

**INSTITUTO FERNAND BRAUDEL DE  
ECONOMIA MUNDIAL**

**REPORT OF INDEPENDENT AUDITORS  
OF DECEMBER 31, 2008 AND 2007**

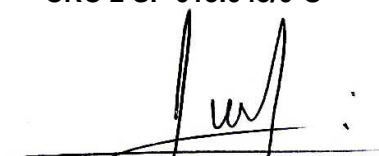
**REPORT OF INDEPENDENT AUDITORS**  
(A free translation of the original in Portuguese)

To the Board of Directors  
Instituto Fernand Braudel de Economia Mundial

1. We have audited the accompanying balance sheets of Instituto Fernand Braudel de Economia Mundial as of December 31, 2008 and 2007 and the related statements of revenues and expenses, of changes in net worth and of cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audits to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audits taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Institute, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements and (c) assessing the accounting principles used and significant estimates made by the Institute's management, as well as evaluating the overall financial statement presentation.
3. In our opinion, the financial statements referred to in paragraph one present fairly, in all material respects, the financial position of Instituto Fernand Braudel de Economia Mundial at December 31, 2008 and 2007 and its revenues and expenses, the changes in net worth and its cash flows for the years then ended in accordance with accounting practices adopted in Brazil.

São Paulo, June 12, 2009.

**Moore Stephens Lima Lucchesi**  
**Auditores Independentes**  
**CRC 2 SP 015.045/0-0**



**Sérgio Lucchesi Filho**  
**Contador CRC 1SP 101.025/0-0**

Instituto Fernand Braudel de Economia Mundial

Balance Sheet at December 31

In reais

	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	805,635	720,953
Advances to employees	11,675	11,898
Advances to suppliers	-	498
Taxes recoverable	2,704	3,614
Book inventories	<u>1,289</u>	<u>1,367</u>
<b>Total current assets</b>	<u>821,303</u>	<u>738,330</u>
<b>Permanent assets</b>		
Fixed assets – net (Note 5)	<u>66,708</u>	<u>67,516</u>
<b>Total permanent assets</b>	<u>66,708</u>	<u>67,516</u>
<b>Total assets</b>	<u><u>888,011</u></u>	<u><u>805,846</u></u>
<b>LIABILITIES AND NET WORTH</b>		
<b>Current liabilities</b>		
Labor-related payables (Note 6)	78,058	35,892
Taxes payable (Note 7)	9,274	7,038
Accounts payable	16,734	7,762
Advance from sponsor (Note 8)	-	350,600
<b>Total current liabilities</b>	<u>104,066</u>	<u>401,292</u>
<b>Net worth</b>		
Accumulated surplus (Note 9)	<u>783,945</u>	<u>404,554</u>
<b>Total net worth</b>	<u>783,945</u>	<u>404,554</u>
<b>Total liabilities and net worth</b>	<u><u>888,011</u></u>	<u><u>805,846</u></u>

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

Instituto Fernad Braudel de Economia Mundial

Statement of Revenues and Expenses and Changes in Net Worth  
Years Ended December 31

In reais

	<u>2008</u>	<u>2007</u>
<b>REVENUES</b>		
Sponsors (Note 10)	222,969	554,520
Projects (Note 11)	2,240,406	1,439,341
Other contributions	11,560	17,839
<b>Total revenues</b>	<u>2,474,935</u>	<u>2,011,700</u>
<b>Administrative costs and expenses</b>		
Personnel (Note 12)	(1,017,920)	(680,956)
Third-party services (Note 13)	(549,974)	(621,273)
Other costs and expenses (Note 14)	(567,039)	(525,482)
<b>Total expenses</b>	<u>(2,134,933)</u>	<u>(1,827,711)</u>
Surplus before net financial effect	340,002	183,989
Net financial effect (Note 15)	39,389	(7,866)
<b>Surplus for the year</b>	<u>379,391</u>	<u>176,123</u>
Accumulated surplus at the beginning of the year	404,554	228,431
<b>Accumulated surplus</b>	<u><u>783,945</u></u>	<u><u>404,554</u></u>

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

Statement of Cash Flows  
Years Ended December 31  
In reais

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Surplus for the year	379,391	176,123
Depreciation	<u>20,093</u>	<u>17,904</u>
	399,484	194,027
Decrease in asset accounts (Advances, inventories and taxes recoverable)	1,709	8,403
Decrease in Advance from sponsor	(350,600)	(82,600)
Increase (decrease) in taxes payable and accounts payable	<u>53,374</u>	<u>(30,605)</u>
<b>Net cash from operating activities</b>	<u>103,967</u>	<u>89,225</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	<u>(19,285)</u>	<u>(13,150)</u>
<b>Net cash from investing activities</b>	<u>(19,285)</u>	<u>(13,150)</u>
<b>Increase in cash and cash equivalents</b>	<b>84,682</b>	<b>76,075</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b><u>720,953</u></b>	<b><u>644,878</u></b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u><u>805,635</u></u></b>	<b><u><u>720,953</u></u></b>

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

(A free translation of the original in Portuguese)

**Instituto Fernand Braudel de Economia Mundial**

**Notes to the Financial Statements  
at December 31, 2008 and 2007  
In reais**

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**1. Operations**

Instituto Fernand Braudel de Economia Mundial, a non-profit entity, was founded in September 1987 and its main activity is to promote research, publications, seminars and international conferences on institutional problems in Brazil and Latin America.

