description	
Inventories	8,511
Biological assets	87,115
Others assets	57,527
Property, plant and equipment	257,473
Intangible assets	4,407
Loans and Long-term debt	(280,941)
Provision for judicial demands	(21,471)
Deferred income and social contribution taxes	(45,277)
Others liabilities	(47,819)
Net assets acquired	**19,525**
Consideration transferred, net of cash acquired	88,927
Goodwill	**69,402**

(In thousand Reais, unless otherwise stated)

The purchase price of the acquisition of Usina Zanin was preliminarily allocated based on the estimated fair value of assets acquired and liabilities assumed. The preliminary goodwill has been allocated in the S&E segment.

b. TEAS Terminal Exportador de Álcool de Santos S.A. (“TEAS”)

On November 24, 2009, the Company acquired, for R$ 20,260 cash, an additional 26.7% interest, represented by 10,527,295 common shares, of TEAS from Crystalsev Comércio e Representação Ltda and Plínio Nastari Consultoria e Participações Ltda.. As a result of this transaction, Cosan increased its direct share ownership in TEAS from 40.0% to 66.7% and obtained control of TEAS. TEAS has a port concession and operates a dedicated terminal for export of ethanol.

The acquisition date fair value of the consideration transferred totaled R$ 39,911, which consisted of the following:

Cash	20,260
Fair value of share of 40% of Cosan in TEAS immediately before the combination	19,651
Total	39,911

The following table summarizes the fair values of assets acquired and liabilities assumed at the acquisition date:

Description	
Property, plant and equipment	21,162
Others assets and liabilities, net	405
Non-controlling interest	(6,258)
Net assets acquired	**15,309**
Consideration transferred, net of cash acquired	22,610
Goodwill	**7,301**

The goodwill has been allocated in the S&E segment.

c. Curupay S.A. Participações (“Curupay”)

On June 18, 2009, Cosan S.A. acquired 100% of the outstanding shares of Curupay S.A. Participações from Rezende Barbosa S.A. Administração e Participações (“Rezende Barbosa”), through the issuance of 44,300,389 common shares valued at R$14.09 per share (fair value at the acquisition date) with a value of R$ 624,192. The assets acquired include the non-controlling interest in Novo Rumo Logística S.A. (“Novo Rumo”) representing 28.82% of its outstanding shares which were issued in the Teaçu Armazéns Gerais S.A. (Teaçu”) acquisition, and 100% of the outstanding shares of two operating companies, Nova América S.A. Trading and Cosan Alimentos (collectively referred to as “Nova América”).

With the acquisition of the noncontrolling interest of Novo Rumo, Cosan increased its share ownership in Novo Rumo to 92.88%. This transaction was a change in ownership interest without a loss of control and accounted for as a transaction in equity.

(In thousand Reais, unless otherwise stated)

The following table summarizes the assets acquired and liabilities assumed in relation to Nova America:

Description	
Inventories	119,212
Related parties	67,741
Property, plant and equipment	885,786
Intangible assets	243,955
Noncontrolling interest in Novo Rumo	132,539
Others assets	340,776
Loans and Long-term debt	(1,174,631)
Taxes payables	(56,028)
Deferred income and social contribution taxes	(47,354)
Others liabilities	(303,651)
Net assets acquired	**208,345**
Consideration transferred, net of cash acquired	572,710
Goodwill	**364,365**

The goodwill of R$ 364,365 arising from the acquisition was assigned to the Sugar and Ethanol operating segment (“S&E”).

The purchase price to acquire Curupay was allocated based on the fair value of assets acquired and liabilities assumed. The Company obtained an independent valuation of property, plant and equipment, intangible assets, loans and long-term debt and internally determined the fair value of other assets and liabilities of the acquired business

d. Teaçu Armazéns Gerais S.A. (“Teaçú”)

On April 9, 2009, the Company, through its 90% owned subsidiary, Copsapar Participacoes SA, which owns 100% of the Novo Rumo, acquired 100% of the shares of Teaçu of Rezende Barbosa for R$ 121,131 and issue of 90,736,131 shares of Novo Rumo, equivalent to 28.82% of their capital. Teaçu holds a port concession and operates a dedicated terminal for export of sugar and other agricultural products.

As a result of this transaction, the Company reduced its indirect participation in Novo Rumo to 64.06%.

The acquisition date fair value of the consideration transferred totaled R$ 382,908, which is formed by:

Cash	121,131
Common stock at fair value	261,777
Total consideration transferred	382,908

In the absence of a market price, the fair value of shares included in the consideration transferred was calculated using an income approach, using the present value of estimated future cash flows.

(In thousand Reais, unless otherwise stated)

The table below shows the fair values of assets acquired and liabilities assumed at the date of acquisition.

Description	
Property, plant and equipment	101,711
Intangible assets	316,977
Inventories	2,768
Others assets	61,740
Loans and Long-term debt	(43,355)
Suppliers	(1,111)
Provision for judicial demands	(7,532)
Deferred income and social contribution taxes	(104,551)
Others liabilities	(7,138)
Net assets acquired	**319,511**
Consideration transferred, net of cash acquired	382,432
Goodwill	**62,921**

The goodwill was assigned to Rumo operating segment.

The purchase price for the acquisition of Teaçu was allocated based on the fair value of assets acquired and liabilities assumed. The Company obtained an independent valuation of property, plant and equipment, intangible assets, loans and Long-term debt and internally determined the fair value of other assets and liabilities of the acquiree.

e. Additional information (unaudited)

If entities acquired during 2011 had been included in the income statement since the beginning of the year the additional revenue would be R$ 254,368 and net income would be decreased in R$ 6,461.

12. Equity Method Investments (associates)

	Investments			**Equity income (loss) associates**		
	2011	**2010**	**April 1 2009**	**2011**		**2010**
Radar (interest of 18.92%)	**260,756**	222,525	184,211	**28,658**		24,639
Uniduto Logística Ltda. (interest of 36.45%)	**9,561**	17,783	7,506	**(12,391)**		-
Logum Logística S.A.	**18,300**	-	-	**-**		-
Other investments	**15,525**	20,506	131,360	**8,920**		(20,461)
	304,142	260,814	323,077	**25,187**	8	4,178

(In thousand Reais, unless otherwise stated)

Changes in investments

Balances at April 1, 2009	**323,077**
Equity income (loss)	4,178
Additions to investments	48,805
Change from associate to subsidiary	(119,051)
Others	3,805
Balances at March 31, 2010	**260,814**
Equity income (loss)	**25,187**
Additions to investments	**37,979**
Change from associate to subsidiary	**(20,015)**
Others	**177**
Balances at March 31, 2011	**304,142**

Information on investments

On March 31, 2011

	Assets	Liabilities	Equity	Net income (loss)
Radar	**1,804,609**	**426,355**	**1,378,254**	**151,421**
Uniduto Logística Ltda.	**27,836**	**1,608**	**26,228**	**(18,786)**
Logum Logística S.A.	**101,982**	**8,343**	**93,639**	**(4,289)**

(In thousand Reais, unless otherwise stated)

13. Biological assets

Changes in biological assets (sugarcane plants) is described below:

	Consolidated
Balances at April 1, 2009	754,231
Change in fair value	44,871
Increase due to planting and growing costs	647,467
Harvested cane transferred to inventory	(483,325)
Balances at March 31, 2010	963,244
Change in fair value	**381,894**
Increase due to planting and growing costs	**745,572**
Harvested cane transferred to inventory	**(616,693)**
Increase resulting from business combination	**87,115**
Balances at March 31, 2011	**1,561,132**

Sugarcane plants

Areas cultivated represent only sugarcane, without considering the land where these crops are found. The following assumptions were used to determine fair value using the discounted cash flow:

	2011	2010
Crop area (hectares)	**340,386**	297,864
Expect productivity (tons of cane per hectare)	**84.74**	90.36
Total amount of recoverable sugar – ATR (kg)	**138.54**	134.08
Price kg ATR projected average (R$/kg)	**0.4228**	0.3781

Sugar production depends on the volume and sucrose content of sugarcane grown or supplied by farmers located near the plants. The yield of the crop and the sucrose content in sugarcane mainly depend on weather conditions such as rainfall rate and temperature, which may vary. Historically, weather conditions have caused volatility in ethanol and sugar production, and consequently in our operating results because it cause demage to the annual harvest. Future climate conditions may reduce the amount of sugar and sugarcane that the Company will obtain in a particular season or in the sucrose content of sugarcane. Additionally, our business is subject to seasonality according to the growth cycle of sugarcane in the south-central region of Brazil. The period of annual harvest of sugarcane in the south-central region of Brazil begins in April / May and ends in November / December. This creates variations in stock, usually high in November to cover sales between harvests (i.e. from December to April) and a degree of seasonality in gross profit as sales of ethanol and sugar are significantly lower in the last quarter of fiscal year. The seasonality and any reduction in the volume of sugar recovered could have a material adverse effect on our operating results and financial condition.

