

**Fundo Brasileiro para a Biodiversidade -  
FUNBIO**

**Financial statements  
December 31, 2005 and 2004**

**(With independent auditors' report thereon)**

(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, 2005 and 2004**

## Contents

Independent auditors' report	3 - 4
Balance sheets	5
Statements of income	6
Statements of changes in endowment funds	7
Statements of changes in financial position	8
Statements of cash flows	9
Notes to the financial statements	10 - 24

## 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 sheets of Fundo Brasileiro para a Biodiversidade - FUNBIO as of December 31, 2005 and 2004 and the related statements of income, changes in endowment funds and changes in financial position for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.
2. Our examinations were 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 the 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, 2005 and 2004, and the results of its operations, changes in its endowment funds and changes in its financial position, for the years then ended, in conformity with accounting practices adopted in Brazil.

4. Our examinations were performed with the objective of expressing an opinion on the financial statements taken as a whole. The statements of cash flows represent supplementary information to the aforementioned financial statements, and are presented to enable an additional analysis to the readers. These supplementary information were subject to the same audit procedures applied to the aforementioned financial statements and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements taken as a whole.

April 12, 2006

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, 2005 and 2004

(In thousands of reais)

Assets	2005	2004	Liabilities	2005	2004
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and banks	3,292	8,891	Suppliers	1,915	46
Financial investments (Note 4)	51,224	42,189	Labor provisions	567	333
Advances to projects	9	0	Taxes	33	15
Other assets	20	68	Third-party funds related to projects (Note 6)	21,548	8,440
	<u>54,545</u>	<u>51,148</u>	Other accounts payable	242	424
				<u>24,305</u>	<u>9,258</u>
<b>Permanent assets</b>			<b>Long-term liabilities</b>		
Property, plant and equipment (Note 5)	511	345	Funds and reserves (Note 8)	19,926	22,832
Deferred assets	215	148			
	<u>726</u>	<u>493</u>	<b>Endowment funds (Note 9)</b>		
			Accumulated surplus	19,368	20,798
			Deficit for the year	(8,328)	(1,247)
				<u>11,040</u>	<u>19,551</u>
	<u>55,271</u>	<u>51,641</u>		<u>55,271</u>	<u>51,641</u>

See the accompanying notes to financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of income

**Years ended December 31, 2005 and 2004**

*(In thousands of reais)*

	<b>2005</b>	<b>2004</b>
<b>Revenues</b>		
Donations (Note 10)	6,982	5,956
Partnership income (Note 11)	930	2,028
Resources repatriated (Note 8)	2,906	1,706
Other	9	-
	<u>10,827</u>	<u>9,690</u>
<b>Costs with projects (Note 11)</b>	<u>(10,894)</u>	<u>(3,858)</u>
	<u>(67)</u>	<u>5,832</u>
<b>Expenses</b>		
General and administrative expenses (Note 13)	(5,232)	(5,104)
Financial expenses	(13,212)	(9,390)
Financial revenues	<u>10,184</u>	<u>7,087</u>
	<u>(8,260)</u>	<u>(7,407)</u>
<b>Other non operating income (expenses), net (Note 12)</b>	<u>(1)</u>	<u>328</u>
<b>Deficit for the year</b>	<u><u>(8,328)</u></u>	<u><u>(1,247)</u></u>

See the accompanying notes to financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of changes in endowment funds

Years ended December 31, 2005 and 2004

*(In thousands of reais)*

	Accumulated surplus	Deficit for the year	Total
<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	-	(1,247)	(1,247)
<b>Balances at December 31, 2004</b>	20,798	(1,247)	19,551
Prior year adjustments	(183)	-	(183)
Transfer to accumulated surplus	(1,247)	1,247	-
Deficit for the year	-	(8,328)	(8,328)
<b>Balances at December 31, 2005</b>	<u>19,368</u>	<u>(8,328)</u>	<u>11,040</u>

See the accompanying notes to financial statements.



# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of changes in financial position

Years ended December 31, 2005 and 2004

(In thousands of reais)

	2005	2004
<b>Sources of funds</b>		
<b>Operations</b>		
Deficit for the year	8,328	1,247
Items not affecting working capital:		
Depreciation and amortization	(138)	(96)
Prior year adjustments	183	1,516
Residual cost on disposal of fixed assets	(3)	-
	<u>8,370</u>	<u>2,667</u>
Property, plant and equipment	275	54
Deferred assets	99	19
Decrease of funds and reserves	<u>2,906</u>	<u>-</u>
<b>Total financial position</b>	<u>11,650</u>	<u>2,740</u>
<b>Source of funds</b>		
Increase of funds and reserves	<u>-</u>	<u>5,495</u>
<b>Total source of funds</b>	<u>-</u>	<u>5,495</u>
<b>Increase (decrease) of net working capital</b>	<u>(11,650)</u>	<u>2,755</u>
<b>Changes in net working capital</b>		
<b>Current assets</b>		
At the end of the year	54,545	51,148
At the beginning of the year	<u>51,148</u>	<u>44,969</u>
	<u>3,397</u>	<u>6,179</u>
<b>Current liabilities</b>		
At the end of the year	24,305	9,258
At the beginning of the year	<u>9,258</u>	<u>5,834</u>
	<u>15,047</u>	<u>3,424</u>
	<u>(11,650)</u>	<u>2,755</u>

See the accompanying notes to financial statements.



# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of cash flows

Years ended December 31, 2005 and 2004

(In thousands of reais)

	2005	2004
<b>Cash flow of operating activities</b>		
Deficit for the year	(8,328)	(1,247)
Adjustments to reconcile the income to cash generated by operating activities:		
Prior year adjustments	(183)	(1,516)
Depreciation and amortization	138	96
Residual cost on disposal of fixed assets	3	-
<b>Assets and liabilities variations</b>		
(Increase) decrease in advances to projects	(9)	221
(Increase) decrease in other assets	48	(56)
Increase in suppliers	1,869	46
Increase in other liabilities	70	115
<b>Net cash used in operating activities</b>	<u>(6,392)</u>	<u>(2,341)</u>
<b>Cash flow of investment activities</b>		
Property, plant and equipment acquisitions	(275)	(54)
Deferred expenses	(99)	(19)
<b>Net cash used in investment activities</b>	<u>(374)</u>	<u>(73)</u>
<b>Cash flows of financing activities</b>		
Receipt of project-related funds	13,108	3,263
Increase of funds and reserves	(2,906)	5,495
<b>Net cash generated by financing activities</b>	<u>10,202</u>	<u>8,758</u>
<b>Increase in cash and financial investments</b>	<u>3,436</u>	<u>6,344</u>
<b>Increase in cash and financial investments</b>		
At the beginning of the year	51,080	44,736
At the end of the year	<u>54,516</u>	<u>51,080</u>
	<u>3,436</u>	<u>6,344</u>

See the accompanying notes to financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

**December 31, 2005 e 2004**

*(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 World Bank, 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)*

- **FAP - Fund of Protected Areas**

Fund of Protected Areas (FAP) is a fiduciary fund of permanent capitalization (endowment fund) created by the Amazon Protected Areas Project (ARPA), in common agreement with the responsible beings for the National Politics of the Environment. Its main objective is to support the financial sustainability of long period of the units of conservation of integral protection consolidated by the Program ARPA and of units of conservation of sustainable use, selected in ARPA Program's extent. That fund type receives donated resources and it invests them in applications with financial return. The liquid income of those applications can be used for support to the units of conservation, or for capitalization of the own fund, depending on the capitalization goals for the fund pass to assist to the expenses of a system of units of conservation in a perpetual way.

FUNBIO, as auxiliary financial mechanism to Project ARPA's administration, in the extent of the administration of the resources of FAP, has the following responsibilities:

- a. To implement and to administer Fund of Protected Areas (FAP), with characteristics of a permanent fund (endowment fund) to support the sustainability of the Units of Conservation (UCs) of integral protection consolidated by the Project and of UCs of sustainable use selected;
- b. To establish politics, procedures and general principles for the financial investment of the resources and to hire specialized firms in assets management for its application;
- c. To negotiate, to supervise, to monitor and to evaluate the managers of financial assets acting in the execution of the politics of investments and in reach of their results;
- d. To prepare and to present reports and financial balance regarding the use and application of the resources of FAP;
- e. To negotiate, periodically, independent auditors; and
- f. To supervise the service to legal and contractual obligations, as well as to the norms and procedures demanded by the donors with regard to the financial and accounting aspects of the fund.



# 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; and (e) Regional Program of Agroecology in the state of Paraná.

### **(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.

## **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*

Income and expenses related to projects executed in partnership were recorded as income, when incurred.

#### *Resources repatriated*

Recorded as income when the financial fund invested by the Manager abroad (AIG - America International Group) is transferred to a financial institution in Brazil, with the correspondent entrance in the long-term liability account “Funds and reserves”.

### ***b. Cash and banks***

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

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### **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 exchanged 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.

