



**Copersucar S.A.**

Financial statements  
March 31, 2012 and 2011



## Copersucar S.A.

### Financial statements

**March 31, 2012 and 2011**

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## Independent auditors' report on the financial statements

Directors and shareholders  
of Copersucar S.A.  
São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Copersucar S.A. ("Company"), identified as the Parent Company and Consolidated financial statements, respectively, which comprise the balance sheets as of March 31, 2012 and the related statements of income, statement of changes in shareholders' equity and statements of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Company management is responsible for the preparation and fair presentation of these individual financial statements in accordance with the accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB, the accounting practices adopted in Brazil (BR GAAP), 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the financial statements, based on our audit conducted 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the 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.



### **Opinion on the Individual Financial Statements**

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Copersucar S.A. as of March 31, 2012, and the performance of its operations and cash flows for the financial year then ended, in conformity with accounting practices adopted in Brazil.

### **Opinion on the Consolidated Financial Statements**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Copersucar S.A. as of March 31, 2012, and the consolidated performance of its operations and cash flows for the financial year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil (BR GAAP).

### **Emphases of Matter**

As described in Note 3, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Copersucar S.A., these practices only differ from the IFRS applicable to the separate financial statements in respect of the evaluation of investments in subsidiaries, affiliates and joint ventures accounted for using the equity method, whereas for the purposes of IFRS this would be at cost or fair value. Our opinion has no proviso with respect to this matter.

Copersucar S.A. purchases sugar and ethanol substantially from a related party, on the commercial terms and conditions described in Note 25. Assurance of supply is conditional on maintaining the contract with this related party. Our opinion has no proviso with respect to this matter.

### **Other Matters**

#### ***Statements of added value***

We also examined the individual and consolidated statements of added value (DVA) for the financial year ended on March 31, 2012, which are the responsibility of Management, presented as supplementary information to IFRS which does not require the publication of DVAs. These statements were subject to the audit procedures described earlier and in our opinion are adequately presented, in all material respects, in relation to the financial statements taken as a whole.

Ribeirão Preto, March 18, 2012

KPMG Auditores Independentes  
CRC 2SP014428/O-6

André Luiz Monaretti  
Accountant CRC 1SP160909/O-3

Copersucar S.A.

Balance Sheets

As of March 31, 2012 and 2011

(In thousands of Reais)

Assets	Note	Consolidated		Parent Company		Liabilities	Note	Consolidated		Parent Company	
		2012	2011	2012	2011			2012	2011	2012	2011
<b>Current assets</b>						<b>Current liabilities</b>					
Cash and cash equivalents	8	373,580	439,889	58,723	195,602	Trade payables	19	199,453	426,310	169,673	30,763
Trade accounts receivable	9	602,614	880,585	289,693	615,075	Loans and Financing	20	615,585	573,088	373,580	352,846
Dividends Receivable	25	-	21,074	52,068	22,157	Social security and labor charges		22,767	24,426	18,596	20,290
Inventory	10	1,050,262	353,614	721,530	158,402	Provision for income tax and social contribuion	33	-	33,173	-	31,446
Recoverable taxes and contributions	11	283,001	78,044	281,671	76,549	Taxes and contributions payable	21	13,407	4,164	12,853	3,838
Advances to suppliers	12	54,673	57,166	4,482	18,885	Advances	25	-	339	399,957	54,086
Stock exchange transactions	13	52,527	117,085	672	-	Dividends payable	25	25,638	-	25,638	-
Unrealized derivative financial instruments	23	40,008	207,446	19,271	-	Unrealized derivative financial instruments	23	24,458	7,340	-	6,265
Other receivables		5,119	2,419	2,842	1,649	Other accounts payable		25,244	5,280	11,357	710
Total Current Assets		<u>2,461,784</u>	<u>2,157,322</u>	<u>1,430,952</u>	<u>1,088,319</u>	Total Current Liabilities		<u>926,552</u>	<u>1,074,120</u>	<u>1,011,654</u>	<u>500,244</u>
<b>Noncurrent assets</b>						<b>Noncurrent liabilities</b>					
Deferred tax assets	14	87,901	58,597	82,859	53,425	Loans and Financing	20	1,616,672	841,030	974,880	673,022
Judicial deposits	22	25,958	19,466	14,711	9,221	Employee benefits	34	30,900	21,888	30,900	21,888
Unrealized derivative financial instruments	23	21,849	-	21,849	-	Taxes and contributions payable	21	733	810	-	-
Loan transactions	25	1,099	-	25,246	1,358	Provisions for contingencies	22	27,914	21,842	15,156	9,700
Investments	15	64,801	23,769	624,689	431,206	Unrealized derivative financial instruments	23	-	24,896	-	24,896
Investment property	16	-	-	21,400	16,043	Deferred tax liabilities	14	25,454	40,777	6,094	18,561
Property, plant and equipment	17	159,055	127,948	11,200	10,553	Negative equity of subsidiary		-	-	-	75
Intangible assets	18	11,417	3,763	11,417	3,763	Total Noncurrent Liabilities		<u>1,701,673</u>	<u>951,243</u>	<u>1,027,030</u>	<u>748,142</u>
Total Noncurrent Assets		<u>372,080</u>	<u>233,543</u>	<u>813,371</u>	<u>525,569</u>	<b>Shareholders' Equity</b>					
Total Assets						Share Capital					
		<u>2,833,864</u>	<u>2,390,865</u>	<u>2,244,323</u>	<u>1,613,888</u>	80,300					
						Legal reserve					
						16,060					
						Profit reserves					
						7,539					
						Equity appraisal adjustment					
						27,378					
						Additional dividend proposed					
						74,362					
						Shareholders' equity					
						26					
						205,639					
						Total Liabilities					
						2,628,225					
						Total Liabilities and Shareholders' Equity					
						2,833,864					

See the accompanying notes to the financial statements.

# Copersucar S.A.

## Statements of income

For the years ended on March 31, 2012 and 2011

(In thousands of Reais)

	Note	Consolidated		Parent Company	
		2012	2011	2012	2011
Net Revenue	28	11,226,836	8,275,344	4,239,732	3,677,336
Unrealized derivative financial instruments	23	(193,723)	157,956	-	-
Cost of goods sold and services rendered	32	<u>(10,549,444)</u>	<u>(7,790,579)</u>	<u>(4,162,351)</u>	<u>(3,588,827)</u>
<b>Gross Profit</b>		<u>483,669</u>	<u>642,721</u>	<u>77,381</u>	<u>88,509</u>
Selling expenses	32	(171,897)	(138,806)	(45,198)	(41,925)
Administrative expenses	32	(58,352)	(55,141)	(50,813)	(48,578)
Other revenue	29	5,482	4,941	1,040	728
Other expenses	30	<u>(8,886)</u>	<u>(49,289)</u>	<u>(2,057)</u>	<u>(3,078)</u>
<b>Result before net financial income/expenses</b>		<u>250,016</u>	<u>404,426</u>	<u>(19,647)</u>	<u>(4,344)</u>
Financial Revenue	31	910,146	87,117	378,921	65,239
Financial expenses	31	<u>(1,106,237)</u>	<u>(128,005)</u>	<u>(509,685)</u>	<u>(71,060)</u>
<b>Net financial expenses</b>		<u>(196,091)</u>	<u>(40,888)</u>	<u>(130,764)</u>	<u>(5,821)</u>
Equity in net income of subsidiaries and associates	15	<u>(3,087)</u>	<u>(8,517)</u>	<u>202,087</u>	<u>362,995</u>
<b>Income before tax</b>		<u>50,838</u>	<u>355,021</u>	<u>51,676</u>	<u>352,830</u>
Current income and social contribution taxes	33	7,087	(17,810)	8,975	(14,525)
Deferred income and social contribution taxes	33	<u>44,627</u>	<u>18,275</u>	<u>41,901</u>	<u>17,181</u>
<b>Net income for the year</b>		<u>102,552</u>	<u>355,486</u>	<u>102,552</u>	<u>355,486</u>
<b>Earnings attributable to controlling interests</b>		<u>102,552</u>	<u>355,486</u>	<u>102,552</u>	<u>355,486</u>

See the accompanying notes to the financial statements.

# Copersucar S.A.

## Statements of changes in shareholders' equity

For the years ended March 31, 2012 and 2011

(In thousands of Reais)

	Share Capital	Legal reserve	Retained Profits	Equity evaluation adjustment	Accumulated profits (losses)	Additional dividend proposed	Total
<b>In 2010</b>	80,300	66		37,334	(28,758)	-	88,942
Realization of deemed cost	-	-	-	(4,969)	4,969	-	-
Net income for the year	-	-	-	-	355,486	-	355,486
Net income allocation:							
Legal reserve	-	15,994	-	-	(15,994)	-	-
Dividends proposed (R\$ 3.93 per share)	-	-	315,703	-	(315,703)	-	-
Minimum mandatory dividends (R\$ 0.98 per share)	-	-	(78,926)	-	-	-	(78,926)
Additional dividend proposed	-	-	(236,777)	-	-	236,777	-
<b>In 2011</b>	<u>80,300</u>	<u>16,060</u>	<u>-</u>	<u>32,365</u>	<u>-</u>	<u>236,777</u>	<u>365,502</u>
Realization of deemed cost	-	-	-	(4,987)	4,987	-	-
Proposed distribution of additional dividend	-	-	-	-	-	(236,777)	(236,777)
Net income for the year	-	-	-	-	102,552	-	102,552
Net income allocation:							
Dividend proposed (R\$ 0.25 per share)	-	-	100,000	-	(100,000)	-	-
Minimum mandatory dividends (R\$ 0.06 per share)	-	-	(25,638)	-	-	-	(25,638)
Additional dividend proposed (R\$ 0.18 per share)	-	-	(74,362)	-	-	74,362	-
Retained Profits	-	-	7,539	-	(7,539)	-	-
<b>In 2012</b>	<u>80,300</u>	<u>16,060</u>	<u>7,539</u>	<u>27,378</u>	<u>-</u>	<u>74,362</u>	<u>205,639</u>

See the accompanying notes to the financial statements.

# Copersucar S.A.

## Statements of cash flows

For the years ended on March 31, 2012 and 2011

(In thousands of Reais)

	Consolidated		Parent Company	
	2012	2011	2012	2011
<b>Net income for the year</b>	<u>102,552</u>	<u>355,486</u>	<u>102,552</u>	<u>355,486</u>
Adjusted for:				
Share in net income of subsidiaries and associates	3,087	8,517	(202,087)	(362,995)
Depreciation and amortization	12,091	11,148	1,989	1,262
Deferred taxes	(44,627)	(18,275)	(41,901)	(17,181)
Interest and exchange variance on loans	323,376	2,866	177,914	(5,962)
Net value of derecognized permanent assets	562	172	482	150
Provision for contingencies	6,071	5,951	5,453	4,896
Employee benefits	9,012	38,307	9,012	36,544
Changes in the fair value of derivative financial instruments	137,811	(127,435)	(72,281)	31,145
(Profit)/loss participation investments subsidiaries	(108)	2,184	(108)	2,184
Allowance for impairment (Accounts receivable)	(207)	1,199	(207)	1,199
<b>Changes in assets and liabilities</b>				
Increase in trade accounts receivable	278,178	(463,152)	325,589	(382,967)
(Increase)/decrease in related-party transactions	19,637	(6,497)	343,061	42,349
Inventory increase / (decrease)	(696,648)	(252,639)	(563,128)	(142,786)
(Increase)/decrease in recoverable taxes	(160,602)	(63,674)	(163,925)	(68,709)
(Increase)/decrease in other credits	(2,700)	(1,020)	(1,193)	(490)
(Increase)/decrease in advance to supplier	2,493	(38,614)	14,403	(9,784)
(Increase)/decrease in stock exchange transactions	64,558	(145,996)	(672)	-
Increase in judicial deposits	(6,492)	(6,029)	(5,490)	(5,116)
Increase/(decrease) in trade accounts payable	(226,857)	41,942	138,910	(202,325)
Increase/(decrease) in payroll and labor obligations	(1,659)	(3,774)	(1,694)	(2,074)
Increase in taxes and contributions payable	(24,007)	17,029	(22,431)	18,950
Increase/(decrease) in other accounts payable	19,964	3,903	10,647	(401)
Cash inflow (outflow) from settlement of derivatives	-	3,711	-	107
Interest paid on loans and financing	(97,770)	(16,394)	(79,516)	(5,653)
Income and social contribution taxes paid	(44,355)	(10,926)	(41,197)	(4,414)
Dividends received	-	-	1,082	3,119
<b>Net cash used in operational activities</b>	<u>(326,640)</u>	<u>(662,010)</u>	<u>(64,736)</u>	<u>(713,466)</u>
Acquisition of investments	(44,011)	(22,896)	(43,431)	(23,268)
Acquisition of investment property	-	-	(5,620)	(7,177)
Acquisition of property, plant and equipment	(42,976)	(13,846)	(2,071)	(4,870)
Acquisition of intangible assets	(8,438)	(4,008)	(8,438)	(4,011)
<b>Net cash used in investments</b>	<u>(95,425)</u>	<u>(40,750)</u>	<u>(59,560)</u>	<u>(39,326)</u>
Dividends paid	(236,777)	(313)	(236,777)	(313)
Advance payment of dividends	-	(100,000)	-	(100,000)
Proceeds from loans and financing	3,043,008	1,890,721	1,400,628	1,234,798
Payment of loans and financing	(2,450,475)	(780,478)	(1,176,434)	(197,203)
<b>Net cash provided by (used in) financing activities</b>	<u>355,756</u>	<u>1,009,930</u>	<u>(12,583)</u>	<u>937,282</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(66,309)</u>	<u>307,170</u>	<u>(136,879)</u>	<u>184,490</u>
<b>Statement of cash and cash equivalent variation</b>				
At end of year	373,580	439,889	58,723	195,602
At beginning of year	439,889	132,719	195,602	11,112
<b>Cash and cash equivalents on March, 31</b>	<u>(66,309)</u>	<u>307,170</u>	<u>(136,879)</u>	<u>184,490</u>

See the accompanying notes to the financial statements.



# Copersucar S.A.

## Statements of added value

For the years ended on March 31, 2012 and 2011

(In thousands of Reais)

	Consolidated		Parent Company	
	2012	2011	2012	2011
<b>Revenue</b>				
Sales of goods, products and services	11,475,738	8,802,337	4,741,768	4,247,886
Other revenue	(193,723)	157,956	-	-
Change in the fair value of financial instruments	200,607	50,180	(61,557)	-
Allowance for doubtful accounts – Reversal / Creation	207	(1,199)	207	(1,199)
	<u>11,482,829</u>	<u>9,009,274</u>	<u>4,680,418</u>	<u>4,246,687</u>
<b>Inputs acquired from third parties</b>				
Cost of goods sold and services rendered	(10,539,760)	(7,780,743)	(4,162,351)	(3,588,827)
Material, energy, outsourced services and other	(137,529)	(107,626)	(33,276)	(29,366)
Other	(7,605)	(46,251)	(787)	(84)
	<u>(10,684,894)</u>	<u>(7,934,620)</u>	<u>(4,196,414)</u>	<u>(3,618,277)</u>
<b>Gross Added Value</b>	<u>797,935</u>	<u>1,074,654</u>	<u>484,004</u>	<u>628,410</u>
<b>Depreciation and amortization</b>	<u>(11,697)</u>	<u>(11,156)</u>	<u>(1,987)</u>	<u>(1,262)</u>
<b>Transferred added value</b>				
Equity in net income of subsidiaries and associates	(3,076)	(8,185)	202,087	362,995
Financial Revenue	783,280	87,227	377,239	65,239
Other	1,282	2,662	(605)	(2,100)
	<u>781,486</u>	<u>81,704</u>	<u>578,721</u>	<u>426,134</u>
<b>Added value to be distributed</b>	<u>1,567,724</u>	<u>1,145,202</u>	<u>1,060,738</u>	<u>1,053,282</u>
<b>Distribution of added value</b>	<u>(1,567,724)</u>	<u>(1,145,202)</u>	<u>(1,060,738)</u>	<u>(1,053,282)</u>
<b>Personnel</b>				
Direct compensation	(70,894)	(71,239)	(52,617)	(53,264)
Benefits	(5,133)	(6,143)	(2,175)	(2,259)
FGTS	(2,517)	(2,004)	(1,660)	(1,003)
	<u>(78,544)</u>	<u>(79,386)</u>	<u>(56,452)</u>	<u>(56,526)</u>
<b>Taxes and contributions</b>				
Federal	(144,379)	(197,052)	(138,290)	(190,508)
State	(338,969)	(378,031)	(338,885)	(377,607)
Municipal	(2,814)	(2,273)	(301)	(159)
	<u>(486,162)</u>	<u>(577,356)</u>	<u>(477,476)</u>	<u>(568,274)</u>
<b>Remuneration of Third Parties' Capital</b>				
Interest	(891,969)	(128,006)	(421,008)	(71,060)
Rent	(8,498)	(4,968)	(3,251)	(1,936)
	<u>(900,466)</u>	<u>(132,974)</u>	<u>(424,258)</u>	<u>(72,996)</u>
<b>Remuneration of own capital</b>				
Dividends	(100,000)	(315,703)	(100,000)	(315,703)
Retained earnings for the period	(2,552)	(39,783)	(2,552)	(39,783)
	<u>(102,552)</u>	<u>(355,486)</u>	<u>(102,552)</u>	<u>(355,486)</u>

See the accompanying notes to the financial statements.

