

**Instituto do Homem e Meio Ambiente da
Amazônia - IMAZON**

**Financial statements
December 31, 2009 and 2008**

(An English language version of the financial statements in Portuguese, prepared in accordance with accounting practices adopted in Brazil.)

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Financial statements

December 31, 2009 and 2008

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Independent auditors' report

To
Management
Instituto do Homem e Meio Ambiente da Amazônia - IMAZON
Belém - PA

1. We have examined the balance sheet of Instituto do Homem e Meio Ambiente da Amazônia – IMAZON (the “Institute”), as of December 31, 2009, and the related statements of surplus, changes in equity and cash flows 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 controls of the Institute; (b) verification, on a test basis, of the evidence and records that support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by the Institute’s management, as well as presentation of the financial statements taken as a whole.
3. In our opinion, the aforementioned financial statements represent fairly, in all material respects, the financial position of Instituto do Homem e Meio Ambiente da Amazônia – IMAZON at December 31, 2009, the surplus from of its operations, changes in equity and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.



4. The financial statements for the year ending December 31, 2008, which are presented for comparative purposes, were examined by other independent auditors, who issued their qualified audit report, dated May 29, 2009, on the fact that the Institute obtained, in 2008, donations from third parties for the amount of R\$ 205 thousand, and given that these donations were spontaneous, they were registered in the accounting records when received. Consequently, the verification of this income by the auditors was restricted exclusively to the amounts stated in the accounting records. During 2009, this issue was resolved satisfactorily by the Institute, without any significant effects on the results for the year ending December 31, 2009.

Belém, April 12, 2010

KPMG Assurance Services Ltda.
CRC 2SP023228/O-4-S-PA

Luciano Medeiros
Accountant CRC 1SP138148/O-3 T-AM S-PA

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Balance Sheets

December 31, 2009 and 2008

(In reais)

Assets	Note	2009	2008	Liabilities	Note	2009	2008
Current assets				Current liabilities			
Cash and cash equivalents	4	3,005,151	3,532,454	Accounts payable to suppliers		42,387	37,738
Advances paid	5	255,038	111,977	Social security and labor liabilities	7	486,767	514,500
Prepaid expenses		9,048	11,926	Tax liabilities	8	54,135	63,513
Other receivables		<u>115,283</u>	<u>12,583</u>	Advances received		76,126	158,515
		<u>3,384,520</u>	<u>3,668,940</u>	Funds to return		-	9,000
				Liabilities from project funds	9	<u>3,453,264</u>	<u>3,317,648</u>
						<u>4,112,679</u>	<u>4,100,914</u>
Noncurrent assets				Equity	10		
Property, plant and equipment	6	879,112	759,976	Equity		708,900	444,411
Intangible assets	6	<u>596,914</u>	<u>380,898</u>	Accumulated surplus		<u>38,967</u>	<u>264,489</u>
		<u>1,476,026</u>	<u>1,140,874</u>			<u>747,867</u>	<u>708,900</u>
		<u><u>4,860,546</u></u>	<u><u>4,809,814</u></u>			<u><u>4,860,546</u></u>	<u><u>4,809,814</u></u>

See the accompanying notes to the financial statements

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statement of surpluses

Years ended December 31, 2009 and 2008

(In reais)

	Note	2009	2008
Operational income			
Administrative fee for projects and programs	11	1,385,753	1,195,871
Service income	12	2,227,418	1,027,278
Donations		-	205,000
Other income		1,342	12,574
		<u>3,614,513</u>	<u>2,440,723</u>
Operational costs			
Salaries and social security charges	13	(857,008)	(735,863)
Costs from rendering services	12	(1,715,650)	(1,075,394)
		<u>(2,572,658)</u>	<u>(1,811,257)</u>
Gross surplus		<u>1,041,855</u>	<u>629,466</u>
Operational expenses			
Consulting and services		(71,999)	(78,251)
Travel expenses		(14,389)	(5,305)
Events		(20,418)	(17,063)
Maintenance		(13,913)	(7,487)
Rents		(115,906)	(115,822)
Utilities and services		(64,587)	(42,666)
Freight		(621)	(1,451)
Other canteen expenses		(30,367)	(30,483)
Taxes		(8,183)	(8,499)
Depreciation and amortization		(356,021)	(303,895)
Insurance		(30,983)	(33,301)
Communications		(58,145)	(60,947)
Materials		(48,401)	(20,033)
Financial results		(168,413)	362,195
Other operational expenses		(542)	(1,969)
		<u>(1,002,888)</u>	<u>(364,977)</u>
Surplus for the year		<u><u>38,967</u></u>	<u><u>264,489</u></u>

