

(A free translation of the original in Portuguese)

**Associação Saúde
Criança Renascer**
Financial statements at
December 31, 2011
and independent auditor's report



(A free translation of the original in Portuguese)

Independent auditor's report

To the Management
Associação Saúde Criança Renascer

We have audited the accompanying financial statements of Associação Saúde Criança Renascer ("Entity"), which comprise the balance sheet as at December 31, 2011 and the statements of surplus, changes in net worth and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Associação Saúde Criança Renascer and its subsidiary ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of surplus, changes in net worth 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 practices 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 the internal controls that are relevant for the preparation and proper presentation of the financial statements of the Entity 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 controls. 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.

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Associação Saúde Criança Renascer

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 financial statements referred to above present fairly, in all material respects, the financial position of Associação Saúde Criança Renascer and of Associação Saúde Criança Renascer and its subsidiary as at December 31, 2011, and the parent company financial performance and cash flows, as well as the consolidated 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.

Emphasis

In March, 2010, management applied for renewal of the Certificate of Not-for-profit Welfare Entity (CEBAS) with the Ministry of Development. However, as of the date of our audit report, the Ministry of Development had not concluded the analysis of the process. As permitted by Law No. 12,101/09, up to the conclusion of the analysis of the renewal of the CEBAS, the Entity continues to have the right of enjoying all tax benefits. According to management's evaluation, it has been complying will all of the necessary requirements for the renewal of this certificate. Our opinion is not qualified because of this matter.

Other matters

• Financial statements of 2010

The financial statements of the Entity for the year ended December 31, 2010 were audited by another firm of auditors whose report, dated March 2, 2012, expressed a qualified opinion on those statements, because it was not possible to perform all of the audit procedures required for the identification and audit of the subsequent events between the end of the fiscal year and the date of conclusion of the work, due to the insufficiency of documents, as outlined in the basis for qualified opinion paragraph. Additionally, the auditor's opinion on the financial statements of 2010 also presents an emphasis of matter paragraph in relation to the same matter described in the previous paragraph.

The consolidated balance sheet, consolidated statements of surplus, of changes in net worth and cash flows for the year ended December 31, 2010 were not audited by us or other independent auditors. Consequently, we do not express an opinion on those financial statements.




Associação Saúde Criança Renascer

- **Restatement of comparative figures**

As part of our audit of the financial statements for 2011, we also have audited the adjustments described in note 2.12 that were made to restate the financial statements for 2010, presented for comparison purposes. In our opinion, these adjustments are appropriate and were correctly recorded. We were not engaged to audit, review or apply any other procedures to the Entity's financial statements for 2010 and, therefore, we do not express any opinion or any form of assurance on the financial statements for 2010 taken as a whole.

Rio de Janeiro, September 20, 2012


PricewaterhouseCoopers
Audidores Independentes
CRC 2SP000160/O-5 "F" RJ


Leandro Mauro Arfido
Contador CRC 1SP188307/O-0 "S" RJ

(A free translation of the original in Portuguese)

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

1 General information

Associação Saúde Criança Renascer ("Entity" or "Association") is a non-profit civil philanthropic society incorporated and domiciled in Brazil. Its headquarters are located in Rio de Janeiro, State of Rio de Janeiro and it was established on October 25, 1991 in order to carry out social welfare and human development activities and offer support to underprivileged children from the Hospital da Lagoa, as well as their families, during the hospitalization period and mainly after hospital discharge. This support is provided when socioeconomic needs are verified among families, which are then referred to the Association through a nomination letter from the multidisciplinary evaluation commission of the Hospital da Lagoa.

The association maintains, through donations that are spontaneous or made by its partners and may be in cash, items such as food, medicine and clothes, as well as providing services, among others. To better serve the families, the Association implemented various social projects, such as "*Madrinha*" (Godmother), "*Aconchego*" (Comfort) and "*Moradia*" (Housing).