# Copersucar S.A.

## Notes to the financial statements

### **For the years ended on March 31, 2012 and 2011**

*(In thousands of Reais)*

#### **1 Operations**

Copersucar is headquartered in São Paulo (SP) and is authorized to establish branches, offices or agencies and name agents or representatives anywhere in Brazil or worldwide. Our registered address is Avenida Paulista, 287. Our individual and consolidated financial statements for the financial year ended on March 31, 2012 include the parent company and its subsidiaries, joint ventures and interests in associates.

Established on July 17, 2008, Copersucar's business activities largely consist of:

- Importation, exportation, trading, processing, storage, loading and unloading of sugar, ethanol and products thereof domestically and internationally;
- Operation as a sales agent for sugar, ethanol and products thereof;
- Land, air, maritime and coastal water transportation and logistics;
- Transportation of cargo, including hazardous cargo, as a multimodal carrier;
- Production and sale of electric power, live steam, exhaust steam and products deriving from co-generation of electric power;
- Provision of technical services and consulting related to the activities above, and
- Acquisition and management of interests in other entities.

The corporate year of the Company and its subsidiaries ends on March 31 of every year.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 2 Copersucar Entities

Entity	City/State – Country		Shareholding participation 2012
Cia Auxiliar de Armazéns Gerais	São Paulo/SP - Brazil	Subsidiary	99.99995%
Copersucar Armazéns Gerais S.A.	São Paulo/SP - Brazil	Subsidiary	99.99997%
Uniduto Logística S.A.	São Paulo/SP - Brazil	Associate	25.82000%
Logum Logística S.A.	Rio de Janeiro/RJ - Brazil	Joint venture	20.00000%
Sugar Express Transportes S.A.	São Paulo/SP - Brazil	Subsidiary	99.99000%
Copersucar International N.V.	Caracasbadiweg - Curaçau	Subsidiary	100.00000%
Copersucar Trading A.V.V.	Orangestad - Aruba	Subsidiary	100.00000%
Copersucar Europe B.V	Rotterdam – Netherlands	Subsidiary	100.00000%
Copa Shipping Company Limited	Tortola – British Virgin Islands	Joint venture	50.00000%

#### ***Companhia Auxiliar de Armazéns Gerais***

A subsidiary based in São Paulo, primarily engaged in wholesale of food products and commodities in general, rental of warehouses, provision of warehousing services, exportation of sugar and other products of plant origin and port operations.

#### ***Copersucar Armazéns Gerais S.A.***

A subsidiary based in São Paulo, primarily engaged, through its subsidiaries, in wholesale of food products and commodities in general, wholesale and distribution of fuels for automotive or industrial use, and rental of warehouses.

#### ***Uniduto Logística S.A.***

An associate based in São Paulo (SP), primarily engaged in the development, construction and operation of pipelines for conveyance of fluids for sale in domestic and international markets, intermodal and port terminals for exportation of such fluids, and acquisition and management of interests in entities having one or more of the core business above.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### ***Logum Logística S.A.***

On November 23, 2010, Copersucar S.A., Cosan S.A. Indústria e Comércio, Uniduto Logística S.A., Camargo Correa Óleo e Gás S.A., Odebrecht Transporte Participações S.A., Petróleo Brasileira S.A. – PETROBRAS, PMCC Soluções Logísticas de Etanol S.A. and Camargo Corrêa Investimentos em Infra Estrutura S.A. entered into a Memorandum of Understanding under which they committed to form a unified entity for joint development of ethanol pipeline and logistics projects throughout Brazil. The parties above each acquired an interest in PMCC Soluções Logísticas de Etanol S.A. following a capital increase on March 1, 2011 in accordance with the Memorandum of Understanding. By a resolution passed during that same meeting, the company became Logum Logística S.A., in which Copersucar S.A. now holds a 20% ownership interest.

This joint venture's activities include development and operation of intermodal and multimodal, domestic and international transportation networks for ethanol, other biofuels and oil products; direct or indirect provision of intermodal and multimodal transportation services; development of intermodal and multimodal transportation projects; importation, exportation, purchase, sale, distribution and leasing of machinery and equipment related to the activities in Note 1.

### ***Sugar Express Transportes S.A.***

Sugar Express Transportes S.A., a subsidiary, was established on April 5, 2010 as road haulage company servicing the sugar and ethanol industries.

### ***Copersucar International N.V.***

A holding company based in Curaçau, which is a subsidiary. This subsidiary's operational and financial transactions are denominated in US Dollars.

### ***Copersucar Trading A.V.V.***

A subsidiary based in Aruba, engaged in importation and exportation of sugar and ethanol primarily purchased from Cooperativa de Produtores de Cana-de-Açúcar, Açúcar e Álcool do Estado de São Paulo.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### ***Copersucar Europe B.V.***

A subsidiary based in the Netherlands, engaged in importation and exportation of sugar and ethanol, largely purchased from affiliates.

### ***Copa Shipping Company Limited.***

Based in the British Virgin Islands, Copa Shipping Company Limited was established on November 24, 2010 as a joint venture with Jamal Al-Ghurair (JAG), the owner of Al Khaleej Sugar (AKS), the world's largest sugar refinery and one of our strategic customers. Copa Shipping will charter vessels for Copersucar S.A. and AKS and thereby improve cost effectiveness and service quality. Copersucar S.A. and Global Equity Investments, a subsidiary of JAG Group, each hold a 50% interest in Copa Shipping Company Limited.

## **3 Basis of preparation**

### ***a. Statement of compliance***

These financial statements include:

- Consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Brazilian Generally Accepted Accounting Principles (BR GAAP); and
- The individual financial statements of the parent company, prepared in accordance with Brazilian Generally Accepted Accounting Principles (BR GAAP).

The parent company's individual financial statements were prepared in accordance with BR GAAP. In the case of Copersucar, these practices differ from the IFRS applicable to the separate financial statements in respect of the accounting for investments in subsidiaries and affiliates, which are accounted for using the equity method under BR GAAP but at cost or fair value under IFRS.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

However, there is no difference between the Copersucar (the “Company”) consolidated shareholders’ equity and the consolidated net income and the Parent Company’s shareholders’ equity and net income as presented in its individual financial statements. The Company’s consolidated financial statements and the individual financial statements of the parent company are therefore being presented side-by-side in a single set of financial statements.

### ***b. Reporting basis***

The consolidated and individual financial statements have been prepared on a historical cost basis, except for the following material items recognized in the balance sheets:

- financial instruments measured at fair value through profit or loss;
- property, plant and equipment – deemed cost applied;
- inventory – marked to market.

### ***c. Functional and reporting currency***

These individual and consolidated financial statements are being presented in Brazilian reais, which is the functional currency of all Group entities. All financial information presented in reais has been rounded up/down to the nearest whole number, except where specified otherwise.

### ***d. Use of judgment and estimates***

Preparing the individual and consolidated financial statements in accordance with accounting standards issued by the Accounting Standards Committee (CPC) and IFRS, respectively, requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenue and expenses. The actual results may differ from these estimates.

Estimates and assumptions are continually reviewed. Reviews of accounting estimates are recognized in the period in which the estimates are reviewed and any future periods affected.

Information about critical judgments regarding the accounting policies adopted that affect the amounts stated in the individual and consolidated financial statements can be seen in the following notes:

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

- Note 9 – Receivables from Clients (Estimated Provision for Bad Debt - PECLD);
- Note 10 – Inventory;
- Note 14 – Deferred tax assets and liabilities;
- Note 16 – Investment property;
- Note 23 – Financial instruments;
- Note 35 – Operational leases.

Information about uncertainties, assumptions and estimates that pose a significant risk of an adjustment in the next financial year has been included in the following notes:

- Note 4(d)(iv) – Depreciation (useful life of property, plant and equipment);
- Note 4(e)(iii) – Amortization (useful life of intangible assets);
- Note 14 – Deferred tax assets and liabilities (use of fiscal losses);
- Note 22 – Provision for contingencies (provisions and contingencies).

### ***e. Changes of accounting practices and estimates***

- i. In the corporate year ended on March 31, 2012, the Company's Management decided to advance the IFRS 10 Consolidated Financial Statements and the IFRS 11 Joint Arrangements, the implementation of which is obligatory only from January 01, 2013 onwards. This way, its investments in Logum Logística S.A. (jointly controlled), which was previously consolidated proportionally to its respective participation in consolidated financial statements, now are to be recognized by the equity method.

As a result of that change in accounting practices, consolidated financial statements for the previous corporate year are provided for comparison purposes on the same basis adopted for the corporate year ended on March 31, 2012, as provided in IAS 8 – Accounting Policies, Estimate Change and Error Correction.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

<b>Consolidated balance sheets</b>			
	<b>2011 Published</b>	<b>Adjustments</b>	<b>2011 Adjusted</b>
Current assets	2,170,021	(12,699)	2,157,322
Noncurrent assets	222,516	11,027	233,543
<b>Total Assets</b>	<b>2,392,537</b>	<b>(1,672)</b>	<b>2,390,865</b>
Current liabilities	1,075,790	(1,670)	1,074,120
Noncurrent liabilities	951,244	(1)	951,243
<b>Total Liabilities</b>	<b>2,027,034</b>	<b>(1,671)</b>	<b>2,025,363</b>
Shareholders' Equity	365,503	(1)	365,502
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,392,537</b>	<b>(1,672)</b>	<b>2,390,865</b>
	<b>2011 Published</b>	<b>Adjustments</b>	<b>2011 Adjusted</b>
<b>Consolidated Statement of Income</b>			
Net Revenue	8,275,344	-	8,275,344
Unrealized derivative financial instruments	157,956	-	157,956
Cost of goods sold and services rendered	(7,790,579)	-	(7,790,579)
<b>Gross Profit</b>	<b>642,721</b>	<b>-</b>	<b>642,721</b>
Operating income and expenses	(238,736)	441	(238,295)
Financial result	(40,779)	(109)	(40,888)
Equity in net income of subsidiaries and associates	(8,185)	(332)	(8,517)
<b>Income before tax</b>	<b>355,021</b>	<b>-</b>	<b>355,021</b>
Current income and social contribution taxes	(17,810)	-	(17,810)
Deferred income and social contribution taxes	18,275	-	18,275
<b>Net income for the year</b>	<b>355,486</b>	<b>-</b>	<b>355,486</b>



# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

- ii. In the corporate year ended on March 31, 2012, CEPEA/ESALQ – Advanced Applied Economics Study Center, which is a department of Escola Superior de Agricultura Luiz de Queiroz (Higher School of Agriculture) (Universidade de São Paulo - USP), changed the methodology for pricing and determining sugar commodities market estimate. That estimate is used by the Company to measure the fair value of financial instruments associated with sugar purchase agreements and sugar inventories. As a result of the change in the pricing methodology for that commodity in Brazil introduced by CEPEA/ESALQ, it was necessary to review the Company's accounting estimates derived from that source. See details of the change of that methodology in Note 23.

As provided in IAS 8 – “Accounting Policies, Estimate Change and Error Correction”, effects of accounting estimate changes should be prospectively recognized in the financial statements of the current corporate year. This way, because of that change, the net positive effect on the consolidated result for the year would be R\$144,832, if the accounting estimate change had been applied prospectively.

#### **4 Description of significant accounting policies**

Accounting policies detailed below have been consistently applied to all periods indicated in these individual and consolidated financial statements according to IFRS and accounting standards issued by the Accounting Standards Committee (CPC), except when provided otherwise.

The accounting policies have been applied consistently by all Company entities.

##### ***a. Basis of consolidation***

###### *i. Subsidiaries*

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which ownership commences until the date it ceases. The subsidiaries' accounting practices are aligned with the policies adopted by the Company.

In individual financial statements of the parent company, financial information of controlled companies is recognized by the equity method.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### *ii. Investments in joint ventures*

A joint controlled arrangement (*joint venture*) is the agreement under which two or more parties commit to perform the economic activity that is subject to joint control.

In individual financial statements of the parent company, financial information of joint ventures is recognized by the equity method.

### *iii. Interests in related parties*

Associates are entities in which the Company exerts a significant direct or indirect influence, but not control, over operating and financial policy. Significant influence is said to occur when the Company directly or indirectly holds 20 to 50 percent of the entity's voting stock.

Investments in associates are recorded by the equity income method and recognized initially at cost. If the Company's share of losses of an associate whose shareholders' equity has been measured exceeds its interest in the associate, carried by the equity method, the carrying amount of the interest, including any long-term investments, is reduced to zero and the Company discontinues recognizing its share of further losses, except in cases where the Company has incurred legal or constructive obligations or made payments on behalf of the associate, in which case a provision for investment losses is established.

### *iv. Transactions eliminated in the consolidation process*

Balances, intercompany transactions and any revenue or expenses deriving from intercompany transactions are eliminated from the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated the same way as unrealized gains, but only to the extent to which there is no evidence of impairment losses.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### **b. Foreign currency**

#### *i. Foreign-currency transactions*

Transactions in foreign currency are translated at the foreign exchange rate at the date of the transaction, except that monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate at that date.

Foreign-currency gains or losses on monetary items consist of the difference in the amortized cost in the functional currency at the start of the reporting period, adjusted for interest and payments made in the period, and the amortized cost in the foreign currency at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign-currency differences resulting from translation are recognized in the income statement.

#### *ii. Overseas operations*

The assets and liabilities of these operations are converted to *reais* at the exchange rate at the reporting date. Revenue and expenses arising from overseas transactions are translated to reais at the average exchange rates at the period. Differences in foreign currencies are recognized in the result for the year, as the operating currency abroad is Real.

Exchange variance is recognized in profit or loss in the individual financial statements of the parent company or subsidiary.

Transactions in US Dollars (USD) were translated to our functional currency (R\$) at the following rates for both the consolidated financial statements and the individual financial statements of the parent company.

	Average rate for the year		Spot rate	
	2012	2011	2012	2011
R\$/USD	1.7953	1.6591	1.8221	1.6287

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### **c. Financial instruments**

#### *i. Non-derivative financial assets*

The Company initially recognizes loans, receivables and deposits on the date they were made. All other financial assets (including assets designated at fair value through profit and loss) are initially recognized on the transaction date on which the Company became party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the asset's cash flows expire or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred to the buyer. Any interest that is created or retained by the Company in financial assets is recognized as an individual asset or liability.

Financial assets or liabilities are offset and their net value recorded in the balance sheet when, and only when, the Company is legally entitled to offset the amounts and intends to settle on a net basis or realize the asset and settle the liabilities simultaneously.

The Company has the following non-derivative financial assets: Trade Accounts Receivable, Inventories, Accounts Receivable from Related Parties, Advances to Suppliers and Other Receivables.

#### **Financial assets stated at fair value through profit or loss**

A financial asset is classified as fair value through profit or loss if it is held for trading and designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Company manages these investments and makes purchase and sales decisions based on their fair value in accordance with the investment strategy and risk management documented by the Company. After initial recognition, transaction costs are recognized in the income statement as and when incurred. Financial assets at fair value through profit or loss are stated at fair value, and their fluctuations recognized in income/expenses for the year.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on the market. These assets are initially recognized at their fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are measured at their amortized cost using the effective interest rate method, less any impairment losses.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash and financial investments originally maturing within three months or less as from the date they are entered into, or those with immediate liquidity.

### *ii. Derivative financial instruments*

The Company holds future derivatives, options and over-the-counter financial instruments that are part of its commodities trading operations, for the management of its policy for protection of its product sales operations.

Transactions involving derivatives are intended to reduce exposure to market risk, as identified in accordance with Company policy and guidelines, and to manage volatility in financial flows. The results obtained by these operations are consistent with the policies and strategies defined by Company Management. All gains and losses on financial derivatives are recognized at fair value.

Derivative financial instruments are initially recognized at their fair value and their attributable transaction costs recognized in income/expenses when incurred, as a component of gross profit. Subsequent to initial recognition, they are measured at fair value and changes are recognized in the income statement as a component of gross profit.

Gains related to unrealized financial derivatives used for the purpose of hedging commodities prices are recognized as gross profit, while the effects of derivatives related to foreign exchange and interest rate risks are recognized as financial income/loss.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### *iii. Non-derivative financial liabilities*

The Company initially recognizes debt securities issued and subordinated liabilities on the date they arise. All other financial liabilities (including liabilities designated at fair value through profit and loss) are initially recognized on the transaction date on which the Company became party to the contractual provisions of the instrument. Financial liabilities are written off when their contractual obligations are withdrawn, canceled or expire.

Financial assets or liabilities are offset and their net value recorded in the balance sheet only when the Company is legally entitled to offset the amounts and intends to settle on a net basis or realize the asset and settle the liability simultaneously.

These financial liabilities are initially recognized at their fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at their amortized cost using the effective interest rate method.

### *iv. Share Capital*

Common shares are classified as shareholders' equity. Copersucar has no preferred shares.

