



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

Financial statements
December 31, 2011 and 2010



Instituto do Homem e Meio Ambiente da Amazônia - IMA ZON

Financial statements

December 31, 2011 and 2010

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Independent auditors' report on the financial statements

To
The Board of Directors and Management of
Instituto do Homem e Meio Ambiente da Amazônia - IMAZON
Belém - PA

We have examined the financial statements expressed in Brazilian Real of Instituto do Homem e Meio Ambiente da Amazônia – IMAZON (the “Institute”) expressed in Brazilian Real, which comprise the balance sheet as at December 31, 2011 and the related statements of superavit, changes in equity and cash flows for the year then ended, and a summary of the main accounting practices and other notes to the financial statements.

Management’s responsibility towards the financial statements

The Institute’s management is responsible for the preparation and adequate presentation of these financial statements in accordance with accounting practices adopted in Brazil and for the internal controls that they consider necessary to ensure the financial statements are prepared free of significant distortions, irrespective of whether or not these are caused by fraud or errors.

The responsibility of the independent auditors

Our responsibility is to express an opinion on these financial statements based on our audit, undertaken in accordance with Brazilian auditing standards. These standards require compliance with ethical requirements by the auditors and that the audit be planned and executed with the objective of obtaining reasonable assurance that the financial statements are free from material distortions.

An audit involves the execution of procedures selected to obtain evidence for the values and disclosures presented in the financial statements. The procedures selected depend on the auditor’s judgement, including an evaluation of the risks of significant distortions in the financial statements, irrespective of whether these are caused by fraud or errors. For this risk evaluation the auditor considers the internal controls relevant for the preparation and adequate presentation of the Institute’s financial statements to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of these internal controls. An audit also includes an evaluation of the adequacy of the accounting practices adopted and the reasonableness of the accounting estimates made by management, and an evaluation of the presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion on the financial statements

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Instituto do Homem e Meio Ambiente da Amazônia – IMAZON as at December 31, 2011, the results of its operations, and its cash flows for the year then ended, expressed in Brazilian Real, in conformity with accounting practices adopted in Brazil.

Manaus, May 11, 2012

KPMG Auditores Independentes
CRC SP-014428/O-6 F-AM
Original in Portuguese signed by
Luciano Medeiros
Accountant CRC SP-138148/O-3 T-AM

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Balance sheet

December 31, 2011 and 2010

(Expressed in Brazilian Real - R\$ and US Dollar - US\$)

Assets	Note	R\$		US\$		Liabilities	Note	R\$		US\$	
		2011	2010	2011	2010			2011	2010	2011	2010
Cash and cash equivalents	4	113,894	530,083	60,718	318,139	Suppliers		66,035	80,900	35,204	48,554
Funds tied to projects	5	5,973,119	1,813,115	3,184,305	1,088,174	Labor and social security liabilities	9	703,541	710,699	375,062	426,539
Advances paid	6	283,625	192,115	151,202	115,301	Taxes payable		23,479	19,915	12,517	11,952
Credits from contracts and terms of cooperations		24,142	147,740	12,870	88,669	Advances received	10	45,751	45,751	24,390	27,458
Prepayments		17,056	9,974	9,093	5,986	Liabilities from project funding	11	7,596,799	2,862,176	4,049,898	1,717,787
Total current assets		6,411,836	2,693,027	3,418,187	1,616,269	Total current liabilities		8,435,605	3,719,441	4,497,071	2,232,290
Property, plant and equipment	7	1,471,863	1,290,955	784,659	774,790	Equity	14				
Intangible assets	8	1,115,423	654,019	594,639	392,521	Equity		918,560	747,867	489,690	448,846
Total non current assets		2,587,286	1,944,974	1,379,297	1,167,311	(Deficit) superavit for the year		(355,043)	170,693	(189,276)	102,444
Total assets		8,999,122	4,638,001	4,797,485	2,783,580	Total equity		563,517	918,560	300,414	551,290
						Total liabilities and equity		8,999,122	4,638,001	4,797,485	2,783,580

See the accompanying notes to the financial statements

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statements of deficit/superavit

Years ended December 31, 2011 and 2010

(Expressed in Brazilian Real - R\$ and US Dollar - US\$)

	Note	R\$		US\$	
		2011	2010	2011	2010
Income	15	3,110,486	3,519,358	1,658,218	2,112,206
Costs					
Costs from services rendered		(461,149)	(933,976)	(245,841)	(560,543)
Salaries and social security charges	16	(1,397,680)	(1,170,422)	(745,112)	(702,450)
		<u>(1,858,830)</u>	<u>(2,104,398)</u>	<u>(990,953)</u>	<u>(1,262,992)</u>
Gross superavit		1,251,656	1,414,960	667,265	849,214
Expenses from services		(256,530)	(346,756)	(136,758)	(208,112)
Administrative expenses	17	(1,331,546)	(1,034,722)	(709,855)	(621,007)
Other income		93	214,848	50	128,945
		<u>93</u>	<u>214,848</u>	<u>50</u>	<u>128,945</u>
Results before net financial expenses		<u>(336,327)</u>	<u>248,330</u>	<u>(179,298)</u>	<u>149,040</u>
Financial income	18	32,092	3,903	17,108	2,342
Financial expenses	18	(50,808)	(81,540)	(27,086)	(48,938)
		<u>(18,716)</u>	<u>(77,637)</u>	<u>(9,978)</u>	<u>(46,595)</u>
Net financial expenses		<u>(18,716)</u>	<u>(77,637)</u>	<u>(9,978)</u>	<u>(46,595)</u>
(Deficit) superavit for the year		<u><u>(355,043)</u></u>	<u><u>170,693</u></u>	<u><u>(189,275)</u></u>	<u><u>102,444</u></u>