See the accompanying notes to the financial statements

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statements of changes in equity

Years ended December 31, 2009 and 2008

(In reais)

	Equity	Accumulated surplus	Total
Balances at December 31, 2007	505,118	(60,707)	444,411
Absorption of results	(60,707)	60,707	-
Surplus for the year	<u>-</u>	<u>264,489</u>	<u>264,489</u>
Balances at December 31, 2008	<u>444,411</u>	<u>264,489</u>	<u>708,900</u>
Incorporation of results	264,489	(264,489)	-
Surplus for the year	<u>-</u>	<u>38,967</u>	<u>38,967</u>
Balances at December 31, 2009	<u>708,900</u>	<u>38,967</u>	<u>747,867</u>

See the accompanying notes to the financial statements

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statement of cash flows - indirect method

Years ended December 31, 2009 and 2008

(In reais)

	2009	2008
Cash flows from operational activities		
Surplus for the year	38,967	264,489
Adjustments for:		
Depreciation and amortization	356,021	303,895
	<u>394,988</u>	<u>568,384</u>
Changes in assets and liabilities		
(Increase) decrease in advances paid	(143,061)	243,962
Decrease in prepaid expenses	2,878	3,347
(Increase) decrease in other receivables	(102,700)	24,954
Increase in accounts payable to suppliers	4,649	25,694
(Decrease) increase in labor and social security liabilities	(27,733)	189,726
(Decrease) increase in tax liabilities	(9,378)	38,556
(Decrease) increase in advances received	(82,389)	158,515
(Decrease) increase in funds to return	(9,000)	9,000
Increase in liabilities from project funds	135,616	1,479,729
	<u>(231,118)</u>	<u>2,173,483</u>
Net cash from operational activities	<u>163,870</u>	<u>2,741,867</u>
Cash from investment activities		
Fixed asset purchases	(323,557)	(330,403)
Purchases of Intangible assets	(367,615)	(143,276)
Net cash used in investment activities	<u>(691,173)</u>	<u>(473,679)</u>
(Decrease) increase in cash and cash equivalents	<u>(527,303)</u>	<u>2,268,188</u>
(Decrease) increase in cash and cash equivalents		
At beginning of year	3,532,454	1,264,267
At end of year	<u>3,005,151</u>	<u>3,532,454</u>
(Decrease) increase in cash and cash equivalents	<u>(527,303)</u>	<u>2,268,188</u>

See the accompanying notes to the financial statements

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

Years ended December 31, 2009 and 2008

1 Operations

Instituto do Homem e Meio Ambiente da Amazônia – IMAZON (“Institute”) is a non economic, not for profit civil association, constituted according to private law, established on July 10, 1990. The Institute’s mission is to encourage the sustainable development of the Amazon by means of studies, to support the development of public policies, to extensively disclose its results and provide professional training, and its main objectives are:

- Develop studies and research as to the sustainable use of natural resources from the Amazon region;
- Contribute towards the effective adoption of sustainable usage and quality of live in the Amazon region; and
- Offer educational programs and training courses with emphasis on the sustainable development of the region.

The Institute is referred to as a Non Governmental Organization – NGO and its activities are undertaken within the academic, cultural and scientific environment, for the purpose of encouraging the involvement of the Brazilian population to seek sustainable development and conservation of the bio-diversity.

The intrinsic characteristics of its social programs are based on the following main factors: (i) obtaining funding to execute the programs by means of contracts for donations and long term international cooperation agreements; and (ii) developing and administering long term program. Within this context, achieving the program’s objectives is directly related to the technical-operational and financial long term planning of these programs and the ability to govern them.

The funding that the Institute received provides sufficient support for the financial administration of the programs vis-à-vis the planning strategies. The existing strategies meet the on-going programs, which will continue during 2010 and subsequent years.

Consequently, a surplus and/or deficit from the programs should not be analyzed as being an indicator of the economic-financial viability or otherwise of the program, since they are implemented in the long term and the strategic planning of the Institute takes into consideration the total funding receivable, as well as the transitory moment and how these funds will be spent.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

The main risks refer to the Institute's donator base, and the strategic actions adopted seek to minimize these risks through developing this base, by means of institutional actions supported by transparency of activities, use of financial resources, quality projects, the institutional image towards society, partners and donators and the technical skills of its staff.