In order to accomplish its objectives, Associação Saúde Criança Renascer is built around the following areas:

- Health - Donation of food, medicine, medical devices, among others, as well as providing free support to families by psychologists, psychiatrists, nutritionists, social workers and referrals to health care units.
- Citizenship - Assistance to obtain documents and social and legal guidance, in order to ensure basic citizenship rights for the families.
- Housing - Ensure that the family's house has minimum habitability conditions, such as running water, treated sewage, walls and roof without seepage; in short, provide a healthy environment where children can recover and maintain their health.
- Education - Raise awareness in the family of the importance of education for the children and the country's future, also monitor the child's school life and provide support in the areas in which a need is identified.
- Income generation - Professional courses according to the interest and skills of the heads of the household, aiming at the family's self-sufficiency and independence.

Associação Saúde Criança Renascer is exempted from paying income tax and social contribution, in accordance with Law No. 9,532/97, which establishes in Article 15 that, in order to qualify for this exemption and in a cumulative manner, the Association must:

- (a) not pay, in any form, its officers for the services rendered;
- (b) apply the whole of its funds in the maintenance and development of its social objectives;
- (c) maintain complete records of its income and expenses in accounting books duly vested in the legal formalities which ensure their accuracy.

Associação Saúde Criança Renascer

Notes to the financial statements

at December 31, 2011

All amounts in thousands of reais unless otherwise stated

- (d) keep in good order, for five years, as from the issue date, the documents that prove the source of its revenues and the carrying out of its expenses, as well as the realization of any other acts or operations that may change its financial situation; and
- (e) present the statement of surplus on an annual basis.

The authorization for the conclusion of these financial statements was granted by management on September 20, 2012.

2 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

2.1 Basis of preparation and presentation

The financial statements were prepared and are being presented in accordance with the CPC PME (R1). They have been prepared under the historical cost convention, as modified by the readjustment of financial instruments to fair value.

The preparation of financial statements in conformity with the CPC PME (R1) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(a) Consolidated financial statements

The consolidated financial statements were prepared and are being presented in accordance with the CPC PME (R1). The Entity has an exclusive investment fund (see note 5) and presented consolidated financial statements.

(b) Entity financial statements

The entity's financial statements have been prepared in accordance with accounting practices adopted in Brazil issued by the CPC and are disclosed together with the consolidated financial statements.

2.2 Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Entity has the power to govern the financial and operating policies generally accompanying a participation of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Entity. They are deconsolidated from the date that control ceases.

The Entity consolidated the exclusive fund used for financial investments, which is its sole subsidiary.

Associação Saúde Criança Renascer

Balance sheet at December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	Parent		Consolidated		Liabilities	Parent		Consolidated	
	2011	2010 (Restated) note 2.12)	2011	2010 (Unaudited)		2011	2010 (Restated) note 2.12)	2011	2010 (Unaudited)
Current assets									
Cash and cash equivalents (note 4)	1,487	2,131	1,488	2,132	Trade payables	6	14	13	19
Marketable securities (note 5)	12,230	11,026	12,236	11,029	Salaries and social charges	25	22	25	22
Accounts receivable	15	14	15	14	Tax liabilities	29	24	29	24
Prepayments	45	43	45	43	Labor provisions	132	124	132	124
Inventories	21	33	21	33	Liabilities with incentive projects (note 6)	2,222	2,430	2,222	2,430
Prepaid expenses	3	3	3	3	Others	6	4	6	4
	<u>13,801</u>	<u>13,249</u>	<u>13,808</u>	<u>13,254</u>		<u>2,420</u>	<u>2,618</u>	<u>2,427</u>	<u>2,623</u>
Non-current assets									
Property and equipment (note 6)	476	522	476	522	Net worth (note 11)				
Intangible assets (note 7)	230	139	230	139	Net worth	11,156	10,600	11,156	10,600
	<u>706</u>	<u>661</u>	<u>706</u>	<u>661</u>	Accumulated surplus	931	692	931	692
	<u>14,507</u>	<u>13,910</u>	<u>14,514</u>	<u>13,915</u>		<u>12,087</u>	<u>11,292</u>	<u>12,087</u>	<u>11,292</u>
						<u>14,507</u>	<u>13,910</u>	<u>14,514</u>	<u>13,915</u>