(In thousand Reais, unless otherwise stated)

14. Property, plant and equipment

	Land and rural properties	Buildings and improvements	Machinery and Equipment	Aircraft	Rail cars and locomotives	Boats and vehicles	Furniture, fixtures and computer equipment	Construction in progress	Advances for purchase of property, plant and equipment	Parts and components to be periodically replaced	Other	Total
Cost or valuation:												
Balances at April 1, 2009	**1,025,824**	**806,335**	**1,994,666**	**14,131**	**-**	**212,983**	**103,590**	**881,561**	**203,493**	**214,095**	**5,248**	**5,461,926**
Addition	4,297	5,313	49,580	-	-	313	494	1,326,213	-	333,859	-	1,720,069
Write-offs	(5,657)	(11,537)	(44,046)	(736)	-	(19,986)	(6,063)	-	(23,225)	(6,212)	(4,064)	(121,526)
Transfers	635	133,202	1,025,250	4,691	-	28,985	15,182	(1,208,111)	-	(467)	-	(633)
Addition by acquisition	16,751	-	581,788	-	-	1,050	5,891	408,589	20,366	16,042	(179)	1,050,298
Balances at March 31, 2010	**1,041,850**	**933,313**	**3,607,238**	**18,086**	**-**	**223,345**	**119,094**	**1,408,252**	**200,634**	**557,317**	**1,005**	**8,110,134**
Addition	12,500	6,684	81,133	-	-	312	1,806	1,577,620	-	479,446	-	2,159,501
Write-offs	(4,445)	(10,001)	(29,556)	(1,148)	-	(2,814)	(5,575)	-	(87,899)	-	-	(141,438)
Transfers	6,534	164,304	1,170,279	13,965	341,647	102,199	21,728	(1,824,414)	-	-	3,758	-
Addition by acquisition	206,801	27,956	151,338	-	-	-	153	57,307	36,212	6,579	19	486,365
Balances at March 31, 2011	**1,263,240**	**1,122,256**	**4,980,432**	**30,903**	**341,647**	**323,042**	**137,206**	**1,218,765**	**148,947**	**1,043,342**	**4,782**	**10,614,562**
Depreciation:												
Balances at April 1, 2009	**-**	**(217,724)**	**(1,107,817)**	**(11,133)**	**-**	**(126,580)**	**(72,580)**	**-**	**-**	**(467)**	**(2,002)**	**(1,538,303)**
Depreciation expenses	-	(43,550)	(198,621)	(2,026)	-	(22,960)	(10,503)	-	-	(240,629)	-	(518,289)
Disposals	(954)	6,505	33,016	68	-	15,553	4,332	-	-	-	2,002	60,522
Transfers	-	970	(795)	-	-	(351)	176	-	-	467	-	467
Addition by acquisition	-	-	-	-	-	-	-	-	-	-	-	-
Balances at March 31, 2010	**(954)**	**(253,799)**	**(1,274,217)**	**(13,091)**	**-**	**(134,338)**	**(78,575)**	**-**	**-**	**(240,629)**	**-**	**(1,995,603)**
Depreciation expenses	-	(46,053)	(218,193)	(2,133)	(6,128)	(18,348)	(14,467)	-	-	(371,230)	-	(676,552)
Disposals	(2,164)	5,947	24,776	29	-	2,487	5,160	-	-	-	-	36,235
Transfers	-	6,285	(4,878)	-	-	53	422	-	-	-	-	1,882
Addition by acquisition	-	-	-	-	-	-	-	-	-	-	-	-
Balances at March 31, 2011	**(3,118)**	**(287,620)**	**(1,472,512)**	**(15,195)**	**(6,128)**	**(150,146)**	**(87,460)**	**-**	**-**	**(611,859)**	**-**	**(2,634,038)**
Net salvage value:												
Balances at:												
March 31, 2011	**1,260,122**	**834,636**	**3,507,920**	**15,708**	**335,519**	**172,896**	**49,746**	**1,218,765**	**148,947**	**431,483**	**4,782**	**7,980,524**
March 31, 2010	**1,040,896**	**679,514**	**2,333,021**	**4,995**	**-**	**89,007**	**40,519**	**1,408,252**	**200,634**	**316,688**	**1,005**	**6,114,531**
April 1, 2009	**1,025,824**	**588,611**	**886,849**	**2,998**	**-**	**86,403**	**31,010**	**881,561**	**203,493**	**213,628**	**3,246**	**3,923,623**

(In thousand Reais, unless otherwise stated)

Capitalization of borrowing costs

On March 31, 2011, borrowing costs capitalized amounted to R$ 70,543 (R$ 43,302 in 2010). The weighted average interest rate, used for capitalization of interest on the balance of construction in progress, was 9.13% at March 31, 2011 (6.47% in 2010).

15. Intangible assets

	Software license	Trademarks	Goodwill	Customer base	Favorable operating leases	Distribution rights	Others	Total
Cost or valuation:								
Balances at April 1, 2009	**66,090**	**341,221**	**1,770,176**	**266,443**	**-**	**59,404**	**-**	**2,503,334**
Addition	7,139	-	-	-	-	**42,607**	-	**49,746**
Write-off	(5,972)	-	(41,066)	-	-	**-**	-	**(47,038)**
Transfers	633	-	-	-	-	**-**	-	**633**
Addition by acquisition	2,507	88,450	434,587	316,977	155,505	**-**	14,226	**1,012,252**
Others	-	-	15,554	-	-	**-**	-	**15,554**
Balances at March 31, 2010	**70,397**	**429,671**	**2,179,251**	**583,420**	**155,505**	**102,011**	**14,226**	**3,534,481**
Addition	33,709	-	**-**	-	-	**68,280**	30,157	**132,146**
Write-off	(6,103)	-	**-**	-	-	**-**	(600)	**(6,703)**
Transfers	-	-	**-**	-	-	**-**	(1,546)	(1,546)
Addition by acquisition	60	-	**71,772**	-	-	**-**	1,026	**72,858**
Others	-	-	**2,297**	-	-	**-**	-	2,297
Balances at March 31, 2011	**98,063**	**429,671**	**2,253,320**	**583,420**	**155,505**	**170,291**	**43,263**	**3,733,533**
Amortization								
Balances at April 1, 2009	**(37,379)**	**-**	**-**	**-**	**-**	**-**	**-**	**(37,379)**
Amortization expense	(14,153)	(49,134)	-	(20,030)	(6,479)	**(26,576)**	(2,433)	**(118,805)**
Write-off	5,874	-	-	-	-	**-**	-	**5,874**
Addition by acquisition	(2,186)	-	-	-	-	**-**	(519)	**(2,705)**
Balances at March 31, 2010	**(47,844)**	**(49,134)**	**-**	**(20,030)**	**(6,479)**	**(26,576)**	**(2,952)**	**(153,015)**
Amortization expense	(16,924)	(49,576)	-	(21,008)	(8,639)	**(35,811)**	(5,524)	**(137,482)**
Write-off	5,969	-	-	-	-	**-**	-	**5,969**
Transfers	(7,265)	-	-	-	-	**-**	3,829	**(3,436)**
Addition by acquisition	(47)	-	-	-	-	**-**	152	**105**
Balances at March 31, 2011	**(66,111)**	**(98,710)**	**-**	**(41,038)**	**(15,118)**	**(62,387)**	**(4,495)**	**(287,859)**
Net book value:								
Balances at March 31, 2011	**31,952**	**330,961**	**2,253,320**	**542,382**	**140,387**	**107,904**	**38,768**	**3,445,674**
Balances at March 31, 2010	**22,553**	**380,537**	**2,179,251**	**563,390**	**149,026**	**75,435**	**11,274**	**3,381,466**
Balances at April 1, 2009	**28,711**	**341,221**	**1,770,176**	**266,443**	**-**	**59,404**	**-**	**2,465,955**

Intangible asset	Annual amortization rate	2011	2010	April 1, 2009
Software license	20%	**31,952**	22,553	28,711
Trademarks				
Trademark Esso (a)	20%	**68,696**	93,677	118,657
Trademark Mobil (b)	10%	**176,911**	199,737	222,564
Trademark União (c)	2%	**85,354**	87,123	-
Customer base (d)	3.45%	**247,907**	257,176	266,443
Customer base (e)	3.70%	**294,475**	306,214	-
Favorable operating leases (f)	5.56%	**140,387**	149,026	-
Distribution rights	Straight line over contract term	**107,904**	75,436	59,404
Others		**38,767**	11,272	-
Total		**1,192,353**	1,202,214	695,779

(In thousand Reais, unless otherwise stated)

(a) refers to the right to use the trademark Esso, arising from the acquision of Cosan CL.
(b) refers to the right to use the trademark of Mobil lubricants arising from the acquision of Cosan CL.
(c) refers to the right to use the trademark sugar União arising from the acquision of Curupay.
(d) refers to the customer of Cosan CL acquired in its business combination.
(e) refers to the costumer base of Teaçu acquired in its business combination.
(f) refers to favorable lease contracts arising from the acquisition of Curupay.

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to the operating segments of the Company, at which goodwill is monitored for purposes of internal administration. Goodwill acquired through business combinations has been allocated to three cash-generating units, which are also the Company´s operating segments, as presented below:

- Sugar and ethanol cash-generating unit ("S&E");
- Distribution of fuels and lubricants cash-generating unit ("CCL");
- Logistic cash-generating unit ("Rumo").

The combined value of goodwill allocated to each unit is as follows:

Carrying amount of goodwill	**2011**	**2010**	**April 1, 2009**
S&E cash-generating unit	**1,433,982**	1,374,437	1,003,378
CCL cash-generating unit	**755,524**	747,895	766,798
Rumo cash-generating unit	**63,814**	56,919	-
Total goodwill	**2,253,320**	2,179,251	1,770,176

As defined in the accounting policy described in note 2.3 (k), the Company tests annually the recoverable amount of goodwill.

The Company uses the value in use method to determine the recoverable amount of the cash-generating unit. The value in use calculation is based on the projection of the expected cash flows of the cash-generating units. The key assumptions used to determine the value in use include (i) sales prices of commodities, (ii) operating costs, (iii) capital expenditures and (iv) discount rates.

Management determines its cash flows based on its annual budgets taking into account for each cash generating unit (i) S&E: the expected long-term sales price of commodities, productivity of agricultural areas, the performance of total recoverable sugar ("ATR"), and related costs, (ii) CCL : the expected growth in operations based on gross domestic product and other macroeconomic aspects, (iii) Rumo: expectations of the Brazilian sugar production destined designated mainly for export. All these cash flows are discounted at rates that reflect specific risks relating to assets relevant to each cash generating unit.

(In thousand Reais, unless otherwise stated)

Management has not identified any impairments for its cash generating units. The determination of the recoverable amount depends on certain key assumptions as described above which are influenced by market conditions, technological and economic forces present at the time that the impairment test is undertaken and thus management cannot determine if impairment losses will occur in the future.

