

Fundo Brasileiro para Biodiversidade - FUNBIO
Public Accountants Report on financial statements of
“REDD + UCs Project – Credit Statement of
Forest Carbon at Resex Tapajós - Arapiuns”
January 01 through December 31, 2015.

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Public Accountants Report on financial statements of Project “REDD+ on UCs – Credit Statement Project of Forest Carbon in Resex Tapajós - Arapiuns”

Grant Thornton Auditores Independentes
Rua Voluntários da Pátria, 89 – 1º andar
Botafogo
Rio de Janeiro | RJ | Brasil

T +55 21 3529-9150
www.granthornton.com.br

To:
Managers of
Fundo Brasileiro para Biodiversidade - FUNBIO
“Redd + UCs Project – Credit Statement Project of Forest Carbon in Resex Tapajós - Arapiuns
Rio de Janeiro – RJ

We examined the financial statements of Redd + UCS Project - Credit Statement Project of Forest Carbon at Resex Tapajós - Arapiuns (“Project”) carried out by Fundo Brasileiro para Biodiversidade – FUNBIO (“Entity”), fully financed with funds from Financing Agreement number 14062962 of ICCO Foundation, for the period between January 01 and December 31, 2015 and the summary of the main accounting policies and other explanatory notes. Financial statements shall be prepared by managements on the receipts and payments accounting basis described in Explanatory Note number 4.

Management liability on the Financial Statements.

Project management is liable for preparation and proper submission of such financial statements according to the receipts and payments accounting basis described in Explanatory Note number 4.

Including determining the receipts and payments accounting basis is acceptable to prepare the financial statements in the circumstances, as well as the internal controls determined by the management to be necessary for the preparation of financial statements with no relevant distortion whether caused by fraud or error.

Public Accountants' liability

Our liability is to express an opinion on such financial statements based on our examination, performed according to the Brazilian and international audit standards. Such rules require the fulfillment of the ethics requirements by auditors, also planning and performing the audit in order to obtain reasonably safety that the financial statements are free from relevant distortion.

The audit involves performing the selected procedures to obtain the evidence on the amounts and disclosure presented by the financial statements. The selected procedures depend on the auditor

judgment including the evaluation of the relevant risks distortion in the financial statements irrespective if caused by fraud or error. In such risks evaluation, auditor deems the internal controls are relevant to prepare and submit properly the Project's financial statement in order to plan the audit procedures proper to the circumstances, other than to express an opinion on the efficacy of such Project's internal control. The audit also includes the evaluation of the adequacy of the accounting policies used and the reasonableness of the accounting estimates prepared by Management, and the evaluation on the overall financial statements.

We think the evidence obtained by audit is enough and proper to establish the grounds to our audit opinion.

Opinion

In our opinion, the financial statements of Redd + UCS Project - Forest Carbon Credit Statement Project at Resex Tapajós – Arapiuns, show properly in all relevant aspects the receipts and payments made during the period between January 01, and December 31, 2015, according to the accounting basis described in Explanatory Note number 4.

Other Subjects

Financial Statements preparation basis

We all the attention with no change in our opinion to the Explanatory Note number To the financial statements that described the preparation basis The financial statements were prepared to provide the information to the funds donor of Project. Accordingly, the financial statements should not be use for other purposes.

Audit of financial statements of the previous year

The financial statements of REDD + UCs project - Forest Carbon Credit Statement at Resex Tapajós - Arapiuns for the year ended on December 31 2014, were examined by other public accountants that has issued the report with no exception on April 17, 2015.

Rio de Janeiro, March 4, 2016



Ana Cristina Linhares Areosa
Accountant CRC-RJ -081.409/O-3

Grant Thornton Auditores Independentes
CRC SP-025.583/O-1 "S" – RJ

FUNBIO - FUNDO BRASILEIRO PARA A BIODIVERSIDADE

Project number: 78-05-01-011

Project name: REDD+Tapajos-Arapuins Rainforest Standard Brazil

Project dates: August 01, 2014 through December 31, 2015. Financial Report between August 01, 2014 up to December 31, 2015.