In order to extend its activities, the Institute is adapting its operations as follows: (i) strategic planning of each program over a long term horizon, without depending necessarily on a horizon based on fiscal and/or corporate years; and (ii) governability of the programs based on programmed activities aimed at project requirements.

2 Presentation of the financial statements

The financial statements were prepared by the Institute's management in accordance with accounting practices adopted in Brazil, which include the Brazilian Corporation Law, pronouncements, guidelines and interpretation issued by the Accounting Pronouncements Committee (CPC) and the rules issued by the Federal Accounting Council (CFC), particularly NBC T 10 – Specific Accounting Aspects in Various Entities, item 10.19 – Not for profit entities.

3 Summary of significant accounting policies

a. Statement of income

Income and expenses are recognized on the accrual basis.

The projects' administrative fees and service income are recognized to results. Revenues from services rendered are recognized to results when realized. Revenue is not recognized if there are significant uncertainties as to its realization.

The funds with no restrictions on their use, received through donations, are recorded as operational income when received. The costs and expenses for which there are no obligations towards the donator are also registered to results as these funds are used by the Entity to cover its administrative personnel and infra-structure costs.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

Since the Institute is a Civil Entity of Public Interest (OSCIP), it has benefits from exemption from taxes and contributions due on its results, with the exception of taxes on services rendered - ISS and COFINS charged on the invoices issued and income from financial investments derived from private funds.

Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that Institute's Management uses its judgment in determining and recording accounting estimates. Assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment; provision for contingencies and the values of financial instruments. The settlement of transactions involving these estimates may result in a different amount due to the lack of precision inherent to the process of their determination. The Institute reviews the estimates and assumptions at least once a year.

Financial instruments

Non derivative financial instruments include marketable securities and other receivables, cash and cash equivalents, and also accounts payable and other debts.

Non derivative financial instruments are recognized initially at fair values plus, for instruments that are not recognized at fair value through surplus, any directly attributable transaction costs.

Foreign currency

The Institute's Management has defined its functional currency to be the Brazilian real, in accordance with the norms described in CPC 02 – Effects on the Changes in Foreign Exchange Rates and Conversion of the Financial Statements.

Transactions in foreign currency, i.e. all transactions that are not carried out in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate on the closing date. The gains and losses from the changes in the exchange rates on the monetary assets and liabilities are recognized in the statement of income. Non-monetary assets and liabilities acquired or contracted in foreign currency and translated based on the exchange rates on the dates of the transactions or on the dates of valuation at fair value, when this is used.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

Current and noncurrent assets

Current assets

Receivables are stated at realizable values, including income and monetary or foreign exchange variations incurred or deducted from the corresponding unearned income, when applicable.

Property, plant and equipment

Stated at acquisition, formation or construction cost, plus interest and other capitalized financial charges. The depreciation of fixed assets is calculated using the straight line method based on rates stated in Note 6, and takes into consideration the estimated useful lives of the assets and the respective residual values.

Other expenditures are capitalized only when they increase the future economic benefit of the item of property, plant and equipment. All other expenditures are recognized in the statement of income as an expense as incurred.

Decrease to recoverable values of assets

The recoverable values of fixed assets (impairment) are tested, at least annually, when there is evidence of loss of value.

Current and non current liabilities

Stated at the known amounts or estimated, plus, when applicable the corresponding charges. The funds received from donations or third parties to execute programs and require that management account for all movements, are recognized as an obligation to current liabilities as they are received.

The funds obtained from contracts and agreements which are allocated to executing specific projects, are classified, when received, to the heading "liabilities from project funds", to current liabilities. The related expenses are registered to the heading "project administration costs", and offset against the liability. The Institute's indirect costs are allocated between the projects according to the terms stated in each contract or agreement, and based on the percentage allocation. The expenses are segregated by donator, considering the use of human resources and materials by each donator, with no transfers made between donators.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

Equity

Represented by the Institute's quotaholders' equity plus the annual surplus or deficit, depending on the case.