16. Loans and long-term debt

Description	Index	Average annual interest rate	2011	2010	April 1, 2009	Maturity date
Senior Notes Due 2014	Dollar (USD)	9.5%	**576,814**	631,246	-	July/2014
Senior Notes Due 2017	Dollar (USD)	7.0%	**658,954**	720,573	936,704	February/2017
Commercial promissory notes	DI – Interbank Deposits	3.0%	**-**	-	1,161,971	November/2009
BNDES	URTJLP	2.61%	**1,308,034**	1,053,337	230,504	October/2025
	Upon fixed	4.5%	**242,508**	-	-	July/2020
	UMBND	7.1%	**38,947**	-	-	July/2019
Bank Credit Notes	CDCA	0.6%+CDI	**31,378**	62,497	-	December/2011
ACC	Dollar (USD)	1.60%	**228,229**	296,375	143,250	March/2012
Perpetual Notes	Dollar (USD)	8.3%	**1,236,209**	810,896	1,054,119	November/2015
Resolution 2471 (PESA)	IGP-M	3.95%	**674,392**	603,504	579,856	April/2023
	Pre fixed	3.0%	**114**	121	129	October/2025
Rural Credits	Pre fixed	6.7%	**92,352**	-	-	October/2011
Pre Payments	Dollar (USD) + *Libor*	6.78%	**736,472**	976,277	-	February/2016
Credit Notes	125,0% CDI	-	**303,719**	380,140	-	February/2014
	Dollar (USD)	6.25%	**314,105**	182,831	-	February/2013
	Pre fixed	19.7%	**10,142**	-	-	October/2012
Finame	Pre fixed	4.92%	**517,842**	104,214	1,014	July/2020
	URTJLP	2.84%	**187,336**	94,775	43,653	March/2021
Others	Diverse	Diverse	**33,748**	14,744	183,760	Diverse
			7,191,295	5,931,530	4,334,960	
Current			**(916,400)**	(795,001)	(1,449,504)	
Non Current			**6,274,895**	5,136,529	2,885,456	

All loans and long-term debt are guaranteed by promissory notes and endorsements, besides other guarantees, such as: i) Credit rights originated from energy contracts (BNDES); ii) CTN and land mortgages; and iii) underlying assets being financed (Finame).

Long-term debt has the following scheduled maturities:

	2011	2010	2009
13 to 24 months	**745,454**	612,101	42,322
25 to 36 months	**762,649**	748,966	49,799
37 to 48 months	**1,010,797**	235,191	83,140
49 to 60 months	**777,963**	849,737	23,882
61 to 72 months	**878,092**	113,057	19,447
73 to 84 months	**222,289**	825,623	16,676
85 to 96 months	**453,711**	109,472	943,421
Thereafter	**1,423,940**	1,642,382	1,706,769
	6,274,895	5,136,529	2,885,456

Resolution No. 2471 - Special Agricultural Financing Program (Programa Especial de Saneamento de Ativos), or PESA

From 1998 to 2000, the Company and its subsidiaries renegotiated their debts related to financing for agricultural costs with several financial institutions, reducing it to annual interest rates below 10%, ensuring the repayment of debt's principal with assignment and transfer of Treasury Certificates, redeemable at the debt clearing, using the incentives promoted by Central Bank resolution No. 2471 of February 26, 1998. That debt is self-cleared by CTN, as mentioned in explanatory note 6.

Senior Notes due 2014

On August 4, 2009, the indirect subsidiary CCL Finance Limited issued US$ 350,000 of senior notes in the international capital markets. These senior notes, listed on the Luxembourg Stock Exchange, mature in August 2014 and bear interest at a rate of 9.5% per annum, payable semi-annually in February and August of each year, from February of 2010.

Senior Notes due 2017

On January 26, 2007, the wholly-owned subsidiary Cosan Finance Limited issued US$400,000 of senior notes in the international capital markets. These senior notes, listed on the Luxembourg Stock Exchange, mature in November 2017 and bear interest at a rate of 7% per annum, payable semi-annually. The senior notes are guaranteed by Cosan, and its subsidiary, Cosan Açúcar e Álcool.

Promissory Notes

On November 17, 2008, the Company issued one series of 44 registered promissory notes. On November 12, 2009, the Company fully paid this debt.

BNDES

Refers to the financing of cogeneration projects, as well as the financing of greenfields (sugar and ethanol mills).

<u>Perpetual Notes</u>

On January 24 and February 10, 2006, Cosan issued perpetual notes which are listed on the Luxembourg Stock Exchange - EURO MTF. These notes bear interest at a rate of 8.25% per year, payable quarterly on May 15, August 15, November 15 and February 15 of each year, beginning May 15, 2006. These notes may, at the discretion of Cosan, be redeemed on any interest payment date subsequent to February 15, 2011. The notes are guaranteed by Cosan and by Cosan S.A. Açúcar e Álcool.

On November 5, 2010 the subsidiary Cosan Overseas Limited issued $300,000 of perpetual notes in the foreign market, in accordance with "Regulation S". These notes bear interest at a rate of 8.25% per year, payable quarterly.

<u>Advances on Foreign Exchange Contracts ("ACC"), Pre payments and Credit Notes</u>

ACC contracts, pre payments and credit notes have been signed with several financial institutions and will be cleared through exports made from 2011 to 2014. These transactions are subject to interest rates ranging from 1.0% to 6.25% per annum payable semiannually and on maturity.

<u>Finame</u>

Finame borrowings are financing related to financing of machinery and equipment. These loans are subject to interest rates ranging from 1.15% to 9.73% per annum, payable monthly and are secured by underlying financed assets.

<u>Covenants</u>

The Company and its subsidiaries are subject to certain restrictive financial covenants set forth in existing loans and financing agreements. At March 31, 2011, Cosan was in compliance with its debt covenants.

(In thousand Reais, unless otherwise stated)

17. Taxes payable

	2011	2010	April 1, 2009
ICMS – State VAT	**72,265**	49,197	24,847
IPI	**30,661**	6,379	25,776
INSS	**25,309**	23,891	20,376
PIS	**7,229**	8,129	6,113
COFINS	**33,721**	32,077	23,492
Recovery program – REFIS IV	**670,645**	665,470	-
Recovery program - REFIS (1)	**-**	-	273,507
Recovery program – PAES (1)	**294**	409	69,813
Income Tax	**20,928**	1,945	41,099
Others	**23,303**	21,219	12,333
	884,355	808,716	497,356
Current	**(245,284)**	(215,862)	(168,596)
Non Current	**639,071**	592,854	328,760

(1) These tax recovery programs have been reassessed and transferred to the Tax Recovery from Brazilian Law No 11.941/09 and MP 470/09, except for the recovery program related to PAES – salário educação.

Maturities of long-term taxes payables are as follows:

	2011	2010	April 1, 2009
13 – 24 months	**67,848**	59,698	44,549
25 - 36 months	**61,205**	57,933	43,409
37 - 48 months	**60,396**	54,991	42,644
49 - 60 months	**60,008**	51,241	28,837
61 - 72 months	**52,243**	51,026	24,067
73 - 84 months	**46,707**	44,303	24,067
85 - 96 months	**45,799**	38,911	24,067
As from 97 months	**244,865**	234,751	97,120
	639,071	592,854	328,760

<u>Tax recovery program – Law 11.941/09 e Provisional Measure 470/09 ("Refis IV")</u>

On May 27, 2009 and October 13, 2009, Law 11.941 and MP 470 were approved by the Brazilian government creating a tax recovery program, permitting the taxpayer to settle its federal tax debts, previous recovery programs, and other federal taxes under court discussions with discounts on previously charged penalties and interest and in installments. Such discounts generated a gain of R$270,333, recorded in the income statement.

Additionally, it was permitted for the taxpayer to offset a portion of the penalties and interest due with its balance of income tax loss carry forwards. MP470 also allowed taxpayers to use tax losses to offset the principal balance related to IPI taxes.

(In thousand Reais, unless otherwise stated)

18. Income taxes and social contribution

a) Reconciliation of income and social contribution tax expenses:

	2011	2010
Pretax income	**1,191,070**	1,472,854
Income tax and social contribution at nominal rate (34%)	**(404,963)**	(500,770)
Adjustments made for determining the effective rate		
Equity pick up	**8,563**	1,421
Non deductible donations and contributions	**(9,130)**	(4,167)
Tax effect due to tax recovery program – REFIS IV	**-**	59,038
Stock options expense	**(1,007)**	(3,050)
Others	**(7,971)**	24,224
Total of deferred and current taxes	**(414,508)**	(423,304)
Effective rate	**34.80%**	28.74%

b) Deferred income and social contribution tax assets/liabilities:

	2011				2010	2009
Assets	**Basis**	**IRPJ 25%**	**CSLL 9%**	**Total**		
Tax losses:						
Tax losses	1,094,220	273,555	-	273,555	217,360	209,859
Negative social contribution	1,106,768	-	99,609	99,609	79,375	75,558
Temporary differences:						
Provisions for legal proceedings and other temporary differences	978,093	244,523	88,030	332,553	339,689	442,064
Temporary differences from IFRS adoption	28,284	7,071	2,545	9,616	49.715	81,737
	3,207,365	525,149	190,184	715,333	686,139	809,218
Liability						
Temporary differences:						
Exchange rate	(806,438)	(201,610)	(72,579)	(274,189)	(183,449)	-
Depreciation	(18,384)	(4,596)	-	(4,596)	-	-
Goodwill	(742,129)	(185,532)	(66,791)	(252,323)	(114,152)	-
Temporary differences from IFRS adoption:						
Business combination	(1,843,862)	(460,965)	(165,948)	(626,913)	(564,934)	(361,548)
Deemed cost	(366,150)	(91,573)	(32,953)	(124,490)	(124,490)	(124,490)
Others	(671,919)	(167,982)	(60,472)	(228,454)	(135,383)	(43,931)
	(4,448,882)	(1,112,222)	(398,743)	(1,510,965)	(1,122,408)	(528,969)
Total deferred taxes, net	(1,192,488)	(587,073)	(208,559)	(795,632)	(436,269)	280,249

(In thousand Reais, unless otherwise stated)

In assessing the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. There is no expiration term for the net operating loss carry forwards. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Cosan will realize the benefits of these deductible differences at March 31, 2011, as well as the net operating loss carry forwards. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. Income tax losses carry forwards and social contribution tax losses may be offset against a maximum of 30% of annual taxable income, with no statutory limitation period.

