(A free translation of the original in Portuguese)

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Financial statements at December 31, 2012 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

We have audited the accompanying financial statements of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON (the "Institution"), which comprise the balance sheet as at December 31, 2012 and the statements of operations, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON as at December 31, 2012, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Other matters

Audit of prior year information

The original financial statements of the Institution for the year ended December 31, 2011, prepared before the consideration of the adjustments described in Note 3(m), were audited by another firm of auditors whose report, dated May 11, 2012, expressed an unmodified opinion on those statements.

As part of our audit of the financial statements for 2012, we also have audited the adjustments described in Note 3(m) that were made to restate the financial statements for 2011, presented for comparison purposes. In our opinion, these adjustments are appropriate and were correctly recorded. We were not engaged to audit, review or apply any other procedures to the Institution's financial statements for 2011 and, therefore, we do not express any opinion or any form of assurance on the financial statements for 2011 taken as a whole.

Brasília, November 12, 2013

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "S" PA

Fabiano Ricardo Tessitore
Contador CRC 1SP216451/O-1 "S" PA

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Balance sheet at December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	2012	2011 Restated (Note 3(m))	1/1/2011 Restated (Note 3(m))
Current assets			
Cash and cash equivalents (Note 4)	339	114	530
Funds related to projects (Note 5)	7,932	5,973	1,813
Advances (Note 6)	367	300	192
Contract credits and cooperation terms	228		148
Prepaid expenses	36	24	10
	8,902	6,411	2,693
Non-current assets			
Property and equipment (Note 7)	374	417	510
Intangible assets (Note 8)	99	158	255
	473	575	765
Total assets	9,375	6,986	3,458

Liabilities and equity	2012	2011 Restated (Note 3(m))	1/1/2011 Restated (Note 3(m))
Current liabilities			
Trade payables	118	66	81
Payroll charges (Note 9)	1,058	704	711
Tax obligations	40	22	20
Advances received (Note 10)	98	46	45
Obligations with projects funds (Note 11)	7,093	5,153	1,403
	8,407	5,991	2,260
Equity			
Equity	995	1,198	748
Accumulated deficit	(26)	(203)	450
	968	995	1,198
Total liabilities and equity	9,375	6,986	3,458

The accompanying notes are an integral part of these financial statements.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statement of operations
Years ended December 31
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	2012	2011 Restated (Note 3(m))
Finance income, net (Note 15)	4,164	3,110
Costs		
Cost of services rendered	(414)	(461)
Salaries and social charges (Note 16)	(1,627)	(1,398)
Gross surplus	2,123	1,251
Services	(783)	(256)
Administrative expenses (Note 17)	(1,290)	(1,180)
Result before finance costs, net	50	(185)
Finance income (Note 18)	7	32
Finance costs (Note 18)	(83)	(51)
Finance costs, net	(76)	(19)
Deficit for the year	(26)	(203)

The accompanying notes are an integral part of these financial statements.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statement of changes in equity
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Equity	Accumulated surplus (deficit)	Total
At December 31, 2010 (Restated (Note 3(m))	748	450	1,198
Incorporation of surplus (Restated (Note 3(m))	450	(450)	
Deficit for the year (Restated (Note 3(m))		(203)	(203)
At December 31, 2011 (Restated (Note 3(m))	1,198	(203)	995
Incorporation of the deficit	(203)	203	
Deficit for the year		(26)	(26)
At December 31, 2012	995	(26)	968

The accompanying notes are an integral part of these financial statements.

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON

Statement of cash flow
Years ended December 31
All amounts in thousands of reais (A free translation of the original in Portuguese)

	2012	2011 Restated (Note 3(m))
Cash flow from operating activities		
Deficit for the year	(26)	(203)
Adjustments for:		
Depreciation and amortization	138	168
Net book value of property and equipment disposals	8	26
	120	(9)
Changes in assets and liabilities		
(Increase) in funds related to projects	(1,959)	(4,161)
(Increase) in advances	(67)	(98)
(Increase) in prepaid expenses	(12)	(14)
Increase (decrease) in contract credits and cooperation terms	(228)	137
Increase (decrease) in trade payables	52	(15)
Increase (decrease) in social and labor obligations	354	(7)
Increase in taxes payable	17	4
Increase in advances received	52	
Increase in obligations with project funds	1,940	3,750
	149	(404)
Net cash provided by (used in) operating activities	269	(413)
Cash flow from investment activities		
Purchases of property and equipment	(15)	(3)
Purchases of intangible assets	(29)	
Net cash used in investment activities	(44)	(3)
Increase (decrease) in cash and cash equivalents	225	(416)
Cash and cash equivalents at the beginning of the year	114	530
Cash and cash equivalents at the end of the year	339	114

The accompanying notes are an integral part of these financial statements.