See the accompanying notes to the financial statements

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statement of changes in equity

Years ended December 31, 2011 and 2010

(Expressed in Brazilian Real - R\$ and US Dollar - US\$)

	Equity	(Deficit)/ superavit for the year	Total
Balances at January 1st, 2010	708,900	38,967	747,867
Incorporation of superavit	38,967	(38,967)	-
Superavit for the year	<u>-</u>	<u>170,693</u>	<u>170,693</u>
Balances at December 31, 2010	747,867	170,693	918,560
Incorporation of superavit	170,693	(170,693)	-
Deficit for the year	<u>-</u>	<u>(355,043)</u>	<u>(355,043)</u>
Balances at December 31, 2011	<u>918,560</u>	<u>(355,043)</u>	<u>563,517</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 ending December 31, 2011 and 2010

(Expressed in Brazilian Real - R\$ and US Dollar - US\$)

	R\$		US\$	
	2011	2010	2011	2010
Cash flows from operational activities				
(Deficit)/superavit for the year	(355,043)	170,693	(189,275)	102,444
Adjustments for:				
Depreciation and amortization	600,176	220,383	319,957	132,267
Residual cost of fixed assets sold	34,301	135,221	18,286	81,155
	279,434	526,297	148,968	315,866
(Increase) decrease in assets				
Funds tied to projects	(4,160,004)	1,186,792	(2,217,723)	712,275
Advances received	(91,510)	62,923	(48,785)	37,764
Prepayments	(7,082)	(926)	(3,775)	(556)
Credits from contracts and terms of cooperations	123,598	(32,457)	65,891	(19,480)
Increase (decrease) in liabilities				
Suppliers	(14,865)	38,513	(7,925)	23,114
Labor and social security liabilities	(7,158)	223,932	(3,816)	134,397
Taxes	3,564	(34,220)	1,900	(20,538)
Advances	-	(30,375)	-	(18,230)
Liabilities from project funding	4,734,623	(591,088)	2,524,055	(354,752)
	581,166	823,094	309,822	493,994
Net cash derived from operational activities	<u>860,600</u>	<u>1,349,391</u>	<u>458,791</u>	<u>809,861</u>
Cash flows from investment activities				
Purchases of fixed assets	(559,271)	(662,421)	(298,150)	(397,563)
Purchases of intangible assets	(717,518)	(162,131)	(382,513)	(97,306)
Net cash used in investment activities	<u>(1,276,789)</u>	<u>(824,552)</u>	<u>(680,663)</u>	<u>(494,869)</u>
(Decrease) increase in cash and cash equivalents	(416,189)	524,839	(221,872)	314,992
Cash and cash equivalents at January 01,	530,083	5,244	282,590	3,147
Cash and cash equivalents at December 31,	<u>113,894</u>	<u>530,083</u>	<u>60,718</u>	<u>318,139</u>

See the accompanying notes to the financial statements

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

December 31, 2011

(In Brazilian Real)

1 Operations

Instituto do Homem e Meio Ambiente da Amazônia – IMAZON (the “Institute”) is a non economic, not for profit civil association, constituted according to private law, established on July 10th, 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 life 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 Civil Company of Public Interest (OSCIP), 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 continued during 2011 and will continue in subsequent years.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In brazilian Real)

Consequently, a superavit 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.

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 the 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 Basis for preparation

2.1 Declaration of conformity

The financial statements were prepared in accordance with accounting practices adopted in Brazil, which include the Technical Pronouncements, Orientations and Interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC).

The statements of comprehensive income are not presented, given that there are no amounts to be presented based on this concept, i.e. the superavit for the year is equal to the total comprehensive income.

The authorization to conclude the financial statements was given by the Institute's Management on May 11, 2012.

2.2 Basis for preparation

The financial statements were prepared based on historic cost.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In brazilian Real)

2.3 Functional currency and currency for presentation purposes

The financial statements of the Company and its subsidiaries are presented in Brazilian Real, which is the Institute's functional currency.

2.4 Translation of Brazilian Real amounts into United States Dollars

The translation of Brazilian Real amounts in the financial statements into U.S. Dollars has been performed at the closing exchange rate at December 31, 2011 of R\$ 1.8758 to US\$ 1.00 (R\$ 1.6662 in 2010) as published by the Brazilian Central Bank, except for equity accounts. This translation should not be considered as a representation that Brazilian local currency amounts could be translated into U.S. dollars at this or any other rate.

2.5 Use of estimates and judgments

The preparation of financial statements in accordance with the pronouncements enacted by the Committee of Accounting Pronouncements (CPC) standards requires that Management make judgments, estimates and assumptions that affect the application of accounting policies and amounts reported for assets, liabilities, income and expenses. The actual results could differ from these estimates.

The estimates and assumptions are revised on a continual basis. The reviews of the accounting estimate are recognized in the period in which the estimates are revised and in any future periods affected.

The settlement of transactions involving these estimates may result in amounts different from those estimated due to inaccuracies inherent in their determination. The Institute reviews its estimates and assumptions at least annually.

The information on critical judgments that refer to accounting policies adopted that have effects on the amounts recognized in the financial statements.

