



**Fundo Brasileiro para a Biodiversidade -  
FUNBIO**

**Financial statements  
December 31, 2004 and 2003**

(A translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Financial statements

December 31, 2004 and 2003

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## Independent auditors' report

(A translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)

The Board of Directors of  
Fundo Brasileiro para a Biodiversidade - FUNBIO  
Rio de Janeiro - RJ

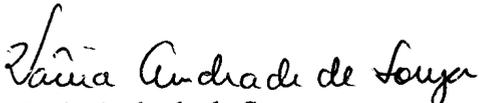
1. We have examined the accompanying balance sheet of Fundo Brasileiro para a Biodiversidade - FUNBIO as of December 31, 2004 and the related statements of income, changes in endowment funds and changes in financial position for the year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.
2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Entity; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Entity management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Fundo Brasileiro para a Biodiversidade - FUNBIO, as of December 31, 2004, and the results of its operations, changes in its endowment funds and changes in its financial position, for the year then ended, in conformity with accounting practices adopted in Brazil.
4. Our examination was performed with the objective of expressing an opinion on the financial statements taken as a whole. The statement of cash flows represent supplementary information to the aforementioned financial statements, and are presented to enable an additional analysis to the readers. This supplementary information was subject to the same audit procedures applied to the aforementioned financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the financial statements taken as a whole.



5. The financial statements for the year ended December 31, 2003, presented for comparison purposes, were examined by other independent auditors, on which a qualified opinion was issued on April 13, 2004, regarding the lack of presentation of original documentation for certain expenses of projects conducted jointly with third parties, in the amount of R\$1,861 thousand.

June 23, 2005

KPMG Auditores Independentes  
CRC-SP-14.428/O-6-F-RJ

  
Vânia Andrade de Souza  
Accountant CRC-RJ-057.497/O-2

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Balance sheets

December 31, 2004 and 2003

(In thousands of reais)

<b>Assets</b>	<b>2004</b>	<b>2003</b>	<b>Liabilities</b>	<b>2004</b>	<b>2003</b>
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and banks	8,891	7,225	Suppliers	46	-
Financial investments (Note 4)	42,189	37,511	Labor provisions	333	179
Advances to projects	-	221	Taxes	15	11
Other assets	<u>68</u>	<u>12</u>	Third-party funds related to projects (Note 6)	8,440	5,177
	<u>51,148</u>	<u>44,969</u>	Other accounts payable	<u>424</u>	<u>467</u>
				<u>9,258</u>	<u>5,834</u>
<b>Permanent assets</b>			<b>Long-term liabilities</b>		
Property, plant and equipment (Note 5)	345	364	Funds and reserves (Note 8)	<u>22,832</u>	<u>17,337</u>
Deferred assets	<u>148</u>	<u>152</u>			
	<u>493</u>	<u>516</u>	<b>Endowment funds (Note 9)</b>		
			Accumulated surplus	20,798	23,932
			Deficit for the year	<u>(1,247)</u>	<u>(1,618)</u>
				<u>19,551</u>	<u>22,314</u>
	<u>51,641</u>	<u>45,485</u>		<u>51,641</u>	<u>45,485</u>

See the accompanying notes to financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of income

Years ended December 31, 2004 and 2003

*(In thousands of reais)*

	2004	2003
<b>Revenues</b>		
Donations (Note 10)	5,956	7,335
Partnership income (Note 11)	2,028	-
Resources repatriated (Note 8)	1,706	-
Other	-	46
	<u>9,690</u>	<u>7,381</u>
<b>Costs with projects (Note 11)</b>	<u>(3,858)</u>	<u>(2,475)</u>
	<u>5,832</u>	<u>4,906</u>
<b>Expenses</b>		
General and administrative expenses (Note 13)	(5,104)	(2,785)
Financial expenses	(9,390)	(7,355)
Financial revenues	<u>7,087</u>	<u>3,625</u>
	<u>(7,407)</u>	<u>(6,515)</u>
<b>Other non operating income (expenses), net (Note 12)</b>	<u>328</u>	<u>(9)</u>
<b>Deficit for the year</b>	<u>(1,247)</u>	<u>(1,618)</u>

See the accompanying notes to financial statements.