1 Operations

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON (the "Institute") is a civil, private legal, not-for-profit and non-commercial entity, which was established on July 10, 1990. The mission of the Institute is to promote the sustainable development of the Amazon region, through study, providing support for the formulation of public policies, extensive dissemination of its results and professional training. Its main objectives are:

- To develop studies and research on the sustainable use of the natural resources in the Amazon region
- To contribute to the effective adoption of sustainable land use and improved quality of life in the Amazon region; and
- To promote educational programs and training courses focused on the sustainable development of the region.

The Institute is commonly referred to as a Non-Governmental Organization (NGO), and its activities are carried out in the academic, cultural and scientific areas, with the purpose of fostering the engagement of Brazilian civil society with sustainable development and biodiversity conservation.

The intrinsic characteristics of the social programs are based on the following main factors: (i) obtaining financial resources to carry out programs through donation contracts and long term international cooperation agreements, and (ii) developing and managing long term programs. The achievement of the goals of the programs is directly related to the long term technical, operational and financial planning and to their governance.

The financial resources received by the Institute are sufficient for the financial management of the programs, considering its planning strategies. The existing strategies guide the ongoing programs, which continued in 2012 and will continue in the future.

For this reason, any surplus or deficit of the programs should not be interpreted as an indication of their feasibility, as these programs are being implemented over the long term, and the Institute's strategic planning considers the totality of the financial resources to be received by it, as well as the timing and manner in which these resources will be spent.

The main risks are related to the Institute's donor base. The Institute's strategic actions are aimed at minimizing these risks through the expansion of this base, through institutional actions, which are guided by the transparency of activities, the use of financial resources, the quality of the projects, the Institute's image within society and to its partners and donors, and the technical expertise of its collaborators.

In order to expand its activities, the Institute is adapting its actions as follows: (i) preparing the strategic plan for each program on a long term basis, without necessarily considering the current fiscal and/or social year, (ii) assuring program governability by programming the activities according to the needs of the projects.

2 Basis of preparation

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements, orientations and guidelines issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC).

The statement of comprehensive income is not being presented, since there are no amounts to be presented therein, because the loss for the year is equal to the comprehensive loss.

The authorization for the conclusion of these financial statements was granted by the Institute's management on November 12, 2013.

2.1 Functional and presentation currency

The financial statements are presented in Brazilian Reais, which is the functional and presentation currency.

2.2 Use of estimates and judgments

The preparation of financial statements in accordance with CPC rules requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and assumptions are regularly reviewed Adjustments to accounting estimates are recognized in the period of the review and any future period affected.

3 Summary of significant accounting policies

The accounting policies described in detail below have been consistently applied to the periods presented in these financial statements.

(a) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies on the balance sheet date are translated into the functional currency using the exchange rate on that date. The foreign exchange differences arising from the translation are recorded in the statement of operations for the period.

(b) Financial instruments

(i) Non-derivative financial assets

The Institute initially recognizes loans and receivables and deposits on the date on which they are originated. All other financial assets are initially recognized on the trade date, when the Institute becomes a party to the underlying contract.

The Institute derecognizes a financial asset when the contractual right to receive cash flow from the asset expires, or when the Institute transfers the right to receive contractual cash flow from a financial asset in a transaction in which essentially all ownership risks and benefits of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legal right to offset the recognized amounts, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized on the trade date when the Institute becomes a party to the underlying contract. The Institute derecognizes a financial liability when its contractual obligations are discharged, canceled or overdue.

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

(c) Cash and cash equivalents

These mainly refer to balances in current accounts and short term, highly liquid financial investments, without a significant risk of changes in value and that are readily convertible into cash.

(d) Property and equipment

(i) Recognition and measurement

The property and equipment of the Institute includes assets acquired through partnership contracts destined exclusively for the execution of projects. These are classified separately in non-current assets as "restricted-use assets".