Contributions	Amount €	Amount R\$	Exchange rate
Funds contributed by ICCO	€ 225,000.00	R\$ 794,233.55	3.52992689
Yield	€ 8,508.63	R\$ 30,034.84	
Sub total of contributions	€ 233,508.63	R\$ 824,268.39	
Expenses	Amount €	Amount R\$	
FUNBIO	€ 33,988.64	R\$ 119,977.40	
Biofilica	€ 47,940.83	R\$ 169,227.62	
CEES CU	€ 38,659.60	R\$ 136,465.57	
Annual audit	€ 4,873.86	R\$ 17,204.37	
Project contingency	€ 19,693.74	R\$ 69,517.45	
Sub total expenses	€ 145,156.66	R\$ 512,392.41	
	Amount €	Amount R\$	
Balances on Thursday, December 31, 2015	€ 88,351.97	R\$ 311,875.98	

Remarks:

- (a) Above table comprises no exchange variation in the period on amount approximately of R
- (b) Amount in Euros was determined taking into account the Euro average rate in 2015.

FUNBIO - FUNDO BRASILEIRO PARA A BIODIVERSIDADE

Project number: 78-05-01-011

Project name: REDD+Tapajos-Arapluns Rainforest Standard Brazil

Project dates: August 01, 2014 through December 31, 2015. Financial Report
between August 01, 2014 up to December 31, 2015.