The minimum mandatory dividends established in our bylaws are recognized as liabilities. Additional proposed dividends require approval by the Board of Directors and are recognized under this item in Shareholders' Equity, if approved before the end of the financial year.

## **d. Property, plant and equipment**

### *i. Recognition and measurement*

Items of property, plant and equipment are measured at the historic cost of acquisition or construction, less accumulated depreciation and impairment.

Software purchased as an integral part of a piece of equipment is capitalized as a part of said equipment. When parts of an item of property, plant and equipment have different useful lives, these items are recorded as separate items (principal constituents) of property, plant and equipment.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

The gains and losses deriving from the sale of property, plant and equipment are determined by comparing the funds obtained through the sale against the book value of the property, plant and equipment, and are recorded net amongst other revenue in the income statement.

### *ii. Reclassification to investment property*

When property is transferred from owner-occupied property to investment property, it is maintained at cost and reclassified as investment property. All investment property carried at cost is subject to impairment analysis and testing.

### *iii. Subsequent costs*

The cost of replacing a component of property, plant and equipment is recognized at the book value of the item if it is probable that the economic benefits attributed to the component will flow to the Company and the cost can be reliably measured. The carrying amount of a component replaced with another is recognized under net income for the financial year in which the replacement occurred. Day-to-day maintenance costs of property, plant and equipment are expensed as and when incurred.

### *iv. Depreciation*

Depreciation is calculated on depreciable value, i.e. the cost of an asset or other equivalent cost, minus the residual value.

Depreciation is recognized in the income statement using the straight-line method over the estimated useful lives of each item of property, plant and equipment, as this method best reflects the consumption pattern of future economic benefits incorporated into the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless the Company is reasonably sure it will acquire the property at the end of the lease. Land is not depreciated.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

Weighted average rates estimated for the current corporate year and for comparison with the previous year are as follows:

	<u>Weighted annual average rate</u>	
	<u>Consolidated</u>	<u>Parent Company</u>
	<b>2012</b>	<b>2012</b>
Buildings and improvements	4.00%	4.00%
Machinery and equipment	11.75%	10.78%
Data processing equipment	26.78%	29.77%
Furniture and fixtures	7.06%	7.30%
Vehicles	10.90%	10.97%
Improvements to third-party property	3.08%	-

### *e. Intangible assets*

#### *i. Intangible assets with finite useful lives*

Intangible assets acquired by the Company that have pre-established lifecycles are stated at cost less amortization and accumulated impairment losses.

#### *ii. Subsequent expenses*

Subsequent expenses are only capitalized when they increase the future economic benefits incorporated into the specific asset they relate to. All other expenses, including expenses on goodwill generated internally and trademarks are recognized in the income statement as they are incurred. The carrying amount of an intangible asset replaced with another is recognized in the income statement for the financial year in which the replacement occurred. Day-to-day maintenance costs are expensed as incurred.

#### *iii. Amortization*

Amortization is calculated on the cost of an asset or other equivalent cost, less the residual value.



# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

Amortization is recognized in the income statement as “Administrative expenses” using the straight-line method over the estimated useful lives of intangible assets, other than goodwill, as from the date on which they become available for use, as this method best reflects the consumption pattern of future economic benefits incorporated into the asset. Estimated useful life for current and comparative periods is five (5) years for software.

### *iv. Intangible assets under development*

An intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the Company can demonstrate all of the following:

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) Its intention to complete the intangible asset and use or sell it;
- (c) Its ability to use or sell the intangible asset;
- (d) How the intangible asset will generate probable future economic benefits;
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) Its ability to measure reliably.

### *f. Investment property*

Investment property is property held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or use in the production or supply of goods or services or for administrative purposes. Investment property is measured at historical cost on initial recognition and subsequently carried using the cost method.

This cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor and any other costs directly attributable to bringing the investment property to a working condition for intended use and capitalized borrowing interest.

### *g. Leased assets*

The company holds certain assets under operating leases. Leased assets are recognized in the balance sheet of the Company (lessor). Investment property held under an operating lease is recognized on the balance sheet of the Company (lessor) at historical cost.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### ***h. Inventory***

Our inventory consists of commodities, which are measured fair value less cost to sell. Fair value is calculated using the fair value rates published by public sources and other sources related to the products in active markets in which we are engaged. Changes in the fair value of inventory are recognized in the income statement for the period.

### ***i. Impairment***

#### *i. Financial assets (including receivables)*

A financial asset not measured at fair value through profit and loss is valued at each reporting date to test for impairment. An asset has incurred impairment if objective evidence indicates impairment has occurred after the initial recognition of the asset and this impairment has had a negative effect on the future projected cash flows that can be estimated reliably.

Objective evidence that financial assets have incurred impairment can include nonpayment or late payment by the debtor, restructuring of the amount owed to the Company on terms that it would not normally accept in other transactions, signs that the debtor or issuer is going to enter bankruptcy proceedings or the disappearance of an active market for a security. Furthermore, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

The Company takes into account evidence of impairment for receivables, both individually and collectively. All individually significant receivables are tested for impairment. All individually significant receivables found not to have incurred individual impairment are then tested collectively for any impairment that may have occurred, but not yet been identified. Receivables that are not individually material are tested collectively for impairment by grouping securities posing similar risks.

When testing for impairment collectively the Company uses historic patterns of default probability, recovery terms and the size of losses incurred, adjusted to reflect management's judgment as to whether the current economic credit conditions mean that the actual losses will probably be greater or less than those suggested by historic patterns.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

Impairment of a financial asset measured at amortized cost is calculated as the difference between the book value and the present value of future estimated cash flows, discounted at the asset's effective original interest rate. Losses are recognized in the income statement for the period and recorded in a provision against receivables. Interest on the impaired asset is still recognized by reversing the discount. When a subsequent event indicates a reversal of the impairment, the decrease in the impairment is reversed and credited to the income statement.

Provisions for estimated losses of receivables derived from clients' commercial portfolio are recognized in the result for the year under the title "Sales Expenses" as Estimated Provision for Bad Credits (PECLD) in every exercise of recoverable value assessment, according to IAS 39/CPC 38 – "Financial Instruments, Recognition and Measurement".

### *ii. Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventory and deferred income and social contribution taxes, are reviewed at annually for indicators of impairment. If indicators of impairment exist, the recoverable value of the assets is then determined.

The recoverable value of an asset or reporting unit is the higher of the value in-use and fair value minus selling expenses. When determining value in-use, the estimated future cash flows are discounted to their present values at a before-tax discount rate that reflects the current market terms regarding the capital recoverability period and the asset's specific risks. For impairment testing purposes, assets that cannot be tested individually are grouped in the smallest group of assets that generate cash for continuous use and which are largely independent from the cash flows from other assets or groups of assets ("reporting unit").

The Company's corporate assets do not generate cash inflows individually. If there are indicators that a corporate asset has suffered impairment, the recoverable value is allocated to the reporting unit or group of reporting units to which the corporate asset belongs on a reasonable and consistent basis.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

Impairment losses are recognized when the book value of an asset or its reporting unit exceeds its estimated recoverable value. Impairment losses are charged to the income statement for the period. Impairment of reporting units is initially charged to the book value of any goodwill allocated to the reporting units, and any remaining impairment is charged to the other assets of the reporting unit or group of reporting units on a pro rata basis.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have increased or decreased. Impairment is reversed in the event the estimates used to determine the recoverable value change. Impairment losses are only reversed if the book value of the asset does not exceed the book value that would have been determined, net of depreciation or amortization, had the impairment not been recognized.

### ***j. Employee benefits***

#### *i. Defined-contribution plans*

A defined-contribution plan is a retirement benefits plan under which an entity pays fixed contributions to a separate entity (pension fund) and incurs no legal or constructive obligations to pay additional amounts. Obligations under defined-contribution pension plans are recognized as employee benefit expenses in the net income for periods during which the employees work for the company. Prepaid contributions are recognized as an asset on the condition there will be a cash reimbursement or reduction for future payments available. Contributions to a defined-contribution plan expected to mature within 12 months after the end of the period the employee is working for are discounted to their present values.

#### *ii. Immediate benefits for employees*

Immediate benefits for employees are measured at a non-discounted base and are incurred as expenses as and when the related service is provided.

The liability is recognized at the expected amount to be paid under the bonus plans in cash for short-term profit shares if the Company has a legal or constructive obligation to pay this amount because of the services provided by the employee, and the obligation can be reliably estimated.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### *iii. Post-employment benefits*

Post-employment benefits granted and yet to be granted to employees, retirees and pension holders are assessed at each period by means of actuarial calculations performed by independent actuaries. The results are assessed and provisions are recognized where relevant. The assumptions used in actuarial calculations and other information on benefits are presented in Note 34.

### *iv. Other long-term benefits*

The company grants long-term bonuses to executives. These benefits are provided for a period of three years and are linked to an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) continuity target. The amount of the provision is established using the accrual method and is shown in Note 34.

### **k. Provisions**

A provision is recognized for a past event when the Company has a legal or constructive obligation, and it is probable that an outflow of funds will be required to settle the obligation. Provisions are calculated by discounting future expected cash flows at a before-tax rate that reflects current market valuations regarding the value of the money over time and specific risks posed by the liability.

### **l. Revenue**

Revenue from the sale of goods in the normal course of business is recognized at fair value of the consideration received or receivable. Revenue is recognized when there is convincing evidence that the main risks and rewards of ownership have been transferred to the buyer, it is probable that the economic benefits will flow to the Company, the associated costs and possible return of goods can be reliably estimated, there is no ongoing involvement with the goods sold and the value of the revenue can be reliably measured. Any discounts awarded which can be measured reliably are then charged as a reduction of revenue as and when the revenue is recognized.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### ***m. Lease payments***

Payments under operational leases are recognized in the result by the linear method, according to the respective lease term. Incentives from leases, if any, are recognized as an integral part of total lease expenses, based on the respective lease term.

At the inception of an Agreement, the Company determines whether it is, or contains, a lease. A specific asset is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At the inception of the arrangement or upon a reassessment of the arrangement, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes that it is impracticable to separate the payments of a financial lease reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the payments under the financial lease are allocated into financial expense (using the Company's incremental borrowing rate) and reduction of the outstanding liability.

### ***n. Financial income and financial expenses***

Financial income substantially consists of interest on interest-bearing deposits, foreign exchange variance, positive changes in the fair value of financial instruments used in hedging currency and interest rate risk, and gains on settlement of such instruments. Interest earned is recorded in the income statement using the effective interest rate method.

Financial expenses substantially consist of interest expense on loans, negative changes in the fair value of financial instruments used in hedging currency and interest rate risk, and losses on settlement of such financial instruments. Loan costs not directly attributable to the acquisition, construction or production of a quantifiable asset are recorded in profit and loss by the effective interest rate method.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### ***o. Income and social contribution taxes***

Income and social contribution taxes, both current and deferred, are calculated at the rate of 15% plus a surcharge of 10% on taxable income in excess of R\$240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carry forwards and negative basis of social contribution, limited to 30% of annual taxable profit.

Income and social contribution expenses consist of current and deferred income tax. Current income tax and deferred taxes are recognized in the income statement, except for those related to business combinations or items directly recognized in shareholders' equity or in other comprehensive income.

Current tax is tax payable or receivable on the expected taxable income or loss for the year, at rates effective or substantially effective at the reporting date and any adjustment to the taxes payable in relation to prior years.

Deferred tax is recognized in relation to temporary differences between the book values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes. Deferred tax is measured at the rates expected to apply to the temporary differences when they are reversed, based on the laws in effect or substantially in effect as at the reporting date.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and they are related to income taxes levied by the same tax authority on the same entities subject to taxation.

Deferred income and social contribution tax assets are recognized on deductible tax losses, tax credits and temporary differences not used when it is probable that future taxable earnings will be generated against which they can be offset.

Deferred income and social contribution tax assets are reviewed at each reporting date and are reduced to the extent that realization is no longer probable.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### ***p. Segment reporting***

IFRS 8 / CPC 22 – Operating Segments requires identification of operating segments on the basis of internal reports provided to, and reviewed by, the chief operating decision maker (Chief Executive) in order to allocate resources to the segment and assess its performance.

Although the Company is engaged in several business areas within the sugar and energy industries, Management has identified two core operating segments: Sugar/Ethanol and Services. See Note 7.

### ***q. Income per share***

Basic earnings per share are calculated through profit and loss for the year attributable to the controlling and no controlling shareholders of the company and the weighted average number of common shares in circulation in the respective year. Diluted earnings per share are calculated according to the aforesaid average number of shares in circulation, adjusted for instruments potentially convertible into shares, with a dilutive effect in the periods presented, pursuant to CPC 41 and IAS 33.

### ***r. Statements of added value***

The Company prepared individual and consolidated statements of added value (DVA) in accordance with technical pronouncement CPC 09 – Statement of Added Value, which are presented as an integral part of the financial statements in BRGAAP applicable to publicly held companies, and as supplementary financial information under IFRS.

### ***s. New standards and interpretations not yet adopted***

Several regulations, changes to regulations and interpretations of IFRS have been issued by IASB, but they have not so far entered into force for the corporate year ended on March 31, 2012, and therefore have not been applied to such consolidated financial statements, except for IFRS 10 - Consolidated Financial Statements and IFRS 11 Joint Arrangements. None of them shall have a significant effect on the Company's consolidated financial statements, except for IFRS 9 - Financial Instruments, which shall become obligatory for the Company's consolidated financial statements only in 2013 and is likely to change the classification and measurement of financial assets.



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## Notes to the financial statements

*(In thousands of Reais)*

The CPC has not yet issued pronouncements equivalent to the aforesaid IFRS, but is expected to do so before the adoption deadline.

### **5 Determination of fair value**

Other accounting policies and disclosures of the Company require that fair value be determined for both financial assets and liabilities and non-financial assets and liabilities. Fair values have been determined for the purpose of measurement and/or disclosure, based on the methods below. When applicable, additional information about the assumptions made to determine the fair values is disclosed in specific notes to that asset or liability.

#### ***i. Property, plant and equipment***

For the purposes of determining deemed cost, the fair values of items of property, plant and equipment were determined using the market approach, quoted market prices for similar assets, where available, and replacement cost, where appropriate.

#### ***ii. Investment property***

The fair value of investment property, was determined using the market approach, quoted market prices for similar assets, where available, and replacement cost, where appropriate.

#### ***iii. Inventory***

Inventories are measured at fair value less cost to sell, at market price (“mark to market”), based on the prices of commodities and markets the Company trades in.

#### ***iv. Trade accounts receivable***

The fair value of accounts receivable and other receivables, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market interest rate at the reporting date.

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## Notes to the financial statements

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### **v. Loans and Financing**

Fair value, determined for reporting purposes, is calculated based on the present value of the principal and future cash flows, discounted by the market interest rate at the reporting date.

### **vi. Derivative financial instruments**

The fair value of forward exchange contracts is based on the listed market price, if applicable. The fair values of derivative instruments used for hedging currency and interest rate risks are determined by establishing future value based on contractual provisions and determining present value based on market curves taken from Bloomberg and BM&F databases.

If the listed market price is not available, fair value is estimated by discounting the difference between the forward contract price and the current forward price for the residual maturity period of the contract, using a risk-free interest-rate (benchmarked on government bonds) – see Note 23.

### **vii. Non-derivative financial liabilities**

Calculation of fair value, which is determined for disclosure purposes, is based on the present value of principal and interest evaluated on the date of presentation of financial statements, taking into account the future cash flows and discounted by the market rate.

## **6 Financial risk management**

### **Overview**

The Company is exposed to a variety of risks, including financial (liquidity, market and credit), legal, operating and other risks. Through a careful analysis of our risk matrix, the Company selects those risks that pose the highest probability of occurrence and financial impact, and monitors them periodically. The risks defined as priorities are as follows:

- Credit risk;
- Liquidity risk;
- Market risk; commodity prices and exchange rates; and
- Operational risk.

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## Notes to the financial statements

*(In thousands of Reais)*

Our risk management policy is currently as follows:

- All risks classified as “priority risks” are identified, reviewed and monitored;
- Capital usage limits are approved by the Board of Directors;
- Any exposure is reported and measured at an appropriate frequency;
- Our risk management function monitors exposure and the risks taken against the pre-established limits, notifies our business areas, the Audit Committee and the Executive Board of any deviations, provides advice on how to reduce exposure, and provides guidance on additional limits.

This note presents information about the Company’s exposure to each of the aforesaid financial risks, the Company’s objectives, policies and procedures for measuring and managing risks, and management of the Company’s capital. Additional quantitative disclosures have been included throughout these financial statements.

### ***Risk management framework***

The Board of Directors has responsibility for the establishment and oversight of the Company’s risk management framework. The Board of Directors has established an Audit and Risk Committee, which is responsible jointly with the risk management function for developing and monitoring Company risk policy. This Committee reports regularly to the Board of Directors on its activities, while the Risk Management function reports to the Chief Executive.

The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set capital usage and exposure limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Company’s business. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment (i.e. a risk management culture) in which all employees understand their roles and obligations.