19. Provision for judicial demands

	2011	2010	April 1, 2009
Tax	**418,744**	397,051	1,121,338
Civil	**82,599**	66,556	77,406
Labor	**164,939**	148,376	78,421
	666,282	611,983	1,277,165

	Tax	Civil	Labor	Total
Balance at March 31, 2010	397,051	66,556	148,376	611,983
Provision	36,103	61,217	38,818	136,138
Settlements	(6,648)	(11,278)	(27,901)	(45,827)
Write off	(45,094)	(59,767)	(4,418)	(109,279)
Addition from acquisition	14,722	3,404	4,882	23,008
Monetary variation	22,610	22,467	5,182	50,259
Balance at March 31, 2011	**418,744**	**82,599**	**164,939**	**666,282**

Judicial demands deemed as probable loss

a) Tax

The major tax legal proceeding as of March 31, 2011, 2010 and April 1, 2009 are described as follows:

	2011	2010	April 1, 2009
Credit premium – IPI (i)	**-**	-	269,157
IPI credits (i)	**-**	-	92,722
Contribution to IAA (i)	**-**	-	84,904
IPC – 89 (ii)	**80,273**	86,503	81,546
Compensation with Finsocial (iii)	**183,706**	172,960	163,668
ICMS credits (iv)	**56,880**	60,240	46,226
PIS and COFINS	**8,220**	21,212	144,830
IPI	**20,759**	8,357	54,699
Income and social contribution taxes	**2,093**	789	43,463
Other	**66,813**	46,990	140,123
	418,744	397,051	1,121,338

(i) The Company and its subsidiaries opted to settle tax related claims in installments as provided by Brazilian Law No 11.941/09 and in MP 470/09 – Tax recovery program. The Company and its subsidiaries used accumulated tax losses to pay the related fines and interest. Consequently there was a full reduction of the claims related to IPI tax credit, as well as the installment payment of other federal taxes, that were recorded as Taxes Payable (Note 17)

(ii) In 1993 subsidiary Cosan CL filed a suit to challenge the balance sheet restatement index (IPC) established by the federal government in 1989, considering that such index did not reflect the actual inflation back then. The use of this index led the Company to supposedly overstate and overpay the income and social contribution taxes. Cosan CL obtained a favorable preliminary court ruling that allowed it to recalculate the financial position, using indexes that accurately measured the inflation over the period. In doing so the company adjusted the amounts of income and social contribution taxes payable and identified that overpayments for both taxes were offset in subsequent years until 1997. Despite the favorable court rulings, tax authorities issued a notice of infringement to the Company challenging all tax offsets performed in 1993 and some offsets in 1994 and 1997 which led the Company to record a provision in relation to those court rulings.

(iii) From June to December of 1994, the subsidiary Cosan CL used tax credits on COFINS taxes based on a favorable court ruling and compensated with other federal taxes. During 2008 the federal tax authorities in Brazil issued an assessment invalidating such compensation and therefore a provision related to this matter was recorded.

(iv) The provision for ICMS credits is comprised of: (a) tax assessment received, in which, despite the defense filed at the administrative and judicial levels, the legal counsel of the Company understand it is more likely than not that a loss will occur, (b) recovery of credits and financial charges on issues in which Company´s management has a differing view from the tax authorities.

(In thousand Reais, unless otherwise stated)

b) Civil and labor claims

The Company and its subsidiaries are parties to a number of civil claims related to (i) indemnity for physical and moral damages; (ii) public civil claims related to sugarcane stubble burning; and (iii) environmental matters.

The Company and its subsidiaries are also parties to a number of labor claims filed by former employees and service providers challenging, among other factors, the payment of additional hours, night shift premium and risk premium, employment inclusion, reimbursement of discounts from payroll, such as social contribution, trade union charges, among others.

Judicial demands deemed as possible loss

a) Tax claims

The main tax claims for which the unfavorable outcome is deemed possible and, therefore, no provision for legal claims was recorded, are as follows:

	2011	**2010**	**April 1, 2009**
Withholding income taxes (i)	**194,498**	182,824	161,440
ICMS – State VAT (ii)	**490,896**	322,340	178,390
IPI – Federal VAT (iii)	**270,817**	263,597	75,667
Compensation with IPI – IN 67/98 (iv)	**181,292**	174,867	157,525
Contribution to IAA – sugar & ethanol institute	**9,107**	2,544	73,184
INSS - social security (v)	**72,616**	4,061	1,839
PIS and Cofins (vi)	**163,129**	143,556	35,953
Other	**188,777**	117,784	80,686
	1,571,132	1,211,573	764,684

(i) Tax assessment – withholding income tax

In September 2006 the Federal Revenue Service served another notice of infringement on the Company, this time for failure to withhold and pay income tax at source on capital gains derived from the acquisition of a subsidiary.

(ii) ICMS – State VAT

Refers mainly to (i) Tax Assessment filed in view of the alleged lack of payment of ICMS and non-compliance with accessory obligation, in connection with the partnership and manufacturing upon demand, with Central Paulista Açúcar e Álcool Ltda., between May to December 2006 and May to December 2007; and (ii) ICMS levied on the remittances of crystallized sugar for export purposes. In accordance with the tax agent, such product is classified as semi-finished product and that, in accordance with the ICMS regulation, would be subject to taxation, (iii) ICMS levied on possible differences in terms of sugar and alcohol inventories, arising from magnetic tax files and Inventory Registry Books and (iv) ICMS concerning rate difference due to ethanol sales to companies located in other states, which, subsequently, had their registrations revoked and (v) disallowance of credit resulting from the acquisition of diesel used in the production process.

(iii) IPI – Federal VAT

SRF Normative Instruction n° 67/98 approved the procedure adopted by the industrial establishments which performed remittances without registries and payment of the IPI rate, in regard to transfers of sugarcane carried out between July 6, 1995 and November 16, 1997 and refined sugar between January 14, 1992 and November 16, 1997. Such rule was considered in proceedings filed by the Federal Revenue Secretariat against the Company, the unfavorable outcome of which is deemed as possible, in accordance with the opinion of the Company’s legal advisors.

(In thousand Reais, unless otherwise stated)

(iv) Offsets against IPI credits – IN 67/98

SRF Normative Instruction No. 67/98 made it possible to obtain refund of IPI tax payments for sales of refined sugar from January 14, 1992 through November 16, 1997. In view of this rule, the Company applied for offsetting amounts paid during the relevant periods against other tax liabilities. However, the Federal Revenue Service denied its application for both reimbursement and offsetting of such amounts. The Company challenged this ruling in an administrative proceeding.

Upon being notified to pay tax debts resulting from offset transactions in light of certain changes introduced by IN SRF No. 210/02, the Company filed a writ of mandamus and applied for a preliminary injunction seeking to stay enforceability of offset taxes, in an attempt to prevent the tax authorities from demanding the relevant tax debts in court. The preliminary injunction was granted by court.

(v) Social Security Contribution

Refers mainly to tax assessment received and defended by the legal counsel, concerning social security contribution on: (i) stock option plan and (ii) export sales and (iii) resale of materials for companies under common control and suppliers.

(vi) PIS and COFINS

Refers mainly to the reversal of PIS and COFINS credits, provided by Laws 10.637/2002 and 10.833/2003, respectively. Those reversals arise from a differing interpretation of the laws by the Internal Revenue Service in regard to raw materials. Such discussions are still at the administrative level

b) Civil and labor

The main civil and labor claims for which the unfavorable outcome is deemed possible are as follows:

	2011	**2010**	**April 1, 2009**
Civil	**377,608**	235,010	145,936
Labor	**302,289**	255,483	73,080
	679,897	490,493	219,016

(In thousand Reais, unless otherwise stated)

20. Commitments

Sales

Considering that the Company is mainly engaged in the commodities market, sales are substantially performed at the price on the date of sale. However, the Company has several agreements in the sugar market, which undertake to sell volumes of those products in future harvests.

The commitments for the sale of sugar, in tons, March 31, 2011 and 2010 are as follows (unaudited):

Year	**2011**	**2010**
2011	**-**	2,005,434
2012	**2,279,000**	1,828,134
Total	**2,279,000**	3,833,568

Purchases

Cosan has several commitments for the purchase of sugarcane from third parties in order to secure part of its production in subsequent years. The amount of sugarcane to be acquired has been calculated based on an estimate of the quantity to be ground by area. The amount to be paid by the Company is determined at the end of each harvest, according to prices published by CONSECANA.

Purchase commitments by harvest in tons on March 31, 2011 and 2010 are as follows (unaudited):

Year	**2011**	**2010**
2011	**-**	27,029,473
2012	**25,129,648**	23,600,912
2013	**21,998,612**	20,112,639
2014	**18,060,914**	16,345,120
2015	**15,448,964**	13,667,148
Thereafter	**119,467,512**	120,129,217
Total	**200,105,650**	220,884,509

At March 31, 2011, Cosan had a normal to crush 63 million tons (unaudited) of sugarcane during its harvest.

The Company has entered into contracts to purchase industrial equipment intended for maintenance and expansion of the mills, and to meet the demand of the electric energy co-generation project, in the total amount of R$ 396,536 on March 31, 2011.

(In thousand Reais, unless otherwise stated)

Additionally, the Company through its subsidiary Rumo Logistica S.A. entered into a commitment to purchase railcars, locomotives and invest in rail track improvements aimed at the expansion of the logistics business, as follows:

Year	2011	2010
2011	**341,647**	652,678
2012	**178,431**	126,892
2013	**44,000**	94,682
Total	**564,078**	874,252

Lease Agreements

Operating Leases

The Company and its subsidiaries have operating lease contracts on land used for planting sugarcane and the concession contract to operate the port terminal, which will end within 20 years.
The minimum payments related to these obligations are calculated on a straight-line basis over the term of the lease. The costs for these contracts during the year ended March 31, 2011 and 2010 consisted of the following:

	2011	2010
Minimum installment	**155,800**	113,953
Variable installment	**186,484**	112,990
Total	**342,284**	226,943

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of March 31, 2011 and 2010 are:

	2011	2010
Within 1 year	**189,530**	131,362
More than 1 year, less than 5 years	**754,695**	470,223
More than 5 years	**1,379,313**	1,354,501
Total	**2,323,538**	1,956,086

21. Equity

a) Common stock

The authorized common stock may be increased up to the limit of R$5,000,000, with no need of an amendment to the Company´s Bylaws, upon a decision of the Board of Directors.

As of March 31, 2011, the Company's capital is represented by 407,214,353 common shares (406,560,317 as of March 31, 2010 and 328,284,884 as of April 1, 2009), with no par value.