4 Cash and cash equivalent

	<u>2009</u>	<u>2008</u>
<i>Financial funds with no onus</i>		
Fixed fund	500	500
Banks	<u>4,744</u>	<u>92,977</u>
	5,244	93,478
 <i>Financial funds tied to projects</i>		
Banks	1,032,923	1,888,089
Marketable securities	<u>1,966,984</u>	<u>1,550,887</u>
	2,999,907	3,438,976
	<u>3,005,151</u>	<u>3,532,454</u>

The funds tied to projects are reported separately from cash and cash equivalents, although they are held partly in current bank accounts and partly in marketable securities, since the use of these funds is restricted and they are not available to be freely used by the entity within the concept of cash and cash equivalent. These funds are tied to projects, under contracts that include certain restrictions on the use of these funds. The financial investments refer mainly to certificates of bank deposits, and fixed income funds, remunerated at rates that vary between 95% and 100% of Interbank Certificates of Deposit (CDI).

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

	<u>2009</u>	<u>2008</u>
Financial Investment Fund	1,887,466	1,441,317
Certificates of bank deposit	78,255	109,264
Savings	<u>1,263</u>	<u>306</u>
	<u>1,966,984</u>	<u>1,550,887</u>

Management adopts a conservative policy towards its cash management, investing its available funds in financial investment funds indexed to the CDI, savings and CDBs, redeemable in the short term, with top line Brazilian financial institutions, when permitted by the donators. Income from these financial investments is reinvested in the Institute.

5 Advances

Refers to advances to employees, suppliers and partners, as presented below:

Assets	<u>2009</u>	<u>2008</u>
Advances to employees – vacation and 13th salary	29,463	17,632
Advances to suppliers	110,582	48,235
Advances to project partners (a)	48,202	-
Travel advances	<u>66,790</u>	<u>46,109</u>
	<u>255,038</u>	<u>111,977</u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

Liabilities	<u>2009</u>	<u>2008</u>
Advances from clients	-	10,000
Advances from project partners (a)	<u>76,126</u>	<u>148,515</u>
	<u><u>76,126</u></u>	<u><u>158,515</u></u>

(a) The research sponsors have adopted the practice of “consortium”, whereby a group of research institutions is created and one of the members is elected as the lead institution, assuming all of the rights and obligations of the consortium towards the financier. One of the obligations of the lead member is to receive in full the funds for research and transfer to the partners the amounts previously agreed, accompanying the technical and financial execution of such. At December 31, 2009, IMAZON reported obligations for pass-through with the following institutions:

Asset		
<u>Financer</u>	<u>Partners</u>	<u>2009</u>
Brazilian Forest Service	IFT	4,716
Gordon and Betty Moore Foundation	IMAFLORA	<u>43,486</u>
		<u><u>48,202</u></u>
Liabilities		
<u>Financer</u>	<u>Partners</u>	<u>2009</u>
European Union	FASE	45,751
World Resources Institute - WRI	ICV	<u>30,375</u>
		<u><u>76,126</u></u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

6 Property, plant and equipment and intangible assets

The Institute's fixed and intangible assets include assets acquired through partnership contracts aimed exclusively to be used to execute projects. These are classified separately to the entity's noncurrent assets, as "Assets for specific use".

a) Property, plant and equipment

		Balance at 31/12/2008	Additions	Balance at 31/12/2009
<i>Changes in cost</i>				
Land		135,221		135,221
Improvements and facilities		86,672	2,589	89,261
Vehicles		9,005		9,005
Machinery and equipment		139,593	36,032	175,625
Computer equipment		1.024,955	276,152	1,301,107
Furniture and fixtures		<u>77,363</u>	<u>8,785</u>	<u>86,148</u>
		1,472,809	323,558	1,796,367
	Depreciation rate % p.a.			
<i>Changes in depreciation</i>				
Improvements and facilities	10%	(17,987)	(8,655)	(26,642)
Vehicles	20%	(8,875)	(61)	(8,936)
Machinery and equipment	10%	(41,741)	(15,342)	(57,083)
Computer equipment	20%	(621,368)	(173,162)	(794,530)
Furniture and fixtures	10%	<u>(22,862)</u>	<u>(7,202)</u>	<u>(30,064)</u>
		(712,833)	(204,422)	(917,255)
		<u>759,976</u>	<u>119,136</u>	<u>879,112</u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