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Notes to the financial statements

(In brazilian Real)

3 Significant accounting policies

The accounting policies described in detail below have been applied consistently for all of the years presented in these financial statements, for the purpose of the transition to CPC rules, except when stated otherwise.

a Foreign currency transactions

Transactions in foreign currency are converted to the Institute's functional currency at the exchange rate on the dates of each transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated into the functional currency on this date. The foreign currency differences resulting from retranslations are recognized to profit or loss.

b Financial instruments

i Non derivative financial assets

The Institute initially recognizes loans, receivables and deposits on the date they originated. All other financial assets are initially recognized on the date of the negotiations when the Institute became one of the parties to the contractual rulings for the instrument.

The Institute no longer recognizes a financial asset when the contractual rights from the cash flows from the asset have expired, or when the Institute transfers the rights to receive the contractual cash flows from a financial asset under a transaction in which essentially all of the risks and benefits of ownership to the financial asset have been transferred.

Financial assets and liabilities are compensated and the net value reported in the balance sheet when, and only when, the Institute has the legal right to compensate the amounts and intends to liquidate on a net base or to realize the asset and liquidate the liability simultaneously.

The Institute classifies its non-derivative financial assets as loans and receivables.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Brazilian Real)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any loss due to impairment.

Loans and receivables include significant cash and cash equivalents.

Cash and cash equivalents

This group includes cash, bank deposits and short-term investments of high liquidity with insignificant risk of changes in value and limits, with a maturity not exceeding 90 days

ii Non derivative financial liabilities

The non derivative financial liabilities are initially recognized on the date of the negotiations when the Institute became one of the parties to the contractual rulings for the instrument. The Institute writes off a financial liability when its contractual obligations have been withdrawn, cancelled or expired.

Financial assets and liabilities are compensated and the net value reported in the balance sheet when, and only when, the Institute has the legal right to compensate the amounts and intends to liquidate on a net base or to realize the asset and liquidate the liability simultaneously.

The Institute has the following non derivative financial liabilities: suppliers, labor and social security liabilities, taxes, advances and liabilities from project funding.

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

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In brazilian Real)

c Property, plant and equipment

i Recognition and measurement

The Institute's fixed 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".

Fixed asset items are stated at historic acquisition or construction cost, less accumulated depreciation and accumulated impairment losses, when applicable.

The cost includes those that are directly attributable to the acquisition of an asset.

Gains and losses on the sale of fixed asset items are calculated by comparing the proceeds from the sale with the book value of the fixed asset item, and are recognized net to other income, to profit or loss.

ii Subsequent costs

The reposition cost of a fixed asset item is recognized for the book value of the item if it is probable that the economic benefits incorporated to the component will flow to the Institute and that the cost can be reliably measured. The book value of a component that has been replaced by yearther is written off. The daily maintenance costs for a fixed asset are recognized to profit or loss as incurred.

iii Depreciation

Depreciation is calculated on the depreciable value, which is the cost of an asset, or other amount that replaces cost, less residual value.

Depreciation is recognized to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, since this method best reflects the standard usage of the future economic benefits incorporated to the asset.

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(In brazilian Real)

Assets allocated exclusively for the execution of projects are depreciated over the period of the project. Land is not depreciated.

The estimated useful lives for the current and comparative periods are presented in Note 7.

The depreciation methods, useful lives and residual values are revised at the reporting date of the financial statements and any adjustments are recognized as changed to accounting estimates.

d Intangible assets

Refers to software acquired by the Institute, which is amortized over the estimated useful life of the asset, which is reported in Note 8. Intangible assets also include brands and patents, which have indefinite useful lives.

e Impairment

The book values of the Institute's financial assets are reviewed at each reporting date to determine if there is objective evidence that there has been a loss to the recoverable values. If there is evidence of such, the recoverable value of the asset is calculated.

The recoverable value of an asset is the greater between the value in use and the fair value less selling expenses. An impairment loss is recognized if the book value of an asset exceeds its estimated recoverable value. Any loss in value is recognized to profit or loss.

Management did not identify any situation that represented a loss in the recoverable value of its financial assets. Consequently, it was not necessary to estimate the recoverable value of its assets.

f Employee benefits

Liabilities from short term benefits due to employees are stated on a non discounted base and incurred as expenses when the related services are provided.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Brazilian Real)

g *Liabilities from project funding*

The resources of agreements, contracts and agreements that have specific purposes linked to the execution of projects are classified, when received, the group "Bonds with project resources - Entry Resources" in current liabilities. The related expenditures are recorded in the same group, under the heading "Resources Out," a reduction in liabilities. The indirect costs are allocated between the Institute's projects as provided in each agreement, contract or agreement, and its representativeness. Expenses are secreted by donor considering the use of human and material resources, with no transfer between donors.

h *Provisions*

A provision is recognized, as a result of a past event, if the Institute has a legal or constituted obligation that can be estimated in a reliable manner and it is probable that economic resources will be required to settle the obligation.

i *Operational income*

a. Administrative fees of projects and programs:

- i** **Foreign unforeseen** - In this case the donor allows the allocation of certain expenses being allocated these under "Other direct and indirect costs";
- ii** **Foreign enterprises** - are covered by the contracts and also with specification of certain expenses under "Other direct and indirect costs" and
- iii** **Fees provided** - Administrative cost charged only through rate "Overhead".