### ***Audit and Risk Committee***

The Company’s Audit and Risk Committee consists of four (4) members appointed by the Board of Directors for a term of three (3) years, concurrent with the terms of office of Board members. Fortnightly meetings are attended by all members of the Audit and Risk Committee.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

The Committee provides assistance to Management and plays an important role in Corporate Governance. Their duties and activities include:

- Assessing and monitoring operating and financial risks in our business;
- Monitoring jointly with the external auditor those material and/or significant matters related to accounting practices adopted by the Management for the Company's financial statements;
- Monitoring and discussing internal controls, reports, outstanding items and issues relating to internal and independent audits;
- Recommending and directing internal audit tasks and functions.

The Company's Audit and Risk Committee oversees how Management monitors compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee is assisted in its supervisory role by Internal Audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

#### *i. Trade accounts receivable*

Both the Company and its subsidiaries are subject to credit risk. Management seeks to mitigate credit risk through stringent credit policy, customer selection, management of sales loan terms by business segment and credit limits. These procedures minimize any default risk in our trade accounts receivable.

The Company operates in the sugar and ethanol industries and provides sugar handling services at our port terminal. For sugar sales in the domestic market, the average period for payment is twenty (20) days. For ethanol sales, 70% of customers pay within fifteen (15) days and the remaining 30% pay upon receipt. In the international market, including Latin America, approximately 80% of customers pay Cash Against Documents (i.e. the documents required to unload the goods are only released upon payment). Customers not using this mode make payments through letters of credit issued by first-rate banks.

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## Notes to the financial statements

*(In thousands of Reais)*

More than 80% of our customers have been customers for over five years and have a history of extremely low default rates. When monitoring customer credit risk, customers are grouped by their credit characteristics, including by whether they are distributors, manufacturers or refineries, by their geographical location and by whether they have a history of financial trouble.

### *ii. Guarantees*

Guarantees are provided under bank loan facilities as required to maintain the cash equilibrium of the parent company and its subsidiaries. The details of guarantees received from, and provided to, related parties are described in Note 24.

### *iii. Purchase agreements with nonrelated parties*

The Company is subject to the risk of default upon delivery of products under fixed-price contracts with nonrelated plants and trading companies (suppliers/third-party origination). To minimize the risk of concentration in nonrelated suppliers, our current policy establishes that the individual fixed-price volume under contract may not exceed 20% of the total purchase volume estimated for nonrelated parties in the current season.

### ***Liquidity risk***

Liquidity risk is the risk that the Company could struggle to honor its obligations posed by financial liabilities that have to be settled in cash or through other financial assets. The Company's approach to managing liquidity is to ensure that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring losses or risking damage to the Company's reputation.

### ***Market risk***

Market risks mean the possibility of financial losses to which the Company is exposed, which derive from variations in commodities prices, exchange rates and interest rates. The objective of market risk management is to control and monitor all market risk exposures within acceptable parameters defined by the Board of Directors.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines established by the Audit and Risk Committee and approved by the Board of Directors.

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## Notes to the financial statements

*(In thousands of Reais)*

### *i. Commodity price risk*

The Company transacts commodities derivatives to minimize fluctuations in income caused by the recognition of assets and liabilities and rights and obligations at fair value, which are valued according to commodities prices on International Exchanges (ICE/NYBOT e LIFFE) and indices published by CEPEA/ESALQ.

Exposures to these types of risks are constantly updated as part of the Company's ordinary course of business. Exposures are managed dynamically through derivatives contracts to make hedging adjustments as the need arises. The use of derivatives contracts is monitored and subject to a risk limit pre-established by the Board of Directors.

The Company owns no sugar mills or ethanol plants. In the 2011/2012 season, approximately 75% of the raw materials we purchased were from partner producers, while the remaining 25% were from non-partner producers and other trading companies. Under the supply agreement between Copersucar and Cooperativa de Produtores de Cana-de-Açúcar, Açúcar e Alcool do Estado de São Paulo, associated parties, the trading price is the CEPEA/ESALQ index for the period in which the goods are delivered.

Sugar is traded in both domestic and international markets, and pricing is determined by the *Sugar #11/ICE* price published by the New York Exchange. This is therefore the primary risk factor in this portfolio. Net exposure between purchases and sales is managed through *Sugar #11/ICE* derivatives (futures or over-the-counter) referenced to the same Exchange, and is monitored through risk limits pre-established by the Board of Directors.

Ethanol is also traded in both domestic and international markets, and its pricing is determined by the CEPEA/ESALQ indicator. This is therefore the primary risk factor in this portfolio. Our net positions between fixed-price purchases and sales are therefore exposed to the risk of fluctuation in ethanol prices. Exposure and risks are controlled through the limits pre-established by the Board of Directors.

Gains or losses arising from these hedge instruments are recognized in the income statement for the period.

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## Notes to the financial statements

*(In thousands of Reais)*

### *ii. Currency risk*

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company and its subsidiaries, in our case the Real (R\$). The currencies in which these transactions are denominated are primarily the US Dollar (USD) and Euro (€).

The Company uses over-the-counter and exchange contracts to hedge its currency risk, with a maturity of maximum one year from the reporting date. Where necessary, these contracts are renewed upon maturity.

Monetary assets and liabilities denominated in foreign currency are managed by ensuring that net exposure is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates where necessary to address short-term exposures.

The principal amounts of loans denominated in US Dollars are hedged by swap or over-the-counter contracts, or by assets indexed to the same currency.

Interest on loans and the loans proper are denominated in the same currency. In general, loans are denominated in the same currency as the cash flows generated by the Company's basic operations, especially reais, but also US Dollars.

Exposures to these types of risks are constantly updated as part of the Company's ordinary course of business. Exposures and their limits are managed dynamically through derivatives contracts intended to make hedging adjustments as the need arises. The use of derivatives contracts is defined annually within the risk limit pre-established by the Board of Directors and monitored fortnightly by the Audit and Risk Committee.

### *iii. Interest rate risk*

Our debt is subject to fixed and variable interest rates, and we are therefore exposed to interest rate fluctuations. Our exposure to the CDI rate is partly offset by deposits earning interest at this rate.

Our overall financial cost management framework is designed to ensure that our financial costs are in line with market rates for companies of similar size.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### **Operating risk**

Operating risks are direct and indirect risks of losses resulting from a range of causes associated with the Company's processes, staff, technology and infrastructure, in addition to external factors, such as those deriving from legislative and regulatory requirements and generally accepted corporate conduct standards, except for credit, market and liquidity risks.

The Company's objective is to monitor potential operational risks in order to mitigate, to the fullest extent possible, any financial losses, reputation damage and threats to business continuity, as well as to avoid control procedures that are ineffective.

### **Capital management**

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and, above all, to sustain future development of the business.

As a business management strategy and because it is an easily realizable asset, the Management opted for operating with a higher inventory volume of R\$1,050,262 in 2012, as compared to R\$353,614 in 2011 (see Note 10), which has led to its increased indebtedness.

The Company's ratio of debt to equity at year-end is as follows:

	<b>2012</b>	<b>2011</b>
Total liabilities	(2,628,225)	(2,025,363)
<i>Minus:</i> Cash and cash equivalents	373,580	439,889
Net debt (a)	(2,254,645)	(1,585,474)
Total shareholders' equity (b)	(205,639)	(365,502)
<b>Net debt-to-equity ratio (a/b)</b>	1,096%	434%

## **7 Operating segments**

The Company's chief operating decision maker, the Chief executive, reviews information on segmented results to support decisions related to the allocation of financial resources. The Company and its subsidiaries have two primary operating segments: Sugar/Ethanol and Services.



# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

Descriptions of the Company's operating segments are presented below:

- Sugar/Ethanol: purchase and sale of raw and refined sugar in the domestic and international markets, and purchase and sale of hydrous and anhydrous ethanol in the domestic and international markets; and
- Services: income from sugar and ethanol logistics and increase of services.

The selected segment-specific income data, which were measured using the same accounting practices used in preparing the consolidated information, are as follows:

	2012			2011		
	Sugar/Ethanol	Services	Total	Sugar/Ethanol	Services	Total
Net Revenue (a)	10,950,346	82,767	11,033,113	8,383,977	49,323	8,433,300
Cost of goods sold and services rendered	(10,481,606)	(67,838)	(10,549,444)	(7,758,501)	(32,078)	(7,790,579)
<b>Gross margin</b>	<b>468,740</b>	<b>14,929</b>	<b>483,669</b>	<b>625,476</b>	<b>17,245</b>	<b>642,721</b>

(a) Net revenue for March 2012 and 2011 includes Revenue from unrealized derivative financial instruments stated separately in the income statement.

Other income statement items and information on assets and liabilities are not presented in the segment-specific information, as it is possible to use gross margin to assess segment performance.

Net revenue by geographical region is as follows:

Region / Country	2012	2011
South Africa	15,582	4,068
Germany	3,391	21,548
Saudi Arabia	670,646	289,056
Algeria	357,327	168,129
Argentina	7,075	-
Australia	3,579	4,325
Austria	-	3,108
Belgium	13,496	41,878
Brazil	4,447,412	3,495,193
Canada	447,466	309,934
Chile	129	-
China	140,450	-
Singapore	623,952	372,249
Colombia	120,797	32,182

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## Notes to the financial statements

(In thousands of Reais)

<b>Region / Country</b>	<b>2012</b>	<b>2011</b>
Denmark	77,094	-
United Arab Emirates	1,704,778	1,535,767
Spain	-	5,225
United States	1,055,719	700,702
Russian Federation	48,034	-
Finland	3,862	12,637
France	216,897	169,802
United Kingdom	644,213	372,008
Holland	39,231	7,363
Yemen	2,906	-
Cayman Islands	-	49,545
Virgin Islands	264	-
India	-	131,502
Japan	56,713	55,811
Mexico	27,914	12,226
Pakistan	197	-
Peru	32,893	27,134
Sweden	1,894	2,762
Switzerland	442,016	446,275
Thailand	-	568
Trinidad and Tobago	-	86
Turkey	16,055	-
Uruguay	4,854	4,258
Vietnam	-	3
Total	<u>11,226,836</u>	<u>8,275,344</u>

## 8 Cash and cash equivalents

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Cash	30	65	18	11
Demand deposits (a)	90,203	139,832	7,313	9,271
Short-term investments	283,347	299,992	51,392	186,320
Total	<u>373,580</u>	<u>439,889</u>	<u>58,723</u>	<u>195,602</u>

(a) Demand deposits are checking account balances.

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## Notes to the financial statements

*(In thousands of Reais)*

Balances of financial investments are represented by fixed income securities that are substantially remunerated at 97.9% of CDI – Interbank Deposit Certificate variation, which have daily liquidity and the possibility of immediate redemption free from penalties or loss of income, in addition to operations with Time Deposit at an income rate of 0.2% per year.

### 9 Trade accounts receivable

	Note	Consolidated		Parent Company	
		2012	2011	2012	2011
Domestic customers		260,783	410,510	260,789	410,462
Foreign customers		294,521	241,916	85	285
Related Parties	25	48,311	229,367	29,820	205,536
PECLD		(1,001)	(1,208)	(1,001)	(1,208)
Total		602,614	880,585	289,693	615,075

The Company's exposure to credit risks, as well as average balance aging, currency risk and impairment related to trade accounts receivable, are disclosed in Note 23.

Trade accounts receivable are classified as receivables stated at amortized cost. The Company adjusted its trade accounts receivable balances as on March 31, 2012 and 2011 to present value at the CDI (Interbank Deposit Certificate) rate and the resulting values were substantially equal to the carrying amounts stated on the balance sheet, since most accounts receivable items mature in about 20 days.

Expense related to the constitution of the estimated provision for bad debts (PECLD) was recorded under the title "Sales Expense" in the statement of income for the year. When there are no longer any prospects of recovering receivables for which the allowance was established, then those amounts of the allowance are realized and the relevant receivables derecognized, provided that this provision is subject to tax.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 10 Inventory

	Consolidated		Parent Company	
	2012	2011	2012	2011
Sugar	465,257	163,993	183,079	28,271
Ethanol	571,563	183,238	525,992	124,488
Storeroom, packaging and other	13,442	6,383	12,459	5,643
Total	<u>1,050,262</u>	<u>353,614</u>	<u>721,530</u>	<u>158,402</u>

Commodities inventories (sugar and ethanol) are stated at fair value based on market prices less cost to sell. On a monthly basis, the acquisition cost – not including freight, storage and recoverable tax – is compared to the equivalent market price on the base date. Benchmark prices are publicly available and obtained from active markets, as follows:

- Raw sugar prices on the International Exchange ICE (*Sugar #11*)/NYBOT;
- Prices of sugar agreement in the internal market published by CEPEA/ESALQ - Advanced Applied Economics Study Center, a department of Escola Superior de Agricultura Luiz de Queiroz (Universidade de São Paulo - USP);
- Anhydrous and hydrous ethanol prices published by CEPEA/ESALQ (Centro de Estudos Avançados em Economia Aplicada, a department of Escola Superior de Agricultura Luiz de Queiroz, of the University of São Paulo);
- Over-the-counter anhydrous ethanol prices, Ethanol (Platts) T2 FOB Rotterdam, published by CME Group.
- Prices of anhydrous ethanol in over-the-counter contracts based on Chicago Ethanol (Platts) Swap Futures, published by CME Group.

The adjustment amount is recorded as cost of goods sold in the income statement for the year.

Reference prices for the fair value of inventories are as follows at the period:

Commodity	Market Index	Unit	2012	2011
Raw Sugar	Sugar #11 (ICE/NYBOT)	¢/lb	24.71	27.11
Refined Sugar	Crystal Sugar (CEPEA/ESALQ)	R\$/Ton	973.34	1,133.64
Anhydrous Ethanol	Anhydrous Ethanol (CEPEA/ESALQ)	R\$/m3	1,292.40	1,997.40
Hydrous Ethanol	Hydrous Ethanol (CEPEA/ESALQ)	R\$/m3	1,215.80	1,457.90
	Ethanol (Platts) T2 FOB Rotterdam (CME Group)	EUR/m3	585.00	621.00
Anhydrous Ethanol (USA)	Ethanol (Platts) Chicago Platts (CME Group)	UST/GL	2.2483	-

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## Notes to the financial statements

(In thousands of Reais)

The Company has no inventories pledged as security.

As from 2010/2011 crop, the Company started to acquire ethanol for commercialization from the Cooperative, as until then the Company had no authorization from ANP – National Oil Agency to operate as ethanol trading agency.

### 11 Recoverable taxes

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
ICMS	141,567	21,576	141,558	21,574
IPI	10,621	9,070	10,621	9,070
PIS	15,216	5,042	15,195	5,036
COFINS	70,067	23,216	69,968	23,192
IRPJ	32,907	11,867	32,026	10,811
CSLL	11,493	3,196	11,230	2,838
Other	1,130	4,077	1,073	4,028
Total	283,001	78,044	281,671	76,549

### 12 Advances to suppliers

	Note	<b>Consolidated</b>		<b>Parent Company</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Related Parties	25	-	-	14	242
Suppliers - Mills		54,448	57,052	4,243	18,643
Other		225	114	225	-
		54,673	57,166	4,482	18,885

These are advances made during the year, mainly, for future sugar deliveries during the 2013/2012 season.

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## Notes to the financial statements

(In thousands of Reais)

### 13 Stock exchange transactions

These refer to receivable and payable balances of deposited amounts related to spread and premiums paid or received in transactions involving derivative financial instruments not settled in the Stock Exchange.

### 14 Deferred tax assets and liabilities

Deferred tax assets and liabilities were attributed as follows:

#### Consolidated

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Intangible assets	15,181	15,294	-	-	15,181	15,294
Foreign exchange variance	2,777	1,712	-	-	2,777	1,712
Provisions	24,678	20,841	-	-	24,678	20,841
Net operating loss carryforwards	45,265	20,750	-	-	45,265	20,750
Fair value of inventories	-	-	(5,940)	(18,441)	(5,940)	(18,441)
Deemed cost	-	-	(19,509)	(22,042)	(19,509)	(22,042)
Derivatives	-	-	-	(294)	-	(294)
Other	-	-	(5)	-	(5)	-
<b>Total</b>	<b>87,901</b>	<b>58,597</b>	<b>(25,454)</b>	<b>(40,777)</b>	<b>62,447</b>	<b>17,820</b>

#### Parent Company

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Intangible assets	14,974	14,974	-	-	14,974	14,974
Foreign exchange variance	2,776	1,712	-	-	2,776	1,712
Provisions	19,844	16,134	-	-	19,844	16,134
Net operating loss carryforwards	45,265	20,605	-	-	45,265	20,605
Fair value of inventories	-	-	(5,940)	(18,441)	(5,940)	(18,441)
Deemed cost	-	-	(150)	(120)	(150)	(120)
Derivatives	-	-	-	-	-	-
Other	-	-	(4)	-	(4)	-
<b>Total</b>	<b>82,859</b>	<b>53,425</b>	<b>(6,094)</b>	<b>(18,561)</b>	<b>76,765</b>	<b>34,864</b>

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## Notes to the financial statements

(In thousands of Reais)

Changes in temporary differences during the year:

### Consolidated

	Balance in 2010	Recognized in the Income Statement	Balance in 2011	Recognized in the Income Statement	Balance in 2012
Intangible assets	15,406	(112)	15,294	(113)	15,181
Foreign exchange variance	-	1,712	1,712	1,064	2,776
Provisions	7,119	13,722	20,841	3,837	24,678
Net operating loss carryforwards	-	20,750	20,750	24,515	45,265
Fair value of inventories	-	(18,441)	(18,441)	12,501	(5,940)
Property, plant and equipment	(22,416)	374	(22,042)	2,533	(19,509)
Derivatives	(564)	270	(294)	294	-
Other	-	-	-	(4)	(4)
	<u>(455)</u>	<u>18,275</u>	<u>17,820</u>	<u>44,627</u>	<u>62,447</u>

### Parent Company

	Balance in 2010	Recognized in the Income Statement	Balance in 2011	Recognized in the Income Statement	Balance in 2012
Intangible assets	14,974	-	14,974	-	14,974
Foreign exchange variance	-	1,712	1,712	1,065	2,777
Provisions	2,780	13,354	16,134	3,710	19,844
Net operating loss carryforwards	-	20,605	20,605	24,660	45,265
Fair value of inventories	-	(18,441)	(18,441)	12,501	(5,940)
Property, plant and equipment	(66)	(54)	(120)	(30)	(150)
Other	(5)	5	-	(5)	(5)
	<u>17,683</u>	<u>17,181</u>	<u>34,864</u>	<u>41,901</u>	<u>76,765</u>

Deferred fiscal assets were recognized after the Management analyzed its estimated future results and considered that future taxable profits were most likely to be available and could be used to offset such expenses.

