

## **Financial statements**

### **Associação Operação Sorriso do Brasil**

December 31, 2012  
with Independent Auditor's Report

# Associação Operação Sorriso do Brasil

## Financial statements

December 31, 2012

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A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil

## **Independent auditor's report on financial statements**

The Board of Trustees  
**Associação Operação Sorriso do Brasil**  
São Paulo - SP

We have audited the accompanying financial statements of Associação Operação Sorriso do Brasil ("Entity"), which comprise the balance sheet as at December 31, 2012, and the related statements of surplus/(deficit), of changes in net equity and cash flow statements for the year then ended, and a summary of significant accounting practices 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, applicable to small and medium-sized entities (NBC TG 1000), 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 practices 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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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

**Basis for qualified opinion on the financial statements**

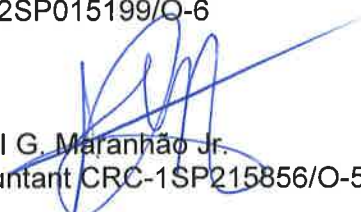
The not-for-profit Entity obtained a significant portion of its revenues from contributions and donations from third parties, which may only be identified upon effective recording thereof. Our exams in this area exclusively comprise crosschecking recorded amounts with the related bank deposits and cash reports.

**Qualified opinion on the financial statements**

In our opinion, except for the possible effect that could arise from the matter described in our "Basis for qualified opinion on the financial statements" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Associação Operação Sorriso do Brasil as at December 31, 2012, its operating performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil, applicable to small and medium-sized entities.

São Paulo, May 31, 2013

ERNST & YOUNG TERCO  
Auditores Independentes S.S.  
CRC-2SP015199/O-6

A handwritten signature in blue ink, appearing to read 'Daniel G. Maranhão Jr.', is written over the printed name and registration number.

Daniel G. Maranhão Jr.  
Accountant CRC-1SP215856/O-5

## Associação Operação Sorriso do Brasil

Balance sheets  
December 31, 2012  
(In reais)

	Note	2012	2011
<b>Assets</b>			
Current assets			
Cash and cash equivalents	3	168,997	171,032
Accounts receivable	4	10,778	14,910
Sundry receivables	-	83	10
Total current assets		<u>179,858</u>	<u>185,952</u>
Noncurrent assets			
Property and equipment	5	54,210	18,086
Intangible assets	6	68,190	67,915
Total noncurrent assets		<u>122,400</u>	<u>86,001</u>
Total assets		<u>302,258</u>	<u>271,953</u>
<b>Liabilities and equity</b>			
Current liabilities			
Accounts payable	-	3,312	940
Labor and social security payable	7	28,896	24,488
Taxes payable	8	8,969	6,165
Total current liabilities and equity		<u>41,177</u>	<u>31,593</u>
Net equity			
Capital	10	137,479	10,362
Donation reserves	10	102,881	102,881
Surplus/(deficit) for the year	10	20,721	127,117
Total net equity		<u>261,081</u>	<u>240,360</u>
Total liabilities and net equity		<u>302,258</u>	<u>271,953</u>

See accompanying notes.

## Associação Operação Sorriso do Brasil

Statements of surplus  
December 31, 2012  
(In reais)

	Note	2012	2011
Domestic donations		660,556	611,437
Donations of materials and services		568,226	265,901
Foreign donations		400,895	452,107
Gross donations	11	<u>1,629,677</u>	<u>1,329,445</u>
Operating income (expenses)			
Program expenses	12	(982,660)	(637,027)
Administrative expenses	13	(620,790)	(562,797)
Taxes expenses		(4,285)	(4,401)
Other income/(expenses), net		-	2,831
		<u>(1,607,735)</u>	<u>(1,201,394)</u>
Financial income (expenses)			
Financial income		2,007	2,030
Financial expenses		(3,228)	(2,964)
	14	<u>(1,221)</u>	<u>(934)</u>
Surplus for the year		<u><u>20,721</u></u>	<u><u>127,117</u></u>

See accompanying notes.