<i>Assets allocated for specific use</i>		Balance at 31/12/2008	Balance at 31/12/2009
Cost			
Improvements and facilities		32,619	10,728
Vehicles		9,005	-
Machinery and equipment		42,148	48,176
Computer equipment		524,807	473,246
Furniture and fixtures		<u>26,120</u>	<u>14,686</u>
		634,699	546,836
	Depreciation rate % p.a.		
Depreciation			
Improvements and facilities	10%	(4,298)	(1,536)
Vehicles	20%	(8,875)	-
Machinery and equipment	10%	(5,478)	(4,807)
Computer equipment	20%	(210,767)	(130,402)
Furniture and fixtures	10%	<u>(4,060)</u>	<u>(2,370)</u>
		<u>(233,478)</u>	<u>(139,115)</u>
		<u>401,221</u>	<u>407,721</u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

b) Intangible assets

<i>Changes in intangible assets</i>	Depreciation rate % p.a.	Balance at 31/12/2008	Additions	Balance at 31/12/2009
Software	20%	684,297	367,615	1,051,912
Patents and trade marks	Not defined	814	-	814
Amortization		<u>(304,213)</u>	<u>(151,599)</u>	<u>(455,812)</u>
		<u>380,898</u>	<u>216,016</u>	<u>596,914</u>
<i>Assets allocated for specific use</i>		Balance at 31/12/2008	Balance at 31/12/2009	
Right to use software		114,617	226,669	
Amortization		<u>(25,917)</u>	<u>(30,302)</u>	
		<u>88,700</u>	<u>196,367</u>	

Provision for reduction to recoverable value of assets (impairment)

During the year ended December 31, 2009, the Institute did not identify any evidence that the book values of certain assets were above their recoverable values.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

7 Social security and labor liabilities

	<u>2009</u>	<u>2008</u>
Provisions for vacation and social security charges	474,738	387,025
INSS payable	-	89,499
FGTS payable	-	30,140
Other	12,029	7,836
	<u>486,767</u>	<u>514,500</u>

8 Tax liabilities

	<u>2009</u>	<u>2008</u>
Withholding tax	19,042	45,717
ISS (services tax)	19,097	17,703
INSS on services	12,308	-
Others	3,688	94
	<u>54,135</u>	<u>63,513</u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

9 Liabilities from project funds

The funds from contracts and agreements that include the specific allocation of such to execute projects are classified, when received, as “Obligations from project funds – receiving of funds”, to current liabilities. The related expenses incurred are registered to the same account, as “use of funds” as a reduction against the liability. The Institute’s indirect expenses are allocated between the projects as provided in each agreement or contract. The expenses are segregated by donator, considering the use of human resources and materials, and no transfers are made between donators.

	<u>2009</u>	<u>2008</u>
Opening balance	3,317,648	1,838,271
Funds Received	7,424,438	7,095,959
(-) salaries, charges and benefits from the project	<u>(5,139,584)</u>	<u>(4,324,894)</u>
	<u>5,602,502</u>	<u>4,609,336</u>
Consulting and services	(412,919)	(209,775)
Travel expenses	(768,694)	(519,505)
Publications / Advertising / Events	(380,401)	(151,373)
Maintenance expenses	(17,682)	(12,804)
Rents	(207,552)	(143,690)
Utilities and services	(77,595)	(54,755)
Freights	(5,456)	(579)
Other canteen expenses	(30,740)	(32,594)
Taxes	(9,275)	(9,712)
Financial income	116,875	140,847
Financial expenses	(49,449)	(57,309)
Insurance expense	(23,084)	(22,619)
Communication charges	(177,061)	(165,117)
Materials	(69,056)	(35,359)
Other operational expenses	-	(102)
Investments	<u>(37,149)</u>	<u>(17,242)</u>
Total project administration costs	(2,149,238)	(1,291,688)
	<u>3,453,264</u>	<u>3,317,648</u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Reais)

10 Equity

Equity

The changes in the Institute's equity are result of incorporating the surpluses and/or deficits for each year, after approval from the Statutory Audit Committee and Director.