(In thousand Reais, unless otherwise stated)

Common shares issued and paid-in capital

Shares issued	Common share	Paid-in capital
As at April 1, 2009	**328,284,884**	**3,819,770**
Issuance on June 18 2009 related to the business acquisition of Curupay	44,300,389	334,172
Issuance on July 15, 2009 for purposes of meeting needs of the Stock Option Plan	224,819	1,374
Issuance on August 7, 2009 due to the exercise of subscription warrants by the holders (A)	50	-
Issuance on October 5, 2009 for purposes of meeting needs of the Stock Option Plan	169,500	1,036
Issuance on October 28, 2009 due to the exercise of subscription warrants by the holders (A)	23,753,953	380,063
Issuance on December 15, 2009 due to the exercise of subscription warrants by the holders (A)	84,000	1,344
Issuance on December 15, 2009 for purposes of meeting needs of the Stock Option Plan	571,194	3,490
Issuance on December 22, 2009 due to the exercise of subscription warrants by the holders (A)	8,072,976	129,16
Issuance on December 31, 2009 due to the exercise of subscription warrants by the holders (A)	1,081,552	17,305
Issuance on March 29th, 2010 for purposes of meeting needs of the Stock Option Plan	17,000	10
As at March 31, 2010	**406,560,317**	**4,687,826**
Issuance on July 29, 2010 for purposes of meeting needs of the Stock Option Plan	**449,879**	**2,749**
Issuance on September 17, 2010 for purposes of meeting needs of the Stock Option Plan	**91,657**	**560**
Issuance on March 4, 2011 for purposes of meeting needs of the Stock Option Plan	**112,500**	**687**
As at March 31, 2011	**407,214,353**	**4,691,822**

(A) In connection with a capital increase of R$880,000 on September 19, 2008 through the issuance of 55,000,000 nominal shares, the subscribers of each new share also received one Subscription Warrant (Warrant) which resulted in 55,000,000 Warrants being issued. Each Warrant granted its holder the right to subscribe 0.6 common shares, with the distribution of fractional shares not being permitted. Therefore, the Warrants issued permitted the holders to purchase 33,000,000 shares. The Warrants were valid from their issue date up to December 31, 2009. The exercise price of each amount of Warrants which totals one share was R$16.00 per share. As of December 31, 2009, 54,987,552 Warrants were exercised, the remaining 12,448 warrants expired.

b) Dividends

According to Cosan's by-laws, shareholders are entitled to minimum compulsory dividends of 25% of the year's net income, adjusted in accordance with article 202 of Law 6404/76 (Brazilian Corporate Law). For the year ended March 31, 2011 the minimum mandatory dividends were calculated and recorded as a liability as follows:

Net income attributable to Cosan	**771,565**
(Less) Legal reserve – 5%	**(38,578)**
	732,987
Dividends payable – 25%	**183,247**

Management has also proposed dividends above the minimum compulsory in the amount of R$ 16,753, which is subject to approval by the shareholders, and will total R$200,000 in dividends to be paid.

c) Reserves

i) Legal reserve

On March 31, 2011, the Company designated 5% of net income as legal reserve, according to the Company´s by-law and as required by the Brazilian corporate law.

ii) Profit retention reserve

In the shareholder´s meeting, the Management will propose retention of part of net income in connection with the Company's Capital Expenditures' Program.

d) Program of shares purchase

On November 22, 2010, the Board of Directors approved a program to buy back the Company's common shares, to be held in treasury for future sale or cancellation. The validity period for this operation is up to 365 days (until November 22, 2011) and the maximum number of shares to be repurchased during the period is 6,640,091 shares, with no par value.

During the year ended March 31, 2011, the Company acquired 591,400 shares for R$15,219 cash. The average amount of the acquired shares in the period was R$25.71, and the maximum and minimum amount paid were R$26.95 and R$24.86, respectively, per share.

On March 31, 2011 the Company held in treasury 934.539 shares (343,139 at March 31, 2010), which market value per share, as of that date, amounted to R$27.61.

e) Additional paid-in capital and noncontrolling interest

On September 2, 2010, the shareholders approved a capital increase at subsidiary Rumo through issuance of shares in exchange for cash provided by investors. As a result of this transaction, Cosan recorded noncontrolling interest in the amount of R$193,596. The cash contribution in excess of the book value the investors interest in Rumo has been accounted for as an equity transaction, leading to an additional paid-in capital of R$206,404.

f) Earnings per share

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated by adjusting average outstanding shares for the impact of conversion of all potentially dilutive options

(In thousand Reais, unless otherwise stated)

The table below reflects the income and share date used in the basic and diluted earnings per share calculation:

Basic:

	2011	2010
Numerator:		
Net income for Cosan	**771,565**	1,053,733
Denominator:		
Weighted average shares outstanding	**406,430,612**	375,564,513
Basic earnings per share	**R$ 1.90**	R$ 2.80

Diluted:

	2011	2010
Numerator		
Net income for Cosan	**771,565**	1,053,733
Denominator:		
Weighted average shares outstanding	**406,430,612**	375,564,513
Effect of stock options	**294,718**	11,358,372
	406,725,330	386,922,885
Diluted earnings per share	**R$ 1.90**	R$ 2.72

22. Gross sales

	2011	2010
Gross Sales	**19,783,250**	16,685,884
Indirect taxes and discounts	**(1,719,770)**	(1,349,829)
Net Sales	**18,063,480**	15,336,055

(In thousand Reais, unless otherwise stated)

23. Expense by nature

Reconciliation of expenses by nature

The expenses are presented in the consolidated results by function. The reconciliation of income by nature/purpose for the years ended March 31, 2011 and 2010 is detailed as follows:

a) Expenses by Nature:

	2011	2010
Raw materials	**(3,657,462)**	(3,902,508)
Resale fuels	**(10,084,103)**	(8,393,136)
Payroll	**(901,062)**	(694,939)
Commercial expenses	**(179,283)**	(221,332)
Depreciation and amortization	**(742,307)**	(664,635)
Other expenses	**(1,544,374)**	(1,178,113)
	(16,717,081)	(14,630,403)

b) Segregated by:

	2011	2010
Cost of goods sold	**(15,150,079)**	(13,271,331)
Selling	**(1,026,000)**	(862,726)
General & Administrative	**(541,002)**	(496,346)
	(16,717,081)	(14,630,403)

(In thousand Reais, unless otherwise stated)

24. Financial results, net

	2011	2010
Financial expenses		
Interest	**(586,887)**	(556,466)
Monetary variation (loss)	**(81,341)**	(64,395)
Other	**(4,678)**	(1,527)
	(672,906)	(622,388)
Financial Income		
Interest	**63,791**	96,521
Monetary variation (income)	**34,018**	13,374
Investment income	**90,345**	52,530
Other	**603**	1,333
	188,757	163,758
Foreign exchange variation, net	**282,705**	558,977
Derivatives, net		
Commodities derivatives	**6,524**	(186,268)
Exchange rate and interest derivatives	**34,984**	517,216
Warrants in associate	**13,248**	23,873
	54,756	354,821
	(146,688)	455,168

25. Other income (expense), net

	2011	2010
Other Income		
Gain on sale of aviation fuel distribution business	-	52,031
Gain on sale of fixed assets	**43,708**	3,707
Gain on sale of investments	**6,704**	-
Scrap and waste sales	**6,950**	6,417
Rental and leasing income	**4,111**	6,215
	61,473	68,370
Other Expenses		
Provision for judicial demands	**(26,859)**	(25,829)
Internal costs on Rumo transaction	**(20,319)**	-
Donations	**(12,335)**	-
Expenses on Zanin acquisition	**(6,517)**	-
Assets' non realization accrual	**(15,985)**	-
Other expenses	**(13,286)**	(5,018)
	(95,301)	(30,847)
	(33,828)	37,523

26. Financial instruments

Financial risk management

a) Overview

The Company is exposed to the following risk related to the use of financial instruments:

- price risk
- foreign exchange rates
- interest rates
- credit risk
- liquidity risk

This note presents information about the Company exposure for which risk above, the object of the Company's risk management policies, the polices and processes for measurement, risk management and capital management

b) Risk management structure

The Company has two committees related to risk management: (i) Risk management committee, formed by three Board Director´s members, one of them independent member, that meet, at least once by year, to discuss and determine the Company´s hedge policies; (ii) Executive risk committee, formed by management of the Company, that meets on a weekly basis to analyze the foreign exchange and commodities market trends. The committee also reviews cover positions and the strategy of pricing exports of sugar in order to reduce the adverse effects of changes in sugar prices and the foreign exchange rate as well as monitoring the liquidity risks and counterparty (credit).

The Company is exposed to market risks, mainly related to the volatility of sugar prices and foreign exchange rates. Management analyzes these risks and uses financial instruments to hedge a portion of the risk exposure.