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

Associação Saúde Criança Renascer

Statement of surplus Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent		Consolidated	
	2011	2010 (Restated note 2.12)	2011	2010 (Unaudited)
Operating income				
Assistance revenues	1,066	1,234	1,066	1,234
Sales of goods	223	196	223	196
	<u>1,289</u>	<u>1,430</u>	<u>1,289</u>	<u>1,430</u>
Cost				
Assistance costs	(728)	(545)	(728)	(545)
Cost of sales	(49)	(34)	(49)	(34)
	<u>(777)</u>	<u>(579)</u>	<u>(777)</u>	<u>(579)</u>
Gross surplus	<u>512</u>	<u>851</u>	<u>512</u>	<u>851</u>
General and administrative expenses (note 12)	(600)	(1,190)	(625)	(1,207)
Services rendered	(221)	(150)	(221)	(150)
Operating deficit	<u>(309)</u>	<u>(489)</u>	<u>(334)</u>	<u>(506)</u>
Finance income	1,233	1,225	2,714	2,789
Finance costs	(129)	(44)	(1,585)	(1,591)
Finance income, net (note13)	<u>1,104</u>	<u>1,181</u>	<u>1,129</u>	<u>1,198</u>
Surplus for the year	<u>795</u>	<u>692</u>	<u>795</u>	<u>692</u>

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

Associação Saúde Criança Renascer

Statement of changes in net worth

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	<u>Net worth</u>	<u>Accumulated surplus</u>	<u>Total</u>
At January 1, 2010 (restated - note 2.12)	8,297	2,303	10,600
Incorporation of accumulated surplus	2,303	(2,303)	
Surplus for the year		692	692
At December 31, 2010 (restated - note 2.12)	10,600	692	11,292
Incorporation of accumulated surplus	556	(556)	
Surplus for the year		795	795
At December 31, 2011	<u>11,156</u>	<u>931</u>	<u>12,087</u>

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

Associação Saúde Criança Renascer

Statement of cash flows Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent		Consolidated	
	2011	2010 (Restated) note 2.12)	2011	2010 (Unaudited)
Cash flows from social activities				
Surplus for the year	795	692	795	692
Adjustments for:				
Depreciation and amortization	55	60	55	60
Change in assets/liabilities				
Marketable securities	(1,205)	(438)	(1,207)	(438)
Inventories	12	(11)	12	(11)
Accounts receivable	(1)	2	(1)	2
Advances	(2)	(7)	(2)	(7)
Prepaid expenses		11		11
Trade payables	(8)	(3)	(6)	(3)
Tax liabilities	5	24	5	24
Labor and social security provisions	11	9	11	9
Others	2	(3)	2	(3)
Liabilities with incentive projects	(208)	377	(208)	377
Cash provided by (used in) social activities	(544)	713	544	713
Investment activities				
Purchase of property and equipment and intangible assets	(97)	(175)	(97)	(175)
Write-off of property and equipment in progress	(3)	31	(3)	31
Cash used in investing activities	(100)	(144)	(100)	(144)
Increase (decrease) in cash and cash equivalents	(644)	569	(644)	569
At the beginning of the year	2,131	1,562	2,132	1,563
At the end of the year	1,487	2,131	1,488	2,132
Increase (decrease) in cash and cash equivalents	(644)	569	(644)	569

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

Associação Saúde Criança Renascer

Notes to the financial statements

at December 31, 2011

All amounts in thousands of reais unless otherwise stated

2.3 Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in thousands of reais, which is the Entity's functional and presentation currency.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less (with immaterial risk of change in value). The financial funds that the Entity owns but are linked to projects are presented in the funds linked to the accounts of projects.

2.5 Financial assets

2.5.1 Classification

The Entity classifies its financial assets, at initial recognition, according to the following categories: measured at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. All financial assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Entity's loans and receivables comprise Cash and cash equivalents and Receivables.

2.5.2 Recognition and measurement

Normal purchases and sales of financial assets are typically recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statements of surplus. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Entity has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the determination of surplus within "Finance income or costs" in the period in which they arise.

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

Dividends on financial assets at fair value through profit or loss are recognized in the determination of surplus as part of Finance income when the Entity's right to receive dividends is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on Entity-specific inputs.

