

Ling Institute

Financial statements
December 31, 2009 and 2008

Ling Institute

Financial statements

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Contents

Independent auditors' report	3
Balance sheets	4
Statements of (deficit) superavit	5
Statements of changes in equity	6
Statements of cash flows	7
Notes to the financial statements	8 - 12



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Independent auditors' report

To
Instituto Ling
Porto Alegre – RS

1. We have examined the balance sheet of Instituto Ling as of December 31, 2009 and the related statements of deficit, changes in equity and cash flows for the year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.
2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work considering the materiality of the balances, the volume of transactions and the Institute's accounting systems and internal accounting controls; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by the Institute's management, as well as presentation of the financial statements taken as a whole.
3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Instituto Ling as of December 31, 2009 and the deficit from its operations, changes in its equity and changes in its cash flows for the year then ended, in conformity with accounting practices adopted in Brazil.
4. The financial statements for Instituto Ling for the year ending December 31, 2008, presented for comparison purposes, were not audited by us, or by other independent auditors.

Porto Alegre, March 30, 2010.

KPMG Assurance Services Ltda.
CRC 2SP023228/O-4-F-RS
Original in Portuguese signed by
Cristiano Jardim Seguecio
Accountant CRC SP244525/O-9-T-RS

Ling Institute

Balance sheets

December 31, 2009 and 2008

(In Reais)

Assets	Note	2009	2008	Liabilities	Note	2009	2008
Current assets			(not audited)	Current liabilities			(not audited)
Cash and cash equivalents	4	61.103	33.740	Taxes payable		<u>759</u>	<u>3</u>
Financial investments	5	56.435	153.691				
Other assets		<u>360</u>	<u>-</u>	Net equity			
				Accumulated superavit		<u>117.139</u>	<u>187.428</u>
		<u>117.898</u>	<u>187.431</u>			<u>117.898</u>	<u>187.431</u>

See the accompanying notes to the financial statement

Ling Institute

Statements of (deficit) superavit

Years ending December 31, 2009 and 2008

(In Reais)

	Note	2009	2008 (not audited)
Income from activities:			
Donations, contributions and others:	8	430.467	432.062
Operational costs			
Costs of projects		<u>(483.888)</u>	<u>(389.004)</u>
		(53.420)	43.058
Operational expenses:			
Administrative and general expenses		(23.460)	(4.482)
Net financial results		<u>6.591</u>	<u>10.466</u>
		<u>(16.868)</u>	<u>5.984</u>
(Deficit) superavit for the year		<u><u>(70.289)</u></u>	<u><u>49.042</u></u>

See the accompanying notes to the financial statements

Ling Institute

Statements of changes in net equity

Years ending December 31, 2009 and 2008

(In Reais)

	Accumulated superavit	Total
Balances at January 01, 2008 (not audited)	138.387	138.387
Superavit for the year	<u>49.042</u>	<u>49.042</u>
Balances at December 31, 2008 (not audited)	187.428	187.428
Deficit for the year	<u>(70.289)</u>	<u>(70.289)</u>
Balances at December 31, 2009	<u><u>117.139</u></u>	<u><u>117.139</u></u>

See the accompanying notes to the financial statements.

Ling Institute

Statements of cashflow

Years ending December 31, 2009 and 2008

(In Reais)

	2009	2008 (not audited)
Cashflows from operational activities		
(Deficit) superavit for the year	(70.289)	49.042
(Increase) decrease in assets		
Other assets	(360)	-
Increase (decrease) in liabilities		
Taxes payable	<u>756</u>	<u>(5)</u>
Net cash (applied in) from operational activities	(69.893)	49.037
(Decrease) increase in cash and cash equivalents	<u>(69.893)</u>	<u>49.037</u>
(Decrease) increase in cash and cash equivalents		
At the beginning of the year	187.431	138.394
At the end of the year	<u>117.538</u>	<u>187.431</u>
	<u>(69.893)</u>	<u>49.037</u>

See the accompanying notes to the financial statements.