### **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.



# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### ***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, since assisting to the requirements foreseen in the paragraphs "a" to "e", of § 2<sup>nd</sup>, of the article 12 of the above mentioned Law.

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

According to the article 13 of the Provisional Measure (MP) no. 2158-35 of 2001, 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. Such entities are exempted of PIS on incomes in the terms of § 1<sup>st</sup>, of the article 14 of MP no. 2158-35/01, since they fulfill the requirements quoted on the article 12 of the Law no. 9532/97.

Regarding COFINS, subparagraph X, of the article 14 of MP no. 2158-35 2001, determines the non-incidence on the income of donations of the non-profit institutions. Also in that case, the joy of the exemption depends on the completion of the requirements foreseen in the article 12 of the Law no. 9532/97.



# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

(In thousands of reais)

### 4 Financial investments

	2005	2004
Financial investments in Brazil	2,782	2,417
Financial investments abroad - Banks	2,655	4,693
Financial investments abroad - AIG FUNBIO	25,645	31,091
Financial investments abroad - AIG FAP	<u>20,142</u>	<u>3,988</u>
	<u>51,224</u>	<u>42,189</u>

Financial investments refer, substantially, to application in investment funds - referenced to DI, with a post-fixed rates based on the remuneration of Interbank Deposit Certificate, and fixed income funds, with a rate between 16% and 18% p.a.

The financial investments abroad are composed of time deposit and money market deposit account, with medium taxes from 3.5 to 4% p.a. plus exchange variation of the US dollar. They are also composed by applications in securities and international shares (AIG).

The information related to the cash movement of the Amazon Protected Areas Project - ARPA, in the years is presented below. The fund denominated as "FAP" was not considered below, since it is an endowment in which there is a principal plus interest accumulated since the beginning of the project until December 31, 2005.

	2005	2004	Accumulated
GEF - Global Environment Facility	4,505	1,296	13,110
WWF - World Wide Funds	1,706	825	2,754
KfW - Kreditanstalt für Wiederaufbau	592	3,612	4,204
Income	184	89	287
Exchange variation	<u>(1,186)</u>	<u>(427)</u>	<u>(1,701)</u>
Total funds	<u>5,801</u>	<u>5,395</u>	<u>18,654</u>

The applications of the resources are presented on cash basis. The accumulated value refers to the total amount from the beginning of the project up to December 31, 2005.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

(In thousands of reais)

Applications of funds:

	2005	2004	Accumulated
<b>Statement of expenses eligible in the project</b>			
GEF category:			
Goods of component 5	228	95	323
Consulting	410	544	954
Subprojects for sustainable use	5	-	5
Recurring costs	4,677	1,082	5,759
Special services	900	393	1,293
Income generation subprojects	32	19	51
	<u>6,252</u>	<u>2,133</u>	<u>8,385</u>
WWF category:			
Salaries and benefits	141	164	305
Consulting	112	19	131
Travel and hotel	32	4	36
Workshops and training courses	145	-	145
Equipment	554	482	1,036
Publications and videos	65	5	70
Direct administrative costs	238	42	280
Infrastructure	22	25	47
	<u>1,309</u>	<u>741</u>	<u>2,050</u>
KfW category:			
Goods	179	-	179
Consulting	126	-	126
Recurring costs	1,276	-	1,276
Special services	616	-	616
Constructions	284	-	284
	<u>2,481</u>	<u>-</u>	<u>2,481</u>
<b>Total expenses</b>	<u><u>10,042</u></u>	<u><u>2,874</u></u>	<u><u>12,916</u></u>

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

(In thousands of reais)

Movement of Endowment Fund FAP - Fund for Protected Areas invested abroad is:

	2005	2004
Balance as of January 1 <sup>st</sup>	3,988	-
Funds provided	16,793	4,536
Income	346	13
Exchange variation	(938)	(558)
Cost of financial administration	(48)	(3)
Balance as of December 31	<u>20,141</u>	<u>3,988</u>

### 5 Property, plant and equipment

		2005		2004	
	Depreciation rate % (p.a)	Cost	Depreciation	Residual value	Residual value
Furniture and fixture	10	224	(79)	145	128
Machine and equipment	10	148	(29)	119	82
Computer equipment	20	435	(188)	247	135
		<u>807</u>	<u>(296)</u>	<u>511</u>	<u>345</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:

	2005	2004
Fundação Ford III (i)	-	3,525
ARPA (ii)	21,329	4,536
FBDS/Klabin	-	348
Other projects	219	31
	<u>21,548</u>	<u>8,440</u>

