



**Fundo Brasileiro para a Biodiversidade -
FUNBIO**

**Financial statements
December 31, 2006 and 2005**

(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, 2006 and 2005

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 - 23



KPMG Auditores Independentes
Av. Almirante Barroso, 52 - 4º
20031-000 - Rio de Janeiro, RJ - Brasil
Caixa Postal 2888
20001-970 - Rio de Janeiro, RJ - Brasil

Central Tel 55 (21) 3515-9400
Fax 55 (21) 3515-9000
Internet www.kpmg.com.br

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, 2006 and 2005 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, 2006 and 2005, 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, not required by accounting practices adopted in Brazil 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.

March 16, 2007

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, 2006 and 2005

(In thousands of reais)

Assets	Note	2006	2005	Liabilities	Note	2006	2005
Current assets				Current liabilities			
Cash and banks		3,771	3,292	Suppliers		1,132	1,915
Financial investments	4	55,574	51,224	Labor provisions		617	567
Advances to projects		9	9	Taxes		38	33
Advance to suppliers	5	665	-	Third-party funds related to projects	7	26,165	21,548
Other assets		<u>23</u>	<u>20</u>	Other accounts payable		<u>125</u>	<u>242</u>
		<u>60,042</u>	<u>54,545</u>			<u>28,077</u>	<u>24,305</u>
Non-current assets				Non-current liabilities			
Property, plant and equipment	6	442	511	Funds and reserves	9	<u>17,995</u>	<u>19,926</u>
Intangible assets	6	<u>208</u>	<u>215</u>	Endowment funds	10		
		<u>650</u>	<u>726</u>	Accumulated surplus		13,446	19,368
				Superavit (deficit) for the year		<u>1,174</u>	<u>(8,328)</u>
						<u>14,620</u>	<u>11,040</u>
		<u>60,692</u>	<u>55,271</u>			<u>60,692</u>	<u>55,271</u>

See the accompanying notes to financial statements

Fundo Brasileiro para a Biodiversidade - FUNBIO

Statements of income

Years ended December 31, 2006 and 2005

(In thousands of reais)

	Note	2006	2005
Revenues			
Donations	11	22,842	6,982
Partnership income	12	339	930
Resources repatriated	9	1,931	2,906
Other		<u>-</u>	<u>9</u>
		25,112	10,827
Costs with projects	12	<u>(17,122)</u>	<u>(10,894)</u>
		<u>7,990</u>	<u>(67)</u>
Expenses			
General and administrative expenses	14	(9,139)	(5,232)
Financial expenses		(13,931)	(13,212)
Financial revenues		<u>16,256</u>	<u>10,184</u>
		<u>(6,814)</u>	<u>(8,260)</u>
Other non operating income (expenses)	13	<u>(2)</u>	<u>(1)</u>
Superávit (deficit) for the year		<u>1,174</u>	<u>(8,328)</u>

See the accompanying notes to financial statements.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Statements of changes in endowment funds

Years ended December 31, 2006 and 2005

(In thousands of reais)

	Accumulated surplus	Superávit (déficit) for the year	Total
Balances as of January 1st, 2005	20,798	(1,247)	19,551
Prior year adjustments	(183)	-	(183)
Transfer to accumulated surplus	(1,247)	1,247	-
Déficit for the year	<u>-</u>	<u>(8,328)</u>	<u>(8,328)</u>
Balances as of December 31, 2005	19,368	(8,328)	11,040
Prior year adjustments	2,406	-	2,406
Transfer to accumulated surplus	(8,328)	8,328	-
Superávit for the year	<u>-</u>	<u>1,174</u>	<u>1,174</u>
Balances as of December 31, 2006	<u><u>13,446</u></u>	<u><u>1,174</u></u>	<u><u>14,620</u></u>

See the accompanying notes to financial statements.