The restricted-use assets are recorded upon their acquisition and, at this same moment, a reducer account is recorded as a counterpart to a reducer account of the liability with projects funds account.

At the end of the project, the balance of restricted-use plant and equipment is transferred to the property and equipment account of the Institute, and the reducer account of the property and equipment is written-off as a counterpart to donation revenue, since the assets are historically donated to the Institute.

Property and equipment are stated at their historical purchase or construction cost less accumulated depreciation and accumulated impairment losses, if any.

Historical cost includes expenditure directly attributable to the acquisition of the asset.

Gains and losses on the disposal of property and equipment items are calculated by comparing the proceeds from the disposal and the carrying amount of the item, and are recorded in other income in the statement of operations.

(ii) Subsequent costs

The replacement cost of a component of a property and equipment item is recognized at its carrying amount if it is probable that the economic benefits of a component will flow to the Institute and its cost can be reliably measured. The carrying amount of the replaced component is written off.
The costs incurred for the maintenance of property and equipment are recognized in the statement of operations as incurred.

(e) Intangible assets

Refers to software acquired by the Institute, which has been amortized over its estimated useful life, at the rates described in Note 6. Trademarks and patents are also presented in Intangible assets, and they have indefinite useful life.

Restricted-use assets are recorded upon acquisition and, at this same moment, a reducer account is recorded as a counterparty to a reducer account of the liability with projects funds account.

At the end of the project, the balance of restricted-use intangible assets is transferred to the intangible assets account of the Institute, and the reducer account of the intangible assets is written-off as a counterparty to donation revenue, since the assets are historically donated to the Institute.

Intangible assets are stated at their historical purchase or construction cost, less accumulated amortization and any accumulated impairment losses.

Historical cost includes expenditure directly attributable to the acquisition of assets.

Gains and losses on the disposal of intangible assets are calculated by comparing the proceeds from disposal and the carrying amount of the item, and are recorded in other income in the statement of operations.

(f) Depreciation and amortization

Depreciation/amortization is calculated based on the depreciable/repayable amount, which is the cost or deemed cost of an asset, during the term of the asset's useful life.
Depreciation/amortization of the Institute's assets is recognized using the straight line method based on the estimated useful life of each asset, since this is the method that best reflects the consumption of the future economic benefits incorporated in the asset.

Depreciation/amortization of assets destined exclusively for the execution of projects is recorded against the reducer account of property and equipment/intangible assets, established at the time of recording of the restricted property and equipment/intangible assets, using the straight line method, over the estimated useful lives of the property and equipment/intangible assets.

Land is not depreciated.

The estimated useful lives for the current and comparative periods are presented in Notes 7 and 8.

The depreciation/amortization methods, residual values and useful lives are reviewed at the end of each reporting period, and any adjustments are recognized as changes in accounting estimates.

(g) Impairment

The carrying amounts of the non-financial assets of the Institute are reviewed at each balance sheet date in order to assess whether there is any impairment loss. Should there be any such indication, the recoverability of the asset will be determined. The recoverable amount of an asset is considered as the higher of the value in use and the fair value, less selling expenses. An impairment loss is recognized at the amount by which an asset's carrying amount exceeds its recoverable amount. Impairment, when it exists, is recognized in the statement of operations.

Management did not identify any situation that indicates an impairment loss on its non-financial assets. Therefore, it was not necessary to estimate the recoverable amount of the assets.

(h) Employee benefits

Obligations for short term benefits provided to employees are measured on an undiscounted basis and are charged to expenses as the related services are rendered by the employees.

(i) Provisions

Provisions are recognized when the Institute has a present legal or constructive obligation as a result of past events that can be reliably estimated, and it is probable that an outflow of resources will be required to settle the obligation.

(j) Operating income

Services rendered

The revenue from services rendered is recognized in the statement of operations based on the service conclusion stage at the presentation date of the financial statements. The conclusion stage is evaluated through the research of work carried out.

Management fee

Management fee revenue is recognized in the statement of operations based on the management expenses incurred up to the limits established by the project contracts.