# **Brasileiro para a Biodiversidade - FUNBIO**

## **Statements of changes in endowment funds**

**Years ended December 31, 2004 and 2003**

*(In thousands of reais)*

	<b>Accumulated surplus</b>	<b>Deficit for the year</b>	<b>Total</b>
<b>Balances at December 31, 2002</b>	23,890	-	23,890
Prior year adjustments	42	-	42
Deficit for the year	<u>-</u>	<u>(1,618)</u>	<u>(1,618)</u>
<b>Balances at December 31, 2003</b>	23,932	(1,618)	22,314
Prior year adjustments	(1,516)	-	(1,516)
Transfer to accumulated surplus	(1,618)	1,618	-
Deficit for the year	<u>-</u>	<u>(1,247)</u>	<u>(1,247)</u>
<b>Balances at December 31, 2004</b>	<u>20,798</u>	<u>(1,247)</u>	<u>19,551</u>

See the accompanying notes to financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of changes in financial position

Years ended December 31, 2004 and 2003

(In thousands of reais)

	2004	2003 (Unaudited)
<b>Sources of funds</b>		
<b>Operations</b>		
Deficit for the year	1,247	1,618
Items not affecting working capital:		
Depreciation and amortization	(96)	(71)
Prior-year adjustment	<u>1,516</u>	<u>(42)</u>
	2,667	1,505
Property, plant and equipment	54	174
Deferred assets	<u>19</u>	<u>133</u>
<b>Total financial position</b>	<u>2,740</u>	<u>1,812</u>
<b>Source of funds</b>		
Increase of funds and reserves	<u>5,495</u>	-
<b>Total source of funds</b>	<u>5,495</u>	-
<b>Increase (decrease) of net working capital</b>	<u>2,755</u>	<u>(1,812)</u>
<b>Changes in net working capital</b>		
<b>Current assets</b>		
At the end of the year	51,148	44,969
At the beginning of the year	<u>44,969</u>	<u>43,274</u>
	<u>6,179</u>	<u>1,695</u>
<b>Current liabilities</b>		
At the end of the year	9,258	5,834
At the beginning of the year	<u>5,834</u>	<u>2,327</u>
	<u>3,424</u>	<u>3,507</u>
	<u>2,755</u>	<u>(1,812)</u>

See the accompanying notes to financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of cash flows

Years ended December 31, 2004 and 2003

*(In thousands of reais)*

	2004	2003
<b>Cash flow of operating activities</b>		
Deficit for the year	(1,247)	(1,618)
Adjustments to reconcile the income to cash generated by operating activities:		
Prior-year adjustments	(1,516)	42
Depreciation and amortization	96	71
<b>Asset and liability variations</b>		
Decrease in advances to projects	221	827
(Increase)/decrease in other assets	(56)	4
Increase in suppliers	46	-
Increase in other liabilities	115	33
<b>Net cash used in operating activities</b>	<u>(2,341)</u>	<u>(641)</u>
<b>Cash flow of investment activities</b>		
Property, plant and equipment acquisitions	(54)	(174)
Deferred expenses	(19)	(133)
<b>Net cash used in investment activities</b>	<u>(73)</u>	<u>(307)</u>
<b>Cash flows of financing activities</b>		
Receipt of project-related funds	3,263	3,474
Increase of funds and reserves	5,495	-
<b>Net cash generated by financing activities</b>	<u>8,758</u>	<u>3,474</u>
<b>Increase in cash and financial investments</b>	<u>6,344</u>	<u>2,526</u>
<b>Increase in cash and financial investments</b>		
At the beginning of the year	44,736	42,210
At the end of the year	<u>51,080</u>	<u>44,736</u>
	<u>6,344</u>	<u>2,526</u>

See the accompanying notes to financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

December 31, 2004 e 2003

*(In thousands of reais)*

### 1 Operations

Fundo Brasileiro para a Biodiversidade - FUNBIO ("FUNBIO") is a civil non-profit organization, created in October 1995, with the social objective of complementing governmental actions for the conservation and sustainable use of the country's biological diversity, in accordance with the Convention on Biological Diversity (CDB), on a worldwide basis, and the National Program of Biological Diversity (Pronabio).

The main objective of FUNBIO is to operate a fund to provide financial and material support to initiatives related to the conservation and sustainable use of the biodiversity in Brazil, as from resources received.

The main sources of fund raising of the Entity are: (a) donations of funds, expressly for the cost of activities and projects, received from the Global Environment Facility - GEF, through Banco Mundial, by individuals or legal entities of public or private right, national or foreign, and through international entities; (b) income from its investments and financial investments, domestically and abroad; and (c) remuneration for services provided in the execution of its purposes.