Fundo Brasileiro para a Biodiversidade - FUNBIC

Statements of changes in financial position

Years ended December 31, 2006 and 2005

(In thousands of reais)

	2006	2005
Sources of funds operations		
Superávit for the year	1,174	-
Items not affecting working capital:		
Depreciation and amortization	148	-
Prior year adjustments	2,406	-
Residual cost on disposal of fixed assets	<u>2</u>	<u>-</u>
Total source of funds	<u>3,730</u>	<u>-</u>
Application of funds		
Operations:		
Déficit for the year	-	8,328
Items not affecting working capital:		
Depreciation and amortization	-	(138)
Prior year adjustments	-	183
Residual cost on disposal of fixed assets	<u>-</u>	<u>(3)</u>
	-	8,370
Tangible and intangible assets	74	374
Decrease of funds and reserves	<u>1,931</u>	<u>2,906</u>
Total funds applications	<u>2,005</u>	<u>11,650</u>
Increase (decrease) of net working capital	<u>1,725</u>	<u>(11,650)</u>
Changes in net working capital		
Current assets		
At the end of the year	60,042	54,545
At the beginning of the year	<u>54,545</u>	<u>51,148</u>
	<u>5,497</u>	<u>3,397</u>
Current liabilities		
At the end of the year	28,077	24,305
At the beginning of the year	<u>24,305</u>	<u>9,258</u>
	<u>3,772</u>	<u>15,047</u>
	<u>1,725</u>	<u>(11,650)</u>

See the accompanying notes to financial statements.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Statements of cash flows

Years ended December 31, 2006 and 2005

(In thousands of reais)

	2006	2005
Cash flow of operating activities		
Superávit (déficit) for the year	1,174	(8,328)
Adjustments to reconcile the income to cash generated by operating activities:		
Prior year adjustments	2,406	(183)
Depreciation and amortization	2	3
Residual cost on disposal of fixed assets	148	138
	<u>2,216</u>	<u>(6,392)</u>
Assets and liabilities variations		
(Increase) decrease in advances to projects	-	(9)
(Increase) decrease in other assets	(668)	48
Increase (decrease) in suppliers	(784)	1,869
Increase (decrease) in other liabilities	(62)	70
	<u>(1,524)</u>	<u>1,878</u>
Net cash used in operating activities	<u>2,216</u>	<u>(6,392)</u>
Cash flow of investment activities		
Property, plant and equipment acquisitions	(42)	(275)
Deferred expenses	(32)	(99)
	<u>(74)</u>	<u>(374)</u>
Net cash used in investment activities	<u>(74)</u>	<u>(374)</u>
Cash flows of financing activities		
Receipt of project-related funds	4,618	13,108
Increase of funds and reserves	(1,931)	(2,906)
	<u>2,687</u>	<u>10,202</u>
Net cash generated by financing activities	<u>2,687</u>	<u>10,202</u>
Increase in cash and financial investments	<u>4,829</u>	<u>3,436</u>
Increase in cash and financial investments		
At the beginning of the year	54,516	51,080
At the end of the year	59,345	54,516
	<u>4,829</u>	<u>3,436</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) 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.

(iii) 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.

(iv) 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.

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.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

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 non current liabilities account "Funds and reserves".

b. Cash and banks

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

c. Financial investments

The financial investments are valued at cost, plus income accrued up to the balance sheet date.

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. 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.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

f. Property, plant and equipment

Property, plant and equipment are recorded at the cost of acquisition and formation (including interest and other financial charges). Depreciation is calculated using the straight-line method at rates described in Note 6, which take into account the estimated useful lives of the assets.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent 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.

g. Other current assets

Presented at the net realization amount.

h. Current and noncurrent 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.

i. 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.

j. Income and social contribution taxes

As a non-profit, Entity 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 § 2nd, of the article 12 of the above mentioned Law.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

k. 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 § 1st, 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 of 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.

4 Financial investments

	2006	2005
Financial investments in Brazil - Banks	1,598	2,782
Financial investments in Brazil - Unibanco AIG - FAP	868	-
Financial investments abroad - Banks	442	2,655
Financial investments abroad - AIG FUNBIO	27,520	25,645
Financial investments abroad - AIG FAP	<u>25,146</u>	<u>20,142</u>
	<u>55,574</u>	<u>51,224</u>

Financial investments in Brazil refers, 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 12% and 14% p.a.

FAP financial investments in Brazil were sourced by O Boticário and Natura donations at U\$200 each.