Ling Institute

Notes to the financial statements

Years ending December 31, 2009 and 2008

(In Reais)

1 Operations

The Ling Institute is a civil private non for profit organization, incorporated in 1995, and has its head office in Porto Alegre and have with objectives: a) prepare talent that can contribute towards the growth of the country; b) encourage the training of future business persons; c) highlight and perpetuate the Ling couple to the Brazilian community; d) contribute towards the development of Brazil in the economic, social and cultural ambits; and e) Promote and execute cultural events.

The Institute complies with legislation, and is exempt from income tax, social contribution and contributions for social security financing - COFINS.

2 Presentation of the financial statements

The financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, which include Brazilian Corporate Law, the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee - CPC, and the norms issued by the Federal Accounting Council (CFC).

Ling Institute

Notes to the financial statements

(In Reais)

3 Summary of significant accounting practices

a. (Deficit) superavit for the year

The (deficit) superavit from the Institute's activities is calculated on an accruals basis. Income from donations, contributions and other income is registered when deposited in the current account, since it is impossible to forecast and consequently, register the receiving of these funds on an accruals basis.

b. Accounting estimates

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that the Company's Management uses its judgment in determining and recording accounting estimates. Assets and liabilities subject to these estimates and assumptions include the assessment provision for contingencies and the valuation of financial instruments. The settlement of transactions involving these estimates may result in a different amount due to the lack of precision inherent to the process of their determination.

The Institute reviews the estimates and assumptions yearly.

c. Current and non current assets

- **Cash and cash equivalents**

Includes the balance in cash, bank deposits and short term investments, that are stated at cost, plus income earned to the balance sheet date.

- **Other current assets**

Stated at net realizable values.

d. Current and non current liabilities

Stated at known or calculated values, plus, when applicable, the related charges, monetary variations incurred to the balance sheet dates.

Ling Institute

Notes to the financial statements

(In Reais)

4 Cash and cash equivalents

	2009	2008 (not audited)
Cash	100	100
Bank accounts	<u>61.003</u>	<u>33.640</u>
	<u>61.103</u>	<u>33.740</u>

5 Financial investments

	2009	2008 (not audited)
Fixed Income Fund	<u>56.435</u>	<u>153.691</u>

The Institute financial investments the available part of its accumulated superavit derived from its activities, until the amounts is reinvested in activities related to its corporate objectives, as provided it is statutes.

The financial investments refer mainly to the Fixed Income Fund, remunerated at the rate of approximately 99% of CDI – Certificates of Interbank Deposits.

6 Contingencies

There were no contingencies in progress against the Institute at December 31, 2009, according to information provided by the Institute's legal advisors.

Ling Institute

Notes to the financial statements

(In Reais)

7 Equity

The income generated by the Institute is used in its corporate objectives stated in Note 1.

In the event the Institute becomes extinct, which will occur only as determined by law, or by decision in General Meeting, provided it is summons for this purpose, the assets will be donated to another non for profit, cultural company, with similar objectives, preferably one this is recognized as being of benefit to the public.

8 Income from donations

	2009	2008 (not audited)
Income from individual donators	278.448	188.704
Income from corporate donators	<u>152.019</u>	<u>243.358</u>
	<u>430.467</u>	<u>432.062</u>

9 Costs of projects

	2009	2008 (not audited)
Encourage the training	433.488	389.004
Projects and cultural events	<u>50.400</u>	-
	<u>483.888</u>	<u>389.004</u>

Ling Institute

Notes to the financial statements

(In Reais)

10 New pronouncements, interpretations and guidance that have been issued but that have not been adopted

Within the conversion process of the accounting practices adopted in Brazil to the international financial reporting standards (IFRS) various pronouncements, interpretations and guidance were issued during year 2009 including the mandatory application for the years ended as from December 2010 and for the 2009 financial statements to be disclosed jointly with the 2010 financial statements for comparison purposes.

The Institute has been evaluating the potential effects with respect to these pronouncements, interpretations and guidance, which may have material impact on the financial statements for the year ended December 31, 2009 to be comparatively presented with the financial statements for the year ending December 31, 2010, as well as for the coming years.

Sheun Ming Ling
Managing Director

William Ling
Director

Iolanda Rubbo
Accountant
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