Within the project there is the flexibility to use funds above the amount provided for in the categories in approximately 10% rate normally accepted by lenders, provided they do not exceed the amount budgeted for the project. The timeline of the project differs from the fiscal year and, therefore, can occur in situations where a fiscal year includes two funding periods of the same project.

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- b.** Income from services rendered is recognized to profit or loss based on the stage of concluding the service at the reporting date for the financial statements. The stage of conclusion is evaluated by reference to research into the work undertaken.

j *Financial income and expenses*

Financial income includes interest earned on funds invested and variations in the fair value of financial assets, stated at fair value through profit or loss. Exchange gains and losses are reported net.

k *Determination of fair value*

Several accounting policies and disclosures require the determination of the Office of fair value, for both financial assets and liabilities and for nonfinancial. Fair values are determined for purposes of measurement and / or disclosure.

i *Financial investments*

The fair value of short-term investments is the actual applied value added of the remuneration of the title until the date of submission pro rata.

ii *Property, plant and equipment*

The market value of property is the estimated amount for which an asset could be exchanged on the date of valuation between knowledgeable, willing parties in a transaction under normal market conditions. The fair value of items of plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

iii *Non derivative financial assets*

The fair value of financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest calculated from the date of submission, if applicable. This fair value is determined for disclosure purposes.

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Notes to the financial statements

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iv Non derivative financial liabilities

The fair value, which is determined for disclosure purposes, is calculated based on the present value of principal and future cash flows, discounted at the market rate of interest calculated at the date of the financial statements, where applicable. As to the liability component of convertible debt instruments, the interest rate market is determined by reference to similar liabilities that do not have a conversion option. For finance leases, the interest rate is determined by reference to similar lease agreements.

4 Cash and cash equivalents

	<u>R\$</u>		<u>US\$</u>	
	2011	2010	2011	2010
Petit cash	500	500	267	300
Banks	654	529,583	349	317,839
Short term investments	112,740	-	60,102	-
	<u>113,894</u>	<u>530,083</u>	<u>60,718</u>	<u>318,139</u>

5 Funding tied to projects

	<u>R\$</u>		<u>US\$</u>	
	2011	2010	2011	2010
Banks	5,612,485	756,092	2,992,049	453,782
Short term investments	360,634	1,057,023	192,256	634,391
	<u>5,973,119</u>	<u>1,813,115</u>	<u>3,184,305</u>	<u>1,088,174</u>

The use of the financial resources tied to projects is restricted to the projects, as provided in the contractual rulings.

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The financial investments refer mainly to certificates of bank deposits and fixed income funds, remunerated at rates that vary between 82% and 97.5% of Interbank Certificates of Deposits (“CDI”).

	<u>R\$</u>		<u>US\$</u>	
	2011	2010	2011	2010
Financial investment fund	359,000	1,046,790	191,385	628,250
Certificated bank deposits	-	8,713	-	5,229
Savings	1,633	1,520	871	912
	<u>360,634</u>	<u>1,057,023</u>	<u>192,256</u>	<u>634,391</u>

Management adopts a conservative policy towards its cash management, investing its available funds in financial investment funds indexed to the CDI, savings and Certificate of Deposits (“CDB”), 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.

6 Advances

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

	<u>R\$</u>		<u>US\$</u>	
	2011	2010	2011	2010
Advances to employees – vacation and 13 th salary	44,739	33,018	23,851	19,816
Advances to suppliers	117,568	93,896	62,676	56,353
Advances to project partners (a)	40,420	6,627	21,548	3,977
Travel advances	80,898	58,574	43,127	35,154
	<u>283,625</u>	<u>192,115</u>	<u>151,202</u>	<u>115,301</u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In brazilian Real)

- (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, and accompanying the technical and financial execution of such. At December 31, 2011, IMAZON reported obligations for transfers with the following institutions:

Donator	Partner	R\$		US\$	
		2011	2010	2011	2010
WRI - World Resources Institute's	ICV	40,420	6,183	21,548	3,711
Gordon and Betty Moore Foundation	IMAFLOA	-	444	-	266
		<u>40,420</u>	<u>6,627</u>	<u>21,548</u>	<u>3,977</u>

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Notes to the financial statements

(In Brazilian Real)

7 Property, plant and equipment

	R\$				US\$			
	12/31/2010	Additions	Disposals	12/31/2011	12/31/2010	Additions	Disposals	12/31/2011
Changes in cost								
Improvements and facilities	227,437	82,075	(350)	309,162	136,500	43,755	(187)	164,816
Vehicles	63,005	118,068	(9,005)	172,068	37,814	62,943	(4,801)	91,730
Machinery and equipment	165,314	106,932	(31,892)	240,354	99,216	57,006	(17,002)	128,136
Communication equipment	88,637	5,193	-	93,830	53,197	2,768	-	50,021
Computer equipment	1,449,437	173,850	(71,125)	1,552,162	869,906	92,680	(37,917)	827,467
Furniture and fixtures	258,006	73,153	(12,042)	319,117	154,847	38,998	(6,420)	170,123
	<u>2,251,836</u>	<u>559,271</u>	<u>(124,414)</u>	<u>2,686,693</u>	<u>1,351,480</u>	<u>298,150</u>	<u>(66,327)</u>	<u>1,432,293</u>
Changes in depreciation	Rates p.a.							
Improvements and facilities	4 a 17%	(15,074)	(13,549)	74	(28,549)	(9,047)	39	(15,220)
Vehicles	20%	(15,180)	(35,343)	7,198	(43,325)	(9,111)	3,837	(23,097)
Machinery and equipment	9 a 17%	(59,028)	(24,110)	18,188	(64,950)	(35,427)	9,696	(34,625)
Communication equipment	10 a 20%	(18,872)	(13,379)	-	(32,251)	(11,326)	-	(17,193)
Computer equipment	9 a 50%	(794,668)	(211,722)	58,340	(948,051)	(476,934)	31,101	(505,412)
Furniture and fixtures	9 a 20%	(58,059)	(45,959)	6,313	(97,704)	(34,845)	3,365	(52,087)
		<u>(960,881)</u>	<u>(344,062)</u>	<u>90,113</u>	<u>(1,214,830)</u>	<u>(576,690)</u>	<u>48,038</u>	<u>(647,634)</u>
		<u>1,290,955</u>	<u>215,209</u>	<u>(34,301)</u>	<u>1,471,863</u>	<u>774,790</u>	<u>(18,289)</u>	<u>784,659</u>