Accumulated surplus

Refers to the surplus for the current year. After the amount has been approved by the Director and Fiscal Statutory Counsel, it is incorporated to the Institute's equity to be reinvested in social actions, as provided in the Statutes.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notas explicativas às demonstrações financeiras

(Em Reais)

11 Administrative fee for projects and programs

Description	Notes	Total value	Start date	Period	Rate	R\$	
						2009	2008
Vale Association for Sustainable Development (ii)	(a)	R\$ 4.193.680	14/08/2009	1 year	15%	270,797	-
Gordon and Betty Moore Foundation (ii)	(b)	R\$ 6.307.418	28/06/2007	3 years	10%	266,647	498,000
David and Lucile Packard Foundation (ii)	(c)	US\$ 550,000	01/01/2008	2 years	13%	156,722	208,738
European Union / IEB (ii)	(d)	EUR 650,367	01/01/2009	4 years	7%	109,899	-
European Union / Amigos da Terra - Amazônia Brasileira (ii)		EUR 255,713	01/04/2005	4 years	7%	101,515	41,358
British Embassy (ii)		£ 80,000	01/10/2008	2 years	10%	86,090	6,611
European Union (ii)		EUR 2,296,300	01/07/2005	4 years	7%	46,920	83,240
US Depart of Agriculture Forest Service (i)		US\$ 255,333	10/01/2008	2 years	0%	42,938	82,485
USAID / IEB (i)		US\$ 890,341	01/10/2006	5 years	0%	39,086	69,573
WRI - World Resources Institute's		US\$ 300,000	01/08/2009	11 months	10%	34,176	-
South Dakota State University (iii)		US\$ 160,000	01/06/2008	2 years	24%	32,700	44,700
TNC - The Nature Conservancy (iii)		US\$ 119,307	14/11/2008	13 months	24%	32,627	41,814
Usaid / TNC (ii)		US\$ 110,198	15/12/2008	2 months	16%	32,109	-
Blue Moon Foundation (ii)		US\$ 200,000	01/09/2008	2 years	13%	25,179	25,826
Avina Foundation (ii)		R\$ 315.000	01/04/2008	16 months	17%	20,588	55,528
Ford Foundation - Brazil Office - Forum (ii)		US\$ 50,000	01/04/2009	1 year	15%	15,210	14,212
American Forest Service - USFS (i)		US\$ 50,000	28/05/2009	-	0%	13,260	-
CI - Conservation International Foundation (iii)		US\$ 19,964	01/06/2008	1 year	24%	9,775	-
ICV - Instituto Centro de Vida (iii)		US\$ 17,350	01/01/2009	5 months	24%	9,068	-

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Conservation International do Brasil (i)	R\$ 200.574	28/08/2009	1 year	0%	6,322	-
Sebrae Amazonas (i)	R\$ 195.250	27/05/2009	1 year	0%	4,269	-
GTZ – German Cooperation for Development (ii)	R\$ 182.754	20/05/2009	11 months	11%	3,837	-
Ford Foundation – Brazilian office - Regul. Fundiária PA (ii)	US\$ 150,000	01/10/2009	1 year	9%	3,667	-
International Tropical Timber Organization – ITTO (i)	US\$ 277,560	01/11/2005	5 years	0%	3,322	14,586
Others (i)				0%	<u>19,030</u>	<u>9,200</u>
					<u>1,385,753</u>	<u>1,195,871</u>

The administrative fees are characterized as follows:

- (i) Fees not provided – In this case the donator permits the allocation of certain expenses, and these are allocated to the heading “Other direct and indirect costs”;
- (ii) Mixed fees – these are provided in the contracts and also the specification of certain expenses to the heading “Other direct and indirect costs”; and
- (iii) Fees provided – Administrative costs charged only by means of the “overhead” fee.

The projects provide the flexibility to use funds above the amount provided in the categories that are approximately 10%, which is a fee normally accepted by the financers. This flexible fee is permitted provided it does not exceed the amount budgeted for the project. The timetable for the projects is different from the fiscal year, consequently, it may be that one fiscal year includes two financial periods for the same project.

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(a) Vale Association for Sustainable Development

Amazon Sustainable Project: Monitoring the Amazon, Support for Consolidating the State Conservation Units for *Calha Norte do Pará* and for the initiative *Paragominas Município Verde*.

(b) Gordon and Betty Moore Foundation

Contract for the preservation and conservation of national forests using mapping systems for identifying conservation areas.

(c) David and Lucile Packard Foundation

Project to reduce the illegal deforesting of the Brazilian Amazon Forest.

(d) International Institute for Education in Brazil – IEB

Sub-donation agreement, derived from the donation contract signed between the European Community and the IEB, to implement the Forest Frontiers Project: Encouraging the social-environmental inclusion of the populations in occupational zones in the Brazilian Amazon by means of territorial management and adopting sustainable handling practices of forest resources.