(k) Donations and subsidies received

Subsidies are recognized in the statement of operations as revenue during the period, and reconciled with the expenses that they are intended to offset, on a systematic basis, as long as there is reasonable assurance that the Institute will meet all of the conditions established. Donation and government subsidy revenue are recognized upon receipt, and therefore they are only admitted in cases in which there is no basis of allocation during the benefitted periods.

All amounts in thousands of reais unless otherwise stated

(l) Obligations with projects funds

Obligations with project funds are recorded upon receipt of the funds from the creditors and written-off upon the occurrence of the expenditure referring to the respective projects, which is recorded on an accruals basis.

(m) Restatement of comparative figures

In 2012, prior year adjustments were identified related to the correction of errors in the calculation and recognition of depreciation and amortization expenses on fixed assets, amounting to R$ 431, of which R$ 152 refers to the year 2011 and R$ 279 to earlier years. This correction affected the current liabilities as at December 31, 2011 and January 1, 2011 at R$ 2,443 and R$ 1,459, respectively. The financial statements at December 31 and January 1, 2011, presented for comparison purposes, were adjusted and are being restated.

The effects of this restatement are as follow:

	December 31, 2011			January 1, 2011		
	Adjusted amount	**Adjustment**	**Restated**	**Adjusted amount**	**Adjustment**	**Restated**
Assets						
Current assets	6,411		6,411	2,693		2,693
Non-current assets	2,587	(2,012)	575	1,945	(1,180)	765
Total assets	8,998	(2,012)	6,986	4,638	(1,180)	3,458
Liabilities and equity						
Current liabilities	8,434	(2,443)	5,991	3,719	(1,459)	2,260
Non-current liabilities						
Equity	564	431	995	919	279	1,198
Total liabilities and equity	8,998	(2,012)	6,986	4,638	(1,180)	3,458

	December 31, 2011		
	Adjusted amount	**Adjustment**	**Restated**
Result			
Net revenue	3,110		3,110
Costs	(1,858)		(1,858)
Operating expenses	(1,588)	152	(1,436)
Finance costs, net	(19)		(19)
Surplus (deficit) for the year	(355)	152	(203)

In the statement of cash flow, the adjustments were made to the following lines:

	December 31, 2011		
	Adjusted amount	**Adjustment**	**Restated**
Deficit for the year	(355)	152	(203)
Depreciation and amortization	600	(432)	168
Net book value of property and equipment disposals	34	(8)	26
Changes in assets and liabilities	581	(985)	(404)
Net cash used in investment activities	(1,276)	1,273	(3)

All amounts in thousands of reais unless otherwise stated

4 Cash and cash equivalents

	2012	2011
Unrestricted financial funds		
Fixed funds	1	1
Banks	9	1
Financial investments	329	112
	339	114

5 Funds linked to projects

	2012	2011
Banks	1,731	5,612
Financial investments	6,201	361
	7,932	5,973

The financial funds linked to projects are restricted to investments in projects, in accordance with the contractual provisions.

Financial investments substantially comprise Bank Deposit Certificates (CDB) and fixed-income funds. They earn interest at 100% of the Interbank Deposit Certificate (CDI) rate.

	2012	2011
Financial investment funds		359
Bank Deposit Certificates	6,198	
Savings accounts	3	2
	6,201	361

Management adopts a conservative cash management policy and invests available resources with first-rate Brazilian financial institutions, in financial investment funds linked to the Interbank Deposit Certificate (CDI), in savings accounts and in Bank Deposit Certificates (CDBs) redeemable in the short term, whenever permitted by the donors.

The revenue arising from financial investments linked to projects is recorded in liabilities, together with the proceeds from the projects. The revenue arising from the Institute's funds is recorded in the statement of operations, as finance income.

All amounts in thousands of reais unless otherwise stated

6 Advances

This balance comprises advances made to employees, suppliers and partners, as follow:

	2012	2011
Advances to employees - vacation pay and 13th month's salary	109	45
Advances to suppliers	144	117
Advances to project partners		40
Loans to employees	5	5
Reimbursements to other entities	38	12
Travel advances	71	81
	367	300