Useful lives and depreciation rates

The economic useful lives of assets with restrictions on their use are correspondent to the duration of the project. Since these assets are acquired only for use in these projects, and are not characterized as “maintaining the Institute’s activities or used for this purpose, including those arising from operations that transfer benefits to them”. If is possible at most to attribute control of the assets to the Institute.

The Institute has to account for donators, and, in general, this involves providing evidence of the acquisition and actual use of each asset included in each project that receives a specific donation. This requirement reinforces the fact that the economic useful lives of the assets are tied to the duration of the project.

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8 Intangible

	Amortization rate % p.a.	R\$			US\$		
		12/31/2010	Additons	12/31/2011	12/31/2010	Additons	12/31/2011
Software	20%	1,214,011	717,518	1,931,529	-	382,513	1,029,709
Patents and brands registered	undefined	845	-	845	-	-	451
Amortization		(560,837)	(256,114)	(816,951)	(336,597)	(136,536)	(435,521)
		<u>654,019</u>	<u>461,404</u>	<u>1,115,423</u>	<u>392,521</u>	<u>245,977</u>	<u>594,639</u>
		R\$			US\$		
	Amortization rate p.a.	12/31/2010	Additons	12/31/2011	12/31/2010	Additons	12/31/2011
<i>Assets with restricted use</i>							
Software	20%	467,376	717,033	1,184,409	280,504	382,255	631,415
Amortization		(104,042)	(145,880)	(249,922)	(62,443)	(77,769)	(133,235)
		<u>363,334</u>	<u>571,153</u>	<u>934,487</u>	<u>218,061</u>	<u>304,486</u>	<u>498,180</u>

9 Labor and social security charges

	R\$		US\$	
	2011	2010	2011	2010
Provisions for vacation and social security charges	684,830	689,882	365,087	414,045
Others	18,711	20,817	9,975	12,494
	<u>703,541</u>	<u>710,699</u>	<u>375,062</u>	<u>426,539</u>

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10 Advances received

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, and accompanying the technical and financial execution of such. At December 31, 2011 e 2010, the Institute had obligations to transfer with the European Union (FASE - partnership with the institution), amounting to R\$45,751. There were no transactions during 2011.

11 Liabilities from project fund

Refers to funds received from covenants, agreements and contracts that have specific purposes linked to the execution of projects.

	<u>RS</u>		<u>US\$</u>	
	2011	2010	2011	2010
Opening balance	2,862,176	3,453,264	1,525,843	2,072,539
Funds receive	16,405,054	9,566,990	8,745,631	5,741,802
(-)salaries, charges and benefits from the project	<u>(8,096,751)</u>	<u>(6,711,226)</u>	<u>(4,316,426)</u>	<u>(4,027,864)</u>
	<u>11,170,479</u>	<u>6,309,028</u>	<u>5,955,048</u>	<u>3,786,477</u>
Other spending project management:				
Consulting and services	(682,917)	(694,343)	(364,067)	(416,722)
Travel expenses	(919,638)	(819,920)	(490,264)	(492,090)
Publications / Advertising / Events	(413,167)	(377,344)	(220,262)	(226,470)
Maintenance expenses	(55,304)	(48,386)	(29,483)	(29,040)
Rents	(382,740)	(266,018)	(204,041)	(159,656)
Utilities and services	(311,815)	(262,363)	(166,230)	(157,462)
Freights	(2,107)	(958)	(1,123)	(575)

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	R\$		US\$	
	2011	2010	2011	2010
Other canteen expenses	(28,787)	(43,933)	(15,347)	(26,367)
Taxes	(127,621)	(218,371)	(68,036)	(131,059)
Financial income	85,283	136,351	45,465	81,834
Financial expenses	(70,428)	(102,342)	(37,546)	(61,422)
Insurance expense	(32,676)	(27,458)	(17,420)	(16,479)
Communication charges	(248,841)	(312,280)	(132,659)	(187,420)
Materials	(80,733)	(65,337)	(43,039)	(39,213)
Other operational expenses	(46)	(4,209)	(25)	(2,526)
Depreciation (a)	(275,959)	(139,356)	(147,115)	(83,637)
Investments	(26,184)	(200,585)	(13,959)	(120,385)
Total project management costs	<u>(3,573,680)</u>	<u>(3,446,852)</u>	<u>(1,905,151)</u>	<u>(2,068,689)</u>
Closing balance	<u>7,596,799</u>	<u>2,862,176</u>	<u>4,049,898</u>	<u>1,717,787</u>

(a) Given that the economic useful lives of “assets with restricted use” are tied to the duration of the contract, it was concluded that there is no reason to recognize the depreciation charge from these assets to the Institute’s profit or loss. Therefore, the depreciation charges on these assets have been recorded as a deduction against the account “liabilities from project funds”.

