

(A free translation of the original in Portuguese)

Instituto Acaia
Financial statements at
December 31, 2012
and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report on the financial statements

To the Management
Instituto Acaia

We have audited the accompanying financial statements of Instituto Acaia (the "Institute"), which comprise the balance sheet as at December 31, 2012 and the statements of surplus/deficit and of changes in net equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies adopted in Brazil for small and medium-sized entities (CPC - Technical Pronouncement PME - "Accounting for Small and Medium-sized Entities") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the entity's 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 financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Instituto Acaia as at December 31, 2012, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to small and medium-sized entities.

São Paulo, March 22, 2013

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Paulo Sergio Miron
Contador CRC 1SP173647/O-5

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Balance sheet at December 31

All amounts in reais

(A free translation of the original in Portuguese)

Assets	2012	2011	Liabilities and net equity	2012	2011
Current assets			Current liabilities		
Cash	1,483	3,727	Trade payables (Note 8)	390,237	310,514
Banks - current accounts (Note 4)	648,580	161,889	Labor and social security obligations	276,667	120,244
Financial investments (Note 5)	1,247,296	790,685	Tax obligations	13,715	11,576
Receivables	2,190		Other liabilities (Note 8)	<u>2,602,844</u>	<u>1,231,514</u>
Advances to suppliers	47,341	28,488			
Vacation pay advances	123,691			<u>3,283,463</u>	<u>1,673,848</u>
Other receivables	4,112	11,262			
Inventories of goods	<u>186</u>		Net equity		
	<u>2,074,879</u>	<u>996,051</u>	Accumulated surplus	710,919	829,933
			Surplus/(deficit) for the year	<u>376,511</u>	<u>(119,014)</u>
Non-current assets				1,087,430	710,919
Fixed assets (Note 6)	2,296,014	1,388,111			
Intangible assets (Note 7)		<u>605</u>			
	<u>2,296,014</u>	<u>1,388,716</u>			
Total assets	<u><u>4,370,893</u></u>	<u><u>2,384,767</u></u>	Total liabilities and net equity	<u><u>4,370,893</u></u>	<u><u>2,384,767</u></u>

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

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Statement of surplus/(deficit) and of changes in net equity Years ended December 31

All amounts in reais

(A free translation of the original in Portuguese)

	<u>2012</u>	<u>2011</u>
Income		
Donations from individuals (Note 9)	6,072,068	3,893,416
Donations from legal entities (Note 9)	445,000	380,621
Donations from FUMCAD (Note 10(a))	242,120	311,999
Donations for specific projects (Note 10(b))	30,550	
Finance income	30,689	51,977
Revenue from sales of goods	4,935	
Cost of sales	(4,935)	
Voluntary work (Note 13)	58,868	
Other operating income (Note 11)	13,449	757,529
	<u>6,892,744</u>	<u>5,395,542</u>
Expenses with social activities (Note 12(b))		
Personnel expenses (Note 14(b))	(2,701,818)	(2,353,594)
General and administrative expenses (Note 14(a))	(3,483,827)	(2,900,411)
Tax expenses	(48,149)	(29,754)
Finance costs	(12,653)	(8,447)
Depreciation and amortization expenses	(269,786)	(222,350)
	<u>(6,516,233)</u>	<u>(5,514,556)</u>
Surplus/(deficit) for the year	<u>376,511</u>	<u>(119,014)</u>
Net equity at the beginning of the year	710,919	829,933
Surplus/(deficit) for the year incorporated into the net equity	<u>376,511</u>	<u>(119,014)</u>
Net equity at the end of the year	<u>1,087,430</u>	<u>710,919</u>

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

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Statement of changes in net equity Years ended December 31

All amounts in reais

(A free translation of the original in Portuguese)

	<u>Accumulated surplus</u>	<u>Total</u>
At December 31, 2010	829,933	829,933
Deficit for the year	<u>(119,014)</u>	<u>(119,014)</u>
At December 31, 2011	710,919	710,919
Surplus for the year	<u>376,511</u>	<u>376,511</u>
At December 31, 2012	<u>1,087,430</u>	<u>1,087,430</u>

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

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Statement of cash flows Years ended December 31