The financial investments abroad are composed of time deposit and money market deposit account, with medium taxes of 4.75% p.a. plus exchange variation of the US dollar. They are also composed by applications in securities, international shares and funds with a rate of 16%p.a. (AIG).

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

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, 2006.

	2006	2005	Accumulated
GEF - Global Environment Facility	6,301	4,505	19,411
WWF - World Wide Funds	5,700	1,706	8,454
KfW - Kreditanstalt fur Wiederaufbau	10,498	592	14,702
Income	134	184	421
Exchange variation	<u>(466)</u>	<u>(1,186)</u>	<u>(2,167)</u>
Total funds	<u>22,167</u>	<u>5,801</u>	<u>40,821</u>

The statement of resources applications on cash basis is demonstrated as follows:

	2006	2005	Accumulated
Balance on the statement of expenses eligible in the project			
GEF category:			
Goods of component	88	228	411
Consulting	378	410	1,332
Subprojects for sustainable use	3	5	8
Recurring costs	4,340	4,677	10,099
Special services	2,372	900	3,665
Income generation subprojects	<u>16</u>	<u>32</u>	<u>67</u>
	<u>7,197</u>	<u>6,252</u>	<u>15,582</u>
WWF category:			
Salaries and benefits	1,078	141	1,383
Consulting	1,079	112	1,210
Travel and hotel	780	32	816
Workshops and training courses	220	145	365
Equipment	1,195	554	2,231
Publications and videos	59	65	129
Direct administrative costs	902	238	1,182
Infrastructure	84	22	131
Vehicles	<u>199</u>	<u>-</u>	<u>199</u>

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

	2006	2005	Accumulated
	<u>5,596</u>	<u>1,309</u>	<u>7,646</u>
KfW category:			
Goods	2,857	179	3,036
Consulting	367	126	493
Recurring costs	4,047	1,276	5,323
Special services	1,966	616	2,582
Constructions	<u>912</u>	<u>284</u>	<u>1,196</u>
	<u>10,149</u>	<u>2,481</u>	<u>12,630</u>
Total expenses	<u><u>22,942</u></u>	<u><u>10,042</u></u>	<u><u>35,858</u></u>

The accumulated amounts (regarding to income and application of resources) are demonstrated from the beginning of the project to December 31, 2006.

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

	2006	2005
Balance as of January 1 st	20,142	3,988
Funds provided	3,965	16,793
Income	2,856	347
Exchange variation	(1,723)	(938)
Cost of financial administration	<u>(94)</u>	<u>(48)</u>
Balance as of December 31	<u><u>25,146</u></u>	<u><u>20,142</u></u>

The variance of balances of FAP - Financial Investment Fund kept on Brazil, is demonstrated as follows:

	2006
Balance as of January 1 st	-
Funds provided	841
Income	27
Cost of financial administration	<u>-</u>
Balance as of December 31	<u><u>868</u></u>

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

5 Advances to Suppliers

The balance as of December 31, 2006 is basically composed by projects prepaid expenses for which any goods or services have been delivered until the balance sheet date.

6 Tangible and intangible assets

	<u>2006</u>				<u>2005</u>	
	Depreciation rate % (p.a.)	Cost	Disposals and acquisitions	Depreciation	Residual value	Residual value
Tangible						
Furniture and fixture	10	232	-	(101)	131	145
Machine and equipment	10	148	4	(43)	109	119
Computer equipment	20	<u>427</u>	<u>36</u>	<u>(261)</u>	<u>202</u>	<u>247</u>
Tangible fixed asset		807	40	(405)	442	511
Intangible		<u>286</u>	<u>32</u>	<u>(110)</u>	<u>208</u>	<u>215</u>
Intangible assets		<u>1093</u>	<u>72</u>	<u>(515)</u>	<u>650</u>	<u>726</u>

The intangible fixed assets are basically composed by software licenses.