12 Legal processes and contingencies

The Institute is not party to any legal processes or administrative processes with any government bodies or courts, involving labor questions or civil aspects or other issues. Thus, the Management did not consider necessary to record a provision for contingencies.

13 Related parties

Remuneration of key management staff

Remuneration of key management staff, including salaries, fees and short term variable benefits amounted to R\$ 605,966 in 2011 (R\$ 418,488 in 2010).

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14 Equity

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

Accumulated superavits / deficits

Refers to the superavit ou deficit for the current year. After the amount has been approved by the Director and Fiscal Statutory Counsels, it is incorporated to the Institute's equity to be reinvested in social actions or absorbed by prior year balance, as provided in the Statutes.

15 Income

	<u>RS</u>		<u>US\$</u>	
	2011	2010	2011	2010
Management fee for projects and programs (I)	2,658,647	2,617,801	1,417,341	1,571,121
Income from services rendered	492,434	981,959	262,519	589,340
Deductions			-	-
COFINS – Social Security Contribution	(14,773)	(29,459)	(7,876)	(17,680)
ISS – Services Tax	(24,622)	(49,098)	(13,126)	(29,468)
Discounts	(1,200)	(1,845)	(640)	(1,107)
Net income	<u>3,110,486</u>	<u>3,519,358</u>	<u>1,658,218</u>	<u>2,112,206</u>

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(I) Management fee of projects and programs

Descrição	Notes	Global amount	Start date	Term	Rate	R\$		US\$	
						2011	2010	2011	2010
BNDES – Amazônia Fund (i)	(a)	\$9,736,473	7/29/2010	3years	0%	784,042	-	417,977	-
Vale Association for Sustainable Development (ii)	(b)	\$4,432,709	11/1/2011	1year	15%	722,458	960,032	385,147	576,181
Gordon and Betty Moore Foundation (ii)	(c)	US\$1,149,009	8/1/2010	1year	13%	216,656	294,684	115,501	176,860
Climate Works Foundations(ii) - Monit. desmat. na AM em municípios "hotspot"	(d)	US\$494,628	7/2/2010	2years	15%	165,202	134,326	88,070	80,618
Pórticus Latin América - Pórticus Áreas Protegidas 2	(e)	EUR150,000	7/6/2011	1year	19%	86,533	-	46,131	-
Skoll Foundation (ii)	(f)	US\$765,000	1/3/2010	3years	8%	67,269	188,506	35,861	113,135
Vale Association for Sustainable Development (ii) - Vale Pecuária Fund (ii)		\$1,718,458	6/1/2011	1year	15%	63,171	-	33,677	-
WRI - World Resources Institute's - Subcontrato NORAD		US\$300,000	8/1/2009	22months	10%	58,328	116,490	31,095	69,914
Pórticus Latin América - Pórticus Municípios Verdes 2		EUR180,000	8/25/2011	1year	19%	56,464	-	30,101	-
US Depart of Agriculture Forest Service (i)		US\$142,000	2/13/2008	8months	24%	55,912	56,836	29,807	34,111
Vale Association for Sustainable Development (ii)- Vale Calha Norte Fund (ii)		\$1,995,291	6/1/2011	1year	15%	47,768	-	25,465	-
European Union / IEB (ii)		EUR650,367	1/1/2009	4years	7%	45,618	186,433	24,319	111,891
Ford foundation - Brazil office- Regul. Fundiária P		US\$200,000	12/1/2010	2years	15%	39,070	-	20,828	-
Pórticus Latin América - Public free protected areas - Calha Norte (ii)		EUR70,000	11/17/2010	1year	20%	28,066	4,494	14,962	2,697
Avina Américas foundation (ii) - Centro de Geotecnologia do Imazon (CGI)		US\$110,335	7/19/2010	2years	17%	27,133	30,943	14,465	18,571
British Embassy - PPy BRA 1013 (i)		£174,180	9/30/2011	2years	0%	25,094	-	13,378	-
Avina Panamá Foundation - ARA Avina Danielle		US\$57,729	9/1/2010	1year	17%	24,223	-	12,913	-
Pórticus Latin América - Pórticus Municípios Verdes 3		US\$400,000	11/24/2011	1year	19%	21,291	-	11,350	-
Climate Works Foundation (ii) - PIB Desmatamento		US\$80,225	8/1/2011	5months	15%	20,559	-	10,960	-
Pórticus Latin América - Pórticus CGI		EUR74,000	9/21/2011	1year	19%	16,157	-	8,613	-
Pórticus Latin América - Livro Áreas Protegidas na Amazônia (ii)		EUR75,000	9/8/2010	1year	18%	14,183	22,106	7,561	13,267
Avina Américas Foundations (ii) - Objetivos do Milênio & Municípios Verdes		US\$132,000	4/15/2010	2years	17%	10,764	40,483	5,738	24,297
Gordon and Betty Moore Foundation - Moore 4 (ii)		US\$2,159,305	11/9/2011	2years	13%	8,935	-	4,763	-
Ford foundation - Brazil office- Regul. Fundiária PA (ii)		US\$100,000	5/1/2010	1year	15%	7,960	21,040	4,244	12,628
Pórticus Latin América - Trein Habil Norte PA/AP - Não Madeireiros		EUR70,000	11/17/2010	1year	19%	6,683	8,075	3,563	4,846
Avina Panamá Foundation - ARA Avina Mariana		\$38,000	4/1/2011	1year	17%	6,386	-	3,404	-
USAID / IEB (i)		US\$890,341	10/1/2006	5years	0%	6,112	135,549	3,258	81,352
WRI - World Resources Institute's - WRI André		US\$10,000	6/15/2011	1year	10%	4,349	-	2,318	-
Hobart & William Smith Colleges (i)		US\$53,700	8/15/2008	3years	0%	3,815	-	2,034	-
CI - Conservation International Foundation (iii)		US\$19,964	6/1/2008	5months	24%	2,854	29,802	1,521	17,886
Avina Américas Foundation (ii) - Strengthening of Forum for the Sustainable Amazon		US\$67,200	4/15/2010	2years	17%	2,645	20,259	1,410	12,159
Avina Américas Foundation (ii) - Avina Municípios Verdes - Beto		US\$114,650	11/16/2011	1year	17%	2,626	-	1,400	-
Avina Américas Foundation (ii) - Avina CGI Pan-Amazônia		US\$40,000	10/12/2011	1year	17%	2,079	-	1,108	-
Ford foundation - Brazil office- Regul. Fundiária PA (ii)		US\$350,000	10/1/2009	25months	9%	1,955	45,777	1,043	27,474
WRI - World Resources Institute's - WRI GBFF		US\$88,986	6/1/2010	3years	10%	1,078	-	575	-
British Embassy (ii) - Defra Fundiário_Brenda		£112,796,66	8/1/2009	2years	10%	919	82,821	490	49,707
South Dakota State University (iii)		US\$122,000	6/1/2008	2years	24%	907	15,001	484	9,003
GTZ - Cooperação Alemã para Desenvolvimento (ii)		\$182,754	6/1/2009	17months	11%	553	17,224	295	10,337
Pórticus Latin América - Pórticus Bolsa Sãmia		EUR34,770	1/10/2011	1year	19%	407	-	217	-
Avina Panamá Foundation - ARA Avina Mariana/Daniel		\$3,421	7/1/2011	1year	17%	343	-	186	-
Avina Américas Foundation (ii) - Avina Plataforma Revela		US\$15,000	10/1/2011	3months	17%	165	-	88	-
Pórticus Latin América - Apoio à Red.do Desmatam.Munic. da Amazônia (iii)		EUR70,000	3/16/2010	1year	24%	45	44,619	24	26,779
TNC - The Nature Conservancy (iii)		US\$119,307	11/14/2008	13months	24%	30	-	16	-
David and Lucile Packard Foundation (ii)		US\$500,000	4/1/2009	1year	15%	-	103,695	-	62,234
Sebrae Amazonas (i)		\$156,200	5/27/2009	17months	0%	-	14,509	-	8,708
Blue Moon Foundation (ii)		US\$200,000	9/1/2008	2years	13%	-	13,732	-	8,242
Others (i)						1,840	30,365	981	18,224
						<u>2,658,647</u>	<u>2,617,801</u>	<u>1,417,341</u>	<u>1,571,121</u>