DESCRIPTION	BUDGET		Expenses up to December 31, 2014		Expenses from January 01 up to December 31, 2015.		TOTAL EXPENSES		BALANCE	
FUNBIO	AMOUNT €	%	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	%	AMOUNT €
Organizational Activity. Expenses funds	33,887.64	13.56%	-	R\$	€ 34,082.29	R\$ 113,929.57	€ 34,082.29	€ 113,929.57	101%	€ 194.65
Trips	3,340.00	1.34%	1179.88 (b)	R\$ 3,766.43	€ 714.67	R\$ 2,281.40	€ 1,894.55	R\$ 6,047.83	57%	€ 1,445.45
Sub total direct	37,227.64	14.89%	1,179.88	R\$ 3,766.43	€ 34,796.96	R\$ 116,210.97	€ 35,976.84	R\$ 119,977.40	97%	€ 1,250.80
BIOFILICA	AMOUNT €	%	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	AMOUNT R\$	AMOUNT R\$
Organizational Activity. Expenses funds	€ 9,880.73	3.95%	-	R\$	€ 9,880.73	R\$ 30,128.07	€ 9,880.73	R\$ 30,128.07	100%	€
Mapping of protected area	€ 8,473.92	3.39%	-	R\$	€ 8,473.92	R\$ 25,838.46	€ 8,473.92	R\$ 25,838.46	100%	€
PAMP-Plus	€ 38,028.57	15.21%	-	R\$	€ 25,806.47	R\$ 78,688.43	€ 25,806.47	R\$ 78,688.43	68%	€ 12,222.10
PA Deficit of best practices of budget	€ 5,630.68	2.25%	-	R\$	€	-	€	-	0%	€ 5,630.68
PA Carbon Credit	€ 10,757.58	4.30%	-	R\$	€	-	€	-	0%	€ 10,757.58
TAER Project Validation	€ 19,044.96	7.62%	-	R\$	€	-	€	-	0%	€ 19,044.96
Sub total directs Management fee - Biofilica (10%)	€ 91,816.44	36.73%	-	R\$	€ 44,161.12	R\$ 134,654.96	€ 44,161.12	R\$ 134,654.96	48%	€ 47,655.32
	€ 9,181.64	3.67%	-	R\$	€ 4,416.11	R\$ 13,465.50	€ 4,416.11	R\$ 13,465.50	48%	€ 4,765.53
Taxes - Biofilica (14.25%)	€ 14,392.23	5.76%	-	R\$	€ 6,922.26	R\$ 21,107.16	€ 6,922.26	R\$ 21,107.16	48%	€ 7,469.97
Sub total indirect	€ 23,573.87	9.43%	-	R\$	€ 11,338.37	R\$ 34,572.66	€ 11,338.37	R\$ 34,572.66	48%	€ 12,235.50
Total: Direct and indirect	€ 115,390.31	46.16%	-	R\$	€ 55,499.49	R\$ 169,227.62	€ 55,499.49	R\$ 169,227.62	48%	€ 59,890.82
MARKIT	AMOUNT €	%	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	%	AMOUNT €
Registration enlargement	€ 7,440.00	2.98%	-	R\$	€	-	€	-	0%	€ 7,440.00
Sub total direct	€ 7,440.00	2.98%	-	R\$	€	-	€	-	0%	€ 7,440.00
RFSMU	AMOUNT €	%	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	%	AMOUNT €
Mapping of protected area	€ 1,336.00	0.53%	-	R\$	€	-	€	-	0%	€ 1,336.00
PA Management Planning Review	€ 1,336.00	0.53%	-	R\$	€	-	€	-	0%	€ 1,336.00
PAMP-Plus	€ 1,670.00	0.67%	-	R\$	€	-	€	-	0%	€ 1,670.00
PA Budget review of best practices	€ 1,670.00	0.67%	-	R\$	€	-	€	-	0%	€ 1,670.00
PA Budget deficit of best practices	€ 1,002.00	0.40%	-	R\$	€	-	€	-	0%	€ 1,002.00
PA Carbon Credit	€ 1,670.00	0.67%	-	R\$	€	-	€	-	0%	€ 1,670.00
TAER Project Validation	€ 1,670.00	0.67%	-	R\$	€	-	€	-	0%	€ 1,670.00
RFSMU and website development	€ 5,010.00	2.00%	-	R\$	€	-	€	-	0%	€ 5,010.00
Trips	€ 3,715.75	1.49%	-	R\$	€	-	€	-	0%	€ 3,715.75
Sub total direct	€ 19,079.75	7.63%	-	R\$	€	-	€	-	0%	€ 19,079.75
ICCO	AMOUNT €	%	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	%	AMOUNT €
Trips	€ 5,000.00	2.00%	-	R\$	€	-	€	-	0%	€ 5,000.00
Sub total direct	€ 5,000.00	2.00%	-	R\$	€	-	€	-	0%	€ 5,000.00
Technical Service (CEES) (CU)	AMOUNT €	%	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	%	AMOUNT €
Sub total direct	€ 41,862.30	16.74%	2,182.46	R\$ 6,772.54	€ 40,118.58	R\$ 129,693.03	€ 42,301.04	R\$ 136,465.57	101%	€ 438.74
Others	AMOUNT €	%	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	%	AMOUNT €
Annual audit	€ 5,000.00	2.00%	-	R\$	€ 5,000.00	R\$ 17,204.37	€ 5,000.00	R\$ 17,204.37	100%	€
Sub total direct	€ 5,000.00	2.00%	-	R\$	€ 5,000.00	€ 17,204.37	€ 5,000.00	R\$ 17,204.37	100%	€
Project contingency	AMOUNT €	%	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	AMOUNT €	AMOUNT R\$	%	AMOUNT €
Sub total contingencies	€ 19,000.00	7.60%	€ 6,243.06	R\$ 19,929.25	€ 12,756.93	R\$ 49,588.20	€ 19,000.00	R\$ 69,517.45	100%	€ 0.00
TOTAL	€ 250,000.00	100%	R\$ 9,605.40	R\$ 30,468.22	€ 148,171.97	R\$ 481,924.19	€ 157,777.37	R\$ 512,392.41	63%	€ 92,222.63

Remarks:

(a) Euro value was determined taking into account the actual Euro rate on the date of funds receipt.

(b) The amount was not included in the report for years ended on December 31, 2014 as it was recorded as granted advance.

Explanatory notes of the Project financial statements for the period from January 01 up to December 31, 2015.