The main projects coordinated by the Entity are:

#### (i) Amazon Protected Areas Project ("ARPA")

ARPA Project is included in the Amazon Protected Areas Program, which is a decennial program of the Brazilian Government, which aims at the protection of ecosystems considered the key for the maintenance and integrity of the Amazon region, its fauna and flora. The forecast of funds for the ARPA Project in 10 years corresponds to US\$400 million. FUNBIO is the institution chosen by the donators and the Brazilian Government to manage the ARPA Project funds. The first phase of the project has a forecast of contributions of US\$81.5 million, and US\$63.40 million are from donators: Global Environment Facility - GEF, WWF - Brazil and KfW Development Bank.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### **(ii) Integrated Program of Conservation and Sustainable Use of the Biodiversity (“PICUS”)**

PICUS is an initiative of FUNBIO, which has the objective of expanding the impact of the actions of conservation and sustainable use of the biodiversity, concentrating them in specific regions of strategic importance, as well as the improvement and integration of actions of different partners, generating more visibility and financial support for the actions supporting the implementation of the Convention on the Biological Diversity in Brazil. The projects under selection are concentrated in the South, Southeast and Northeast regions, and represent Mata Atlântica, Cerrado and Caatinga biomas.

### **(iii) Partnership resources**

It has the objective to enable the composition of resources to support common interest projects, in thematic areas considered a priority for the conservation and sustainable use of the biodiversity in Brazil. Currently, the following projects are under execution: (a) Black-faced lion tamarin (“mico-leão preto”) in the state of São Paulo; (b) Serra das Almas and Entorno in the states of Ceará and Piauí; (c) Improvement of the life quality and agrobiodiversity, in the states of Paraíba and Paraná; (d) Monte Alegre Project in the state of Paraná; (e) Environmental Education and Recovery in Vale do Rio Doce, in the state of Minas Gerais; (f) Regional Program of Agroecology in the state of Paraná; and (g) Study Center in Mechanisms of Migration of Fishes in the state of Minas Gerais.

### **(iv) Partnership Fund between Ford Foundation and FUNBIO**

Focused on the financial support of projects of local sustainable development, with activities developed in the Amazon and Mata Atlântica biomas.

### **(v) Sustainable Production Support Program (“PAPS”)**

It has the objective of intensifying small initiatives, related to the sustainable use of the biodiversity, which represent an alternative to the economic activities of high environmental impact, and which increase the possibilities of income and employment generation for local populations.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### **(vi) Ecotourism Best Practices Program (“MPE”)**

The Program proposes the enabling and training, *in loco*, of the various groups, directly or indirectly related to the environment and tourism, interested in making the ecotourism a sustainable and economic alternative.

## **2 Presentation of the financial statements**

The financial statements were prepared in accordance with the accounting practices derived from the Brazilian Corporation Law.

Some balances for the year ended December 31, 2003 were reclassified for comparison purposes.

## **3 Significant accounting policies**

### ***a. Statement of income***

#### *Donations*

Income with donations is recorded when effectively received, and expenses are recorded when incurred.

#### *Partnership funds*

In 2004, income and expenses related to projects executed in partnership were recorded in income, when incurred.

In 2003, the amounts received and incurred from partnerships were recorded in equity accounts in current assets and liabilities, respectively, without effect in income.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### *Resources repatriated*

Recorded as income when the financial fund applied by the Manager abroad (AIG - America International Group), is transferred to a financial institution in Brazil, as a complement to the "Funds and reserves" account in long-term liabilities.

### *b. Cash and banks*

Comprises the balance in cash and bank deposits, at the balance sheet date.

### *c. Financial investments*

The financial investments are valued at cost, plus income accrued up to the balance sheet date, which does not exceed market value.

### *d. Accounting estimates*

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that Management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the market value of financial investments, the residual value of property, plant and equipment and liabilities related to employees' benefits. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of their determination. The Entity reviews the estimates and assumptions at least once a year.

### *e. Foreign currency*

Monetary assets denominated in foreign currencies were translated into reais at the foreign exchange rate ruling at the closing of the balance sheet date and the variations resulting from the currency translation were recognized in the statement of income.

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

Property, plant and equipment are recorded at the cost of acquisition and formation. Depreciation is calculated using the straight-line method at rates described in Note 5, which take into account the estimated useful lives of the assets.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### ***g. Deferred charges***

Deferred charges are recorded at purchase and formation cost, less amortization, which is calculated by the straight-line method at rates that consider the useful life of the intangible assets. Deferred charges are recognized only when there is an increase in the economic benefit related to those assets.

### ***h. Other current assets***

Presented at the net realization amount.

### ***i. Other current and long-term liabilities***

Stated at the known amounts or estimated, plus, when applicable, the corresponding charges and/or monetary and exchange variations incurred up to the balance sheet date.