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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 Skoll Foundation

International award for social enterprising - Imazon.

d International Institute for Education in Brazil – IEB

A 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.

e USAID - IEB

Financial assistance granted within the ambit of the Initiative to Conserve the Amazon Basin of USAID and entitled "Challenging the advances of the deforesting frontier: Strengthening local institutions aimed at social justice and sustainable living conditions in the Brazilian Amazon".

f Climate Works Foundation

Monitoring and Deforesting in the Amazon in municipalities considered "hotspots".

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16 Salaries and social security charges

	RS		US\$	
	2011	2010	2011	2010
Salaries	637,242	551,373	339,717	330,916
INSS	227,605	168,293	121,338	101,004
Vacation	75,428	72,520	40,211	43,524
FGTS	72,799	69,065	38,810	41,451
Medical assistance	91,102	59,308	48,567	35,595
13th salaries	65,147	55,364	34,730	33,228
Meal tickets	91,129	51,582	48,581	30,958
Bonus	31,309	41,824	16,691	25,101
PIS	12,532	39,077	6,681	23,453
Bonuses	42,696	37,981	22,761	22,795
Life insurance	25,003	14,362	13,329	8,620
Training	956	4,410	510	2,647
Transport tickets	1,664	2,745	887	1,647
Medical examinations and medicines	11,785	1,283	6,283	770
Trainee remuneration	639	643	341	386
Uniforms	110	592	59	355
Daily	5,863	-	3,126	-
Warning / Indemnities	3,266	-	1,741	-
Penalty rescissory	1,404	-	748	-
	<u>1,397,680</u>	<u>1,170,422</u>	<u>745,112</u>	<u>702,450</u>

In 2011, the number of staff employed at the Institute increased. Consequently, the expenses for salaries, social security charges and benefits also increased. At the same time, the costs of services reduced significantly during the same period.