## 15 Investments

The Company recognized share in net income of affiliates, subsidiaries and joint ventures of R\$202,087 for the year ended on March 31, 2012 (R\$362,995 in 2011) in the individual financial statements.

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## Notes to the financial statements

(In thousands of Reais)

The table below provides a summary of financial information for subsidiaries, affiliates and joint ventures. Information provided has not been adjusted by the Company's percentage of participation.

	Interest %	Number of shares	Current Assets	Noncurrent assets	Total assets	Current liabilities	Noncurrent liabilities	Total liabilities	Shareholders' Equity	Revenue	Other Results	Net income or loss	Share in net income of subsidiaries and associates
<b>In 2011</b>													
Companhia Auxiliar de Armazéns Gerais (a)	99.99999	2,019,842	17,201	116,743	133,944	15,439	40,307	55,746	78,198	69,367	(64,808)	4,559	4,559
Copersucar Armazéns Gerais (a)	99.99999	3,512,925	1,640	327,924	329,564	106	56	162	329,402	402,010	(34,933)	367,077	367,077
Sugar Express Transportes S.A. (a)	99.99999	49,995	1,345	25	1,370	143	1,302	1,445	(75)	4,211	(4,337)	(126)	(126)
Uniduto (c)	32.61780	18,728,938	940	18,226	19,166	385	-	385	18,780	500	(26,733)	(26,233)	(8,185)
Logum Logística S.A. (b)	20.00000	24,649,083	63,477	38,506	101,983	8,343	-	8,343	93,639	611	(4,900)	(4,289)	(330)
													<u>362,995</u>
<b>In 2012</b>													
Companhia Auxiliar de Armazéns Gerais (a)	99.99995	2,019,842	6,112	136,819	142,931	8,337	50,837	59,174	83,756	65,069	(58,046)	7,022	7,022
Copersucar Armazéns Gerais (a)	99.99997	3,512,925	4,561	536,985	541,546	729	60,637	61,366	480,179	12,486	188,549	201,035	201,035
Sugar Express Transportes S.A. (a)	99.99000	49,995	2,338	19	2,357	141	1,731	1,872	485	14,126	(13,425)	701	701
Uniduto (c)	19.41000	20,758,629	1,754	29,268	31,022	7	-	7	31,016	79	(825)	(746)	(213)
Logum Logística S.A. (b)	20.00000	57,678,860	292,815	449,870	742,685	10,320	478,946	489,266	253,419	13,474	(45,766)	(32,292)	(6,458)
													<u>202,087</u>

(a) Subsidiary

(b) Joint venture

(c) Associate



# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

The table below shows the composition of investments evaluated by the equity method:

	<u>Consolidated</u>		<u>Parent Company</u>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Investments evaluated by the equity method:</b>				
Copersucar Armazéns Gerais S.A.	-	-	480,179	329,402
Cia. Auxiliar de Armazéns Gerais	-	-	83,757	78,402
Logum Logística S.A.	50,684	17,143	50,684	17,143
Uniduto Logística S.A.	9,451	6,126	9,451	6,126
Sugar Express Transporte S.A.	-	-	485	-
Copa Shipping Company Limited	4,122	-	-	-
	<u>64,257</u>	<u>23,269</u>	<u>624,556</u>	<u>431,073</u>
<b>Other non-consolidated investments – evaluated by the fair value:</b>				
Other investments	<u>544</u>	<u>500</u>	<u>133</u>	<u>133</u>
	<u>544</u>	<u>500</u>	<u>133</u>	<u>133</u>
	<u>64,801</u>	<u>23,769</u>	<u>624,689</u>	<u>431,206</u>
<b>Unsecured liabilities</b>				
Sugar Express Transporte S.A.	-	-	-	75

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### 16 Investment property

Parent Company	Land	Buildings and improvements	Property under development	Total
<b>Balance at 2011</b>	5,433	3,392	7,326	16,151
Additions	-	-	5,620	5,620
Transfers	-	11,707	(11,707)	-
<b>Balance at 2012</b>	<u>5,433</u>	<u>15,099</u>	<u>1,239</u>	<u>21,771</u>
<b>Depreciation</b>				
<b>Balance in 2011</b>	-	(108)	-	(108)
Depreciation for the period	-	(263)	-	(263)
<b>Balance in 2012</b>	<u>-</u>	<u>(371)</u>	<u>-</u>	<u>(371)</u>
<b>Net book value</b>				
<b>In 2011</b>	<u>5,433</u>	<u>3,284</u>	<u>7,326</u>	<u>16,043</u>
<b>In 2012</b>	<u>5,433</u>	<u>14,728</u>	<u>1,239</u>	<u>21,400</u>

The parent company, Copersucar S.A., has a warehouse held as investment property under a lease arrangement with a related party, Copersucar Armazéns Gerais. The term of the lease is two years. Subsequent renewals may occur if agreed to by the parties. No contingent rental is payable.

The fair value of this asset is equivalent to its cost of acquisition on the acquisition date (January 20, 2010) plus improvements in progress as of March 31, 2012.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 16 Property, plant and equipment

Consolidated	Land	Buildings and improvements	Machinery and equipment	Data processing equipment	Furniture and fixtures	Vehicles	Improvements to third-party property	Property under development	Total
<b>Cost</b>									
<b>Balance in 2011</b>	5,433	3,392	95,632	2,423	2,867	1,880	94,892	14,144	220,663
Additions	-	-	56	201	39	777	-	41,903	42,976
Sales	-	-	(65)	(80)	(2)	(734)	-	-	(881)
Transfers	-	11,707	6,517	352	33	-	2,886	(21,495)	
<b>Balance in 2012</b>	5,433	15,099	102,140	2,896	2,937	1,923	97,778	34,552	262,758
<b>Depreciation</b>									
<b>Balance in 2011</b>	-	(109)	(58,268)	(1,280)	(644)	(414)	(32,000)	-	(92,715)
Depreciation for the period	-	(262)	(7,657)	(455)	(188)	(172)	(2,573)	-	(11,307)
Sales	-	-	9	57	-	253	-	-	319
Transfers	-	-	-	-	-	-	-	-	-
<b>Balance in 2012</b>	-	(371)	(65,916)	(1,678)	(832)	(333)	(34,573)	-	(103,703)
<b>Net book value</b>									
<b>In 2011</b>	5,433	3,283	37,364	1,143	2,223	1,466	62,892	14,144	127,948
<b>In 2012</b>	5,433	14,728	36,224	1,218	2,105	1,590	63,205	34,552	159,055

  

Parent Company	Machinery and equipment	Data processing equipment	Furniture and fixtures	Vehicles	Property under development	Total
<b>Cost</b>						
<b>Balance in 2011</b>	1,671	1,654	2,455	1,670	4,861	12,311
Additions	4	158	37	625	1,247	2,071
Sales	(64)	(35)	(2)	(591)	-	(692)
Transfers	4,071	30	-	-	(4,101)	
<b>Balance in 2012</b>	5,682	1,807	2,490	1,704	2,007	13,690
<b>Depreciation</b>						
<b>Balance in 2011</b>	(175)	(810)	(438)	(335)	-	(1,758)
Depreciation for the period	(246)	(379)	(168)	(149)	-	(942)
Sales	9	22	-	179	-	210
Transfers	-	-	-	-	-	-
<b>Balance in 2012</b>	(412)	(1,167)	(606)	(305)	-	(2,490)
<b>Net book value</b>						
<b>In 2011</b>	1,496	844	2,017	1,335	4,861	10,553
<b>In 2012</b>	5,270	640	1,884	1,399	2,007	11,200

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### ***Property under development***

During the year ended on March 31, 2011, the Company purchased a warehouse in Ribeirão Preto (SP) on which improvements and modifications are currently being developed.

The Company determined the cost of capitalizable loans and made no adjustment since the balances determined were considered irrelevant.

### **17 Intangible assets**

<b>Consolidated and Parent Company</b>	<b>Software</b>	<b>Trademarks</b>	<b>Total</b>
<b>Cost</b>			
<b>Balance in 2011</b>	3,917	137	4,054
Additions	8,438	-	8,438
<b>Balance in 2012</b>	12,355	137	12,492
<b>Amortization</b>			
<b>Balance in 2011</b>	(291)	-	(291)
Amortization in the period	(784)	-	(784)
<b>Balance in 2012</b>	(1,075)	-	(1,075)
<b>Net book value</b>			
<b>In 2011</b>	3,626	137	3,763
<b>In 2012</b>	11,280	137	11,417

In the previous year, the Company acquired from the Cooperative the right to use the “Copersucar” trademark.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### 18 Trade payables

	<u>Note</u>	<u>Consolidated</u>		<u>Parent Company</u>	
		2012	2011	2012	2011
Trade payables		91,056	164,855	14,945	17,573
Related Parties	25	<u>108,397</u>	<u>261,455</u>	<u>154,728</u>	<u>13,190</u>
Total		<u>199,453</u>	<u>426,310</u>	<u>169,673</u>	<u>30,763</u>

Trade accounts payable to domestic suppliers and related parties correspond to accounts payable on sugar and ethanol purchases.

The Company's exposure to liquidity risk in connection with trade payables and other payables is described in Note 23.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 19 Loans and Financing

This note provides information about the contractual terms of loans incurring interest, which are measured at amortized cost. Note 23 contains further information about the Company's exposure to interest-rate, foreign-currency and liquidity risks.

Type	Purpose	Guarantee	Currency	Index	Average annual interest rate	Maturity	Consolidated		Parent Company	
							2012	2011	2012	2011
Export Credit Note	Working Capital	Co-operative Endorsement	US\$	Fixed rate	2.99%	2013 to 2015	448,299	341,650	448,299	341,651
Export Advance	Working Capital	Co-operative Endorsement	US\$	Fixed rate	4.27%	2014 to 2017	641,538	-	-	-
Direct External Loan	Working Capital	Co-operative Endorsement with inventory pledge	US\$	Fixed rate	2.70%	2013	379,825	336,183	379,825	336,183
Working Capital	Working Capital	Co-operative Endorsement	US\$	Fixed rate	2.06%	2012	237,100	377,038	-	-
Export Credit Note	Working Capital	Co-operative Endorsement	R\$	CDI-CETIP	110.84% of CDI rate	2013 to 2014	520,336	-	520,336	-
Export Credit Note	Working Capital	Co-operative Endorsement with inventory pledge	R\$	CDI-CETIP	108% of CDI rate	2011 to 2012	-	309,637	-	309,637
BNDES - PASS	Working Capital	Co-operative Endorsement with inventory pledge	R\$	Fixed rate	9.00%	2011	-	38,397	-	38,397
BNDES - FINAME	Property, plant and equipment	Endorsement of Copersucar S.A. with statutory lien	R\$	TJLP	9.15%	2012 to 2016	5,159	11,213	-	-
<b>Total Loans and Financing</b>							<b>2,232,257</b>	<b>1,414,118</b>	<b>1,348,460</b>	<b>1,025,868</b>
<b>Current liabilities</b>							<b>615,585</b>	<b>573,088</b>	<b>373,580</b>	<b>352,846</b>
<b>Noncurrent liabilities</b>							<b>1,616,672</b>	<b>841,030</b>	<b>974,880</b>	<b>673,022</b>

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### *Debt amortization terms and schedule*

The terms and conditions of outstanding loans are as follows:

#### **Consolidated**

	Currency	Index	Average annual interest rate	Maturity	2012		2011	
					Book Value	Fair value	Book Value	Fair value
Export Credit Note	US\$	Fixed rate	2.99%	2013 to 2015	448,299	459,851	341,650	341,651
Export Advance	US\$	Fixed rate	4.27%	2014 to 2017	641,538	667,527	-	-
Direct External Loan	US\$	Fixed rate	2.70%	2013	379,825	384,497	336,183	336,183
Working Capital	US\$	Fixed rate	2.06%	2012	237,100	237,468	377,038	377,036
BNDES - PASS	R\$	Fixed rate	9.00%	2011	-	-	38,397	38,390
Export Credit Note	R\$	CDI	110.84%	2013 to 2014	520,336	520,336	-	-
Export Credit Note	R\$	CDI	108.00%	2011 to 2012	-	-	309,637	309,637
BNDES - FINAME	R\$	TJLP	9.15%	2012 to 2016	5,159	5,159	11,213	11,213
					<u>2,232,257</u>	<u>2,274,838</u>	<u>1,414,118</u>	<u>1,414,110</u>

Of the amount above, R\$1,979,270 thousand is secured by a guarantee from the Cooperative (see Note 24).

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Parent Company

	Currency	Index	Average annual interest rate	Maturity	2012		2011	
					Book Value	Fair value	Book Value	Fair value
Export Credit Note	US\$	Fixed rate	2.99%	2013 to 2015	448,299	459,851	341,651	341,651
Direct External Loan	US\$	Fixed rate	2.70%	2013	379,825	384,497	336,183	336,183
BNDES - PASS	R\$	Fixed rate	9.00%	2011	-	-	38,397	38,390
Export Credit Note	R\$	CDI	110,84%	2012 to 2014	520,336	520,336	-	-
Export Credit Note	R\$	CDI	108.00%	2011 to 2012	-	-	309,637	309,637
					<u>1,348,460</u>	<u>1,364,684</u>	<u>1,025,868</u>	<u>1,025,861</u>

### Maturity dates of the principal and interest on loans and financing

	<u>Consolidated</u>	<u>Parent Company</u>
2013	615,585	373,580
2014	880,500	697,208
2015	353,844	170,553
2016	199,306	107,119
2017	183,022	-
	<u>2,232,257</u>	<u>1,348,460</u>



# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 20 Taxes and contributions payable

	Consolidated		Parent Company	
	2012	2011	2012	2011
ICMS	12,131	3,265	12,119	3,265
IPI	27	31	27	31
PIS	67	40	8	8
COFINS	199	141	33	38
OTHER	779	489	643	496
ISS	204	198	23	-
Total Current	13,407	4,164	12,853	3,838
Refinanced taxes	733	810	-	-
Total Noncurrent	733	810	-	-
Total	14,140	4,974	12,853	3,838

### 21 Provision for contingencies

Management recorded the following provisions in amounts considered sufficient to cover probable estimated losses from current actions based on information from its legal advisers, an analysis of the pending legal proceedings, and previous experience with regard to amounts claimed:

	Consolidated			Parent Company		
	Tax	Labor claims	Total	Tax	Labor claims	Total
<b>Balance in 2010</b>	15,764	127	15,891	4,804	-	4,804
Provisions made during the period	5,825	1,152	6,977	4,896	-	4,896
Provisions paid during the period	(966)	(60)	(1,026)	-	-	-
<b>Balance in 2011</b>	20,623	1,219	21,842	9,700	-	9,700
Provisions made during the period	6,470	250	6,720	5,456	-	5,456
Provisions paid during the period	(58)	(590)	(648)	-	-	-
<b>Balance in 2012</b>	27,035	879	27,914	15,156	-	15,156

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

Judicial deposits for the contingencies above have been recorded in the Consolidated Financial Statements and in the Individual Financial Statements of the Parent Company, in the amount of respectively R\$25,958 and R\$19,466 on March 31, 2012 (R\$14,711 and R\$9,221 in 2011).

The Company has filed claim in court requesting that ICMS tax be excluded from the tax base for PIS and COFINS taxes, on the grounds that ICMS is not Company revenue, but rather state tax revenue, with the Company merely acting as a collection agent. Under an injunction, the Company has been calculating PIS and COFINS taxes on a tax base that excludes ICMS, and depositing the difference into a judicial deposit account.