All amounts in reais

(A free translation of the original in Portuguese)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Surplus/(deficit) for the year	<u>376,511</u>	<u>(119,014)</u>
Adjustments		
Depreciation and amortization	<u>269,786</u>	<u>222,350</u>
Adjusted surplus/(deficit) for the year	<u>646,297</u>	<u>103,336</u>
Decrease in receivables of projects		202,413
(Increase) in other receivables	(2,190)	
(Increase)/decrease in advances to suppliers	(18,853)	4,526
(Increase)/decrease in vacation pay advances	(123,691)	59,866
(Increase) in inventories	(186)	
Decrease in other receivables	7,150	11,677
Increase in accounts payable	79,723	169,998
Increase/(decrease) in labor and social security obligations	156,423	(122,724)
Increase/(decrease) in tax obligations	2,140	376
Increase/(decrease) in other liabilities	<u>1,371,330</u>	<u>676,181</u>
	<u>1,471,846</u>	<u>1,002,313</u>
Net cash provided by operating activities	<u>2,118,143</u>	<u>1,105,649</u>
Cash flows from investing activities		
Acquisitions of fixed assets	<u>(1,177,085)</u>	<u>(784,129)</u>
Net cash used in investing activities	<u>(1,177,085)</u>	<u>(784,129)</u>
Net increase in cash and cash equivalents	<u>941,058</u>	<u>321,520</u>
Cash and cash equivalents at the beginning of the year	956,301	634,781
Cash and cash equivalents at the end of the year	<u>1,897,359</u>	<u>956,301</u>
Net increase in cash and cash equivalents	<u>941,058</u>	<u>321,520</u>

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

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Notes to the financial statements at

December 31, 2012

All amounts in reais unless otherwise stated

1 Operations

Instituto Acaia was founded as a non-profit philanthropic entity on April 3, 2001. Its principal objective, according to article 2 of its bylaws, is to promote social assistance services, to individuals or to persons whom within their immediate family are in a situation of vulnerability, exclusion due to poverty and/or lack of access to other public policies for children, adolescents, youths or adults, through the formation, education, professional qualification, culture and support to those with psychological disorders, in São Paulo and Mato Grosso do Sul. The Corumbá branch was established on October 8, 2007, under the name of Acaia Pantanal, and it effectively began its activities in January 2008.

The entity's funds were used for its institutional purposes, in conformity with its by-laws, demonstrated by its expenses, as 100% of its activities are carried out free of charge.

Instituto Acaia develops its actions through three programs:

(a) Ateliê Acaia

In 2012, its actions were developed under the projects named "Acolher" (To Shelter) "Autonomia" (Autonomy) and "Ações Externas" (External Actions). In 2012, assistance was provided to: 10 children from zero to six-years-old; 100 children from six to eleven-years old; 110 adolescents from twelve to eighteen-years old and 40 adults. In the two locations which integrate the "Ações Externas" Project, an average of 30 (thirty) adults and 60 (sixty) children and adolescents between one and fifteen years old receive daily assistance, in the morning, afternoon or evening. The assistance is provided all day long, in periods different from the school hours, offering support to the physical and psychological development of these individuals within a healthy environment, which stimulates them to learn various techniques and facilitating the establishment of cooperative social practices. Through a wide educational process, the individuals assisted can be included in society, in a fair and balanced manner, and are not subjected to exclusion or victimization, in the districts of Vila Leopoldina and Jaguaré, in the west region of the city of São Paulo.

(b) Centro de Estudar Acaia Sagarana (Acaia Sagarana Study Center) Project

In 2012, the project provided assistance to 35 students who completed their high-school level education in public schools, offering them the opportunity to continue studies and seek admission to public universities.

(c) Branch - Acaia Pantanal

In 2012, assistance included: (i) the Jatobazinho Program: 43 (forty-three) children and adolescents from 7 to 16 years; (ii) the Relations with the Community Program: 175 (one hundred and seventy-five) individuals including children, adolescents and adults; (iii) the Education for Qualification Program: 23 (twenty-three) adults; (iv) the RPCSA (Network for Protection and Maintenance of Serra do Amolar) Program: 30 (thirty) adults in social and educational actions and 68 (sixty-eight) families in monitoring and overseeing actions; and (v) Jatobazinho Extension of the Rural Municipal School of Polo Porto Esperança and Extensions. Created through Decree 565 of the Municipal Government of Corumbá on

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Notes to the financial statements at December 31, 2012

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February 5, 2009, in partnership with the Municipal Government of Corumbá, it has been contributing to education in the rural region of Corumbá (MS).