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.5.4 Derivative financial instruments

There were no transactions with derivative financial instruments in 2011 and 2010.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to preparing the asset for its intended use.

Land is not depreciated. Depreciation of other assets is charged so as to reduce the cost of assets to their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Estimated useful lives are as follows:

Furniture and fittings	10 years
Computers and peripherals	5 years
Facilities	10 years
Vehicles	10 years

2.7 Intangible assets

Software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the software's estimated useful life of five years.

Costs associated with maintenance of computer software are recognized as an expense as incurred.

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Entity are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Computer software development costs recognized as assets are amortized over their estimated useful life, which does not exceed three years.

2.8 Provisions and current and non-current liabilities

A liability is recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a past event and it is probable that an outflow of funds will be necessary to settle it. Provisions are recorded based on the best estimates of the risk involved.

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

2.9 Liabilities with incentive projects

The contributions to the Entity's projects made by the sponsors are recorded in the liabilities accounts and reduced by the expenses incurred for each project at each year end. This policy is applied because the Entity's management has the contractual obligation of complying with rules for the utilization of the donations, as well as the obligation of rendering annual account, which is analyzed and subject to the approval of sponsors.

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

2.10 Determination of surplus for the year and recognition of revenues from donations

Surplus for the year is determined in compliance with the accrual basis of accounting.

Revenues from donations and voluntary contributions from third-parties originate from individuals and companies and are accounted for when received due to the impossibility of accuracy of the amounts and receipt dates, and they are applied in the educational projects that the Association develops.

The Entity recognizes revenue when: (i) the amount of revenue can be reliably measured; (ii) it is probable that future economic benefits will flow to the Entity; and (iii) specific criteria have been met for each of the Entity's activities.

(a) Linked donations and covenants

The donations received that are linked to projects are recorded when it is possible to ensure that the conditions established will be met by the Entity and will be recognized as liabilities and allocated to the result as the expenditure is incurred with a corresponding adjustment to the receipt of donations and covenants.

(b) Donations

Donation revenues represent credits received from sponsors arising from projects carried out by the Entity only upon their effective receipt. When the revenue has a specific destination defined by the sponsor, the Entity applies the accounting policy described in note 2.9.

(c) Interest income

Interest income comprises basically the income from interest on financial investments. Interest income is recognized using the effective interest method. Interest income from funds destined to projects is recognized against liabilities, if they have not yet been fully realized.

2.11 Taxes and contributions

The Association is exempt from the payment of Income tax, Social Contribution and Social Contribution on Revenues (COFINS).

However, non-profit entities which have employees, pursuant to labor legislation, are obliged to pay the Social Integration Program (PIS) with a fixed quota of 1% levied on the monthly payroll.

2.12 Correction of errors

In 2011, a prior-year adjustment was identified in relation to the correction of an error in the recording of expenditure with a new software program that is being developed by management, amounting to R\$ 136. This correction affected non-current assets as well as the result for 2010. The financial statements of December 31, 2010 were adjusted and are being restated.

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

7 Intangible assets

	Parent			
	January 1, 2010 (Restated)	December 31, 2010 (Restated)		Closing balance
	Closing balance	Additions	Disposal	Closing balance
Changes in cost				
Rights of use of software	20	138		158
Amortization changes				
Rights of use of software	(14)	(5)		(19)
Net balance	<u>6</u>	<u>133</u>		<u>139</u>
				Parent
	December 31, 2010	December 31, 2011		Closing balance
	Closing balance	Additions	Disposal	Closing balance
Changes in cost				
Rights of use of software	158	91		249
Amortization changes				
Rights of use of software	(19)			(19)
Net balance	<u>139</u>	<u>91</u>		<u>230</u>

8 Liabilities with incentive projects

	Parent	
	2011	2010 (Restated)
White Martins Praxair Foundation	1,080	1,102
Ursula Zindel Hilti Stifling Foundation	449	761
Skoll Foundation	320	283
Construtora Queiroz Galvão S.A.	77	148
Johnson & Johnson Family OF Companies	74	87
Família Lirio	158	
Others	64	49
	<u>2,222</u>	<u>2,430</u>

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

Projects to be incurred represent the obligations that the Association has in the realization of the respective projects because the financial funds (partial or total) have already been received. The write-off of liabilities occurs with the recognition in income in the proportion that the expenditure in the realization of projects is incurred. In accordance with the project agreements, if there is a cash surplus upon the conclusion of projects, the available funds must be invested in the Association.