1. Operational context of Project performing agent.

Fundo Brasileiro para a Biodiversidade (“Funbio”), is a civil private non-profit association operating since 1996. This is a financial innovative mechanism created to develop the strategies contributing to implement the Biological Diversity Convention (CDB) in Brazil. It is the strategic partner of the public and business sectors and civil society in the initiatives consolidating the conservation policies, enables the environmental financial programs and social environmental investments of the company, reduction and mitigation of the impacts thereof and fulfillment of legal obligations.

Funbio has managed USD 579.3 million in almost 20 years, supported 235 projects in 7 biome, 170 entities and 292 protected areas. The entity integrates Environmental Funds Network of Latin America and Caribbean with 38 organizations of 31 countries managing since 1999 over USD 2 billion in equity and extinguishable funds.

Funbio is the first national implementation agency of Global Fund for Environment (GEF), among the most important financier of environmental projects worldwide.

Funbio is structured in three large areas:

- National and International Donations - projects financed by funds from private donations and bi- and multilateral agreements.
- Legal Obligations - projects financed by legal obligations as environmental compensation.
- Special Projects - working on financial environmental diagnosis and mechanisms and tools design enabling the access to new sources.

Funbio's governance is carried out by Deliberative Council (CD) with 16 members from academic, environmental, business sectors in charge for defining the organization general strategy and management. It meets three times a year to evaluate the strategic director and institutional management: set forth the general policy, defines the goals and priorities implemented by its Executive Secretariat. CD approves the annual operational plans, investment policies and developed projects. Council members participate voluntarily contributing with their experiences and knowledge. Deliberative Council is organized in Commissions dealing with specific issues such as Executive, Projects Techniques, Finance and Audit and Assets Management commissions.

The Consultive Council (CC) comprises 34 former council members and invited leadership acting in the technical advising.

2. Program Description

REDD+ in UCs Project - Forest Carbon Credit Statement Project in Resex Tapajós - Arapiuns is the outcome of the partnership between Associação Tapajoara, Instituto Chico Mendes de Conservação da Biodiversidade (ICMBio), Fundo Brasileiro para a Biodiversidade (Funbio) and Center for Environment, Economy and Society of University of Columbia (CEES), with the technical support of Biofilica Investimentos Ambientais S.A. Financed with ICCO Foundation's funds on EUR 250,000.00.

The project's purpose is the implementation of Forest Carbon Statement project using the Protected Areas Credit system of Rainforest Standard as an financing alternative of activities in Handling Plan of Tapajós Arapiuns Extractivist Reserve.

Resex Tapajós – Arapiuns was elected for the pilot of the project upon ICMBio's indication that has worked with RESEX and local communities and NGO to develop the management plan for the conservation unit.

3. Goals

The project started in July 2014 on the submission of the proposal to the Deliberative Council of Tapajós - Arapiuns Extractivist Reserve that has agreed therewith. In August 2014, the memorandum of intent was signed between Fundo Brasileiro para a Biodiversidade (Funbio) and Center for Environment, Economy and Society of University of Columbia (CEES). In October 2014, ICCO Foundation and Funbio signed the agreement for the project development and financing. In November 2014, CEES' representatives visited Brazil, carrying out the organizational meetings with Funbio and ICMBio's representatives during two weeks period to create the financial reports systems; together with the Tapajós Arapiuns Extractivist Reserve Community (Tapajoara and NGOs) and ICMBio' representatives to submit and discuss the project; with ICMBio to discuss the new management plan. In December 2014, the first financing installment was deposited. In the same month, Funbio and Biofilica signed the agreement in order to cause the preparation of the works for drawing the Protected Area Map and Project Design Document for the preparation of the Forest Carbon Credit Statement Project in Tapajós - Arapiuns Extractivist Reserve ("Project") following the principles and criteria presented by "Rainforest Standard for Protected Areas Credit" ("Certification").

In august 2015 in the field work approximately in the middle, ICMBio has suspended the project due to the natives protests related mainly to the issues other than the project (indigenous territory boundaries). Such unforeseen circumstance has prevented completing the planned works in the project, thus the investment were lower than scheduled. Therefore, the Project was not concluded. Funbio forwarded the final accountability on February 11, 2016 to donor. It waits for the guidance to use the balance in remaining funds.