**2. Presentation of the Financial Statements**

The financial statements were prepared in accordance with accounting practices adopted in Brazil. The changes introduced as a result of Law 11638/07, in force from January 1, 2008, had no significant effects on the Institute's net worth at December 31, 2008 and on results for the year then ended, accordingly, no accounting adjustments were necessary. The Cash Flow Statements for 2008 and 2007 are presented by the Institute for comparison purposes.

**3. Significant Accounting Practices**

**a) Determination of revenues and expenses**

Revenues and expenses are determined on the accrual basis of accounting.

**b) Current assets**

Assets are stated at realizable values including, where applicable, related earnings and monetary variations.

**c) Permanent assets**

Fixed assets are stated at purchase cost, less depreciation, calculated based on the annual rates described in Note 5, considering the economic useful lives of the assets.

**d) Current liabilities**

These are stated at known or estimated amounts including, where applicable, related charges and monetary variations.

**Instituto Fernand Braudel de Economia Mundial**

**Notes to the Financial Statements  
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In reais**

**4. Cash and Cash Equivalents**

<b>Details</b>	<b>2008</b>	<b>2007</b>
Cash	239	660
Banks – checking accounts	76,179	378,070
Financial investments	729,217	342,223
	<u>805,635</u>	<u>720,953</u>

We present below the account balances of Banks - checking accounts and Financial investments held in Brazil and abroad at December 31, 2008:

<b>Details</b>	<b>2008</b>	<b>2007</b>
<b>Banks</b>		
Bradesco S.A.	41,073	1,649
Unibanco S.A.	16,159	3,695
HSBC Bank Brasil S.A.	-	350,401
Nossa Caixa S.A.	-	12,286
Bradesco S.A. – C/C 74.117-5	-	566
	<u>57,232</u>	<u>368,597</u>
CitiGroup Global MKTS Inc. – Abroad	<u>18,947</u>	<u>9,473</u>
	<u>76,179</u>	<u>378,070</u>
<b>Financial investments</b>		
HSBC Bank Brasil S.A.	729,217	21,491
Citigroup Global MKTS Inc. (investment fund abroad)	-	284,000
Bradesco S.A.	-	36,732
	<u>729,217</u>	<u>342,223</u>

The funds held in the bank account and investment fund abroad, properly registered at the Brazilian Central Bank, comprise contributions obtained from international entities and organizations (Notes 8 and 11). The funds held in this account may only be moved by explicit authorization of the Institute's executive director. From 2008, the Institute decided to concentrate its investments in reais in HSBC Bank Brasil S.A.

**Instituto Fernand Braudel de Economia Mundial**

**Notes to the Financial Statements  
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**5. Fixed Assets**

<u>Details</u>	<u>Depreciation rate - %</u>	<u>2008</u>			<u>2007</u>
		<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>
Furniture and fixtures	10	16,258	(7,231)	9,027	8,686
Electronic equipment	10	3,199	(3,199)	-	31
Machines and computers	20	128,919	(88,330)	40,589	43,796
Software	20	2,029	(2,029)	-	-
Library		11,844	-	11,844	9,755
Telephone line usage rights		5,248	-	5,248	5,248
				<u>66,708</u>	<u>67,516</u>

**6. Labor-related Payables**

<u>Details</u>	<u>2008</u>	<u>2007</u>
Salaries payable	13,078	6,886
Social security contributions (INSS)	15,227	10,108
Employee severance indemnity fund (FGTS)	4,196	3,024
Provision for vacation pay and related charges	45,557	15,874
	<u>78,058</u>	<u>35,892</u>

**7. Taxes Payable**

<u>Details</u>	<u>2008</u>	<u>2007</u>
ISS (Municipal service tax)	325	227
Withholding tax (IRRF)	7,149	5,434
Social Integration Program (PIS)	840	664
Other	960	713
	<u>9,274</u>	<u>7,038</u>

## Instituto Fernand Braudel de Economia Mundial

### Notes to the Financial Statements at December 31, 2008 and 2007 In reais

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#### 8. Advance from Sponsor

The advance received in 2007 from GE Foundation in the amount of US\$ 200,000 for sponsorship of the Reading Circles and Science Academy projects was appropriated to income from sponsors in 2008.

#### 9. Net Worth

The Institute's net worth consists exclusively of accumulated surplus or deficit.

Since the Institute is a non-profit entity, no profits, dividends, benefits or stakes are distributed to its members, founders, sponsors and directors, in any form.

#### 10. Income from Sponsors

Income obtained regularly from sponsors in Brazil is used to finance the Institute's administration, publications and seminars.