## Associação Operação Sorriso do Brasil

Statements of changes in net equity  
December 31, 2012  
(In reais)

	Note	Capital	Donation reserves	Surplus/(deficit) for the year	Total
Balances at December 31, 2010	-	93,131	102,881	(82,769)	113,243
Capital reduction with deficit	-	(82,769)	-	82,769	
Surplus for the year	-	-	-	127,117	127,117
Balances at December 31, 2011		<b>10,362</b>	<b>102,881</b>	<b>127,117</b>	<b>240,360</b>
Capital increase with surplus	-	127,117	-	(127,117)	-
Surplus for the year	-	-	-	20,721	20,721
Balances at December 31, 2012	10	<b>137,479</b>	<b>102,881</b>	<b>20,721</b>	<b>261,081</b>

See accompanying notes.

## Associação Operação Sorriso do Brasil

Cash flow statements  
December 31, 2012  
(In reais)

	<u>2012</u>	<u>2011</u>
From operating activities		
Surplus for the year	<u>20,721</u>	<u>127,117</u>
Adjustments to reconcile surplus with cash provided by social activities:		
Depreciation and amortization	<u>7,677</u>	<u>20,620</u>
	<u>7,677</u>	<u>20,620</u>
Changes in current and noncurrent assets and liabilities		
Decrease/(increase) in assets		
Trade accounts receivable	4,132	(14,761)
Sundry receivables	(73)	59
(Decrease)/increase in liabilities		
Labor and social security payable	4,410	(8,754)
Taxes payable	2,804	(1,811)
Accounts payable	2,372	(3,621)
Cash from social activities	<u>42,043</u>	<u>118,851</u>
Cash flow from investing activities		
Increase in property and equipment	(44,078)	(2,731)
Cash used in investing activities	<u>(44,078)</u>	<u>(2,731)</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,035)</u>	<u>116,119</u>
Cash and cash equivalents:		
At beginning of year	171,032	54,913
At end of year	168,997	171,032
Net increase (decrease) in cash and cash equivalents	<u>(2,035)</u>	<u>116,119</u>

See accompanying notes.



# Associação Operação Sorriso do Brasil

Notes to financial statements

December 31, 2012 and 2011

(In thousands of reais, unless otherwise stated)

## 1. Operations

Associação Operação Sorriso do Brasil ("Entity") is a not-for-profit philanthropic private civil association with its headquarters in the city of São Paulo, located at Avenida Faria Lima, nº 2013, São Paulo state, whose activities are regulated by its charter and the provisions of Law No. 9790, dated March 23, 1999 and Decree No. 3100, dated June 30, 1999 and other applicable legal provisions, having been set up to operate for an indefinite term.

The Entity's purpose is to provide support and assistance in the conduction of scientific, medical and educational works in connection with reconstructive plastic surgery and aesthetic surgery for children, adolescents, youngsters and also adults in need, following the provisions in sole paragraph, article 3, of Law No. 9790, dated March 23, 1999.

## 2. Accounting practices

### 2.1. Basis of presentation

The Entity's financial statements at December 31, 2012 were prepared in accordance with accounting practices adopted in Brazil and based on NBC T 10.19 - Not-for-profit entities and NBC TG 1000 - Accounting for small and medium-sized entities.

The financial statements at December 31, 2012 were approved on May 31, 2013 by the Entity's associates and founders at the Annual General Meeting.

### 2.2. Summary of significant accounting practices

The main significant accounting practices adopted to prepare these financial statements are as follows:

#### Determination of surplus/(deficit) - revenues and expenses

Revenues from donations and contributions are recorded as determined by NBC T 10.19 - Not-for-profit entities issued by Brazil's National Association of State Boards of Accountancy (CFC), based on valid documents, upon effective receipt of funds. All the other revenues and expenses necessary for maintenance of the Entity's activities are recorded on an accrual basis.

# Associação Operação Sorriso do Brasil

Notes to financial statements  
December 31, 2012 and 2011  
(In thousands of reais, unless otherwise stated)

## 2. Accounting practices (Continued)

### 2.2. Summary of significant accounting practices (Continued)

#### Cash and cash equivalents

These include cash and credit balances in bank accounts with immediate liquidity maturing in less than 90 days from the balance sheet date and with insignificant risk of change in their market value.