The Company has no legal contingencies in which future loss has been deemed possible.

## 22 Financial instruments

The Company uses a number of financial instruments, including cash and cash equivalents, trade accounts receivable, trade payables and loans and financing. Our financial instrument portfolio includes derivative financial instruments used in hedging against market volatility and forward contracts with the Cooperative. The following hedging instruments are used: currency swaps, Non-Deliverable Forwards, and commodity and currency futures and options.

	<u>Consolidated</u>		<u>Parent Company</u>	
	2012	2011	2012	2011
<b>Financial instruments stated at fair value through profit or loss</b>				
<b>Assets</b>				
Cash and cash equivalents	373,580	439,889	58,723	195,602
Inventory	1,050,262	353,614	721,530	158,402
Stock exchange transactions	52,527	117,085	672	-
Unrealized derivative financial instruments	61,857	207,446	41,120	-
<b>Liabilities</b>				
Unrealized derivative financial instruments	24,458	32,236	-	31,161
<b>Loans and receivables</b>				
Trade accounts receivable	602,614	880,585	289,693	615,075
Related Parties	1,099	21,074	77,314	23,515
Advances to suppliers	54,673	57,166	4,482	18,885
Other accounts receivable	5,119	2,419	2,842	1,649
<b>Liabilities carried at amortized cost</b>				
Trade payables	199,453	426,310	169,673	30,763
Loans and Financing	2,232,257	1,414,118	1,348,460	1,025,868
Related Parties	25,639	339	425,598	54,086
Other accounts payable	25,244	5,280	11,357	710

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### *Classification of financial instruments*

No reclassification of financial instruments was made during the financial years ended on March 31, 2012 and 2011.

### *Credit risk*

#### *Exposure to credit risks*

Maximum exposure to credit risk is substantially concentrated in the financial instruments below:

	<u>Consolidated</u>		<u>Parent Company</u>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Demand deposits	90,203	139,832	7,313	9,271
Short-term investments	283,347	299,992	51,392	186,320
Trade accounts receivable	602,614	880,585	289,693	615,075
Advances to suppliers	54,673	57,166	4,482	18,885
Stock exchange transactions	52,527	117,085	672	-
Unrealized derivative financial instruments	61,857	207,446	41,120	-
Other accounts receivable	5,119	2,419	2,842	1,649

Short-term investments are distributed throughout a variety of first-rate financial situations.

The company's three most important customers account for R\$253 million of the company's receivables as of March 31, 2012 (R\$502 million in 2011). Changes in customer relevance have occurred over these periods.

Other financial instruments have no significant risk concentrations, except trade accounts receivable, for which the Company uses letters of credit or Cash Against Document payment methods to protect its portfolio.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Trade accounts receivable

Maximum credit risk exposure at the reporting date for the trade accounts receivable above, by geographic region, was as follows:

	<b>Consolidated</b>					
	<b>2012</b>	<b>Secured amount</b>	<b>Net exposure</b>	<b>2011</b>	<b>Secured amount</b>	<b>Net exposure</b>
Domestic	260,782	-	260,782	410,509	-	410,509
Algeria (b)	88,624	88,624	-	-	-	-
England (b)	55,703	55,703	-	29,790	29,790	-
Saudi Arabia (b)	54,317	54,317	-	-	-	-
Dubai (b)	45,608	45,608	-	117,742	117,742	-
Switzerland (b)	27,462	27,462	-	-	-	-
Colombia (b)	7,427	7,427	-	-	-	-
Holland (b)	2,153	2,153	-	15,432	15,432	-
Singapore (b)	1,789	1,789	-	-	-	-
USA (a)			-	30,222	30,222	-
Canada (b)			-	6,366	6,366	-
Italy (b)			-	42,365	42,365	-
Other (a)	11,439	11,439	-	-	-	-
Related Parties (c)	48,311	48,311	-	229,367	229,367	-
	<b>603,615</b>	<b>342,833</b>	<b>260,782</b>	<b>881,793</b>	<b>471,284</b>	<b>410,509</b>

  

	<b>Parent Company</b>					
	<b>2012</b>	<b>Secured amount</b>	<b>Net exposure</b>	<b>2011</b>	<b>Secured amount</b>	<b>Net exposure</b>
Domestic	260,788	-	260,788	410,462	-	410,462
Other	86	86	-	285	285	-
Related Parties (c)	29,820	29,820	-	205,536	205,536	-
	<b>290,694</b>	<b>29,906</b>	<b>260,788</b>	<b>616,283</b>	<b>205,821</b>	<b>410,462</b>

(a) 100% secured by guarantees, as follows: 20% by letters of credit and 80% by Cash Against Documents;

(b) 100% guaranteed by letters of credit from first-rate international banks;

(c) The Company considers that no credit risk exists with respect to related-party transactions.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Impairment losses

Maturities of receivables from clients:

#### Consolidated

	2012		2011	
	Gross	PECLD	Gross	PECLD
Not matured	430,881	-	523,124	-
0-30 days overdue	90,409	-	178,875	-
31-120 days overdue	24,329	(1,001)	124,416	-
Over 120 days (a)	57,996	-	55,378	(1,208)
Total	603,615	(1,001)	881,793	(1,208)

#### Parent Company

	2012		2011	
	Gross	PECLD	Gross	PECLD
Not matured	224,905	-	535,185	-
0-30 days overdue	51,928	-	15,921	-
31-120 days overdue	13,861	(1,001)	15,511	-
Over 120 days (a)	-	-	49,666	(1,208)
Total	290,694	(1,001)	616,283	(1,208)

(a) For Consolidated and Parent Company Statements, the amounts of R\$48,311 and R\$29,820, respectively in the amount total to 2012 refer to transactions with related parties.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Commodity risk

#### Consolidated

The methodology for determining the fair value of derivatives is described in Note 5.

	Volume		Notional amount (RS thousands)		Fair value (RS thousand)			Fair value (RS thousand)		
					2012		2011			
	2012	2011	2012	2011	Up to 6 months	Over 6 months	Fair value	Up to 6 months	Over 6 months	Fair value
<b>Forwards</b>										
<b>Long Position</b>										
<b>Goods</b>										
Sugar (metric tons)	1,282,462	2,064,468	1,238,162	1,084,098	28,996	(8,999)	19,997	108,442	(7,717)	100,725
<b>Forwards</b>										
<b>Short Position</b>										
<b>Goods</b>										
Ethanol (m3)	(1,700)	(6,000)	149	(85)	348	-	348	69	(166)	(97)
Sugar (metric ton)	(1,466,825)	(1,945,946)	(1,450,441)	(1,852,172)	11,773	7,440	19,213	47,455	8,465	55,920
NDF – Sugar (metric tons)	(4,480)	(873,801)	(3,557)	(863,422)	291	-	291	-	50,033	50,033
					<b>12,412</b>	<b>7,440</b>	<b>19,852</b>	<b>47,524</b>	<b>58,332</b>	<b>105,856</b>

The Company uses instruments for hedging exposure to commodities risk that largely fall under two categories:

- a. Futures and options traded directly by the Company on exchanges (ICE/NYBOT) or in the over-the-counter market with first-rate financial institutions, this category including NDF – Non Deliverable Forwards
- b. Forward contracts traded directly with customers and suppliers.

The fair value of futures and options traded on exchanges is equivalent to the market value for reversing such positions. Transactions on exchanges require initial margins, and adjustments are made on a daily basis with reference to the notional amount.

For over-the-counter contracts, fair value is given by the difference between the prices set at inception and market value determined from publicly available information. Fair value is measured by both the Company and the banks intermediating the transactions using valuation models customarily used in the market. Margin deposits are not required for these contracts. The Company's cash flows are only affected on the settlement dates.

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

The fair value of forward contracts with customers and suppliers is given by the difference between the purchase or sale price and the market price on the reporting date. The same indicators used to determine initial pricing (i.e. Sugar #11/ICE quotes) are used to determine market prices. For each AA (*Against Actuals*), SEO (*Seller Execution Order*) and BEO (*Buyer Execution Order*) forward contract, there is a physical contract with the same pricing and volume variables.

It should be pointed out that CEPEA/ESALQ changed the methodology for calculation of CEPEA/ESALQ Sugar Index valid for 2012/2013 crop. Until March 2012, calculation of Price Indicators for the International Market had been based on monthly weighted averages of amounts effectively traded per sugar type. For the purposes of calculation of price average, the shipment month was considered, not necessarily the month when negotiation took place. To improve that model, as from April 2012 the new methodology has adopted the prices of contract no. 11 of New York ICE FUTURES Intercontinental Exchange as a pricing basis for determination of indicators, according to a weight based on a percentage pre-assigned to the reference screen for a particular month and for the months when daily prices are used as a basis (average) for the calculation of reference screen value.

Forward contracts include 1,510 thousand metric tons and a notional amount of R\$1,592,231 on March 31, 2012 referring to the Supply Contract with the Cooperative (see Note 24). Such volumes represent the portion of the agreement, the price of which is already established according to CEPEA methodology, as the agreement negotiation price follows CEPEA/ESALQ Raw Sugar Index. Model for calculation of fair value in the base date is determined by the difference between: (i) estimated value of CEPEA/ESALQ Raw Sugar Index based on Sugar #11/ICE average contract prices published and (ii) Sugar #11/ICE weighted average price on the base date according to the respective delivery volumes on each ICE screen maturity. Polarization effects (4.05%) and freight and handling costs are adjusted to the CEPEA/ESALQ Raw Sugar Index.

The Company applied this new methodology to its financial statements for the corporate year ended on March 31, 2012.

### **Sensitivity analysis for *commodities* risk**

The Company has selected three sensitivity analysis scenarios: a probable scenario, presented below, and two scenarios that could result in depreciation of the fair value of our financial instruments.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

The probable scenario was defined by our market intelligence function and represents the Company's projections for changes in this indicator over the next 12 months. The possible and remote scenarios are as described in CVM Instruction 475/08.

The method used was delta mark to market, i.e. recalculating fair value with each scenario's stress on the market rate for March 31, 2012.

	Scenarios		
	Probable	Possible	Remote
Commodity price risk			
Scenarios and price levels	-2.1% (\$24.19 c/pound)	-25% (\$18.53 c/pound)	-50% (\$12.36 c/pound)
Non-derivatives	(38,484)	(457,179)	(914,359)
Derivatives	30,116	357,770	715,539
<b>Total effect</b>	<b>(8,368)</b>	<b>(99,409)</b>	<b>(198,820)</b>

Because of the seasonality of sugar price quotes, this scenario is subject to fluctuation throughout each season.

### Liquidity risk

The contractual maturities of financial liabilities, including estimated interest payments and excluding the currency transaction agreements (net), are as follows.

Consolidated	Book Value	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 months
<b>2012</b>						
Trade payables	199,453	199,453	-	-	-	-
Loans and Financing	2,232,257	391,920	223,665	880,500	736,172	-
Unrealized derivative financial instruments						
NDF	7,857	7,606	251	-	-	-
Forwards	15,804	15,804	-	-	-	-
Commodity Future	797	797	-	-	-	-
Other accounts payable	25,244	25,244	-	-	-	-
<b>2011</b>						
Trade payables	426,310	426,310	-	-	-	-
Loans and Financing	1,414,118	352,103	220,984	458,858	381,523	650
Unrealized derivative financial instruments						
NDF	1,075	1,083	(8)	-	-	-
Swaps	31,161	2,240	4,025	1,826	23,070	-
Other accounts payable	5,280	5,280	-	-	-	-



# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

Parent Company	Book Value	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 months
<b>2012</b>						
Trade payables	169,673	169,673	-	-	-	-
Loans and Financing	1,348,460	150,779	222,801	697,208	277,672	-
Other accounts payable	11,357	11,357	-	-	-	-
<b>2011</b>						
Trade payables	30,763	30,763	-	-	-	-
Loans and Financing	1,025,868	133,247	219,599	457,512	215,510	-
Unrealized derivative financial instruments						
Swaps	31,161	2,240	4,025	1,826	23,070	-
Other accounts payable	710	710	-	-	-	-

### Exchange risk

#### *Foreign-currency exposure*

The Company's exposure is substantially linked to US dollar (USD) variation on the base dates indicated below:

Consolidated	2012	2011
<b>Assets</b>		
Cash and cash equivalents	309,598	231,340
Trade accounts receivable	296,168	277,267
Inventory	327,749	194,472
Advances to suppliers	50,049	38,167
Stock exchange transactions	52,527	117,085
Unrealized derivative financial instruments	20,737	206,581
<b>Liabilities</b>		
Trade payables	(126,092)	(394,171)
Loans and Financing	(1,706,762)	(1,054,870)
Unrealized derivative financial instruments	(24,458)	(1,075)
Other accounts payable	(12,679)	(3,986)
<b>Gross balance sheet exposure</b>	<u>(813,163)</u>	<u>(389,190)</u>
Notional amounts of foreign exchange hedging derivatives	<u>120,373</u>	<u>683,617</u>
<b>Net exposure</b>	<u>(692,790)</u>	<u>294,427</u>

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

<b>Parent Company</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Trade accounts receivable	-	15,177
Brokers	672	-
<b>Liabilities</b>		
Trade payables	(788)	(53,989)
Loans and Financing	(828,124)	(677,833)
	<u>(828,240)</u>	<u>(716,645)</u>
<b>Gross balance sheet exposure</b>		
Notional amounts of foreign exchange hedging derivatives	828,852	674,399
	<u>828,852</u>	<u>674,399</u>
<b>Net exposure</b>	<u>612</u>	<u>(42,246)</u>

The company's foreign-exchange exposure is largely in the Copersucar Trading transaction balances.

The notional amount balances above breakdown as follows:

Type	Counterparty	Maturity	Consolidated		Parent Company	
			2012	2011	2012	2011
Foreign Exchange NDF	Itaú / Deutsche / Standart Chartered / Merrill Lynch / JP Morgan / Morgan Stanley/HSBC	2012 to 2013	(703,013)	9,218	5,466	-
Currency Swap	Itaú / Deutsche / Rabobank / Citibank / Merrill Lynch	2012 to 2017	823,386	674,399	823,386	674,399
Total			<u>120,373</u>	<u>683,617</u>	<u>828,852</u>	<u>674,399</u>

### Sensitivity analysis – exchange rates

The Company has selected three sensitivity analysis scenarios: a probable scenario, presented below, and two scenarios that could result in depreciation of the fair value of our financial instruments.

The Probable scenario was defined by our market intelligence function and represents the Company's projections for changes in this indicator over the next 12 months. The possible and remote scenarios are as described in CVM Instruction 475/08.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

The method used was delta mark to market (i.e. fair value is re-calculated with each scenario's stress on the market rate on March 31, 2012 and subtracted from the fair value already recognized. The resulting value in which the company would be affected in each scenario is then determined). The analysis assumes that all other variables, particularly interest rates, remain constant.

	Scenarios		
	Probable	Possible	Remote
Foreign exchange risk			
Scenarios and price levels	0.1% (1.82BRL/USD)	25% (2.278 BRL/USD)	50% (2.733 BRL/USD)
Assets	(1,218)	264,207	528,414
Liabilities	2,117	(459,288)	(934,996)
Derivatives	(145)	31,459	62,919
<b>Total effect</b>	<b>754</b>	<b>(163,622)</b>	<b>(343,663)</b>

A strengthening of the Real against the currencies above on March 31, 2012, would have the same effect, but with opposite results, on the currencies above assuming that all other variables remain constant.

### Interest rate risk

#### *Profile*

The profile of financial instruments earning interest at variable rates at the reporting date was:

#### Fixed-rate instruments

The Company does not recognize fixed-rate financial assets or liabilities at fair value through profit or loss, or designate derivatives (interest rate *swaps*) as hedging instruments through fair-value *hedge* accounting. A change in interest rates on the reporting date would therefore not affect the result.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Variable-rate instruments

	Consolidated		Parent Company	
	2012	2011	2012	2011
Financial assets	283,348	299,992	51,392	186,320
Financial liabilities	(525,495)	(320,850)	(520,336)	(309,637)

The Company does not perform sensitivity analyses on financial instruments or variable-rate financial instruments, as their effects are deemed immaterial to the Company's financial statements.