### ***j. Provisions***

A provision is recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

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

As it is a non-profit Entity, it is exempt of income and social contribution taxes, in accordance with article 15, of Law no. 9532/97.

### ***l. PIS (Employees' Profit Participation Program) and COFINS (Tax for Social Security Financing)***

In accordance with Laws no. 9715, as of November 26, 1998, and no. 9718, as of November 28, 1998, the non-profit entities which have employees, as described by the Labor Legislation, will contribute for PIS with a fixed quota of 1% on the monthly payroll.

Regarding COFINS, Decree Law no. 1940, as of May 25, 1982, determines the non-occurrence on the income of donations of the non-profit institutions.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

(In thousands of reais)

### 4 Financial investments

	2004	2003
Financial investments in Brazil	2,416	4,244
Financial investments abroad – Banks	4,693	4,981
Financial investments abroad - AIG FUNBIO	31,091	28,286
Financial investments abroad - AIG FAP	<u>3,988</u>	<u>-</u>
	<u>42,189</u>	<u>37,511</u>

Financial investments refer substantially to Bank Deposit Certificates and fixed income funds, remunerated at prefixed rates, which vary between 14% and 17% p.a., and post-fixed rates based on the remuneration of Interbank Deposit Certificate and foreign financial investments, remunerated at the average rate of 2.10% p.a. plus exchange variation of the North-American dollar.

The information related to the cash movement of the Amazon Protected Areas Project - ARPA, in the years 2004 and 2003, are as follows:

#### Entry of funds

	2004	2003	Accumulated
GEF - Global Environment Facility	1,296	7,309	8,605
WWF - World Wide Funds	825	223	1,048
KfW - Kreditanstalt fur Wiederaufbau	3,612	-	3,612
Income	89	14	103
Exchange variation	<u>(427)</u>	<u>(88)</u>	<u>(515)</u>
Total funds	<u>5,395</u>	<u>7,458</u>	<u>12,853</u>

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

(In thousands of reais)

### Applications of funds

	2004	2003	Accumulated
<b>Statement of expenses eligible in the project</b>			
<b>GEF category:</b>			
Goods of component 5	95	-	95
Consulting	544	352	896
Recurring costs	1,082	231	1,313
Special services	393	-	393
Income generation subprojects	19	-	19
	<u>2,133</u>	<u>583</u>	<u>2,716</u>
<b>WWF category:</b>			
Salaries and benefits	164	85	249
Consulting	19	-	19
Travel and hotel	4	-	4
Workshops and training courses	-	-	-
Equipment	482	184	666
Publications and videos	5	-	5
Direct administrative costs	42	-	42
Infrastructure	25	39	64
Vehicles	-	-	-
	<u>741</u>	<u>308</u>	<u>1,049</u>
<b>Total expenses</b>	<u><b>2,874</b></u>	<u><b>891</b></u>	<u><b>3,765</b></u>

### Movement of Endowment Fund FAP - Fund for Protected Areas maintained abroad, in 2004 year:

	2004
Funds provided	4,536
Income	13
Exchange variation	<u>(561)</u>
<b>Balance at December 31</b>	<b>3,998</b>

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

(In thousands of reais)

### 5 Property, plant and equipment

		<u>2004</u>		<u>2003</u>	
	<b>Depreciation rate % (p.a)</b>	<b>Cost</b>	<b>Depreciation</b>	<b>Residual value</b>	<b>Residual value</b>
Furniture and fixture	10	187	(59)	128	137
Machine and equipment	10	99	(17)	82	83
Computer equipment	20	<u>270</u>	<u>(135)</u>	<u>135</u>	<u>144</u>
		<u>556</u>	<u>(211)</u>	<u>345</u>	<u>364</u>

### 6 Third-party funds related to projects

Refer to funds received from partners, which are not yet applied in the execution of projects. On December 31, the balances of third-party funds related to projects are stated as follows:

	<b>2004</b>	<b>2003</b>
Ford III Foundation (i)	3,525	3,525
ARPA (ii)	4,536	-
FBDS/Klabin	348	707
CSN	-	345
Other projects	<u>31</u>	<u>600</u>
	<u>8,440</u>	<u>5,177</u>

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

- (i) Funds received from Ford Foundation, to form a fund of ONGs, which is applied abroad in Banco do Brasil - NY agency.
- (ii) Protected Areas Fund - FAP of ARPA project, endowment fund, deposited at AIG (asset manager), resulting from initial values donated by GEF/BID (US\$750 thousand) and WWF-Brazil (US\$750 thousand).