7 Property and equipment

	Rates p.a.	2011 Restated (Note 3(m))	Additions	Disposals	2012
Changes in cost					
Improvements and facilities		203			203
Machinery and equipment		102	1	(1)	102
Communications equipment		13	3		16
IT equipment		675	10	(14)	671
Furniture and fittings		105	1	(9)	97
		1,098	15	(24)	1,089
Changes in depreciation					
Improvements and facilities	2.5%	(11)	(4)		(15)
Machinery and equipment	10%	(44)	(9)	1	(52)
Communication equipment	10%	(5)	(1)		(6)
IT equipment	20 to 50%	(570)	(21)	12	(579)
Furniture and fittings	20%	(51)	(15)	3	(63)
		(681)	(50)	16	(715)
		417	(35)	(8)	374

All amounts in thousands of reais unless otherwise stated

Restricted-use assets

	Rates p.a.	2011 Restated (Note 3(m))	Additions	Disposals	2012
Changes in cost					
Improvements and facilities		108			108
Vehicles		172			172
Machinery and equipment		80	5		85
Communications equipment		108	18		126
IT equipment		886	177	(20)	1,043
Furniture and fittings		235	2		237
		1,589	202	(20)	1,771
Changes in depreciation					
Improvements and facilities	2.5%	(3)	(3)		(6)
Vehicles	10%	(13)	(17)		(30)
Machinery and equipment	10%	(11)	(8)		(19)
Communications equipment	10%	(17)	(12)		(29)
IT equipment	20 to 50%	(492)	(185)	18	(659)
Furniture and fittings	20%	(59)	(46)		(105)
		(595)	(271)	18	(848)
		994	(69)	(2)	923
Property and equipment with and without restriction		1,411	(104)	(10)	1,297
Reducer of the property and equipment with restriction (Note 3(d))		(994)	69	2	(923)
Property and equipment, net		417	(35)	(8)	374

Useful lives and depreciation rates

Restricted-use assets have as their estimated useful life the length of duration of the asset. This occurs because, although the assets are acquired only for use in the projects, and they do not have as a characteristic the maintenance of the activities of the Institute or they are not exercised with this purpose, at the end of the projects, historically, these assets are donated to the Institute and invested for administrative purposes.

The Institute has control of the assets up to the end of the project, when the asset's residual balance, maintained in a liability account of the project, is transferred to donation revenue (Note 3(d)).

The accountability of the Institute to its creditors normally requires proof of the acquisition and effective use of the assets established in each project which receives a specific allowance.

All amounts in thousands of reais unless otherwise stated

8 Intangible assets

	Amortization rate % - p.a.	12/31/2011 Restated (Note 3(m))	Additions	12/31/2012
Software	20%	535	29	564
Trademarks and patents	indefinite	1		1
Amortization		(378)	(88)	(466)
		158	(59)	99

Restricted-use assets	Amortization rate % - p.a.	12/31/2011 Restated (Note 3(m))	Additions	12/31/2012
Software	20%	1,397	445	1,842
Amortization		(440)	(291)	(731)
		957	154	1,111
Intangible assets with and without restrictions		1,115	95	1,210
Reducer of the restricted intangible assets		(957)	(154)	(1,111)
Net intangible assets		158	(59)	99

9 Salaries and social charges

	2012	2011
Provisions for vacation pay and social charges	759	685
Social security charges payable	269	
Other	30	19
	1,058	704

10 Advances received

Research sponsors have adopted the utilization of a "Consortium", where a group of research institutions is formed, and one is appointed as the lead institution. The lead institution assumes all the rights and obligations of the Consortium before the Sponsor. One of the obligations of the leader is to receive the full amount of the research resources and to distribute the previously agreed amounts to the Consortium partners. The leader also monitors the technical and financial use of the resources. At December 31, the Institute had advances and pass-through obligations to the following institutions:

All amounts in thousands of reais unless otherwise stated

	Partners	2012	2011
Advances from partners	FASE		46
Advances from customers	Fundação Vale	98	
		98	46

11 Obligations with projects funds

The funds arising from partnerships, contracts and agreements which have a specific destination linked to the carrying out of the projects are recorded upon receipt in the account "Obligations related to project funds - proceeds", in current liabilities. The respective realized expenditure is recorded in the same group, in the account "Outflow of resources", in the reducer account of liabilities. The Institute's indirect costs are apportioned between the projects based on the budget of each partnership, contract and agreement, in accordance with their relevance. All expenditure is segregated by donor, based on the utilization of human and material resources for each donor. No cost transfers are made between donors.