### Gains (losses) on unrealized derivative financial instruments

The table below summarizes the amounts of profits (losses) recorded on March 31, 2012 and 2011, which affected the balance sheet, as well as the amounts that affected the results accumulated by the Company on those dates:

#### Consolidated

	Effects on balance sheet		Effects on balance sheet	Effects on balance sheet		Effects on balance sheet
	2012		2012	2011		2011
	Assets	Liabilities		Assets	Liabilities	
Fixed-term of commodities	19,681	16,601	(193,723)	206,581	-	157,956
	19,681	16,601	(193,723)	206,581	-	157,956
Non Deliverable Forwards	1,069	7,857	(7,466)	865	1,075	1,870
Swap	41,107	-	72,253	-	31,161	(31,161)
	42,176	7,857	64,787	865	32,236	(29,291)
Total	61,857	24,458		207,446	32,236	
Current	40,008	24,458		207,446	7,340	
Noncurrent	21,849	-		-	24,896	

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Parent Company

	<u>Effects on balance sheet</u>		<u>Effects on balance sheet</u>	<u>Effects on balance sheet</u>		<u>Effects on balance sheet</u>
	2012		2012	2011		2011
	Assets	Liabilities		Assets	Liabilities	
Non Deliverable Forwards	13	-	13	-	-	(16)
Swap	41,107	-	72,253	-	31,161	(31,161)
	41,120	-	72,266	-	31,161	(31,177)
<b>Current</b>	19,271	-		-	6,265	
<b>Noncurrent</b>	21,849	-		-	24,896	

### Fair value

#### *Fair value versus carrying amount*

The fair values of financial assets and liabilities and their carrying amounts as stated on the balance sheet are as follows:

Consolidated	2012		2011	
	Book Value	Fair value	Book Value	Fair value
<b>Financial instruments stated at fair value through profit or loss</b>				
<b>Assets</b>				
Cash and cash equivalents	373,580	373,580	439,889	439,889
Inventory	1,050,262	1,050,262	353,614	353,614
Stock exchange transactions	52,527	52,527	117,085	117,085
Unrealized derivative financial instruments	61,857	61,857	207,446	207,446
<b>Liabilities</b>				
Unrealized derivative financial instruments	24,458	24,458	32,236	32,236
<b>Loans and receivables</b>				
Trade accounts receivable	602,514	602,614	880,585	880,585
Loan transactions	1,099	1,099	21,074	21,074
Advances to suppliers	54,673	54,673	57,166	57,166
Other accounts receivable	5,119	5,119	2,419	2,419

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

	2012		2011	
<b>Liabilities carried at amortized cost</b>				
Trade payables	199,453	199,453	426,310	426,310
Loans and Financing	2,232,257	2,232,257	1,414,118	1,414,118
Advances	25,638	25,638	339	339
Other accounts payable	25,244	25,244	5,280	5,280

	2012		2011	
	Book Value	Fair value	Book Value	Fair value
<b>Parent Company</b>				
<b>Financial instruments stated at fair value through profit or loss</b>				
<b>Assets</b>				
Cash and cash equivalents	58,723	58,723	195,602	195,602
Inventory	721,530	721,530	158,402	158,402
Stock exchange transactions	672	672	-	-
Unrealized derivative financial instruments	41,120	41,120	-	-
<b>Liabilities</b>				
Stock exchange transactions	-	-	-	-
Unrealized derivative financial instruments	-	-	31,161	31,161
<b>Loans and receivables</b>				
Trade accounts receivable	289,693	289,693	615,075	615,075
Related Parties	77,314	77,314	23,515	23,515
Advances to suppliers	4,482	4,482	18,885	18,885
Other accounts receivable	2,842	2,842	1,649	1,649
<b>Liabilities carried at amortized cost</b>				
Trade payables	169,673	169,673	30,763	30,763
Loans and Financing	1,348,460	1,348,460	1,025,868	1,025,861
Advances	425,595	425,595	54,086	54,086
Other accounts payable	11,357	11,357	710	709

### Fair value hierarchy

The table below provides an analysis of financial instruments measured at fair value after initial recognition, grouped into Tiers 1 to 3 based on fair value observability:

- **Tier 1 fair value measurements:** measurements using unadjusted quoted market prices in active markets for identical assets or liabilities;
- **Tier 2 fair value measurements:** measured through variables other than Tier 1 price quotes that are observable for the relevant asset or liability, either directly (as prices) or indirectly (based on prices).

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

- **Tier 3 fair value measurements:** measurements using valuation techniques that include variables of the asset or liability, but that are not based on observable market data (non-observable data).

<b>Consolidated</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
<b>2012</b>			
<b>Assets</b>			
Cash and cash equivalents	373,580	-	-
Inventory	-	1,050,262	-
Stock exchange transactions	-	52,527	-
Unrealized derivative financial instruments	-	61,857	-
<b>Liabilities</b>			
Unrealized derivative financial instruments	-	24,458	-
<b>2011</b>			
<b>Assets</b>			
Cash and cash equivalents	439,889	-	-
Inventory	-	353,614	-
Stock exchange transactions	-	117,085	-
Unrealized derivative financial instruments	-	207,446	-
<b>Liabilities</b>			
Unrealized derivative financial instruments	-	32,236	-
<b>Parent Company</b>			
<b>2012</b>			
<b>Assets</b>			
Cash and cash equivalents	58,723	-	-
Inventory	-	721,530	-
Stock exchange transactions	-	672	-
Unrealized derivative financial instruments	-	41,120	-
<b>2011</b>			
<b>Assets</b>			
Cash and cash equivalents	195,602	-	-
Inventory	-	158,402	-
<b>Liabilities</b>			
Unrealized derivative financial instruments	-	31,161	-

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 23 Contractual commitments

#### *Sales*

Considering that the Company operates primarily in the *commodities* market, sales are substantially at sale date prices. Contracts are mostly short-term contracts. Contracted volumes of sugar and ethanol on March 31, 2012 were respectively 4,654 thousand tons and 1,401.8 thousand liters.

#### *Purchases*

Committed volumes on March 31, 2012 and 2011 under a contract between the Company and the Cooperative were as follows (sugar in millions of metric tons and ethanol in billions of liters):

<b>Purchase</b>	<b>2012</b>	<b>2011</b>
Refined Sugar	1,965	2,022
Raw Sugar	3,606	3,797
Total	<u>5,571</u>	<u>5,819</u>
Anhydrous Ethanol	1,959	1,942
Hydrous Ethanol	2,046	2,618
Total	<u>4,005</u>	<u>4,560</u>

#### **Logistics**

The Company has strategic partnerships for provision of rail transportation services with the following suppliers:

#### **América Latina Logística - ALL**

Provision of services of sugar transportation in wagons through ALL railway network to the Port of Santos (SP), due in 2028.



# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### **América Latina Logística - ALL**

A contract for rail transportation of ethanol to destinations named by Copersucar. The term of this contract is tied to the terms of ALL's rail concession agreements.

### **Ferrovias Centro Atlântica - FCA**

A contract for transportation of sugar from Ribeirão Preto (SP) to the Port of Santos (SP), expiring in 2026.

### **Ferrovias Centro Atlântica - FCA**

A contract for transportation of sugar from Serrana (SP) to the Port of Santos (SP), expiring in 2012.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 24 Related Parties

#### *Parent company and ultimate parent company*

The Company's final controlling parties are the groups listed below:

Shareholder - Group	Number of common shares	Interest %
Virgolino Oliveira	41,604,470	10.362229
Zilor	41,584,475	10.357249
Pedra	37,626,550	9.371468
Clealco	25,196,485	6.275570
Cocal	23,509,600	5.855425
Batatais	22,744,390	5.664838
Aralco	21,946,405	5.466088
Viralcool	21,618,675	5.384462
Ipiranga	19,184,175	4.778112
Santa Adélia	19,044,340	4.743284
Balbo	14,134,870	3.520505
São J. da Estiva	12,900,650	3.213104
São Manoel	12,286,185	3.060062
Melhoramentos	11,240,895	2.799717
Ferrari	9,624,830	2.397211
Pitangueiras	9,490,040	2.363640
Furlan	9,413,915	2.344679
São Luiz	8,786,990	2.188534
Umoe Bioenergy	8,036,900	2.001713
Uberaba	6,580,650	1.639011
Pioneiros	6,480,850	1.614155
Cerradão	4,995,445	1.244192
Santa Lúcia	4,718,260	1.175155
Santa Maria	4,212,970	1.049305
Caçu	2,664,625	0.663666
Decal - Rio Verde	1,822,360	0.453887
Other	51,150	0.012739
	<hr/>	<hr/>
	401,501,150	100.000000
	<hr/>	<hr/>

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Compensation of Key Management Personnel

The Company's key management personnel are the Chairman of the Board of Directors, the Chief Executive and the heads of the Sales, Logistics and Management/Financial area.

For the corporate year ended on March 31, 2012, the remuneration of key management staff amounted to R\$22,528 (R\$25,057 in the year ended on March 31, 2011), and includes salaries, short and long-term remuneration, short and long-term and post-employment benefits.

Compensation of key management personnel includes:

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Short-term employee benefits	6,720	5,879	6,720	5,879
Post-employment benefits	756	718	756	718
Severance benefits <i>(a)</i>	-	23	-	23
Short-Term Variable Compensation <i>(b)</i>	6,040	5,743	6,040	5,743
Long-Term Variable Compensation <i>(c)</i>	9,012	12,694	9,012	12,694
	<b>22,528</b>	<b>25,057</b>	<b>22,528</b>	<b>25,057</b>

**(a)** Life insurance premium, for employees hired up to November 2005 and that have left the Company or retired;

**(b)** Provision for short-term variable compensation;

**(c)** Part of the amount stated as long-term benefits is a bonus granted to key management personnel and is based on continuing EBITDA. Provisions are established for these amounts and they are paid if this target is achieved after three years.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Other transactions with related parties

	Note	Consolidated		Parent Company	
		2012	2011	2012	2011
<b>Current assets</b>					
<b>Accounts Receivable</b>					
Arrepar Participações S.A.		-	7	-	-
Cooperativa		48,311	229,360	14,161	198,746
Copersucar Trading A.V.V.		-	-	15,659	6,790
	<b>9</b>	<u>48,311</u>	<u>229,367</u>	<u>29,820</u>	<u>205,536</u>
<b>Dividends</b>					
Companhia Auxiliar de Armazéns Gerais		-	-	1,668	1,083
Copersucar Armazéns Gerais S.A.		-	-	50,259	-
Sugar Express Transportes S.A.		-	-	141	-
Produbar Participações S.A.		-	21,074	-	21,074
		<u>-</u>	<u>21,074</u>	<u>52,068</u>	<u>22,157</u>
<b>Advances to suppliers</b>					
Companhia Auxiliar de Armazéns Gerais		-	-	14	242
Cooperativa		-	-	-	-
	<b>12</b>	<u>-</u>	<u>-</u>	<u>14</u>	<u>242</u>
<b>Noncurrent assets</b>					
<b>Loan</b>					
Companhia Auxiliar de Armazéns Gerais		-	-	12,260	-
Copersucar Armazéns Gerais S.A.		-	-	10,298	56
Produbar Participações S.A.		1,099	-	1,099	-
Sugar Express Transportes S.A.		-	-	1,589	1,302
		<u>1,099</u>	<u>-</u>	<u>25,246</u>	<u>1,358</u>
<b>Current liabilities</b>					
<b>Trade payables</b>					
Cooperativa		108,397	261,455	105,545	13,190
Copersucar Trading A.V.V.		-	-	49,183	-
	<b>19</b>	<u>108,397</u>	<u>261,455</u>	<u>154,728</u>	<u>13,190</u>
<b>Advances</b>					
Cooperativa		-	249	-	249
Arrepar Participações S.A.		-	90	-	90
Copersucar Trading A.V.V.		-	-	399,957	53,747
		<u>-</u>	<u>339</u>	<u>399,957</u>	<u>54,086</u>
<b>Dividends</b>					
Dividends payable		25,638	-	25,638	-

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Transaction amount in the period</b>				
<b>Sales of goods</b>				
Cooperative	43,813	-	-	-
Copersucar Trading A.V.V.	-	-	183,090	210,102
	<u>43,813</u>	<u>-</u>	<u>183,090</u>	<u>210,102</u>
<b>Sales of services</b>				
Arrepar Participações S.A.	-	299	-	-
Cooperative	47,182	28,041	-	-
Rent - Copersucar Armazéns Gerais S.A	-	-	670	555
	<u>47,182</u>	<u>28,340</u>	<u>670</u>	<u>555</u>
<b>Acquisition of Products</b>				
Arrepar Participações S.A.	-	(19,200)	-	-
Cooperative	(7,369,604)	(4,630,168)	(3,680,204)	(2,222,876)
Copersucar Trading A.V.V.	-	-	(116,444)	-
	<u>(7,369,604)</u>	<u>(4,649,368)</u>	<u>(3,796,648)</u>	<u>(2,222,876)</u>
<b>Purchases of services</b>				
Companhia Auxiliar de Armazéns Gerais S.A.	-	-	(2,397)	(2,877)
Copersucar Armazéns Gerais S.A.	-	-	(1,733)	-
	<u>-</u>	<u>-</u>	<u>(4,130)</u>	<u>(2,877)</u>
<b>Financial – Interest</b>				
Produpar Participações S.A.	83	-	83	-
Copersucar Armazéns Gerais S.A.	-	-	469	-
Companhia Auxiliar de Armazéns Gerais	-	-	98	-
Sugar Express Transportes S.A.	-	-	192	-
	<u>83</u>	<u>-</u>	<u>842</u>	<u>-</u>

Related-party transactions are transactions between the Parent Company and its direct or indirect subsidiaries or other affiliates (Cooperative, Arrepar Participações S.A. and Produpar Participações S.A.) and substantially consist of:

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

**Sale/Purchase of goods and services** – Purchases and sales of commodities (sugar and ethanol) and port services under contracts between the parties, on an arm's length basis considering the volumes, the risks involved and corporate policy.

**Assets** - (a) Advances provided for the purchase of products and services, (b) Loan contracts with direct or indirect subsidiaries or shareholders at interest rates similar to those incurred by the Company in obtaining the relevant funding; (c) Rent on properties; and (d) Dividends receivable from direct subsidiaries.

**Liabilities** – (a) Advances received for the provision of goods and services and (b) Loan agreements with direct or indirect subsidiaries or shareholders at interest rates similar to those incurred by the Company in obtaining such funding.

### **Supply contract with the Cooperative**

The Company has an exclusive contract providing direct or indirect financial and market benefits and advantages for the purchase of sugar and ethanol from the Cooperative, for a term of two years and six months, renewable at each season/financial year. The quantities to be delivered are determined on a monthly basis for six-month horizons, and the Cooperative is responsible for deliveries or any undelivered quantities, if the contracted nonperformance limit is exceeded.

Assurance of supply is conditional on maintaining the contract with the Cooperative. The Contract also provides access to certain facilities that are essential to the conduct of business, including those required to store the ethanol and sugar purchased from the Cooperative and associated plants and mills. Prices under this contract are calculated as the CEPEA/ESALQ index plus a 2% premium.

Invoices and payments for products purchased under this agreement are determined based on the CEPEA/ESALQ index at period/season-end plus a premium of 2%. Any differences from the actual CEPEA/ESALQ index at the period/season-end plus a premium of 2% are settled. Such adjustments were recognized in cost of goods sold.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

The guarantors under the contract are sugar mills and ethanol plants within the Cooperative.

### Guarantees from related parties

Guarantees for the loans listed below are provided by related parties of the Cooperative:

<b>Borrower</b>	<b>Type of Facility</b>	<b>Bank</b>	<b>Maturity</b>	<b>Amount</b>
Copersucar S.A.	NCE (in US\$)	Itaú	10-27-2015	108,763
Copersucar S.A.	NCE (in US\$)	Deutsche	03-14-2013	72,980
Copersucar S.A.	NCE (in US\$)	Deutsche	08-01-2013	65,929
Copersucar S.A.	NCE (in US\$)	Rabobank	03-09-2014	63,827
Copersucar S.A.	NCE (in US\$)	Citibank	06-26-2014	136,801
Copersucar S.A.	Resolution 4131 (in US\$)	Merril Lynch	09-23-2013	109,378 (a)
Copersucar S.A.	Resolution 4131 (in US\$)	Brasil	11-29-2013	270,447 (a)
Copersucar Trading AVV	Export Advance	Standard Chartered	05-16-2016	94,327
Copersucar Trading AVV	Export Advance	Rabobank	03-17-2014	182,469
Copersucar Trading AVV	Export Advance	Brasil	03-01-2017	273,450
Copersucar Trading AVV	Export Advance	Standard Chartered	02-26-2015	91,292
Copersucar Trading AVV	WCP	Sumitomo	08-06-2012	82,042
Copersucar Trading AVV	WCP	Bradesco	05-04-2012	91,267
Copersucar Trading AVV	WCP	Santander	04-25-2012	63,791
Copersucar S.A.	NCE	Safra	02-05-2013	147,167
Copersucar S.A.	NCE	Brasil	03-17-2014	120,182
Cia. Auxiliar	FINAME	Bradesco	12-15-2016	2,580 (b)
Cia. Auxiliar	FINAME	Brasil	12-15-2016	2,578 (b)
				<u>1,979,270</u>

(a) Secured loans and financing that are also guaranteed by the related party's inventory.