On March 31, 2011, 2010 and April 1, 2009, fair values related to transactions involving derivative financial instruments with the purpose of hedge or other purposes were measured at market value (fair value) by observables factors such as quoted prices in active markets or discounted cash flows based on market curves and are presented below:

(In thousand Reais, unless otherwise stated)

	Notional			Fair Value		
	March 31, 2011	**March 31, 2010**	**April 1, 2009**	**March 31, 2011**	**March 31, 2010**	**April 1, 2009**
Price risk						
Commodity derivatives						
Future contracts	**1,308,033**	1,177,437	423,691	**(68,906)**	112,382	9,629
Options contracts	**10,364**	1,074,579	149,021	**(17,484)**	(11,730)	(6,728)
Swap contracts	**-**	100,794	-	**-**	1,081	-
				(86,390)	101,733	2,901
Exchange rate risk						
Future contracts	**(114,204)**	2,103,056	861,787	**(117)**	471	7,384
Forward contracts	**694,599**	963,100	433,462	**9,900**	36,559	(53,330)
Options contracts	**345,00**	671,502	-	**-**	15,719	-
Swap agreements	**-**	-	570,700		-	(6,828)
				9,783	52,749	(52,774)
Interest rate risk						
Interest derivative	**-**	518,790	-	**-**	(624)	-
Total				**(76,607)**	153,858	(49,873)
Total Assets				**55,682**	230,561	17,022
Total Liabilities				**(132,289)**	(76,703)	(66,895)

c) Price risk

This arises from the potential for fluctuations in the market prices of products sold by the Company, mainly raw material sugar - VHP (sugar #11) and white sugar (LIFFE sugar #5). These fluctuations in prices can cause substantial changes in the revenues of the Company. To mitigate these risks, the Company constantly monitors the markets, seeking to anticipate changes in prices. The positions of the consolidated derivative financial instruments to hedge the price risk of commodities are shown in the table below:

Price risk: commodity derivatives outstanding on March 31, 2011

Derivatives	Long/Short	Market	Agreement	Maturity	Notional	Notional	Fair value
Composition of derivatives financial instruments designated in hedge accounting							
Future	Short	NYBOT	#11	1-May-11	23,150 T	26,442	(392)
Future	Short	NYBOT	#11	1-May-11	208,239 T	200,552	(2,154)
Future	Short	NYBOT	#11	1-Jul-11	520,877 T	424,617	(43,705)
Future	Short	NYBOT	#11	1-Oct-11	513,460 T	388,694	(56,734)
Future	Short	NYBOT	#11	1-Mar-12	139,656 T	121,973	2,827
Sub-total of futures of Sugar Sold					**1,405,382 T**	**1,162,278**	**(100,159)**
Composition of derivatives financial instruments not designated in hedge accounting							
Future	Long	NYBOT	#11	1-May-11	(55,883 T)	(49,591)	4,807
Future	Long	NYBOT	#11	1-Jul-11	(7,620 T)	(6,786)	66
Future	Long	NYBOT	#11	1-Oct-11	(50,802 T)	(40,314)	3,758
Future	Long	NYBOT	#11	1-Mar-12	(84,027 T)	(49,064)	22,623
Sub-total of futures of Sugar Purchased					**(198,333 T)**	**(145,755)**	**31,253**
Call	Short	NYBOT/OTC	#11	1-Oct-11	43,182 T	985	(6,559)
Call	Short	NYBOT	#11	1-Oct-11	55,883 T	3,651	(7,826)
Call	Short	NYBOT	#11	1-Jul-12	101,605 T	1,177	(4,597)
Sub-total of Call Sold					**200,669 T**	**5,813**	**(18,981)**
Put	Long	NYBOT/OTC	#11	1-Oct-11	43,182 T	985	574
Put	Long	NYBOT/OTC	#11	1-Oct-11	55,883 T	3,566	923
Sub-total de Put Purchased					**99,065 T**	**4,551**	**1,497**
Total de Commodities						**1,026,888**	**(86,390)**

(In thousand Reais, unless otherwise stated)

The fair value of these derivatives was measured by observable factors, such as quoted prices in active markets and, in some cases, by means of models whose assumptions are observable in the market.

d) Foreign Exchange risk

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies used by the Company for the export revenues of products, imports, debt cash flow and other assets and liabilities denominated in a foreign currency. The Company uses derivative transactions to manage the risks of cash flow coming from the export revenues denominated in U.S. dollars, net of other cash flows denominated in foreign currency. The table below demonstrates the consolidated positions outstanding on March 31, 2011 of derivatives used to hedge exchange rates:

Exchange risk : exchange derivatives outstanding on March 31, 2011

Derivatives	Long/Short	Market	Agreement	Maturity	Notional	Fair value
Composition of derivatives financial instruments designated in hedge accounting						
Forward	Short	OTC/Cetip	NDF	1-Apr-11	166,150	3,279
Forward	Short	OTC/Cetip	NDF	31-May-11	117,782	2,094
Forward	Short	OTC/Cetip	NDF	1-Jul-11	84,645	1,349
Forward	Short	OTC/Cetip	NDF	1-Aug-11	85,300	1,422
Forward	Short	OTC/Cetip	NDF	3-Oct-11	396,618	11,046
Forward	Short	OTC/Cetip	NDF	2-Jan-12	91,075	3,744
Sub-total of Forward Sold					**941,570**	**22,932**
Composition of derivatives financial instruments not designated in hedge accounting						
Future	Long	BMFBovespa	Commerc. U.S. dollar	2-May-11	(114,204)	(117)
Sub-total of Future Purchased					**(114.204)**	**(117)**
Forward	Long	OTC	NDF (Offshore)	4-May-11	(10,780)	(625)
Forward	Long	OTC	NDF (Offshore)	4-Aug-11	(11,014)	(619)
Forward	Long	OTC	NDF (Offshore)	4-Nov-11	(11,246)	(613)
Forward	Long	OTC	NDF (Offshore)	3-Feb-12	(11,489)	(604)
Forward	Long	OTC	NDF (Offshore)	4-May-12	(11,722)	(584)
Forward	Long	OTC	NDF (Offshore)	3-Aug-12	(11,978)	(586)
Forward	Long	OTC	NDF (Offshore)	1-Nov-12	(12,239)	(595)
Forward	Long	OTC	NDF (Offshore)	4-Feb-13	(12,504)	(595)
Forward	Long	OTC	NDF (Offshore)	3-May-13	(12,739)	(571)
Forward	Long	OTC	NDF (Offshore)	2-Aug-13	(12,997)	(534)
Forward	Long	OTC	NDF (Offshore)	4-Nov-13	(13,256)	(493)
Forward	Long	OTC	NDF (Offshore)	4-Feb-14	(13,521)	(462)
Forward	Long	OTC	NDF (Offshore)	2-May-14	(13,743)	(476)
Forward	Long	OTC	NDF (Offshore)	4-Aug-14	(14,002)	(617)
Forward	Long	OTC	NDF (Offshore)	4-Nov-14	(14,261)	(754)
Forward	Long	OTC	NDF (Offshore)	4-Feb-15	(14,497)	(872)
Forward	Long	OTC	NDF (Offshore)	4-May-15	(14,726)	(991)
Forward	Long	OTC	NDF (Offshore)	4-Aug-15	(15,003)	(1.152)
Forward	Long	OTC	NDF (Offshore)	4-Nov-15	(15,254)	(1.291)
Sub-total of Forward Purchased					**(246,970)**	**(13,033)**
Total of exchange					**580,395**	**9,783**

On March 31, 2011 and 2010, the Company had the following net exposure to the variation of U.S. dollar assets and liabilities denominated in U.S. dollars:

	Consolidated			
	2011		2010	
	R$	US$ (in thousands)	R$	US$ (in thousands)
Bank accounts	**78,353**	**48,108**	127,755	71,732
Highly liquid investments	**34,392**	**21,116**	50,470	28,338
Restricted cash	**126,872**	**77,898**	44,972	25,251
Accounts receivable - foreign	**7,556**	**4,639**	148,655	83,467
Foreign currency-denominated loans	**(542,334)**	**(332,982)**	(479,290)	(269,112)
Export pre-payments	**(736,472)**	**(452,184)**	(976,277)	(548,161)
Senior Notes due in 2014	**(576,814)**	**(354,156)**	(631,246)	(354,433)
Senior Notes due in 2017	**(658,954)**	**(404,589)**	(720,573)	(404,588)
Perpetual bonds	**(1,236,209)**	**(759,016)**	(810,896)	(455,303)
Exchange exposure	**(3,503,610)**	**(2,151,166)**	(3,246,430)	(1,822,809)

e) Effects of hedge accounting

In the beginning of the year ended at March 31, 2011, the Company formally designated its transactions subject to hedge accounting for cash flow hedges from sugar VHP (raw material) export revenue, documenting: (i) the relationship of the hedge, (ii) the Company's purpose for taking the hedge and its risk management strategy, (iii) identification of the financial instrument, (iv) the transaction or item covered, (v) the nature of the risk being hedged, (vi) a description of the hedging relationship (vii) the demonstration of correlation between the hedge and the object of coverage, and (viii) the prospective analysis of hedge effectiveness. The Company has designated derivative financial instruments of Sugar # 11 (NYBOT or OTC) to cover the risk of price and Non-Deliverable Forwards (NDF) to cover exchange rate risk, as demonstrated in topics (b) and (c) of this Note.

The Company records gains and losses deemed effective for purposes of hedge accounting to a specific account in equity ("other comprehensive income"), until the object of coverage (hedged item) affects the profit and loss. On March 31, 2011, the amounts recorded in other comprehensive income related to hedge accounting are as follows:

			Expected period to affect P&L		
Derivative	Market	Risk	2011/12	2010/11	Total
Future	OTC / NYBOT	#11	(353,930)	2,798	**(351,132)**
NDF	OTC / CETIP	USD	134,015	-	**134,015**
			(219,915)	2,798	**(217,117)**
(-) Deferred income tax			74,771	(951)	**73,819**
			(145,144)	1,847	**(143,298)**

During the year ended March 31, 2011, the Company recorded the amount of R$15,568 on its results of operations due to hedged items that would no longer qualify to be designated under hedge accounting. Also, the Company recorded the amount of R$18,679 related to the gains and losses of the hedges' ineffectiveness during the year ended March31, 2011.

(In thousand Reais, unless otherwise stated)

	2011
Cash flow hedge	-
Balance at March 31, 2010	
Gain/(losses) of cash flow hedges for the period	
Commodities futures and swap contracts	(572,161)
Currency forward contracts	179,099
Reclassification adjustments for losses included in the income statement	175,945
Total before tax effect	(217,117)
Tax effect on gain/(losses) of cash flow hedges for the period – 34%	73,819
Balance at March 31, 2011	(143,298)

f) Interest rate risk

The Company monitors fluctuations of the interest rates related to certain loan contracts, mainly those with Libor interest rate risk, and in the event of increased volatility of such rates, it may engage in transactions with derivatives so as to minimize such risks. At March 31, 2011, the Company has not presented interest rate risk derivatives outstanding (US$ 300,000, as March 31, 2010, which fair value was R$624).

g) Credit risk

A significant portion of sales made by the Company is to a select group of best-in-class counterparts (i.e. trading companies, fuel distribution companies and large supermarket chains).

Credit risk is managed through specific rules of client acceptance including credit ratings and limits for customer exposure, including the requirement of a letter of credit from major banks and obtaining actual warranties on given credit, when applicable. Management believes that the risk of credit is covered by the allowance for doubtful accounts.