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

- (i) Funds received from Ford Foundation, for constitution of a fund of ONGs, applied abroad in Banco do Brasil - NY agency. On September 22, 2005, the amount was paid-out to Fundo Dema and the incomes until the date were donated to FUNBIO.
- (ii) Protected Areas Fund - FAP of ARPA project, endowment fund, deposited at AIG (asset manager), resulting from initial values donated by GEF/BIRD (US\$750 thousand) and WWF - Brazil (US\$750 thousand). In 2005, each donor (GEF/BIRD and WWF - Brazil) had contributed with US\$3,490 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

Composed 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:

	2005	2004
Balance as of January 1 <sup>st</sup>	<u>22,832</u>	<u>17,337</u>
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>-</u>	<u>(16,440)</u>
	<u>-</u>	<u>1,535</u>
2004 provisions	-	5,659
Incorporation of resources - AIG	<u>(2,906)</u>	<u>(1,699)</u>
Balance as of December 31	<u>19,926</u>	<u>22,832</u>



# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

(In thousands of reais)

### 9 Endowment funds

#### *Prior-year adjustment*

In 2005, refers to the reclassification of the amount from the account of resources of projects from Fundação Ford, which was not well classified in the moment of the receipt of the value.

In 2004, refers, mainly, to allocation repair to projects as presented in Note 8.

### 10 Donations

	2005	2004
International Bank of Reconstruction and Development - IBRD	4,505	1,296
WWF - World Wide Funds (i)	1,705	1,048
KfW - Kreditanstalt für Wiederaufbau	592	3,612
Others (ii)	<u>180</u>	<u>-</u>
	<u>6,982</u>	<u>5,956</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 2005, the donation received from WWF was used during the year.

(ii) Donation income for institutional and financial support to the event "São Paulo Forum of Climatic Changes and Biodiversity".

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

(In thousands of reais)

### 11 Partnership income and cost with projects

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

Partner	2005		2004	
	Income	Cost	Income	Cost
Fundação Brasileira para Desenvolvimento Sustentável - FBDS/Klabin do Paraná Produtos Florestais	537	746	858	1.376
Fundação Ford	-	542	280	559
Companhia Energética de Minas Gerais - CEMIG	-	-	71	139
Fundação para o Desenvolvimento Econômico-Rural da Região Centro-Oeste do Paraná - RURECO	87	94	85	167
Assessoria e Serviços a Projetos em Agricultura Alternativa - As-Pta	-	198	540	1,083
Instituto de Pesquisas Ecológicas - IPÊ	64	84	105	219
Associação Caatinga	69	138	89	178
Programa de Apoio à Produção Sustentável - PAPS - FUNBIO	-	128	-	137
Programa Integrado de Conservação e Uso Sustentável da Biodiversidade - PICUS	-	245	-	-
Fundação Ford - Fundo de ONGs (i)	141	-	-	-
Ecoglobal (ii)	20	-	-	-
Fundep - Fundação e Desenvolvimento de Pesquisa (iii)	12	-	-	-
Custo com Projeto ARPA (iv)	-	8,719	-	-
	<u>930</u>	<u>10,894</u>	<u>2,028</u>	<u>3,858</u>

- (i) Ford's Foundation contract was canceled by September 22, 2005, and the resources were transferred to Dema Fund. The income of the investment was reverted for FUNBIO, to be invested in other projects.
- (ii) Charge collected as compensation for management of resources on the event “São Paulo Forum of Climatic Changes and Biodiversity”.



# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

(iii) Fundep value returned regarding the management charge not collected in accordance to the contract.

(iv) Refers to the ARPA's project cost to the units of conservation, which in 2004, when of the beginning of the project, were allocated as general and administrative expenses.

### 12 Other nonoperating income (expenses)

In 2005, refers to the disposal of permanent assets. In 2004, 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.

### 13 General and administrative expenses

	2005	2004
Personnel	3,044	2,170
Third-party services	646	587
Lease and maintenance	374	405
Travel and hotel	516	848
General	584	990
Others	<u>68</u>	<u>104</u>
	<u>5,232</u>	<u>5,104</u>

### 14 Insurance (unaudited)

The insurance policies in force at December 31, 2005 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.

The adopted assumptions for risks, given their nature, are not part of the scope of an audit of financial statements and, accordingly, they were not examined by our independent auditors.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

*(In thousands of reais)*

### 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, 2005 and 2004, the Entity did not perform operations with derivative financial instruments.

\* \* \*

Pedro Wilson Leitão Filho  
General Secretary

Marina Carlota Amorim Machado  
Financial Coordinator

Renata Fares Marinho Alves  
Accountant  
CRC 091613/0-5