2 Summary of significant accounting policies

The financial statements were prepared in accordance with the CPC PMEs issued by the Brazilian Accounting Pronouncements Committee (CPC) and CFC Resolution 1409/12. The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation and presentation of the financial statements

The financial statements were prepared and are being presented in accordance with the CPC PMEs.

The preparation of financial statements in accordance with the CPC PMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies. However, there are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) Determination of surplus/(deficit)

Income and expenses are recorded on the accrual basis of accounting.

Donations are recognized as income during the period of the projects and matched with the expenses which are intended to be offset.

Non-specific donations to fund regular operations, which are not linked to any future obligation, and for which there is no specific allocation established for the periods benefited, are recorded upon receipt directly in results as income from donations.

Donations received for specific projects and social welfare activities developed by the Institute are recorded in current liabilities under "Other liabilities", and recognized as income during the period in which the objectives specified in such donations are realized (expenditures/obligations).

The donations, when related to a depreciable asset, are recognized as income during the useful life of the asset in proportion to its depreciation or disposal, as applicable.

(b) Current assets

Current assets are stated at cost, plus accrued income and monetary variations up to the balance sheet date, adjusted to market values when applicable.

(c) Current liabilities

Current liabilities are stated at known or estimated amounts including, when applicable, accrued charges and monetary variations up to the balance sheet date.

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Notes to the financial statements at December 31, 2012

All amounts in reais unless otherwise stated

(d) Non-current assets

Fixed and intangible assets are stated at cost combined with the following aspects: (i) depreciation of fixed assets is calculated on the straight-line method at annual rates which take into consideration the economic useful lives of the assets, being 5% for boats, 10% for facilities, machinery and equipment and furniture and fittings and 20% for computers, peripherals and tools; and (ii) leasehold improvements in connection with the construction and refurbishment of the headquarters of the Institute, which are being amortized over ten years, pursuant to the terms stipulated in the land free-lease agreement.

(e) Cash and cash equivalents

Cash and cash equivalents include cash and current accounts at banks (classified under Banks - current accounts) and financial investments.

3 Cash and cash equivalents

At the balance sheet dates, cash and cash equivalents comprised the following:

	<u>2012</u>	<u>2011</u>
Cash and banks	650,063	165,616
Financial investments	<u>1,247,296</u>	<u>790,685</u>
	<u>1,897,359</u>	<u>956,301</u>

4 Banks - current account

The balance comprises available funds deposited in a current account of a first-tier bank. At December 31, 2012 they represent R\$ 648,580 (2011 - R\$ 161,889).

5 Financial investments

Financial investments refer substantially to bank deposit certificates issued by Banco Bradesco S.A., segregated by projects:

	<u>2012</u>	<u>2011</u>
"Acaia Pantanal" branch project	143,822	231,624
"Centro de Estudar Acaia Sagarana" project	17,584	44,368
"Ateliê Acaia" project	<u>1,085,890</u>	<u>514,693</u>
	<u>1,247,296</u>	<u>790,685</u>

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Notes to the financial statements at December 31, 2012

All amounts in reais unless otherwise stated

6 Fixed assets

	<u>2012</u>	<u>2011</u>	<u>Annual depreciation rate - %</u>
Machinery and equipment	265,481	182,777	10
Furniture and fittings	202,971	175,351	10
Leasehold improvements	2,424,960 (i)	1,770,580 (i)	10
Boats	59,737	59,737	5
Computers and peripherals	229,483	217,104	20
Tools	7,538	7,538	20
Construction in progress	400,000 (ii)		
	<u>3,590,170</u>	<u>2,413,086</u>	
Accumulated depreciation	<u>(1,294,156)</u>	<u>(1,024,975)</u>	
	<u>2,296,014</u>	<u>1,388,111</u>	

(i) Leasehold improvements refer to renovations made in the headquarters located in São Paulo and in Corumbá (Acaia Pantanal), where the properties are assigned under a free-lease agreement to Instituto Acaia.