#### Property and equipment

The Entity decided not to assess its property and plant at fair value as deemed cost, considering that: the cost method, net of provision for losses, is the better method to value the Entity's property and equipment; and (ii) the Entity's property and equipment is segregated into well defined classes related to their social activities. Depreciation is calculated by the straight-line method over the useful life of assets, as per the rates disclosed in Note 5.

#### Intangible assets, net

Intangible assets are stated at software acquisition cost or software licensing donation, less accumulated amortization which is calculated on a straight-line basis over the estimated useful life of five years.

#### Labor and social security payable

These amounts represent social charges and contribution taxes due by the Entity. This group also includes provisions for labor arising from vacation payable and related charges, which are recorded based on each employee's salary and on the vesting period incurred through the balance sheet date.

#### Other (current and noncurrent) assets and liabilities

An asset is recognized in the balance sheet when it is probable that its future economic benefits will be generated for the Entity and its cost or value may be reliably measured.

## **Associação Operação Sorriso do Brasil**

Notes to financial statements  
December 31, 2012 and 2011  
(In thousands of reais, unless otherwise stated)

### **2. Accounting practices (Continued)**

#### **2.2. Summary of significant accounting practices (Continued)**

##### Other (current and noncurrent) assets and liabilities (Continued)

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 funds will be required to settle it. Provisions are recorded based on the best estimate of the risk involved.

Assets and liabilities are classified as current when realization or settlement thereof will probably take place within the next 12 months. Otherwise, they are stated as noncurrent.

##### Contingent assets and liabilities and legal obligations

The accounting practices for recording and disclosing contingent assets and liabilities and legal obligations are as follows: (i) contingent assets are recognized only when there are real guarantees or favorable unappealable court decisions. Contingent assets involving probable favorable outcome on the case are only disclosed in the notes to the financial statements; (ii) contingent liabilities are recognized when losses are assessed as probable and the amounts involved may be reliably measured. Contingent liabilities assessed as possible losses are only disclosed in the notes to financial statements and contingent liabilities assessed as remote losses are not recognized or disclosed; (iii) legal obligations are recorded in liabilities irrespective of the chances of favorable outcome on the proceedings in which the Entity questions constitutionality of taxes.

# Associação Operação Sorriso do Brasil

Notes to financial statements  
December 31, 2012 and 2011  
(In thousands of reais, unless otherwise stated)

## 2. Accounting practices (Continued)

### 2.2. Summary of significant accounting practices (Continued)

#### Significant accounting judgments, estimates and assumptions

The preparation of the Entity's financial statements requires management to make judgments and estimates and to adopt assumptions that affect the amounts presented referring to revenues, expenses, assets and liabilities, as well as disclosures of contingent liabilities at the financial statement closing date. Key assumptions related to uncertainty sources in future estimates and other significant estimate uncertainty sources at the balance sheet date that may result in different amounts upon settlement are as follows: a) property and equipment useful life, b) measurement of financial instruments, and c) risk assessments to determine provisions, including for contingencies. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the probabilistic treatment inherent to the estimate process. Management periodically reviews these estimates and their assumptions.

### 2.3. New pronouncements and standards published

#### Resolution No. 1409 of Brazil's National Association of State Boards of Accountancy (CFC) on September 21, 2012 established ITG 2002.

This resolution became effective on the date of its publication (September 27, 2012), and applies to years beginning on or after January 1, 2012. This interpretation (ITG 2012) establishes specific criteria and procedures for measurement and recognition of accounting transactions and minimal variations to be disclosed in the notes of not-for-profit entities. This new resolution caused no material impacts on the Entity's annual information.

## Associação Operação Sorriso do Brasil

Notes to financial statements  
December 31, 2012 and 2011  
(In thousands of reais, unless otherwise stated)

### 3. Cash and cash equivalents

	2012	2011
Cash	594	226
Bank account deposits	168,403	170,806
Total	<u>168,997</u>	<u>171,032</u>

### 4. Accounts receivable

Balances at December 31, 2012 and 2011 were as follows:

	2012	2011
Accounts receivable	10,778	14,910
Total	<u>10,778</u>	<u>14,910</u>

Accounts receivable comprise domestic and foreign donations for which the Entity received payment notices of account credit; however, the deposit in bank account was made in year 2013.