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12 Service income and costs

	2009		
	<u>Income</u>	<u>Costs</u>	<u>Results</u>
Brazilian Forest Service (a)	978,630	(669,671)	308,959
Sebrae Acre (b)	504,940	(551,232)	(46,292)
Sebrae Rondônia (c)	230,656	(169,825)	60,830
Acre Environmental Institute – IMAC (d)	220,693	(46,401)	174,292
Sustainable Amazon Forum	90,160	(92,445)	(2,285)
GTZ – German Cooperation for Development	44,719	(98,031)	(53,312)
Greenpeace Civil Association	34,960	(5,911)	29,049
Sponsor sustainable Belém	27,600	(17,085)	10,515
Feindt Consultoria Ambiental S/C Ltda	23,898	(2,281)	21,617
Protected Forest Association	19,228	(15,321)	3,907
Municipal local authority for Paragominas	16,928	(2,162)	14,766
Martins Agropecuária S/A	15,174	(2,065)	13,109
CGI courses	11,040	(8,333)	2,707
Salisbury University	8,792	(7,441)	1,351
Sebrae Roraima	-	(13,088)	(13,088)
Sebrae Pará	-	(8,222)	(8,222)
Sebrae Amapá	-	(6,103)	(6,103)
Pnud - CGI Course	-	(31)	(31)
Pará Legislative Assembly	-	(2)	(2)
	<u>2,227,418</u>	<u>(1,715,650)</u>	<u>511,768</u>

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	2008		
	Income	Costs	Results
Sebrae Acre	417,058	(220,225)	196,833
Municipal local authority for Paragominas	121,072	(155,459)	(34,387)
Acre Environmental Institute – IMAC	117,220	(74,523)	42,697
Sebrae Rondônia	107,448	(124,450)	(17,001)
Sustainable Amazon Forum – FAZ	83,720	(106,712)	(22,992)
Banco do Brasil S.A.	41,400	(44,147)	(2,747)
PNUD – United Nations Development Program	22,242	(58,815)	(36,573)
Sebrae Pará	21,160	(5,530)	15,630
Sebrae Roraima	18,216	(20,258)	(2,042)
Sebrae Amapá	15,522	(16)	15,506
Cikel Brasil Verde Madeiras Ltda	13,800	(27,340)	(13,540)
ABC Agropecuária Brasil Norte S.A.	13,800	(600)	13,200
Protected Forest Association	11,500	(2,533)	8,967
Legislative Assembly for the State of Pará	11,040	(16,710)	(5,670)
Universa Foundation	7,360	(8,100)	(740)
World Bank	4,720	(1,883)	2,833
Fundo Desafio Fundação Avina	-	(184,102)	(184,102)
Government for the State of Pará	-	(111)	(111)
Public Ministry for the State of Pará	-	(23,880)	(23,880)
	<u>1,027,278</u>	<u>(1,075,394)</u>	<u>(48,115)</u>

a) Brazilian Forest Service - SFB

The Institute agreed two contracts with SFB in 2009:

- **Contract 05/2009:** Services to identify poles for primary processing of timber derived from native forest species from Brazilian Legal Amazon, based on identification of market information on forest products and services in the Amazon municipals. This contract is valid from February 10, 2009 to February 09, 2010, involving the amount of R\$ 801,000.00.

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- **Contract 06/2009:** Consulting services to develop and apply a method to accompany average prices paid to saw mills, cutters and laminators to acquire a cubic meter of timber extracted from the forests. This contract is valid from February 17, 2009 to July 16 2010, involving the amount of R\$ 691,000.00.

(b) Sebrae Acre

Imazon signed two contracts with Sebrae for the State of Acre, in 2008:

- **Contract 103/2008:** Regional research performed on the administration of non woodwork forest products from the Amazon, in communities selected from the States in the Northern Region. This contract is valid from May 02, 2008 until November 30, 2009, and the amount involved is R\$ 683,760.00.

- **Contract 274/2008:** Study undertaken to identify the potential demand and supply of raw material (wood) to produce furniture in the States of Acre, Amazonas and Roraima; Identifying the main bottlenecks for producing and selling the wood that is administered; Identifying the models for associations for the production and sale of the wood in the aforementioned States. The contract is valid from October 06, 2008 until September 30, 2009, and involves the amount of R\$ 318,411.60.