The Company buys and sells commodity derivatives in futures and options markets on the New York Board of Trade (NYBOT) and the London International Financial Futures and Options Exchange (LIFFE), as well as in the over-the-counter (OTC) market with selected counterparties. The Company buys and sells foreign exchange derivatives on BM&FBovespa and OTC contracts registered with CETIP (OTC clearing house) with banks Goldman Sachs & Co, Banco Santander S.A., Espirito Santo Investment do Brasil S.A., Deutsche Bank S.A. – Banco Alemão, Banco Bradesco S.A., Banco JP Morgan S.A., Banco Standard de Investimentos S.A., e Banco BTG Pactual S.A..

Guarantee margins – The Company's derivative operations on commodity exchanges (NYBOT, LIFFE and BM&FBovespa) require an initial guarantee margin. The brokers with which the Company operates on these commodity exchanges offer credit limits for these margins. As of March 31, 2011, the total credit limit used as initial margin was R$136,420 (R$68,646 as of March 31, 2010). As a requirement to trade in BM&FBovespa, the Company posted on March 31, 2011, the amount of R$50,000 (R$83,042 as of March 31, 2010) as guarantee in the form of a settlement bond issued by a first-class banking institution. Over-the-counter derivative transactions of the Company are exempt from margin guarantees.

h) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled with cash payments or other financial assets. The approach of the Company's liquidity management is to ensure, as much as possible, which always has sufficient liquidity to meet its obligations to win, under normal and stress, without causing unacceptable losses or risk damaging the reputation of the Company.

i) Fair value

The fair value of financial assets and liabilities is included in the price at which the instrument could be exchanged in a current transaction between parties willing to negotiate, and not in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair value.

Cash and cash equivalents, accounts receivable, accounts payable and other short-term obligations approximate their respective carrying values due largely to short-term maturity of these instruments.

The fair value of marketable securities and bonds is based on price quotations on the date of the financial statements. The fair value of non-negotiable instruments, bank loans and other debts, obligations under finance leases, as well as other non-current financial liabilities are estimated by the discounted future cash flows using rates currently available for debt or deadlines and similar instruments.

The fair market value of Senior Notes due 2014 and 2017, described in note 16, at its market price is 116.25% 108.75% and, respectively, of its face value at 31 March 2011.

The fair market value of Perpetual bonds, described in note 16, at its market price is 100,6%, respectively, of its face value at 31 March 2011.
In respect of other loans and financing, their fair market values substantially approximate the amounts recorded in the financial statements due to the fact that these financial instruments are subject to variable interest rates.

(In thousand Reais, unless otherwise stated)

The fair value of financial assets available for sale is obtained through quoted market prices in active markets, if any.

The Company enters into derivative financial instruments with various counterparties, primarily financial institutions with credit ratings of investment grade. The derivatives valued using valuation techniques with observable market data relate mainly to interest rate swaps, foreign exchange contracts and term contracts for commodities futures. The valuation techniques applied more often include pricing models for fixed-term contracts and swaps, with a present value calculations. The models incorporate various data, including credit quality of counterparties, the rates of currency spot and forward, interest rate curves and forward rate curves of the commodity underlying.

Fair value hierarchy

The Company has the following hierarchy to determine and disclose the fair value of financial instruments by the technical evaluation:

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

Assets and Liabilities measured at fair value	Level 1	Level 2	Total
March 31, 2011			
Warrants Radar	-	162,961	162,961
Derivative financial assets	35,577	20,105	55,682
Derivative financial liabilities	(122,084)	(10,205)	(132,289)
	(86,507)	172,861	86,354
March 31, 2010			
Warrants Radar	-	149,713	149,713
Derivative financial assets	128,658	101,903	230,561
Derivative financial liabilities	(51,880)	(24,823)	(76,703)
	76,778	226,793	303,571
April 1, 2009			
Warrants Radar		125,841	125,841
Derivative financial assets	9,638	7,384	17,022
Derivative financial liabilities	(6,738)	(60,157)	(66,895)
	2,900	73,068	75,968

(In thousand Reais, unless otherwise stated)

j) Sensitivity analysis

Following is the sensitivity analysis of the fair value of financial instruments, in accordance with the types of risks deemed to be significant by the Company:

Assumptions for sensitivity analysis

For the analysis, the Company adopted three scenarios, being one probable and two that may have effects from impairment of the fair value of the Company's financial instruments. The probable scenario was defined based on the futures sugar and US dollar market curves as of March 31, 2011, the same which determines the fair value of the derivatives at that date. Possible and remote scenarios were defined based on adverse impacts of 25% and 50% over the sugar and dollar price curves, which served as basis for the probable scenario.

Sensitivity exhibit

Following is the sensitivity exhibit on the change in the fair value of the Company's financial derivatives:

		Impacts on the result (*)		
	Risk factors	Probable scenario	Possible scenario (25%)	Remote scenario(50%)
Price risk				
Commodity derivatives				
Futures agreements:				
Sale Commitments	Increase in sugar price	(100,160)	(312,284)	(625,326)
Purchase Commitments	Decrease in sugar price	(31,253)	(44,252)	(88,504)
Sales Commitments	Increase in hydrated ethanol	-	-	-
Options agreements:		(18,981)	(26,125)	(58,820)
Call options sold	Increase in sugar price	1,496.71	(1,246)	(1,459)
Put options purchased	Increase in sugar price	-	-	-
Exchange rate risk				
Exchange rate derivatives				
Futures agreements:				
Sale Commitments	R$ / US exchange rate appreciation	(117)	(28,094)	(56,187)
Purchase Commitments	R$ / US exchange rate depreciation	-	-	-
Forward agreements:		(22,932)	(220,298)	(440,597)
Sale Commitments	R$ / US exchange rate appreciation	(13,033)	(46,871)	(92,877)

(*) Result expected for up to 12 months as from March 31, 2011

k) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

Occasionally, the Company purchases its own shares on the market, the timing of these purchases depends on market prices.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2011 and 2010.

27. Pension and other post-employment benefits plan

a) Pension plan

Defined benefit

The Company's subsidiary Cosan CL has a noncontributory defined benefit pension plan (Previd Exxon) covering substantially all of its employees upon their retirement.

Defined contribution

The Company, through its subsidiary Cosan Alimentos S.A. ("Cosan Alimentos") sponsors a defined contribution plan, for all employees of that subsidiary. The Company does not have a legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all benefits owed.

During the years ended March 31, 2011 and 2010, the amount of contributions totaled R$4,701 and R$5,407 respectively.

b) Actuarial liability

The actuarial liability on Previd Exxon demonstrated in non-current liabilities at March 31, 2011 amounting to R$24,380 ($0 in 2010 and R$ 65,108 on April 1, 2009).

(In thousand Reais, unless otherwise stated)

Reconciliation of present value of defined benefit obligation and the fair value of plan assets, with assets and liabilities recognized on the balance sheet:

	2011	2010
Present value of actuarial obligation at beginning of the year	**(325,534)**	(362,339)
Interest cost	**(35,107)**	(32,583)
Current service cost	**(4,445)**	(5,478)
Benefits paid	**24,637**	18,985
Actuarial gain (loss) on obligation at beginning of the year	**(43,374)**	55,881
Present value of actuarial obligation at end of the year	**(383,823)**	(325,534)
Fair value of plan assets at beginning of the year	**347,703**	297,231
Expect return on plan assets	**35,918**	31,046
Contribution received by the fund	**8,702**	8,403
Benefits paid	**(24,637)**	(18,985)
Gain in fair value of assets	**(8,243)**	30,008
Fair value of plan assets at end of the year	**359,443**	347,703
Present value of liabilities in excess of fair value of assets	**(51,703)**	(61,788)
Actuarial gains and losses unrecognized	**27,323**	61,788
Actuarial liability	**(24,380)**	-

Total expense recognized in profit or loss:

Expense recognized in profit or loss	2011	2010
Current service cost	**(4,445)**	(5,478)
Interest on obligation	**(35,107)**	(32,583)
Expected return on plan assets	**35,918**	31,046
	(3,634)	(7,015)

Total amount recognized as other comprehensive income:

	2011	2010
Amount accumulated at 1 April	**(42,056)**	-
Unrecognized gains	**29,447**	(63,721)
Deferred income taxes	**(10,012)**	21,665
Amount accumulated at 31 March	**(22,621)**	(42,056)

Plan assets include:

	2011		2010	
	Value	Percentage	Value	Percentage
CDBs – Bank deposits	**268,864**	**74.80%**	261,690	74.83%
Equity securities of Brazilian Public Entities	**90,580**	**25.20%**	88,023	25.17%
Total	**359,444**	**100%**	349,713	100%

Plan assets are represented by financial assets with quoted prices in an active market and therefore are included as a Level 1fair value type. The total expected rate of return on assets is calculated based on market expectations existing at that date applicable to the period over which the obligation should be liquidated. These expectations are reflected in the following main assumptions.

(In thousand Reais, unless otherwise stated)

The main assumptions used to determine the pension benefit obligations of the Company are as follows:

Defined benefit plan	2011	2010
Actuarial valuation method	Project unit credit	Project unit credit
Mortality table	AT 83 segregated by sex, decreased by 10%	AT 83 segregated by sex, decreased by 10%
Discount rate for actuarial liability	Interest:: 10.77% p.a. + inflation: 4.50% p.a.	Interest:: 11.08% p.a. + inflation: 4.50% p.a.
Expected rate of return on plan assets	Interest: 11.20% p.a. + inflation: 4.50% p.a.	Interest: 10.48% p.a. + inflation: 4.50% p.a.
Salary growth rare	6.07% + inflation: 4.50% p.a.	6.07% + inflation: 4.50% p.a.
Rate in increase of estimated benefits	0.00% p.a. + inflation: 4.50% p.a.	0.00% p.a. + inflation: 4.50% p.a.

During the year ended March 31, 2011 contributions to Previd Exxon – Sociedade Previdência Privada totaled R$ 8,702 (R$ 8,403 on March 31, 2010).

The Company expects contributions at the amount of R$ 9,458 to be paid in relation to its defined benefit plan in 2012.