### 5. Property and equipment

Breakdown of property and equipment is as follows:

Cost	% - Depreciation rate	(+) Additions			(+) Write-offs			12/31/2012
		12/31/2010			12/31/2011			
Medical equipment	10%	12,558	-	-	12,558	3,000	-	15,558
Computers and peripherals	20%	5,628	-	-	5,628	4,537	-	10,165
Furniture and facilities	10%	4,080	2,731	-	6,811	35,190	-	42,001
Machinery and equipment	10%	2,379	-	-	2,379	1,030	-	3,409
Total		<u>24,645</u>	<u>2,731</u>	<u>-</u>	<u>27,376</u>	<u>43,757</u>	<u>-</u>	<u>71,133</u>

Depreciation	(-) Depreciation expenses			(-) Depreciation expenses		
	12/31/2010	(+) Write-offs	12/31/2011	(+) Write-offs	12/31/2012	
Medical equipment	(4,500)	(661)	-	(5,756)	(1,556)	-
Computers and peripherals	(721)	(1,256)	-	(1,847)	(1,610)	-
Furniture and facilities	(505)	(1,126)	-	(1,166)	(4,200)	-
Machinery and equipment	(283)	(238)	-	(521)	(267)	-
Total	<u>(6,009)</u>	<u>(3,281)</u>	<u>-</u>	<u>(9,290)</u>	<u>(7,633)</u>	<u>(16,923)</u>
Property and equipment, net	<u>18,636</u>	<u>(550)</u>	<u>-</u>	<u>18,086</u>	<u>36,124</u>	<u>54,210</u>

## Associação Operação Sorriso do Brasil

Notes to financial statements

December 31, 2012 and 2011

(In thousands of reais, unless otherwise stated)

### 6. Intangible assets

Cost	12/31/2010			12/31/2011			12/31/2012		
		(+) Additions	(-) Write-offs		(+) Additions	(-) Write-offs		(+) Additions	(-) Write-offs
Software and applications	-	-	-	-	320	-	-	320	-
Software licensing - Donation (*)	86,700	-	-	86,700	-	-	86,700	-	-
<b>Total</b>	<b>86,700</b>	<b>-</b>	<b>-</b>	<b>86,700</b>	<b>320</b>	<b>-</b>	<b>87,020</b>	<b>-</b>	<b>-</b>

Amortization	12/31/2010			12/31/2011			12/31/2012		
		(-) Amortization expenses	(+) Write-offs		(-) Amortization expenses	(+) Write-offs		(-) Amortization expenses	(+) Write-offs
(-) Amort. software and applications	-	-	-	-	(45)	-	(45)	-	-
(-) Software licensing - Donation	(1,445)	(17,340)	-	(18,785)	-	-	(18,785)	-	-
<b>Total</b>	<b>(1,445)</b>	<b>(17,340)</b>	<b>-</b>	<b>(18,785)</b>	<b>(45)</b>	<b>-</b>	<b>(18,830)</b>	<b>-</b>	<b>-</b>

<b>Intangible assets, net</b>	<b>85,255</b>	<b>(17,340)</b>	<b>-</b>	<b>67,915</b>	<b>275</b>	<b>-</b>	<b>68,190</b>	<b>-</b>	<b>-</b>
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(\*) Software licensing donation to use Bionexo platform, refers to the use of a password to quote prices for the purchase of medical supplies. The service agreement is for an indefinite period of time; therefore, there is no amortization recorded..

### 7. Labor and social security payable

	2012	2011
Social Security (INSS) payable	12,092	6,414
Unemployment severance indemnity Fund (FGTS) payable	4,200	1,996
Accrued vacation payable	9,281	11,839
Social charges on vacation	3,323	4,239
<b>Total</b>	<b>28,896</b>	<b>24,488</b>

### 8. Taxes payable

	2012	2011
Withholding Income Tax (IRRF) on salaries payable	7,274	3,698
IRRF on vacation pay payable	67	1,992
IRRF payable	720	157
Contribution Tax on Gross Revenue for Social Integration Program (PIS) on salaries payable	908	317
<b>Total</b>	<b>8,969</b>	<b>6,165</b>

## Associação Operação Sorriso do Brasil

Notes to financial statements  
December 31, 2012 and 2011  
(In thousands of reais, unless otherwise stated)

### 9. Taxes

#### 9.1. Corporate Income Tax (IRPJ) and Social Contribution on Profit (CSLL)

As a not-for-profit entity, the Entity enjoys the benefit of exemption from payment of federal taxes on profits, in accordance with articles 167 to 174 of Income Tax Regulations approved by Decree No. 3000, dated March 26, 1999 and article 195 of the Federal Constitution.