(b) Loans and financing secured and guaranteed by fixed assets.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Guarantees provided to related parties

The Company guarantees the following loans and financing for its affiliate Cooperativa de Produtores de Cana de Açúcar, Açúcar e Álcool do Estado de São Paulo (Cooperative of Sugarcane, Sugar and Alcohol Producers in the State of São Paulo):

Borrower	Type of Facility	Bank	Maturity	Amount
Cooperative	ACC	Bradesco	2012	22,935
Cooperative	ACC	Citibank	2012	26,767
Cooperative	ACC	Bradesco	2012	47,387
Cooperative	ACC	Merril Lynch	2013	23,887
Cooperative	ACC	Credit Agricole	2013	23,910
Cooperative	ACC	Merril Lynch	2013	46,739
Cooperative	PROCER	Banco do Brasil	2012	172,575
Cooperative	PROCER	ABC	2012	8,370
Cooperative	PROCER	ABC	2012	8,370
Cooperative	PROCER	ABC	2012	7,722
Cooperative	Warrantage	Banco do Brasil	2012	183,385 (a)
Cooperative	Warrantage	Banco do Brasil	2012	86,970 (a)
Cooperative	Export Credit Note	Banco do Brasil	2012	94,213
Cooperative	Export Credit Note	Banco do Brasil	2012	32,980
Cooperative	Export Credit Note	Banco do Brasil	2012	33,584
Cooperative	Export Credit Note	Banco do Brasil	2012	15,074
Cooperative	Export Credit Note	Banco do Brasil	2012	47,715
				<u>882,583</u>

(a) Loans and financing secured and guaranteed by affiliate's inventories.

## 25 Shareholders' Equity

The Company's paid-up share capital amounts to eighty million, three hundred thousand, two hundred and thirty reais (R\$80,300,230) on March 31, 2012 and 2011, represented by four hundred and one million, five hundred and one thousand, one hundred and fifty (401,501,150) common shares on March 31, 2012, and eighty million, three hundred thousand, two hundred and thirty (80,300,230) common shares in 2011, being all them nominative, without certificate or face value.

The Company is authorized to increase its share capital by resolution passed by the Board of Directors, without the requirement to amend the bylaws, up to a limit of five hundred million (500,000,000) common shares, including previously issued shares.



# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### **Profit reserves**

#### *Legal reserve*

Established at 5% of adjusted net income for each financial year pursuant to article 193 of Law 6404/76, up to the limit of 20% of the Company's share capital.

#### *Profit reserve*

Retained earnings as of March 31, 2012 were reclassified in shareholders' equity from retained earnings to profit reserves, which are at our shareholders' disposal.

### **Equity appraisal adjustments**

The equity adjustment reserve includes adjustments related to the adoption of the deemed cost basis at the transition date.

Amounts recorded in equity valuation adjustments are entirely or partially reclassified to net income for the year through depreciation of the corresponding assets.

## **26 Income per share**

According to IAS 33/CPC 31 - "Profit per Share", the table below compares the Consolidated and Parent Company net profit for the year to the amounts used to calculate the basic and diluted net profit per action:

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income in the year attributable to shareholders (a)	102,552	355,486	102,552	355,486
Weighted average number of shares outstanding (b)	401,501	80,300	401,501	80,300
Basic and diluted earnings per common share (a) / (b)	0.26	4.43	0.26	4.43

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 27 Revenue

	<u>Consolidated</u>		<u>Parent Company</u>	
	2012	2011	2012	2011
Sales of goods				
Sugar	6,296,063	4,472,033	720,190	667,525
Ethanol	4,598,082	3,721,766	3,501,587	3,005,985
Derivative financial instruments realized	249,924	32,222	-	-
Services rendered	82,767	49,323	17,955	3,826
	<u>11,226,836</u>	<u>8,275,344</u>	<u>4,239,732</u>	<u>3,677,336</u>

A reconciliation of gross revenue and net revenue as stated on the statement of income for the year is provided below:

	<u>Consolidated</u>		<u>Parent Company</u>	
	2012	2011	2012	2011
Gross revenue	11,513,485	8,822,280	4,767,275	4,249,872
<b>Minus:</b>				
Sales taxes	(525,191)	(569,693)	(525,184)	(569,682)
Services tax	(10,853)	(7,479)	(1,830)	(868)
Refunds/reductions	(529)	(1,986)	(529)	(1,986)
	<u>10,976,912</u>	<u>8,243,122</u>	<u>4,239,732</u>	<u>3,677,336</u>
Derivative financial instruments realized	249,924	32,222	-	-
	<u>11,226,836</u>	<u>8,275,344</u>	<u>4,239,732</u>	<u>3,677,336</u>

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### 28 Other revenue

	<u>Consolidated</u>		<u>Parent Company</u>	
	2012	2011	2012	2011
Premium for early dispatch	3,977	3,059	-	-
Judicial provisions	589	-	-	-
Property rental	155	-	670	556
Other	761	1882	370	172
	<u>5,482</u>	<u>4,941</u>	<u>1,040</u>	<u>728</u>

### 29 Other expenses

	<u>Consolidated</u>		<u>Parent Company</u>	
	2012	2011	2012	2011
Demurrage expenses	(905)	(40,353)	-	(3)
Brokerage/fees	(6,217)	(3,911)	(1,124)	(141)
Donations	(662)	-	(657)	-
Labor proceedings	(248)	-	-	-
Loss on equity interests	(108)	(2,184)	(108)	(2,184)
Other	(746)	(2,841)	(168)	(750)
	<u>(8,886)</u>	<u>(49,289)</u>	<u>(2,057)</u>	<u>(3,078)</u>

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 30 Net financial expenses

	<b>Consolidated</b>		<b>Parent Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Financial income and expenses</b>				
<b>Financial Revenue</b>				
Earnings on investments	16,155	32,344	14,424	31,148
Gains on transactions of derivative financial instruments	293,184	8,770	100,985	1,383
Adjustment to fair value of financial derivatives	41,244	1,870	41,120	-
Exchange variance on loans and financing	189,887	26,007	189,887	26,007
Interest on customer receivables	117	4,199	179	3,905
Discounts obtained	169	-	24	-
Exchange rates for trade receivables	27,828	13,844	27,792	1,946
Suppliers' foreign exchange variation	214,165	-	2,494	-
Exchange variance – foreign subsidiaries	126,057	-	-	-
Other Financial Revenue	1,340	83	2,016	850
	<u>910,146</u>	<u>87,117</u>	<u>378,921</u>	<u>65,239</u>
<b>Financial expenses</b>				
Interest on loans and financing	(96,507)	(31,555)	(75,700)	(20,577)
Net interest – brokers	(728)	(1,234)	-	-
Bank fees and expenses	(5,442)	(381)	(2,300)	-
Exchange variance on loans and financing	(292,100)	(315)	(292,100)	(315)
Losses incurred on financial derivatives	(380,118)	(14,792)	(153,113)	(14,511)
Adjustment to fair value of financial derivatives	23,542	(31,161)	31,145	(31,177)
Discounts awarded	(11,813)	(460)	(10,890)	(392)
Exchange rates for trade receivables	(4,777)	(14,808)	(4,777)	(3,921)
Suppliers' foreign exchange variation	(239,768)	-	(1)	-
Exchange variance – foreign subsidiaries	(95,779)	(32,742)	-	-
Tax on financial transactions	(306)	(334)	(3)	(167)
Other financial expenses	(2,441)	(223)	(1,946)	-
	<u>(1,106,237)</u>	<u>(128,005)</u>	<u>(509,685)</u>	<u>(71,060)</u>
	<u>(196,091)</u>	<u>(40,888)</u>	<u>(130,764)</u>	<u>(5,821)</u>

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 31 Expenses by nature

	<u>Consolidated</u>		<u>Parent Company</u>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Cost of products, except freight, transshipment and storage	(10,334,558)	(7,860,311)	(4,080,385)	(3,643,066)
Changes in fair value of inventories	(42,990)	83,360	(36,767)	54,239
Depreciation and amortization	(2,012)	(11,156)	(1,987)	(1,262)
Personnel expenses	(60,827)	(59,409)	(24,245)	(56,264)
Freight, transshipment, storage and loading expenses	(139,465)	(117,090)	(45,198)	(16,416)
Other expenses	(199,841)	(19,920)	(69,780)	(16,561)
	<u>(10,779,693)</u>	<u>(7,984,526)</u>	<u>(4,258,362)</u>	<u>(3,679,330)</u>
<b>Classified as:</b>				
Cost of goods sold and services rendered	(10,549,444)	(7,790,579)	(4,162,351)	(3,588,827)
Administrative	(58,352)	(55,141)	(50,813)	(48,578)
Sales	(171,897)	(138,806)	(45,198)	(41,925)
	<u>(10,779,693)</u>	<u>(7,984,526)</u>	<u>(4,258,362)</u>	<u>(3,679,330)</u>

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### 32 Income tax and social contribution expenses

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to net income is presented below:

	Consolidated		Parent Company	
	2012	2011	2012	2011
Profit before income and social contribution taxes	50,838	355,021	51,676	352,830
Equity in net income of subsidiaries and associates	3,087	8,185	991	4,141
Net income of foreign-based companies	(199,492)	(367,136)	(203,078)	(367,136)
Book loss before income and social contribution taxes	(145,567)	(3,930)	(150,411)	(10,165)
Combined tax rate	34%	34%	34%	34%
Income and social contribution taxes: Calculated at the statutory rate	49,541	1,360	51,140	3,480
Permanent additions:				
Fines	(205)	-	(198)	-
Donations	(367)	-	(365)	-
Variation in participation	-	(742)	-	(742)
Other	(77)	(115)	(21)	(82)
Permanent exclusions:				
Tax installment payment benefits – Act 11,941	-	65	-	-
IRPJ/CSLL adjustment – Corporate	3,313	-	-	-
Other	40	-	35	-
IRPJ deductions - PAT and Sponsorship	285	-	285	-
Use of unrecorded tax loss	42	-	-	-
Unrecorded tax loss	(858)	(103)	-	-
Income and social contribution taxes on net income	51,714	465	50,876	2,656
<b>Effective rate</b>	34%	12%	34%	26%
<b>Current taxes</b>	7,087	(17,810)	8,975	(14,525)
<b>Deferred taxes</b>	44,627	18,275	41,901	17,181
<b>Corporate taxes</b>	-	-	-	-
Total	51,714	465	50,876	2,656

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

### 33 Employee benefits

The Company grants certain benefits to employees. The benefits below have been evaluated using actuarial methods.

#### ***Health insurance***

The Company provides, as a part of its benefits, a health insurance plan, the monthly fee of which has not been contributed by the employees since 07/01/2011. Law 9,656/98 provides that, in case of retirement, dismissal without cause or discharge, the health insurance plan shall be maintained under the same conditions prevailing for active employees, provided that the employee is classified under one of the three conditions mentioned below and makes the full payment of its monthly fee.

Health insurance may be maintained for the following periods:

#### **Employees terminated without cause or discharged**

1/3 of the period in which the employee contributed to the Health Insurance Plan, but not less than 6 months and not more than 24 months.

#### **Retired**

**For employees with 10 years or more of employment with the Company and age of 45 years or more on 07/01/2011:** the Health Insurance Plan may be maintained with the same coverage as during employment, with no additional waiting period, for as long as the employee should wish.

**Employees less than 10 years in employment with the Company:** the Health Insurance Plan may be maintained with the same coverage as during employment, with no additional waiting period, for an additional year for every year of contribution.

Since plan costs include both active and retired employees, the Company performed an actuarial assessment to determine whether there are any liabilities. The calculations were performed by a specialist independent firm and no material impacts were identified.

# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

### Calculation assumptions

#### *Financial and Economic Assumptions*

	2012	2011
Benefit capacity factor	100%	100%
Projected long-term inflation rate	4.50%	4.50%
Nominal actuarial discount rate	10.77%	10.77%
Expected long-term rate of return on assets	0.00%	0.00%
Medical expense growth rate – medical inflation	7.63% <sup>(1)</sup>	7.63% <sup>(1)</sup>
Aging factor	3.00% <sup>(1)</sup>	3.00% <sup>(1)</sup>
<b>Biometric Assumptions</b>		
General mortality table	AT-83 <sup>(2)</sup>	AT-83 <sup>(2)</sup>
Employee turnover table - (termination)	See note <sup>(3)</sup>	See note <sup>(3)</sup>
Retirement	100% eligibility	100% eligibility

<sup>(1)</sup> Estimated increase in contributions by active Plan participants

<sup>(2)</sup> General mortality table, by gender

<sup>(3)</sup> Turnover rate inversely proportional to time of employment:  $15 / TS + 1$

No effects on the variation of growth rates of Health Plan costs in the year have been identified.

Summary of participant data:

	2012	2011
<b>Active</b>		
Frequency	192	207
Average age	45	43
Time in plan	0.9	1.5
Future employment time	12.0	12.2
<b>Eligible to benefits</b>		
Frequency	1	1
Average age	56	57
Residual life expectancy	25.4	24.6



# Copersucar S.A.

## Notes to the financial statements

(In thousands of Reais)

Frequency, age, seniority, employment time, future employment time and residual life expectancy statistics are for Company employees. Cost statistics include a hypothetical family formed by the participant and a spouse, with female spouses assumed to be 2 years younger.

### Life insurance

Employees included in this benefit up to 2005 were entitled to payment of the insurance premium for life (a post-employment benefit). For employees hired in or after 2005, life insurance is paid by the Company as long as they remain active, as is recognized as an expense so that no actuarial risk is incurred.

The Company submitted this benefit to an actuarial appraisal and made no adjustments, as the amounts were considered immaterial.

### Calculation assumptions

#### *Financial and Economic Assumptions*

	2012	2011
Benefit capacity factor	100%	100%
Projected long-term inflation rate	5.90%	4.50%
Nominal actuarial discount rate	11.30%	10.77%
Expected long-term rate of return on assets	0.00%	0.00%
Nominal plan cost growth rate	8.02%	6.59%

#### **Biometric Assumptions**

General mortality table	AT-83 <sup>(1)</sup>	AT-83 <sup>(1)</sup>
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<sup>(1)</sup> Estimated increase in contributions by active Plan participants

Summary of participant data:

	2012	2011
<b>Eligible to benefits</b>		
Frequency	2	2
Average age	66	65
Residual life expectancy	19.2	18.1
Average monthly benefit	139.77	199.20

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

<sup>(1)</sup> The life insurance premium benefit under the contract with the insurance company, currently set at the rate of 0.00863 of the participant's monthly compensation.

### Other long-term benefits

Based on its benefits program, the Company established a provision of R\$30,900 for the financial year ended on March 31, 2012, related to a bonus established for a period of three years, 50% of which to mature in one year, for the following professionals:

	<b>2012</b>	<b>2011</b>
Key management personnel	24,720	12,694
Other Executives	<u>6,180</u>	<u>9,194</u>
	<u>30,900</u>	<u>21,888</u>

## 34 Operating leases

### *Leases with the Company as lessee*

Obligations under operating leases are as follows:

	<u>Consolidated</u>		<u>Parent Company</u>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Up to one year	9,141	6,721	4,205	4,074
More than one and up to five years	38,840	31,984	18,697	19,826
Over five years	<u>125,050</u>	<u>5,451</u>	<u>-</u>	<u>5,451</u>
Total	<u>173,031</u>	<u>44,156</u>	<u>22,902</u>	<u>29,351</u>

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

The Company recognized the following amounts as expenses on operating leases:

	<b>2012</b>	<b>2011</b>
Expenses on operating leases	8,239	6,136

The Company is the lessee of an area of approximately 50,392 square meters within the Port of Santos, in which Company facilities have been built. The term of the agreement is 20 years from March 07, 1996, and was renewed on June 27, 2011 for more 20 years as from March 07, 2016.

The main leasing restrictive clauses are:

- Deviation from core activities by the leaseholder;
- Leaserholder dissolution;
- Sublease;
- Transfer of lease with prior consent of CODESP;
- Nonpayment of more than three (3) monthly payments by leaseholder;
- Interruption of contract without justified reason;
- Port operations breaching the applicable legislation and regulations;
- Nonperformance of court decisions.

The Company has fully complied with all the restrictive clauses under this operating lease contract.

The Company is also the leaseholder of an area located in the municipality and district of Guarujá-SP, covering approximately 47,333 m<sup>2</sup>. The term of the agreement is 5 years from March 01, 2011 onwards, renewable for a similar period.

### **Leases in the capacity of Lessor**

The Parent Company leases investment property under an operating lease (see Note 16) to Copersucar Armazéns Gerais, a related party. The minimum future lease payments that cannot be canceled are as follows:

	<b>2012</b>	<b>2011</b>
Up to one year	670	668

# Copersucar S.A.

## Notes to the financial statements

*(In thousands of Reais)*

For the financial year ended on March 31, 2012, R\$670 was recognized as rent revenue in the Parent Company's income statement.

	<b>2012</b>	<b>2011</b>
Revenue on operating leases	670	555

### **35 Insurance coverage**

The Company has insurance policies taken out with leading Brazilian insurance companies and takes into consideration the nature and the level of risk involved. Given their nature, the risk assumptions adopted do not comprise the scope of a financial statements audit, and were therefore not examined by our independent auditors.

### **36 Statement of Added Value - DVA**

As required by BR GAAP applicable to publicly-traded companies, and as additional information under IFRS, the Company has prepared individual and consolidated statements of added value.

These statements, which are based on macroeconomic principles, demonstrate the Company's contribution to Gross Domestic Product through the value added by the Company and received by other entities and how this value is distributed among employees, the various spheres of government, lessors, creditors, financing and debt securities, controlling and non-controlling shareholders, and other remunerations indicating wealth transfer to third parties, where said added value represents the wealth created by the Company in general, as measured by revenues from sales of goods and services, less the respective inputs obtained from third parties, also including the added value produced by third parties and transferred to the entity.