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17 Administrative expenses

	RS		US\$	
	2011	2010	2011	2010
Travel	62,351	23,745	33,240	14,251
Events	27,280	22,319	14,543	13,395
Maintenance	30,231	34,799	16,116	20,885
Rents	354,877	261,712	189,187	157,071
Utilities and services	181,975	156,735	97,012	94,067
Canteen	27,429	43,328	14,623	26,004
Taxes	5,065	29,588	2,700	17,758
Depreciation and amortization	324,218	177,858	172,843	106,745
Insurance	46,524	33,285	24,802	19,977
Communications	169,579	199,760	90,404	119,890
Materials	54,157	46,955	28,871	28,181
Other administrative expenses	47,860	4,638	25,514	2,784
	<u>1,331,546</u>	<u>1,034,722</u>	<u>709,855</u>	<u>621,007</u>

18 Financial income and expenses

	RS		US\$	
	2011	2010	2011	2010
Financial income				
Interest on financial investments	31,299	3,504	16,686	2,103
Exchange variations	537	-	286	-
	<u>32,092</u>	<u>3,903</u>	<u>17,108</u>	<u>2,342</u>
Financial expenses				
Interest and bank charges	(19,678)	(59,626)	(10,490)	(35,786)
IRRF on financial investments	(3,309)	(20,035)	(1,764)	(12,024)
Exchange variations	(27,565)	(1,480)	(14,695)	(888)
	<u>(50,808)</u>	<u>(81,540)</u>	<u>(27,086)</u>	<u>(48,938)</u>
Net financial expenses	<u>(18,716)</u>	<u>(77,637)</u>	<u>(9,978)</u>	<u>(46,595)</u>

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19 Contracts and donation terms

The Institute has contracts and terms for donations signed with partners that guarantee the transfers of funds subsequent to December 31, 2011, as presented below:

Donators/contracting entities	Remittances	Subsequent remittance to 2012	Total
Vale Association for sustainable development	3,954,552	1,744,777	5,699,329
33 Asset Management	100,660	-	100,660
Biofílica Investimentos Ambientais	74,858	-	74,858
Bndes - Banco Nacional De Desen. Econ. E Social	2,999,774	3,160,243	6,160,017
Climate Works Monitoring	900,000	900,000	1,800,000
British Embassy	91,705	-	91,705
British Embassy	231,940	45,173	277,113
Ford Foundation	167,000	-	167,000
Ford Foundation	419,999	210,001	630,000
Avina Panamá Foundation	107,900	-	107,900
Gordon and Betty Moore Foundation	1,440,000	826,749	2,266,749
IEB - Instit. Internacional de Educação do Brasil (CE)	150,000	-	150,000
ISA - Instituto Socioambiental	24,948	-	24,948
Martins Agropecuária S/A		147,882	147,882
Porticus Latin America	948,232	-	948,232
Skoll Foundation	1,920,669	2,613,026	4,533,695
United States Depart.of Agriculture Forest Service	404,750	-	404,750
WRI - World Resources Institute	137,002	45,667	182,669
	<u>14,073,989</u>	<u>9,693,518</u>	<u>23,767,507</u>

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	US\$		
	2011 Remittances	Subsequent to 2011 Remittances	Total
Donators/contracting entities			
Vale Association for sustainable development	2,108,195	930,151	3,038,346
33 Asset Management	53,662	-	53,662
Biofilica Investimentos Ambientais	39,907	-	39,907
Bndes - Banco Nacional De Desen. Econ. E Social	1,599,197	1,684,744	3,283,941
Climate Works Monitoring	479,795	479,795	959,591
British Embassy	48,888	-	48,888
British Embassy	123,649	24,082	147,731
Ford Foundation	89,029	-	89,029
Ford Foundation	223,904	111,953	335,857
Avina Panamá Foundation	57,522	-	57,522
Gordon and Betty Moore Foundation	767,672	440,745	1,208,417
IEB - Instit. Internacional de Educação do Brasil (CE)	79,966	-	79,966
ISA - Instituto Socioambiental	13,300	-	13,300
Martins Agropecuária S/A	-	78,837	78,837
Porticus Latin America	505,508	-	505,508
Skoll Foundation	1,023,920	1,393,020	2,416,939
United States Depart.of Agriculture Forest Service	215,775	-	215,775
WRI - World Resources Institute	73,037	24,345	97,382
	<u>7,502,926</u>	<u>5,167,672</u>	<u>12,670,598</u>

20 Tax benefits and exemptions

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

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

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21 Financial instruments

Credit risk

The book value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date for the financial statements was:

		<u>RS</u>		<u>US\$</u>	
	Note	2011	2010	2011	2010
Cash and cash equivalents					
Cash and bank	4	113,895	530,083	60,718	318,139
Funding tied to projects					
Banks	5	5,612,485	756,092	2,992,049	453,782
Financial investments	5	360,633	1,057,023	192,256	634,391
Other liabilities					
Liabilities from project funding	11	7,596,799	2,862,176	4,049,898	1,717,787

Liquidity risk

Given that an entity's net exposure to operational risk can be measured by its gains compared to expenditure in a strong currency, we have concluded that the Institute's exposure is zero, since it does not spend more than it receives from the foreign currency contracts, i.e., even if the amount received, converted into reais, is less than that provided in the proposal, expenditure is incurred up to the limit of the amount received.

At December 31, 2011, the Institute did not have any foreign currency obligations with third parties.

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Notes to the financial statements

(In brazilian Real)

22 Insurance coverage

The Institute's policy is to contract insurance coverage for assets subject to risks for 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.

At December 31, 2011, insurance coverage of the building which is the registered office of the Institute, amounted to R\$ 3,950,000 against fire, lightening, explosions, smoke and falling aircraft R\$ 103,251 to electronic equipment; and R\$ 158,067 to vehicles.