#### 9.2. Contribution Tax on Gross Revenue for Social Integration Program (PIS)

As a not-for-profit organization, the Entity is subject to PIS payment on payroll at 1% in accordance with Law No. 9532/97.

#### 9.3. Contribution Tax on Gross Revenue for Social Security Financing (COFINS)

As a not-for-profit entity, the Entity enjoys the benefit of COFINS exemption on revenues from its activities, in accordance with Laws No. 9718/98 and No. 10833/03, being subject to such payment on its other revenues at a rate of 3%.

### 10. Net equity

	2012	2011
Social equity	137,479	10,362
Donation reserves	102,881	102,881
Surplus for the year	20,721	127,117
Total	261,081	240,359

The Entity's net equity consists of donations plus surplus less deficits accumulated since its setup.

#### Allocation of surplus/(deficit)

The surplus determined in the year will be allocated to the maintenance of activities, as required by legal provisions in force applicable to philanthropic institutions.

# Associação Operação Sorriso do Brasil

Notes to financial statements

December 31, 2012 and 2011

(In thousands of reais, unless otherwise stated)

## 11. Revenues

### 11.1. Unrestricted operating income

	2012	2011
Individual donations (c)	15.706	63.299
Corporate donations (a)	621.788	535.542
Anonymous donations	23.062	12.595
Donations of materials and services (d)	568.226	265.901
Foreign donations (b)	400.895	452.107
Total	<u>1.629.677</u>	<u>1.329.445</u>

#### (a) Corporate donations

Breakdown of donations made by companies for the years 2012 and 2011 is as follows:

	2012	2011
Instituto Fazer da Criança	2,000	6,000
Assoc. Brasil. De Clínicas e Spas	15,112	35,882
Comerc. Comercializadora Energia Elétrica Ltda.	84,000	84,000
Pepsi Cola Industria da Amazônia Ltda.	4,130	17,710
Icatu Seguros S/A	50,000	58,000
Colgate Palmolive Comercial Ltda.	212,000	212,000
Hotelaria ACCOR Brasil S/A	-	50,000
Denik Empreendimentos Imobiliários	-	100
Arfe Assessoria e Serv. De Intermediação de Negócios	-	1,300
OMA Tess	-	368
Ana Rocha & Apolinário	-	15,092
Guedes, Bernardo, Imamura e Associados Consult. Intern.	-	1,000
Minihumanos Confec. Com. Roupas e Acess.Ltda.	1,219	3,090
Associação Citiesperança	50,000	50,000
Mini-Fiori Confecções - Chicletaria	-	1,000
Pepsico do Brasil Ltda.	10,410	-
Contém 1GR	5,704	-
Loteria do Estado do Rio de Janeiro	75,072	-
Lopana Ltda.	182	-
Time de Santarém - PA	640	-
S2G Com. Eletrônico S/A	13,189	-
Hasbro do Brasil Ind. e Com. de Brinquedos e Jogos Ltda.	30,000	-
Internet Closet Comércio de Roupas via Web Ltda. EPP.	11,710	-
The British School – Associação Britânica de Educação	5,290	-
Time de Voluntários - Rio de Janeiro	1,045	-
United Way Worldwide	39,507	-
Pagseguro	10,578	-
Total	<u>621,788</u>	<u>535,542</u>



# Associação Operação Sorriso do Brasil

Notes to financial statements

December 31, 2012 and 2011

(In thousands of reais, unless otherwise stated)

## 11. Revenues (Continued)

### 11.1. Unrestricted operating income (Continued)

#### (b) Foreign donations

These are funds remitted by Operation Smile Inc. for the conduct of planned programs jointly developed by Brazil and the United States, whose amounts are as follows:

	<u>2012</u>	<u>2011</u>
Operation Smile	400,895	452,107
Total	<u>400,895</u>	<u>452,107</u>

#### (c) Individual donations

These are donations made by individuals through direct deposit in the Entity's current bank account. Approximately 80% of deposits are identified.