	2012	2011 Restated (Note 3(m))
Opening balance	5,153	665
Receipts	15,366	16,406
(-) Salaries, charges and benefits of the projects	(8,576)	(8,097)
	11,943	6,974
Consultancy and services	(1,655)	(683)
Property and equipment	(647)	(548)
Travel expenses	(916)	(919)
Publication, advertising and events	(288)	(413)
Expenses for maintenance	(37)	(55)
Rentals	(422)	(383)
Utilities and services	(295)	(312)
Freight		(2)
Other expenditure related to cafeteria	(61)	(29)
Taxes and fees	(109)	(127)
Finance income	275	85
Finance costs	(91)	(70)
Insurance	(38)	(32)
Communications expenses	(272)	(248)
Expenses for materials	(73)	(81)
Other operating expenses	(1)	
Costs for CGI training services	(219)	(4)
Total project management expenditure	(4,851)	(3,821)
Closing balance	7,093	5,153

All amounts in thousands of reais unless otherwise stated

Due to the relation of the restricted-use assets to the projects, the Institute concluded that it is not necessary to recognize depreciation and amortization expenses for these assets in the statement of operations of the Institute, and therefore the related depreciation and amortization are recorded with the write-off of the liabilities of the project "obligations with projects funds". At the end of the project, the residual value of the asset is written off the liabilities of the project against the donation revenue, and the asset is transferred to unrestricted fixed assets.

12 Litigation and contingencies

The Institute does not have outstanding judicial and administrative proceedings in court or with government bodies, involving labor, civil or other matters.

13 Related parties

The remuneration of the key management personnel including salaries, fees and variable short term benefits totaled R$ 847 in the year ended December 31, 2012 (R$ 606 in 2011).

14 Equity

(a) Equity

The Institute's capital is altered based on the incorporation of the surplus and/or absorption of the deficit for each year, after the approval of the Audit Committee and Management.

(b) Accumulated deficit

Refers to the deficit for the current year. After the approval by the statutory Audit Committee and Management, these amounts are incorporated into the Institute's equity.

15 Revenue

	2012	2011
Administrative rate of projects and programs (i)	3,558	2,659
Sundry revenue	46	
Services rendered	609	492
Deductions		
Social Contribution on Revenue (COFINS)	(18)	(15)
Services Tax (ISS)	(31)	(25)
Rebates		(1)
Net revenue	4,164	3,110

(i) Administrative fees have the following characteristics:

- Fees not forecast - in this case, the donor permits the allocation of certain expenses, which are recorded as "Other direct and indirect costs"
- Mixed fees - these fees are forecast in the contracts together with the specification of certain expenses recorded in "Other direct and indirect costs", and
- Forecast fees - administrative costs charged only through the "overhead" rate.

Within each project, there is flexibility to utilize resources in excess of the amount forecast in the categories of approximately 10%, a rate usually accepted by the financing agents. This flexible rate is permitted providing that it does not exceed the amount budgeted for the project. The time schedules of the projects may differs from the fiscal year. Consequently, there may be situations in which a fiscal year includes two financing periods of the same project.

Notes on the administrative rates:

(a) Associação Vale para o Desenvolvimento Sustentável (Sustainable Development Vale Association

Sustainable Amazon Project (Projeto Amazônia Sustentável): Monitoring of the Amazon, support to the consolidation of the state conservation units of the channel North of Pará and to the Paragominas município Verde (green city) initiative.

(b) Gordon and Betty Moore Foundation

Contract for the preservation and conservation of National Forests through the use of mapping systems and identification of areas of conservation.

(c) Skoll Foundation

International award for the social entrepreneurship of IMAZON.

(d) Instituto Internacional de Educação do Brasil - IEB (International Institute of Education of Brazil)

Sub-donation agreement, derived from the donation contract between the European Community and the IEB, for the implementation of the forest borders project: Promoting the social and environmental inclusion of the populations in zones of occupation of the Brazilian Amazon through the land management and adoption of practices of sustainable handling of forest resources.

(e) USAID - IEB

Financial assistance granted as part of the Initiative of Conservation of the Amazon Basin of the USAID named "Challenging the advance of the forest clearing border: Strengthening local institutions aiming at social justice and sustainable living environments in the Brazilian Amazon" (Desafiando o avanço da fronteira de desmatamento: Fortalecendo instituições locais visando à justiça social e meios de vida sustentáveis na Amazônia brasileira).