#### 11. Project Revenue

Project revenue is obtained through support from companies and institutions in Brazil and abroad for financing special projects developed by the Institute. Among the projects receiving support in 2008, we highlight the following:

- ✓ *Reading Circles (Círculos de Leitura)*: since its inception in 2000, up to 2008, the program has benefited 4783 students in Greater São Paulo, the southern regions of Bahia and from schools and community centers in Rio de Janeiro and Belo Horizonte. The Reading Circles program consists of weekly meetings, which are organized at the schools in partnership with teachers, for groups of between 8 and 15 teenagers, under the coordination of especially trained youth facilitators, to read aloud and discuss in depth Brazilian and world literature classics. The program's main supporters in 2008 were: GE Foundation, Unibanco Institute, Worldfund and Odebrecht Foundation.
  
- ✓ *Science Academy (Academia de Ciência)*: the Academy, which commenced in 2006 as a pilot project in two schools located on the outskirts of São Bernardo/SP, fosters the improvement of the quality of science teaching in state-funded schools, providing in and out-of-class support for teachers, stimulating curiosity and scientific interest among final year students at both elementary and high school levels. Substantiated as a teaching method in 2008, 357 students in four public schools have benefited from this program which has now been expanded to include other regions of São Paulo, meeting the needs of both companies and public school networks interested in improving Science teaching.

## Instituto Fernand Braudel de Economia Mundial

### Notes to the Financial Statements at December 31, 2008 and 2007 In reais

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- ✓ *Public School Reform Program (Programa Reforma do Ensino Público)*: this program commenced in 2007, based on the analyses of successful educational reform experiences in Brazil and abroad, based on the proposals for improving teaching in the public school networks. It involves research, organization of public debates and mobilizing society and focuses (1) management and oversight; (2) laws and standards; (3) violence and disorder in schools; (4) parent participation; (5) private-public co-management of public schools (6) dissemination of successful experiences and policies. Its partners and supporters are: the São Paulo State Education Department and the New York City Department of Education, Comgas, Klabin, Natura, Souza Cruz, Vale, Worldfund, Tinker Foundation and various individuals. Based on this work, in partnership with Itaú Social Foundation and the São Paulo State Education Department, Instituto Braudel commenced a three-year pilot project in 10 state-funded schools in the eastern neighborhoods of the city of São Paulo, focused on offering in-class support for teachers and increasing parent participation.

Other activities carried out in 2008 include the following: *i)* publication of the Braudel Papers: “*Money, Greed, Technology – Financial Assets and World Economy*”, on market deregulation which caused an explosion of financial assets worldwide under the noses of inadvertent governments, producing a financial crisis which finally came to a head in 2008; *ii)* the organization of 13 seminars addressing various institutional topics such as policies related to merit-based teacher remuneration; on the economic impact of the recently discovered Brazilian oil reserves; the failure of the Doha development agenda and world trade risks; the country’s demographic bonus; and on the opinions of parents whose children study in São Paulo’s public schools and the state-funded education system in general.

## 12. Personnel Expenses

<b>Details</b>	<b>2008</b>	<b>2007</b>
Salaries and remuneration	495,418	359,513
Vacation pay and 13 <sup>o</sup> th month salary	82,114	46,764
Transport vouchers	129,105	51,522
Healthcare insurance	62,439	53,977
INSS	116,397	77,719
FGTS	38,603	38,759
Other	93,844	52,702
	<u>1,017,920</u>	<u>680,956</u>

**Instituto Fernand Braudel de Economia Mundial**

**Notes to the Financial Statements  
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**13. Third-party Services**

<b>Details</b>	<b>2008</b>	<b>2007</b>
NGALL Editoração Ltda	200,720	204,199
PVGM Cons. Proj. Sociais	124,000	125,911
LUNA Cons. Econ. E Financ. Ltda	126,000	132,625
Other corporate entities	27,025	100,924
Individuals	72,229	57,614
	<u>549,974</u>	<u>621,273</u>

**14. Other Operating and Administrative Costs and Expenses**

<b>Details</b>	<b>2008</b>	<b>2007</b>
Communications	59,024	46,314
Publications and printed matter	42,688	10,412
Interns / facilitators	29,062	75,811
Office supplies	30,697	27,264
Accounting fees	41,950	37,300
Depreciation	20,093	17,904
Travel expenses	51,418	44,273
Taxicab fares	10,855	11,454
Partial project costs	278,842	246,421
Operating costs and expenses	2,410	8,329
	<u>567,039</u>	<u>525,482</u>

**15. Financial Effects**

<b>Details</b>	<b>2008</b>	<b>2007</b>
<b>Exchange variation</b>		
Gain	13,413	49,302
Loss	(10,952)	(63,003)
	<u>2,461</u>	<u>(13,701)</u>
<b>Banking</b>		
Revenues	71,761	22,337
Expenses	(34,833)	(16,502)
	<u>36,928</u>	<u>5,835</u>
	<u>39,389</u>	<u>(7,866)</u>

Exchange gains and losses are generated on the balances of the amounts held in the bank account and investment fund abroad.