28. Shared-based payments

In the ordinary and extraordinary general meeting held on August 30, 2005, the guidelines for the outlining and structuring of a stock option plan for Cosan officers and employees were approved, thus authorizing the issue of up to 5% of shares comprising Cosan's share capital. This stock option plan was outlined to attract and retain services rendered by officers and key employees, offering them the opportunity to become shareholders of Cosan. On September 22, 2005, Cosan's board of directors approved the distribution of stock options corresponding to 4,302,780 common shares to be issued or treasury shares held by Cosan related to 3.25% of the share capital at the time, authorized by the annual/extraordinary meeting. The remaining 1.75% remained to be distributed. On September 22, 2005, the officers and key employees were informed regarding the key terms and conditions of the share-based compensation arrangement.

On September 11, 2007, the board of directors approved an additional distribution of stock options, in connection with the stock option plan mentioned above, corresponding to 450,000 common shares to be issued or purchased by Cosan related to 0.24% of the share capital at September 22, 2005. The remaining 1.51% may still be distributed.

On August 7, 2009, the board of directors approved an additional distribution of stock options, in connection with the stock option plan mentioned above, corresponding to 165,657 common shares to be issued or purchased by Cosan, due to changing in the management at that date.

(In thousand Reais, unless otherwise stated)

According to the market value at the date of issuance, the exercise price is R$ 6.11 per share, without any discount. The exercise price was calculated before the valuation mentioned above based on an expected private equity agreement was not achieved. The options can be exercised after a waiting period of one year, considering a maximum percentage of 25% per annum of the total stock options offered by the Company within a period of 5 years.

The exercise of options may be settled only through issuance of new common shares or treasury shares.

The employees that leave Cosan before the vesting period will forfeit 100% of their rights. However, if the employment is terminated by Cosan without cause, the employees will have right to exercise 100% of their options of that particular year plus the right to exercise 50% of the options of the following year.

On March 31, 2011 all stock options related to that plan were exercised by issuance of new shares.

The number and weighted average exercise price of stock options are the following:

	Shares	Weighted average exercise price
Outstanding April 1, 2009	1,470,832	6.11
Exercised (July 17, 2009)	(224,819)	6.11
Option granted (August 8, 2009)	165,657	6.11
Exercised (October 10, 2009)	(169,500)	6.11
Exercised (December 15, 2009)	(571,194)	6.11
Exercised (March 29, 2010)	(17,000)	6.11
Outstanding March 31, 2010	653,976	6.11
Exercised (July 29, 2010)	**(449,819)**	**6.11**
Exercised (September 17, 2010)	**(91,717)**	**6.11**
Exercised (March 4, 2011)	**(112,440)**	**6.11**
Outstanding March 31, 2011	-	

The fair value of share-based awards was estimated using a binominal model with the following assumptions:

	Options granted on September 22, 2005	Options granted on September 11, 2007	Options granted on August 7, 2009
Grant price	6.11	6.11	6.11
Expected life (in years)	7.5	7.5	Immediate
Interest rate	14.52%	9.34%	(1)
Expected Volatility	34.00%	46.45%	(1)
Expected Dividend yield	1.25%	1.47%	(1)
Weighted-average fair value at grant date	12.35	18.19	(1)

(1) The options were fully vested at the date of issuance so the fair value was the quoted market price as of the grant date

Expected Term - Cosan's expected term represents the period that Cosan's share-based awards are expected to be outstanding and was determined based on the assumption that the officers will exercise their options when the exercise period is over. Therefore, this term was calculated based on the average of 5 and 10 years. Cosan does not expect any forfeiture as those options are mainly for officers, whose turnover is low.

Expected Volatility – For the options granted on September 22, 2005 Cosan had its shares publicly-traded for less than 6 months as of April 30, 2006. Therefore, Cosan opted to substitute the historical volatility by an appropriate global industry sector index, based on the volatility of the share prices, and considering it as an assumption in its valuation model. Cosan has identified and compared similar public entities for which share or option price information is available to consider the historical, expected, or implied volatility of those entities' share prices in estimating expected volatility based on global scenarios. For the options granted on September 11, 2007 Cosan used the volatility of its shares as an assumption in its valuation model since Cosan's IPO in Brazil, in 2005.

Expected Dividends – As the Company was a relatively new public entity, the expected dividend yield was calculated based on the current value of the stock at the grant date, adjusted by the average rate of the return to shareholders for the expected term, in relation of future book value of the shares.

Risk-Free Interest Rate - Cosan bases the risk-free interest rate used the SELIC - Special System Settlement Custody.

29. Segment information

a) Segment information

The following information about segments is based upon information used by Cosan's senior management to assess the performance of operating segments and to decide on the allocation of resources. The Company presents three segments: Sugar and Ethanol ("S&E"), Fuel distribution and lubricants ("CCL") and sugar logistics ("Rumo") .

The S&E segment is primarily engaged in the production and marketing of a variety of products derived from cane sugar, including raw sugar (VHP), anhydrous and hydrated ethanol, and activities related to energy cogeneration from sugar cane bagasse.

The CCL segment includes the distribution and marketing of fuels and lubricants, mainly through franchised network of service stations under the brand "Esso" throughout the national territory

(In thousand Reais, unless otherwise stated)

The Rumo segment provides logistics services for the transport, storage and port lifting of sugar for both the S&E segment and third parties.

The following selected information result and segment assets that were measured in accordance with the accounting practices used in the preparation of consolidated information:

	2011				
	S&E	CCL	Rumo	Adjustment and elimination	Consolidated
Financial position:					
Property, plant and equipment	5,988,670	1,059,927	931,997	-	7,980,524
Intangible	1,854,842	1,232,546	358,287	-	3,445,674
Loans, net of cash and cash equivalents	(5,396,096)	(450,632)	(99,829)	-	(5,946,557)
Other assets and liabilities, net	4,552,047	46,973	(173,826)	(3,120,489)	1,304,705
Total asset (net of liabilities) allocated by segment	6,999,463	1,888,814	1,016,558	(3,120,489)	6,784,346
Total asset	16,190,023	4,070,147	1,713,112	(3,228,626)	18,744,656
Income statements (12months):					
Net sales	6,389,178	11,795,277	448,003	(568,978)	18,063,480
Domestic market	3,678,207	11,795,277	448,003	(568,978)	15,352,509
External market	2,710,971	-	-	-	2,710,971
Gross profit	1,988,662	781,120	131,469	12,150	2,913,401
Selling general and administrative expenses	(961,407)	(575,008)	(28,951)	(1,636)	(1,567,002)
Other income (expense)	(65,415)	31,777	9,936	(10,126)	(33,828)
Financial result, net	(101,755)	(57,980)	13,047	-	(146,688)
Income tax and social contribution	(305,977)	(65,666)	(42,865)	-	(414,508)
Net income / (losses)	833,343	114,243	62,543	(238,564)	771,565
Other selected data:					
Additions to PP&E and biological assets (cash)	2,817,195	93,835	126,189	-	3,037,219
Depreciation and amortization (including biological assets noncash effect)	1,266,142	72,701	20,157	-	1,359,000

	2010				
	S&E	CCL	Rumo	Adjustment and elimination	Consolidated
Financial position:					
Property, plant and equipment	4,795,522	1,016,263	302,745	-	6,114,531
Intangible	1,763,297	1,255,034	363,135	-	3,381,466
Loans, net of cash and cash equivalents	(4,345,015)	(444,964)	(107,199)	44,014	(4,853,164)
Other assets and liabilities, net	4,055,283	100,095	(92,672)	(2,723,363)	1,339,344
Total asset (net of liabilities) allocated by segment	6,269,088	1,926,428	466,010	(2,679,348)	5,982,177
Total asset	14,492,261	3,690,368	806,394	(3,054,072)	15,934,952
Income statements (12months):					
Net sales	5,380,134	10,145,054	158,249	(347,382)	15,336,055
Domestic market	4,648,436	10,145,054	158,249	(347,382)	14,604,357
External market	731,698	-	-	-	731,698
Gross profit	1,341,599	692,732	30,393	-	2,064,724
Selling general and administrative expenses	(846,306)	(490,041)	(18,111)	(4,614)	(1,359,072)
Gain on tax recovery program	270,333	-	-	-	270,333
Other income (expense)	(24,237)	102,193	4,962	(45,395)	37,523
Financial result, net	433,293	22,923	(1,057)	9	455,168
Income tax and social contribution	(327,363)	(88,245)	(7,696)	-	(423,304)
Net income / (losses)	1,111,283	153,972	11,917	(223,439)	1,053,733
Other selected data:					
Additions to PP&E and biological assets (cash)	2,240,909	156,580	147,943	-	2,545,432
Depreciation and amortization (including biological assets noncash effect)	1,040,532	73,261	14,167	-	1,127,960

(In thousand Reais, unless otherwise stated)

All non-current assets of the Company are located in Brazil.

b) Detailed net Sales per segment

	2011	2010
S&E		
Sugar	**3,853,404**	3,377,832
Ethanol	**2,203,737**	1,747,646
Cogeneration	**194,889**	93,583
Other	**137,148**	161,073
	6,389,178	5,380,134
CCL		
Fuels	**10,902,267**	9,437,316
Lubricants	**822,420**	634,045
Other	**70,590**	73,693
	11,795,277	10,145,054
Rumo		
Port lifting	**118,139**	142,120
Logistics	**305,780**	16,129
Other	**24,084**	-
	448,003	158,249
Adjustment/elimination	**(568,978)**	(347,382)
Total	**18,063,480**	15,336,055

c) Net Sales per region

The percentage of net sales by geographic area for the years ended are as follows:

	2011	2010
Brazil	**72.63%**	86.40%
Europe	**24.93%**	9.20%
Latin American (Except Brazil)	**0.20%**	2.80%
Middle east and Asia	**1.48%**	1.20%
North America	**0.74%**	0.30%
Other	**0.02%**	0.10%
Total	**100.0%**	100.0%

The net sales from segments CCL and Rumo are derived only from the domestic market (Brazil), with no revenue from foreign customers.

d) Concentration of customers

S&E

There are several clients in this segment, one of which represents more than 10% of the segment net sales during 2011 and 2010-- the SUCDEN Group (25% and 17%, respectively).

CCL

In this segment there are no clients that represent more than 10% of the net sales.

Rumo

In 2011, 55% of the segment net sales were generated from sales to the S&E segment (33% in 2010), with another customer with revenues of more than 10% of this segment, Sucden Group representing 11% (14% in 2010).