White Martins - Praxair Foundation

Projects named "*Profissão*" (Profession) and "*Replicação*" (Replication). In 2011, R\$ 584 was raised, and during 2011, R\$ 607 was realized, which maintained a balance of R\$ 1,080 at December 31, 2011.

Ursula Zindel Hilti Stifling Foundation

Projects named "*Replicação*" (Replication) and "*Saúde*" (Health), including direct costs for the realization of these projects. In 2011, R\$ 388 was raised, and R\$ 700 was realized, which maintained a balance of R\$ 449 at December 31, 2011.

Skoll Foundation

Projects named "*Replicação*" (Replication) and "*Fortalecimento*" (Strengthening). In 2011, R\$ 443 was raised, and R\$ 406 was realized, which maintained a balance of R\$ 320 at December 31, 2011.

Construtora Queiroz Galvão S.A.

The project named "*Moradia*" (Housing) received financing of R\$ 374 in 2011 and R\$ 445 was realized, which maintained a balance of R\$ 77 at December 31, 2011.

Johnson & Johnson Family OF Companies

Projects named "*Aconchego Mães*" (Comfort - mothers) and "*Aconchego Adolescentes*" (Comfort - teenagers). During 2011, R\$ 84 was raised, and R\$ 97 was realized, which maintained a balance of R\$ 74 at December 31, 2011.

Unimed Rio Cooperativa de Trabalhos Médicos do Rio de Janeiro

Project named "*Medicamentos*" (Medicine). During 2011, R\$ 84 was raised, and R\$ 59 was realized, which maintained a balance of R\$ 36 at December 31, 2011.

Fundacion Avina

Project named "*Políticas Públicas*" (Public policies). In 2011 there were no changes, at December 31, 2011 the balance was R\$ 29.

Instituto Lojas Renner

Project named "*Profissão Culinária*" (Culinary profession) with authorized financing of R\$ 13. In 2011, R\$ 23 was realized, therefore, the totality of the balance was realized in 2011.

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

9 Contingencies

There are no disputes or claims against the Entity in the years ended December 31, 2011, December 31, 2010 and January 1, 2010, as well as any other fact that may be considered as a contingency.

10 Related parties

The main balances of liabilities at December 31, 2011 and 2010, as well as the transactions that influenced the surplus of the year, in respect of related party transactions, refer to the remuneration of the superintendents in 2011 and 2010, and represent respectively R\$ 77 and R\$ 72, which were allocated to the projects that they develop and/or are directly responsible for.

The Association's management is not remunerated, and there are no post-employment benefits, termination of employment benefits or other long-term benefits for management and its employees.

11 Net worth

Income generated by Associação Saúde Criança Renascer is fully applied in its social objectives, as commented in note 1.

If the Association is terminated, which occurs only upon the approval by 2/3 of the General Meeting's members, the assets will be allocated to another non-profit entity with similar nature and registered with the National Council of Social Welfare (CNAS), under the approval of the Public Ministry.

12 General and administrative expenses

	Parent	
	2011	2010
		(Restated)
Personnel expenses (i)	1,273	1,122
Depreciation and amortization	51	59
Taxes	12	11
Travel	117	104
Food	21	24
Expenses with IT material	21	148
Occupation expenses	66	55
Expenses vehicles	25	33
Parties and celebrations	34	21
Telephone and fax	49	29
Electricity	12	37
Other expenses	92	127
Transfer from incentive projects	(1,173)	(580)
	<u>600</u>	<u>1,190</u>

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

The effects of this restatement are as follows:

	<u>Original</u>	<u>Adjustment</u>	<u>2010 Adjusted amount</u>
Assets			
Current assets	13,249		13,249
Non-current assets	<u>525</u>	<u>136</u>	<u>661</u>
Total assets	<u>13,774</u>	<u>136</u>	<u>13,910</u>
Liabilities			
Current liabilities	2,618		2,618
Net worth	<u>11,156</u>	<u>136</u>	<u>11,292</u>
Total liabilities and equity	<u>13,774</u>	<u>136</u>	<u>13,910</u>
Result			
Revenue	1,430		1,430
Cost of sales	(579)		(579)
Personnel expenses	(705)		(705)
General and administrative expenses	(485)		(485)
Services rendered	(286)	136	(150)
Finance costs	(44)		(44)
Finance income	<u>1,225</u>		<u>1,225</u>
Surplus for the year	<u>556</u>	<u>136</u>	<u>692</u>

It was not necessary to present the opening balance sheet at January 1, 2010, since all the expenditure with the software development was incurred in 2010. In addition, the Entity has the control over an exclusive fund (note 5), and, therefore, has presented the consolidated financial statements for the first time for the year ended December 31, 2011 as well as comparative information for 2010.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results. In management's opinion, considering the nature and complexity of the Entity's operations, the accounting estimates and judgments made in the course of the preparation of these financial statements are not difficult, subjective or complex at a level that would demand its description as critical.

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

4 Cash and cash equivalents and cash related to projects

	Parent	
	2011	2010
Cash	<u>6</u>	<u>5</u>
Banks		
Banco do Brasil	247	796
Itaú	18	57
Bradesco	46	17
Santander	<u>6</u>	<u>3</u>
	<u>317</u>	<u>873</u>
Financial investments		
Banco do Brasil (*)	<u>1,164</u>	<u>1,253</u>
	<u>1,164</u>	<u>1,253</u>
	<u>1,487</u>	<u>2,131</u>

The funds existing in banks at December 31, 2011 and 2010 arise from donations and onlendings from sponsors of social projects.

(*) Highly-liquid short-term investments are readily convertible into a known amount of cash, and are subject to an insignificant risk of change in value. The Entity has financial investments in Interbank Deposit (DI) investment funds, as well as savings account and Bank Deposit Certificates (CDB), remunerated at an average rate of 89% of the Interbank Deposit Certificate (CDI) rate.

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

5 Marketable securities

	Parent	
	2011	2010
At fair value through profit or loss		
Fundo Renascer FIM - Investimento Exterior (a)	11,449	10,309
Riverside Fundo de Investimentos (b)	781	716
	<u>12,230</u>	<u>11,025</u>

- (a) Fundo Renascer FIM - Investimento Exterior is designed for the exclusive investment of the Association and is part of the "Renascer para Sempre" (Long-lasting Renascer) project, with the purpose of strengthening, through a long-term policy, the Association's financial sustainability, assuring the minimum financial stability necessary for a good institutional performance without relying on an inconstant flow of donations. The fund's resources are applied as follows:

	Parent	
	2011	2010
Committed operations	4,594	3,958
Investment fund quotas	3,680	3,490
Government securities	3,181	2,865
Amounts payable	(7)	(5)
Cash	1	1
	<u>11,449</u>	<u>10,309</u>

- (b) Riverside Fundo de Investimento em Cotas de Fundos de Investimento Multimercado is established as an open condominium, for an undetermined period, and is a pooling of resources for investment in marketable securities, as well as any other available assets in capital and financial markets.

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

6 Property and equipment

	Parent			
	January 1, 2010 (Restated)	December 31, 2010		
	Cost	Additions	Disposal	Cost
Changes in cost				
Buildings	545			545
Facilities	75			75
Machinery and equipment	51	4		55
Furniture and fittings	46	10		56
Vehicles and accessories	56			56
IT equipment	80	22		102
Communication equipment	4	1		5
Construction in progress	31		(31)	
	<u>888</u>	<u>37</u>	<u>(31)</u>	<u>894</u>
				Parent
	January 1, 2010 (Restated)	December 31, 2010		
	Depreciation	Additions	Disposal	Depreciation
Depreciation changes				
Buildings	(135)	(22)		(157)
Facilities	(17)	(9)		(26)
Machinery and equipment	(45)	(3)		(48)
Furniture and fittings	(28)	(6)		(34)
Vehicles and accessories	(41)	(6)		(47)
IT equipment	(49)	(7)		(56)
Communication equipment	(2)	(2)		(4)
Total	<u>(317)</u>	<u>(55)</u>		<u>(372)</u>
Net balance	<u>571</u>	<u>(18)</u>	<u>(31)</u>	<u>522</u>