(ii) In 2012, total construction in progress amounting to R\$ 400,000, refer to works at Acaia Pantanal scheduled to be completed by 2013.

Additions in the year totaled R\$ 777,085, of which R\$ 654,380 refer to leasehold improvements and the remaining amount corresponds to machinery and equipment, furniture and fittings and computers. There were no disposals in the year ended December 31, 2012.

7 Intangible assets

	<u>2012</u>	<u>2011</u>	<u>Annual amortization rate - %</u>
Acquisition and development of IT systems	<u>3,300</u>	<u>3,300</u>	20
Accumulated amortization	<u>(3,300)</u>	<u>(2,695)</u>	
		<u>605</u>	

Intangible assets were fully amortized in 2012.

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Notes to the financial statements at December 31, 2012

All amounts in reais unless otherwise stated

8 Other liabilities and trade payables

(a) Trade payables

	<u>2012</u>	<u>2011</u>
Domestic suppliers	383,158	304,033
Other payables	<u>7,079</u>	<u>6,481</u>
	<u>390,237</u>	<u>310,514</u>

(b) Other liabilities

The liabilities refer to: (i) donations for specific projects to be recorded as income as the project expenses are incurred; and (ii) donations used for the acquisition of fixed assets to be recognized as income during the useful life of the asset and in proportion to its depreciation.

	<u>2012</u>	<u>2011</u>
"Estudar para Entender o Mundo" project	98,599	
"Escola Jatobazinho Serra do Amolar" project	295,650	10,461
"Acolher" and "External Actions" projects	<u>2,208,595</u>	<u>1,212,599</u>
Purchase of fixed assets	<u>2,602,844</u>	<u>1,223,060</u>

9 Donations received

In 2012, donations from individuals totaled R\$ 6,072,068 (2011 - R\$ 3,893,416) and from legal entities, R\$ 445,000 (2011 - R\$ 380,621).

10 Donations for projects

(a) Donations from FUMCAD (Municipal Child and Adolescent Fund)

Instituto Acaia received subsidies from the Municipal Government of São Paulo, through:

	<u>2012</u>	<u>2011</u>
Municipal Secretariat of Participation and Partnership		
"Acolher" and "External Actions" projects (Note 1)	41,690	84,630
"Autonomia" Project (Note 1)		227,369
"Estudar para Entender o Mundo" project (Note 1)	<u>200,430</u>	
	<u>242,120</u>	<u>311,999</u>

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Notes to the financial statements at December 31, 2012

All amounts in reais unless otherwise stated

The entity is required to submit accounts describing all funds related to projects received from the FUMCAD.

(b) Donations for specific projects

In 2012, the entity received, from Instituto Credit Suisse Hedging-Griffo the amount of R\$ 30,550, to be used in a project developed in partnership Ateliê Acaia.

11 Other operating income

In 2012, the entity received R\$ 7,608 (2011 - R\$ 753,603) referring to credits from the State of São Paulo Program *Nota Fiscal Paulista* (Tax's Invoices) and also in this period there was a credit of R\$ 5,841 (2011 - R\$ 3,926) from discounts obtained.

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Notes to the financial statements at December 31, 2012

All amounts in reais unless otherwise stated

12 Projects

(a)

	Ateliê Acaia		Acaia Sagarana		Acaia Pantanal	
	2012	2011	2012	2011	2012	2011
Resources from sponsors						
	<u>4,873,622</u>	<u>3,493,668</u>	<u>391,000</u>	<u>656,660</u>	<u>1,386,002</u>	<u>933,215</u>
Donations from individuals	4,583,913	2,591,138	390,000	648,053	1,098,155	654,225
Donations from legal entities	172,152	122,262			272,848	258,359
Donations for specific projects	30,550					
Financial institutions	17,150	22,739	1,000	8,607	12,539	20,631
Discounts obtained	3,381	3,926			2,460	
Other revenue	7,608	753,603				
Voluntary work	58,868					
Subsidies	<u>41,690</u>	<u>311,999</u>	<u>200,430</u>			
FUMCAD - "Sagarana"			200,430			
FUMCAD - "Autonomia"		227,369				
FUMCAD - "Acolher" and "External Actions"	<u>41,690</u>	<u>84,630</u>				
Total funds received	<u><u>4,915,312</u></u>	<u><u>3,805,667</u></u>	<u><u>591,430</u></u>	<u><u>656,660</u></u>	<u><u>1,386,002</u></u>	<u><u>933,215</u></u>