(c) Sebrae Rondônia

Contract for undertaking the following studies in the states of Amapá, Pará, Rondônia and Tocantins: Diagnose the existing and future offer of native wood and/or reforestation, by species, for small and medium forest producers; the existing and future offer of native wood and/or reforestation, by species, by furniture maker; prepare a data bank of the potential forest producers (medium and small); diagnose the main bottlenecks in the production and sale of handled wood, and provide proposals for solutions, including public political actions; Identify, document and analyze successful association models for the production and sale of wood in the aforementioned states. This contract is valid from September 01, 2008 until March 31, 2010, and involves the amount of R\$ 358,161.18.

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(d) Acre Environmental Institute - IMAC

Consulting services related to providing and analyzing images of the State of Acre, based on the satellites Spot 4 and Formosat 2, and also the definition and implantation of a methodology for monitoring forest coverage. The contract is valid as from September 12, 2008 until November 13, 2009, involving the amount of R\$ 424,710.00.

13 Salaries and social security charges

	<u>2009</u>	<u>2008</u>
Salaries	420,817	362,404
INSS	134,014	129,660
Vacation	62,089	56,591
FGTS	60,205	39,596
13th salary	47,397	35,518
Medical assistance	41,886	33,530
PIS	28,647	4,936
Gifts	22,884	32,990
Bonus	22,861	-
Life insurance	8,552	5,752
Prior notice/indemnities	5,671	5,505
Transport tickets	1,330	1,338
Medication/examinations	979	1,096
Training	190	11,989
Uniforms	103	193
Consulting	-	7,150
Rescission fines	-	6,000
Daily charges	(617)	1,615
	<u>857,008</u>	<u>735,863</u>

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14 Exemptions and tax benefits

Since the Entity is a Civil Company of Public Interest (OSCIP), it benefits from certain tax exemptions, such as:

- Corporate Income Tax - IRPJ;
- Social Contribution on Net Profit - CSLL;
- COFINS on own income; and
- ISSQN on own income .

15 Insurance coverage

The Institute's policy of taking out insurance coverage for assets subject to risks in amounts considered sufficient to cover possible damages, considering the nature of its activity. The risk assumptions adopted, given their nature, are not part of an audit of financial statements and, accordingly, were not examined by our independent auditors.

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16 Contracts and donation terms

The Institute has contracts and terms for donations signed with partners that guarantee transfers of funds subsequent to December 31, 2009, as presented below:

Donators/contracting entities	2010 Remittances	Subsequent to 2010 Remittances	Total
Commission of the European Communities	1,736,514		1,736,514
David and Lucile Packard Foundation	1,139,911		1,139,911
Gordon and Betty Moore Foundation	1,019,026		1,019,026
Brazilian Forest Service	917,000		917,000
IEB - Instit. Internacional de Educação do Brasil	748,538	1,514,290	2,262,828
SEBRAE Acre	548,848		548,848
Acre Environmental Institute	297,297		297,297
TNC - The Nature Conservancy	267,734		267,734
Fundação Blue Moon	228,000		228,000
SEBRAE Rondônia	225,642		225,642
British Embassy	206,274	65,000	271,274
US Department of Agriculture Forest Service	193,799		193,799
ADT - Friends of the Earth	170,934		170,934
South Dakota State University (SDSU)	125,468	22,800	148,268
Ford Foundation	114,000		114,000
Avina Stiftung Foundation	95,008		95,008
ITTO - International Tropical Timber Organization	58,871		58,871
Hobart and William Smith Colleges	41,800		41,800
Instituto Centro Vida - ICV	39,558		39,558
FIEPA	22,320		22,320
FEINDT	13,000		13,000
AIMEX	11,160		11,160
	8,220,702	1,602,090	9,822,792

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17 Subsequent event

New pronouncements, interpretations and guidance that have been issued but that have not been adopted

Within the conversion process of the accounting practices adopted in Brazil to the international financial reporting standards (IFRS) various pronouncements, interpretations and guidance were issued during year 2009 including the mandatory application for the years ended as from December 2010 and for the 2009 financial statements to be disclosed jointly with the 2010 financial statements for comparison purposes.

The Institute has been evaluating the potential effects with respect to these pronouncements, interpretations and guidance, which may have material impact on the financial statements for the year ended December 31, 2009 to be comparatively presented with the financial statements for the year ending December 31, 2010, as well as for the coming years.

* * *

Brenda Brito do Carmo
Executive Secretary

Ana Cláudia F. Rodrigues
Accountant - CRC/PA 9444