### **7 Contingency**

In the normal course of its business, the Entity adopts, for calculation and collection of taxes, rates and contributions, interpretations of laws and controls, which might differ from the tax authorities' interpretations. The probabilities of success in eventual fiscal lawsuits were considered by Management, based on the report of its legal advisors, as possible, however, the respective amounts have not been calculated by Management.

Taxes and other contributions are equally subject to review and eventual taxation, and, in each case, the prescription date varies.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### 8 Funds and reserves

Represented by funds donated by World Bank - IBRD, originated from Global Environment Facility - GEF to FUNBIO to start its activities, as well as subsequent donations, which movement for the years was as follows:

	2004	2003
Balance as of January 1	<u>17,337</u>	<u>17,204</u>
Adjustments to social equity	-	133
Prior-year adjustments:		
• Funds used, related to projects and not written-off up to December 2003	(133)	
• Funds used in July 2000 and not written-off up to the prior year	(438)	
• Provision made by IBRD, as of June 30, 2001, for application in projects, improperly accounted for	17,042	
• Provision made by IBRD, as of March 28, 2002, for application in projects, improperly accounted for	1,504	
• Movement of withdrawals of RAM (Rotschild Asset Management) - prior manager of the fund, between 2000 and 2003, which were not recognized in the respective years	<u>(16,440)</u>	
	<u>1,535</u>	<u>133</u>
2004 provisions	5,659	-
Incorporation of resources - AIG	<u>(1,699)</u>	-
Balances at December 31	<u><u>22,832</u></u>	<u><u>17,337</u></u>

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### 9 Social equity

#### *Prior-year adjustment.*

In 2004, the prior-year adjustments refer, mainly, to allocation repasses to projects, as presented in Note 8.

### 10 Donations

	2004	2003
International Bank of Reconstruction and Development - IBRD	1,296	7,309
WWF - World Wide Funds (i)	1,048	-
KfW - Kreditanstalt für Wiederaufbau	3,612	-
Others	<u>-</u>	<u>26</u>
	<u>5,956</u>	<u>7,335</u>

- (i) Income with donations of WWF in 2004 includes amounts allocated in 2004, and the amount of R\$223 allocated in 2003, but only used in 2004. In 2003, the amount received and not used was recognized in the "Advances to projects" account, as a complement to "Third-party resources related to projects" account.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

(In thousands of reais)

### 11 Partnership income and costs with projects

Refer to resources received and incurred in “promotion” projects, as stated below:

Partner	2004	
	Income	Cost
Fundação Brasileira para Desenvolvimento Sustentável - FBDS/Klabin do Paraná Produtos Florestais	858	1.376
Fundação Ford	280	559
Companhia Energética de Minas Gerais - CEMIG	71	139
Fundação para o Desenvolvimento Econômico-Rural da Região Centro-Oeste do Paraná - RURECO	85	167
Assessoria e Serviços a Projetos em Agricultura Alternativa - As-Pta	540	1.083
Instituto de Pesquisas Ecológicas - IPÊ		
Associação Caatinga	89	178
Programa de Apoio à Produção Sustentável - Paps - FUNBIO	-	137
	<u>2,028</u>	<u>3,858</u>

In 2003, the amount of R\$2,475, recorded in costs with projects, referred to FUNBIO expenses with projects from donations. As mentioned in Note 3, in 2003, the funds received and expenses originated from partnerships were recorded in equity accounts, without effect in income.

### 12 Other nonoperating income (expenses)

In 2004, it refers substantially to income related to joint project with Companhia Siderúrgica Nacional - CSN (CICUTA project), which was interrupted in 2005, which amount received and not applied was donated to FUNBIO.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### 13 General and administrative expenses

	2004	2003
Personnel	2,170	1,172
Third-party services	587	830
Lease and maintenance	405	260
Travel and hotel	848	294
General	990	199
Others	<u>104</u>	<u>30</u>
	<u>5,104</u>	<u>2,785</u>

### 14 Insurance (unaudited)

The insurance policies in force at December 31, 2004 are for coverage of risks against fire and electric damage to the Entity's physical installations. The insurance is engaged in an amount considered sufficient by Management to cover eventual existing risks.

### 15 Derivative and financial instruments

The main financial instruments used by the Entity relate to financial investments, which amounts are approximately the same as the market value at the balance sheet date. The other financial assets and liabilities are represented in the balance sheet by the cost value, plus the respective income and expense allocations, which approximate to the market values.

During the years ended December 31, 2004 and 2003, the Entity did not perform operations with derivative financial instruments.