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Notes to the financial statements at December 31, 2012

All amounts in reais unless otherwise stated

(b) Operating expenses with projects

<u>Projects/expenses</u>	<u>Ateliê Acaia</u>		<u>Acaia Sagarana</u>		<u>Acaia Pantanal</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Personnel expenses	2,196,966	1,993,840	70,539	62,246	434,313	297,508
13 th salary	136,190	127,867	4,692	3,430	30,229	20,432
Medical assistance	130,044	57,193			330	180
Vacation pay	187,548	186,653	5,210	4,301	41,450	26,973
Salaries	1,486,633	1,368,431	43,568	44,122	320,487	216,318
Social charges	181,708	175,677	17,069	10,108	39,192	27,927
Other	74,843	78,019		285	2,625	5,678
Depreciation and amortization	150,827	143,657			118,959	78,693
Finance costs	5,247	3,470	1,472	1,432	5,934	3,546
Banking expenses	4,907	3,470	1,472	1,432	5,929	3,540
Interest payable	340				5	6
Public relations	43,230	1,542			9,975	224
Sundry taxes and fees	45,821	28,702			2,328	1,052
Facilities	604,736	496,993	58,109	20,414	318,033	302,233
Meals	326,323	300,388	19,387	28,213	62,563	56,481
Charity					41,351	33,000
Maintenance	84,401	116,891	950	11,700	37,251	77,201
Administrative expenses	176,970	30,946	37,910	6,421	39,187	24,049
Professional services	758,207	544,926	503,969	519,446	361,275	329,341
	<u>4,392,728</u>	<u>3,661,355</u>	<u>692,336</u>	<u>649,872</u>	<u>1,431,169</u>	<u>1,203,329</u>

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Notes to the financial statements at December 31, 2012

All amounts in reais unless otherwise stated

13 Tax immunity and exemption

The Institute complies with its tax requirements and is exempt from income tax (based on article 150 of the Federal Constitution) and the social contribution on the surplus, the employers' portion of the National Institute of Social Security (INSS) contributions and the Social Contribution on Revenues (COFINS) (based on Law 8,212/91).

The amounts of exemptions received during the year were as follows:

2012 - R\$ 516,758 - INSS Employer's Quota, SAT and third parties (2011 - R\$ 469,706).

(a) Free services granted

All the activities developed by Instituto Acaia through the projects in its headquarters, branch and in the *Barracos Escolas* (Shanty Schools) are free for the users. In this context, the amount of expenses for social activities totaled R\$ 6,457,365 (2011 - R\$ 5,514,556).

(b) Free services received

In 2012, the entity received, on a donated basis the amount of R\$ 39,620 related to the donation of food items, from Danone Ltda.

(c) Voluntary work

In 2012, the entity received services amounting to R\$ 58,868.

14 Other information

(a) General and administrative expenses comprise:

	<u>2012</u>	<u>2011</u>
Various professional services	1,622,751	1,374,945
Maintenance and installation expenses	494,827	433,780
Meals	408,273	385,082
Training and teaching materials	131,213	78,096
Medical	2,920	2,891
Support grants	116,551	18,768
Graphic and advertising materials	89,394	111,009
Donation expenses	41,351	33,000
Transportation expenses	251,697	221,472
Other	324,850	241,368
	<u>3,483,827</u>	<u>2,900,411</u>

(b) Personnel expenses

	<u>2012</u>	<u>2011</u>
Salaries	1,850,687	1,628,871
Vacation pay	234,209	217,927
13 th salary	171,111	151,731
Social charges	237,969	213,712
Other	207,842	141,353
	<u>2,701,818</u>	<u>2,353,594</u>

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