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

	Parent			
	December 31, 2010 (Restated)	December 31, 2011		
	Cost	Additions	Disposal	Cost
Changes in cost				
Buildings	545			545
Facilities	75			75
Machinery and equipment	55			55
Furniture and fittings	56	6		62
Vehicles and accessories	56			56
IT equipment	102			102
Communication equipment	5			5
	<u>894</u>	<u>6</u>		<u>900</u>

	Parent			
	December 31, 2010 (Restated)	December 31, 2011		
	Depreciation	Additions	Disposal	Depreciation
Depreciation changes				
Buildings	(157)	(22)		(179)
Facilities	(26)	(7)		(33)
Machinery and equipment	(48)	(3)		(51)
Furniture and fittings	(34)	(3)		(37)
Vehicles and accessories	(47)	(3)		(50)
IT equipment	(56)	(12)		(68)
Communication equipment	(4)	(1)		(5)
Total	<u>(372)</u>	<u>(55)</u>		<u>(423)</u>
Net balance	<u>522</u>	<u>(49)</u>		<u>476</u>

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

(i) Personnel expenses

	Parent	
	2011	2010 (Restated)
Salaries	848	704
Vacations and social charges	119	112
13 th month salary and social charges	79	69
Government Severance Indemnity Fund for Employees (FGTS)	86	71
Transportation voucher	42	52
Medical assistance	55	50
Education scholarship	12	12
Others	31	52
Transfer to incentive projects	(931)	(417)
	<u>342</u>	<u>705</u>

13 Finance result, net

	Parent	
	2011	2010 (Restated)
Finance income		
Gains in marketable securities	1,439	1,391
Other income	6	
Transfer to incentive projects	(212)	(166)
	<u>1,233</u>	<u>1,225</u>
Finance costs		
Bank fees	(36)	(48)
Losses on investments	(98)	
Other expenses	(5)	(6)
Transfer to incentive projects	10	10
	<u>1,104</u>	<u>1,181</u>

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

	Consolidated	
	2011	2010 (Unaudited)
Finance income		
Gains in marketable securities	2,920	2,955
Other income	6	
Transfer to incentive projects	(212)	(166)
	<u>2,714</u>	<u>2,789</u>
Finance costs		
Losses in marketable securities	(1,456)	(1,547)
Bank fees	(36)	(48)
Losses on investments	(98)	
Other expenses	(5)	(6)
Transfer to incentive projects	10	10
	<u>(1,585)</u>	<u>(1,591)</u>
	<u>1,129</u>	<u>1,198</u>

14 Insurance coverage

The Association adopts the policy of contracting insurance coverage against fire and sundry risks for the property and equipment items, which is considered sufficient to cover possible losses, which were defined through the guidance of experts and take into account the nature of the activities and the degree of risks involved. The risk assumptions adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, were not audited by the independent auditors.

The Association has insurance coverage as follows:

(a) Property at Rua Jardim Botânico, 414

Events: fire, lightning and explosions of any kind - R\$ 320, theft and/or robbery of assets and goods - R\$ 20, electrical damages - R\$ 20, windstorm - R\$ 20.

(b) Property at Rua Jardim Botânico, 86

Events: fire, lightning and explosions of any kind - R\$ 415, theft and/or robbery of assets and goods - R\$ 35, electrical damages - R\$ 20, windstorm - R\$ 20.

Associação Saúde Criança Renascer

Notes to the financial statements at December 31, 2011

All amounts in thousands of reais unless otherwise stated

(c) 2005 year/model Kombi vehicle

Events: material damages - R\$ 80, bodily injuries - R\$ 80, moral damages - R\$ 10, death of passenger - R\$ 5, permanent disability - R\$ 5 and 24 hour assistance.

(d) 2008 year/2009 model Uno Mille vehicle

Events: material damages - R\$ 50, bodily injuries - R\$ 50, death of passenger - R\$ 5, permanent disability - R\$ 5 and 24 hour assistance.