4. Main accounting practices

Presentation base

Project Financial statements were prepared based on the funds accounting basis (cash). The revenues are recorded at the funds receipt. Expenses are recognized when represent actually the funds investment according to the donation agreement dated of October 24, 2014.

5. Available funds

Up to December 31, 2015, the available and remaining funds in Project's bank accounts are showed hereunder:

Description	Type	In R\$ thousands
Banco do Brasil - C/C 27.560-3	Current account	119
Banco do Brasil NY - C/C 06340-3(*)	financial investment	196
Total cash and cash equivalents		315

(*) The contributed funds are kept in Funbio's bank account, if they are not destined exclusively to the Project, in order to mitigate the impacts of exchange variation. This procedure was agreed with donor according to the transactions showed hereunder:

Resex Tapajós Project. Financial investment transactions – Banco do Brasil NY – C/C 06340-3

Transaction Description	Euros thousands	Amounts on Dollars thousand	Amounts on BRL thousand	Amounts on
10/06/2015 – ICCO's contribution		55	61	237
12/08/2015 – Transfer to CEES		(10)	(11)	(43)
Balances on 12/31/2015		45	50	194
Exchange Variation		-	-	2
Final balance		45	50	196

6. Funds contributed by ICCO Foundation

Funbio received the financial support by the Financing Agreement number 14062962 signed with ICCO Foundation, dated of October 24, 2014, to develop Redd + UCS Project, Forest Carbon Credit Statement Project at Resex Tapajós – Arapiuns.

The contributed funds amount were credit as received/ reimbursed to accounts number 27.560-3 (current account and automatic investment) and number 06340-3 at Banco do Brasil receiving the funds from ICCO Foundation.

Up to December 31, 2015, ICCO Foundation has provided financial funds for the total amount of EUR 225,000 (two hundred twenty thousand euros). During 2015, R\$ 409,705.00 (four hundred nine thousand seven hundred Brazilian reais and five cents) were contributed equivalent EUR 105.000 (one hundred five thousand euros).

The funds were use according to the purpose specified in ICCO Foundation's donation agreement.

Resex Tapajós Project, Funds contributed by ICCO Foundation

Date of contribution	Valores em R\$ mil	Valores em Euros mil
12/05/2014	384	120
07/07/2015	173	50
10/06/2015	237	55
Total	794	225

7. Summary table of expenses statement

We show hereunder by the summary table the amounts in Brazilian reais (BRL) regarding the Financing Agreement number 14062962, Redd + UCS Project -Forest Carbon Credit Statement project at Resex Tapajós - Arapiuns, containing the amounts received by Funbio from ICCO Foundation and the expenses of project during the period between January 01 and December 31, 2015.

Resex Tapajós PROJECT	
Funds transaction	In thousand of R\$
Balances on 12/31/2014	358
Accountability of the period (*)	(366)
Accountability in progress (*)	(5)
Contributions received	410
Revenue from Investments	30
Exchange Variation	2
Financial expenses	(1)
Transfers and disbursements (***)	(113)
Total - Balance in bank account	315

(*) Amount regarding the accountability sent by Funbio to donor on the period between January 01 and December 31, 2015.

(**) Amount regarding the accountability submitted in March 2015 for the advance made in October 2014.

(***) Funds regarding the expenses reimbursement of Funbio's staff allocated to the project.

8. Financial income

Up to December 31, 2015, the total funds from donation contributed to the project and respective yields as the following:

Resex Tapajós PROJECT yields			
Description	2015	2014	Total
	In thousand of R\$	In thousand of R\$	In thousand of R\$
Funds contributed (ICCO Foundation)	410	384	794
Income In The Year	28	2	30
Exchange Variation	2	-	2
Total	440	386	826

9. Contingencies

Project management by its internal and external legal advisors evaluated the probability of any contingencies occurring in this project. There was no process against Funbio or this Project up to December 31, 2015.

* * *