(f) Climate Works Foundation

Monitoring and forest clearing in the Amazon in hotspot municipalities.

All amounts in thousands of reais unless otherwise stated

16 Salaries and payroll charges

	2012	2011
Salaries	667	637
National Institute of Social Security (INSS)	280	228
Meal voucher	119	91
Health care	116	91
Government Severance Indemnity Fund for Employees (FGTS)	85	73
Vacation pay	81	75
13th month salary	77	65
Bonuses	73	31
Bonuses	68	43
Other	61	65
	1,627	1,398

17 Administrative expenses

	2012	2011 Restated
Travels	62	62
Events	28	27
Maintenance	34	30
Rent	371	355
Utilities and services	182	182
Cafeteria	60	27
Taxes and fees	106	5
Depreciation and amortization	139	172
Insurance	60	47
Communication s	181	170
Materials	53	54
Other administrative expenses	13	48
	1,290	1,180

18 Finance income and costs

	2012	2011
Finance income		
Interest on financial investments	7	31
Exchange variation		1
	7	32
Finance costs		
Bank interest and expenses	(52)	(20)
Withholding tax (IRRF) on financial investments	(7)	(3)
Tax on Financial Transactions (IOF)	(23)	(28)
Exchange variation	(1)	
	(83)	(51)
Finance costs, net	(76)	(19)

All amounts in thousands of reais unless otherwise stated

19 Exemptions and tax benefits

As the Institute is a Civil Society of Public Interest (OSCIP), it is exempt from paying some taxes and has tax benefits such as:

- Corporate Income Tax (IRPJ)
- Social Contribution on Net Income (CSLL)
- Social Contribution on Revenues (COFINS), and
- Service Tax (ISSQN) on its own revenue.

20 Donation agreements

The Institute has already signed donation agreements with partners which ensure remittances subsequent to December 31, 2012, as shown in the table below:

Donors/Contracting parties	2012 Remittances	After 2012 Remittances	Total
National Bank for Economic and Social Development (BNDES)	3,065	3,160	6,225
Vale Association for Sustainable Development	2,984	1,679	4,663
Climate Works Monitoring	2,912	1,189	4,101
Skoll Foundation	2,201	2,613	4,814
Gordon and Betty Moore Foundation	1,670	1,280	2,950
Porticus Latin America	735	385	924
Ford Foundation	517	341	858
State Secretariat of Environment (Sema)	377	260	637
United States Depart. of Agriculture Forest Service	337	299	636
British Embassy	331		331
Mineração Paragominas S.A.	321		321
Instituto Internacional de Educação do Brasil - IEB (International Institute of Education of Brazil)	272		272
WRI - World Resources Institute's	110		110
Avina Stiftung Foundation	108		108
33 Asset Management	79		79
ICV - Instituto Centro de Vida	75		75
Biofílica Investimentos Ambientais	75		75
Martins Agropecuária S.A.	52		52
Clark University	22	42	64
Tradelink Madeiras Ltda.	4		4
Mercy Corps		6,860	6,860
Sponsorship by Sol Informática - Literature and Sustainability event		15	15
GOLF Indústria e Comercio de Madeira Ltda.		18	18
EBATA Produtos Florestais		18	18
	16,247	18,159	34,210

All amounts in thousands of reais unless otherwise stated

21 Financial instruments

Credit risk and liquidity risk

Credit risk is managed by the Institute. Credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, as well as credit exposure on contracts and cooperation terms. For banks and other financial institutions, only low-risk transactions with major entities are accepted. Individual risk limits of creditors are set based on internal ratings in accordance with relationship defaults.

Liquidity is managed through monitoring of the funds and obligations as follows:

	2012	2011 Restated (Note 3(m))
Cash and cash equivalents and funds related to projects	8,271	6,087
Obligations with projects funds	(7,093)	(5,153)
Net exposure	1,178	934

22 Insurance coverage

The Institution takes out insurance cover for assets subject to risks at amounts considered sufficient to cover eventual damages, considering the nature of its activity.

At December 31, 2012, the insurance coverage of the buildings of the Institute comprised R$ 4,650 for para fire, lightning, explosion, smoke and aircraft accidents, R$ 132 for notebooks; R$ 90 for vehicles and R$ 46 for geodetic GPS.

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