15 Other information

(a) Headquarters

Associação Saúde Criança Renascer is headquartered in the city of Rio de Janeiro, in a building ceded by the Federal Government, through an assignment of free use contract, dated May 23, 2002, and an authorization published in the Official Federal Gazette, Section I, of August 6, 1999. The occupation term is undetermined, but the Federal Government has the right to revoke the aforementioned contract and require the property at any time for its own use and, in this case, Associação Saúde Criança Renascer is obliged to withdraw from the property in up to 30 days.

This property is part of the historical and cultural patrimony of the city of Rio de Janeiro, therefore the Association is responsible for its conservation, according to specifications and directives that may be established by the Historical and Artistic Heritage Institute (IPHAN), also subject to the rules of the Brazilian Environmental Institute (IBAMA). Therefore, all the expenses with the conservation of the property are recorded with a corresponding entry to the result, and up to the date of conclusion of these financial statements, there were no obligations to be recognized arising from a possible withdrawal from the property.

(b) Sureties, pledges and guarantees

The Association did not provide guarantees or take part in any transactions as a guarantor during 2011.

* * *

Management

Vera Regina Gaensly Cordeiro
Founder and general superintendent

FSA Network Contadores Associados EPP

Levi O. Soares
Contador CRC RJ 31950/0-9

(A free translation of the original in Portuguese)

Appendix

Associação Saúde Criança Renascer

Gratuity disclosures

The Association develops assistance projects seeking to serve the community. The expenditure and expenses related with these projects for 2011 and 2010, as well as the basic revenue, are presented as follows:

	Parent	
	2011	2010
Revenues from donations		
Revenues from donations for costing	1,066	1,234
Sales of products	223	196
	<u>1,289</u>	<u>1,430</u>
Revenues from donations for programs and projects		
White Martins Praxair Foundation	484	511
Ursula Zindel Hilti Stifling Foundation	322	383
Skoll Foundation	413	356
Construtora Queiroz Galvão S.A.	360	360
Johnson & Johnson Family OF Companies	78	102
Unimed Rio Coop. de Trab. Médicos do Rio de Janeiro	84	120
Instituto Lojas Renner	13	32
	<u>1,754</u>	<u>1,864</u>
Transfer to incentive projects	1,754	1,864
Finance income from cash generated by incentive projects	212	166
	<u>1,966</u>	<u>2,030</u>
		Parent
	2011	2010
Investment in social welfare		
Transportation of families	116	95
Physical examinations of families	6	25
Medicine for families	171	142
Staple household food and products baskets for families	155	108
Donations to families	99	158
Construction material for families	112	50
Services rendered to families	189	78
Food for families	202	126
Others	151	81
Transfer to incentive projects	(473)	(318)
Assistance costs	728	545
Percentage of investment in social welfare	<u>37%</u>	<u>27%</u>
Exemption from the right of the entity's quota	196	235

Appendix

Associação Saúde Criança Renascer

Gratuity disclosures

The Association's management believes that the funds allocated to the activities are appropriate and fulfill the requirements of Law No. 12,101/09. The approval of the calculations, as well as of the assumptions used by the Association, is linked to the future presentation of the accounts to the National Council of Social Welfare (CNAS).

Certificate of Not-for-profit Welfare Entity

The National Council of Social Welfare confirmed on August 16, 1995 that Associação Saúde Criança Renascer is registered in that entity, pursuant to Resolution 83/95 of August 1995, published in the Official Federal Gazette of August 18, 1995, based on the judgment of the proceeding 28990.014753/1994-60.

On December 18, 2007, the National Council of Social Welfare assigned to Associação Saúde Criança Renascer the Certificate of Not-for-profit Welfare Entity (CEBAS), valid from March 18, 2006 to March 17, 2009.

According to the information available on the Internet website of the Ministry of Development, the request for renewal of the Association's certificate is still under analysis, and as permitted by Law 12,101/09, up to the conclusion of the analysis of renewal of CEBAS, the Entity continues to have the right of enjoying all tax and tax related benefits.

In March 2009, a proceeding was filed for renewal for the three-year period from 2009 to 2012, through the proceeding 71000.047451/2009-03, which is in course.

* * *