7 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:

	2006	2005
ARPA (i)	26,135	21,329
Outros projetos	<u>30</u>	<u>219</u>
	<u>26,165</u>	<u>21,548</u>

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

- (i) Protected Areas Fund - FAP of ARPA project, endowment fund, deposited at AIG (asset manager), resulting from initial values donated by GEF/BIRD (US\$750) and WWF - Brazil (US\$750). In 2005, each donor (GEF/BIRD and WWF - Brazil) had contributed with US\$3,490. On 2006 GEF/BIRD donated U\$1,644 and WWF - Brazil - R\$215. The donors Boticário Franchising and Natura Cosméticos S.A.: had donated US\$200 each.

8 Contingencies

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.

9 Funds and reserves

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

	2006	2005
Balance as of January 1 st	19,926	22,832
Incorporation of resources - AIG	<u>(1,931)</u>	<u>(2,906)</u>
Balance as of December 31	<u>17,995</u>	<u>19,926</u>

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

10 Endowment funds

Prior year adjustments are stated below:

	2006	2005
Financial Income compromised with projects and not recognized on prior year	106	-
Reclassification of third-parties funds related to projects (AS-PTA Projects and Instituto Terra em 2006 and Fundação Ford in 2005)	171	183
Write of vacation accrual of employees fired on prior years	38	-
Net financial income derived from long term investments on CDI - AIG	2,078	-
Others	<u>13</u>	<u>-</u>
	<u>2,406</u>	<u>183</u>

11 Donations

	2006	2005
International Bank of Reconstruction and Development - IBRD	6,301	4,505
WWF - World Wide Funds	5,700	1,705
KfW - Kreditanstalt fur Wiederaufbau	10,498	592
Others (i)	<u>343</u>	<u>180</u>
	<u>22,842</u>	<u>6,982</u>

(i) Donation income for institutional and financial support to the event "São Paulo Forum of Climatic Changes and Biodiversity", from AIG Private Bank Ltda. and CEMIG - Companhia Energética de Minas Gerais to set up events for FUNBIO 10 year and of Omnia Minérios Ltd. (Alcoa) to conclude on the sustainable model of Juriti project.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

12 Partnership income and cost with projects

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

Partner	2006		2005	
	Income	Cost	Income	Cost
Fundação Brasileira para Desenvolvimento Sustentável - FBDS/Klabin do Paraná Produtos Florestais	64	726	537	746
Fundação Ford	-	334	-	542
Fundação para o Desenvolvimento Econômico-Rural da Região Centro-Oeste do Paraná - RURECO	6	7	87	94
Assessoria e Serviços a Projetos em Agricultura Alternativa - As-Pta	-	-	-	198
Instituto de Pesquisas Ecológicas - IPÊ	163	326	64	84
Associação Caatinga	102	189	69	138
Programa de Apoio à Produção Sustentável - PAPS – FUNBIO	-	20	-	128
Programa Integrado de Conservação e Uso Sustentável da Biodiversidade - PICUS	-	-	-	245
Fundação Ford - Fundo de ONGs (i)	-	-	141	-
Ecoglobal (ii)	4	216	20	-
Fundep - Fundação e Desenvolvimento de Pesquisa (iii)	-	-	12	-
Custo com Projeto ARPA (iv)	-	15,304	-	8,719
	<u>339</u>	<u>17,122</u>	<u>930</u>	<u>10,894</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 during the event “São Paulo Forum of Climatic Changes and Biodiversity”.
- (iii) Fundep returned their amount regarding the management charge not collected in accordance to the contract.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

(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.

13 Other non-operating income (expenses)

This income (expenses) refer to residual cost of disposal of fixed assets.

14 General and administrative expenses

	2006	2005
Personnel	3,922	3,044
Third-party services	1,353	646
Lease and maintenance	427	374
Travel and hotel	2,536	516
General	832	584
Others	<u>69</u>	<u>68</u>
	<u>9,139</u>	<u>5,232</u>

15 Insurance coverage

The insurance policies in force at December 31, 2006 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.

16 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, 2006 and 2005, the Entity did not perform operations with derivative financial instruments.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial statements

(In thousands of reais)

* * *

Pedro Wilson Leitão Filho
General Secretary

Marina Carlota Amorim Machado
Financial Coordinator

Renata Fares Marinho Alves
Accountant
CRC 091613/O-0