#### (d) Donations of materials and services

These are donations of surgical consumption products by companies producing such materials, such as sutures and anesthetics or services rendered to the Entity free of charge. Breakdown is as follows:

	<u>2012</u>	<u>2011</u>
Vivo S/A	-	18
Colgate Palmolive Comercial Ltda.	-	27,014
Cairu PMA Componentes p/ Bicycletas Ltda.	-	200
Cipa Ind. Prods. Alimentícios Ltda.	-	441
Fabracor Ind. Gráfica Ltda.	-	4,050
Schivartche Advogados	-	20,000
Ana Maria Fernandes Gaspar Carneiro	38,800	-
Johnson & Johnson Br Ind. E Com. Prod. Saúde Ltda.	120,056	91,881
Cristália Prods. Químicos Farmacêuticos Ltda.	5,512	5,406
Pepsi Cola Industrial da Amazônia Ltda.	63,220	-
Time de Voluntários Locais Rio de Janeiro	1,269	-
Hasbro do Brasil Ind. E Com. De B. e J. Ltda.	76	-
Nexus Logística e Transportes Ltda.	6,624	32,979
Personal Services Recursos Humanos Assessoria Empresarial Ltda.	1,990	-
Abbot Laboratórios do Brasil Ltda.	401	22,712
Bionexo do Brasil S.A.	61,200	61,200
Operation Smile	269,078	-
Total	<u>568,226</u>	<u>265,901</u>

## Associação Operação Sorriso do Brasil

Notes to financial statements

December 31, 2012 and 2011

(In thousands of reais, unless otherwise stated)

### 12. Program expenses

The funds and donations received by the Entity were allocated to the programs developed, and funds received were used for its institutional purposes in conformity with its charter, in connection with granting of free social assistance.

	<u>Year</u>	<u>Number of services rendered</u>	<u>Funds R\$</u>
Expenses from own resources	2011	4,578	637,027
	2012	6,552	982,660

In meeting the provisions in item VI, article 3, of Decree No. 2536/98, in 2012 and 2011, the Entity provided the following free social assistance, as follows:

	<u>2012</u>	<u>2011</u>
Air tickets	194,429	148,688
Cargo transportation (import)	23,183	9,883
Meals	15,364	49,569
Overland transportation	19,416	19,832
Fuel	460	334
Medical supplies	397,183	124,066
Other than medical supplies	73,304	6,550
Communication	3,141	3,550
Personal development	-	1,124
Sundry	24,712	25,597
Telephone	13,067	16,114
Distribution of kits and gifts for children	-	27,284
Manufacturing of t-shirts	8,745	-
Sundry professional services	212,870	222,183
(-) Recovered costs	(3,214)	(17,746)
<b>Total</b>	<b>982,660</b>	<b>637,027</b>

## Associação Operação Sorriso do Brasil

Notes to financial statements  
December 31, 2012 and 2011  
(In thousands of reais, unless otherwise stated)

### 13. Administrative expenses

Breakdown of sundry professional services for the years 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Personnel expenses	312,623	279,108
Social charges	121,994	107,529
Telephone	7,653	6,842
Office supplies	2,856	2,218
Office equipment lease	410	-
Internet	2,024	2,481
Sundry professional services	138,397	104,261
Air tickets	2,575	3,311
Rent	33,839	25,617
Sundry	18,774	33,780
( - ) Recovered expenses	(20,355)	(2,349)
Total	<u>620,790</u>	<u>562,797</u>

### 14. Financial income (expenses)

Breakdown of financial income (expenses) is as follows:

	<u>2012</u>	<u>2011</u>
Discounts obtained	209	66
Short-term investment interest	1,798	1,964
Bank fees	(2,778)	(2,745)
Interest expense	(38)	(70)
Arrears interest	(412)	(149)
Total	<u>(1,221)</u>	<u>(934)</u>

### 15. Financial instruments

The Entity involves in its operations financial instruments limited to cash and cash equivalents and short-term investments under normal market conditions, which are fully recognized in the financial statements for the purpose of meeting its operating needs. The market value of short-term investments approximates their book values.

The Entity has not made speculative investments with derivatives or any other risky assets and does not have any swap or similar operations.