inpEV

INSTITUTO NACIONAL DE PROCESSAMENTO DE EMBALAGENS VAZIAS

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

2012 Sustainability Report

Annex

Independent auditor's report

To the Associates and Managers Instituto Nacional de Processamento de Embalagens Vazias – inpEV

We have audited the accompanying financial statements of Instituto Nacional de Processamento de Embalagens Vazias - inpEV, which comprise the balance sheet as at December 31, 2012 and the statements of surplus, 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.

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 Nacional de Processamento de Embalagens Vazias - inpEV 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.

São Paulo, February 18, 2013.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Renato Barbosa Postal
Contador CRC 1SP187382/O-0

Balance sheet at December 31

(All amounts in thousands of reais)

ASSETS	2012	2011
Current assets		
Cash and cash equivalents (Note 6)	26,268	24,685
Accounts receivable (Note 7)	6,882	4,329
Advances granted (Note 8)	2,414	2,188
Prepaid expenses	152	125
	35,716	31,327
Non-current assets		
Long-term receivables		
Judicial deposits (Note 12)	6,306	5,258
Security deposit for rent (Note 9)	59	58
	6,365	5,316
Property and equipment (Note 10)	52,188	45,073
Intangible assets (Note 11)	292	332
	58,845	50,721
Total assets	**94,561**	**82,048**

LIABILITIES AND EQUITY	2012	2011
Current liabilities		
Accounts payable	2,333	6,193
Salaries and payroll charges	1,872	1,838
Taxes payable	241	206
Provision for contingencies (Note 12)	113	
Advances from associates (Note 13)	11,792	2,527
	16,351	10,764
Non-current liabilities		
Provision for contingencies (Note 12)	6,306	5,258
Total liabilities	22,657	16,022
Equity (Note 14)		
Net worth	71,904	66,026
Total equity	71,904	66,026
Total liabilities and equity	**94,561**	**82,048**

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

Statements of surplus – Years ended December 31

(All amounts in thousands of reais)

	2012	2011 (Restated)
Net revenue from activities (Note 15)	87,691	84,143
Expenses with activities		
General and administrative (Note 20)	(81,700)	(72,887)
Other gains (losses), net	(95)	(48)
Provision for impairment of accounts receivable, net of reversals (Note 7)	(1,409)	(452)
Finance costs	(441)	(431)
Finance income	1,832	1,965
	(81,813)	(71,853)
Surplus for the year	**5,878**	**12,290**

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

Statement of changes in equity

(All amounts in thousands of reais)

	NET WORTH	SURPLUS FOR THE YEAR	TOTAL
At December 31, 2010	635	53,101	53,736
Allocation of surplus for the year (Note 2.2(a))	53,101	(53,101)	
At January 1, 2011	53,736		53,736
Surplus for the year		12,290	12,290
Allocation of surplus for the year	12,290	(12,290)	
At December 31, 2011	66,026		66,026
Surplus for the year		5,878	5,878
Allocation of surplus for the year	5,878	(5,878)	
At December 31, 2012	**71,904**		**71,904**

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

Statement of cash flows – Years ended December 31

(All amounts in thousands of reais)

	2012	2011
Cash flows from operations		
Surplus for the year	5,878	12,290
Adjustments		
Depreciation and amortization	4,267	1,799
Residual value of property and equipment and intangible assets disposals	222	394
Provision for contingencies	1,161	1,527
Provision for impairment of accounts receivable	1,592	1,293
	13,120	17,303
Changes in assets and liabilities		
Accounts receivable	(4,145)	(1,268)
Advances granted	(226)	59
Prepaid expenses	(27)	(74)
Judicial deposits	(1,048)	(1,527)
Security deposit for rent	(1)	(15)
Accounts payable	(3,860)	(101)
Salaries and payroll charges	34	326
Taxes payable	35	40
Advances from associates	9,265	2,306
Net cash provided by operations	13,147	17,049
Cash flows from investing activities		
Acquisitions of property and equipment and intangible assets	(11,564)	(11,498)
Net cash used in investing activities	(11,564)	(11,498)
Increase in cash and cash equivalents	1,583	5,551
Cash and cash equivalents at the beginning of the year	24,685	19,134
Cash and cash equivalents at the end of the year	**26,268**	**24,685**

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

1 General information

The Instituto Nacional de Processamento de Embalagens Vazias ("inPEV" or "Institute") (National Institute for Processing Empty Containers) was founded on December 14, 2001, for an indefinite period. The Institute is a private non-profit organization whose objective is to manage the final disposal of empty agrochemical and similar containers in Brazil, provide manufacturers, distributors and farmers with support and guidance in the fulfillment of their legal responsibilities, promote education and awareness about the protection of the environment and human health and support the technological development of agrochemical and similar containers.

In order to achieve those objectives, the Institute fundamentally depends on the contributions made by the associates.

In accordance with current legislation, the Institute benefits from certain federal tax exemptions because it is an association-type entity.

Law 9,718 of December 1998 established the rules for those entities which are exempt from the payment of income tax (such as the Institute) and social contribution. According to this law, in order to maintain the tax exemption, the Institute cannot have a surplus for the year, or if there is a surplus, it must be fully allocated to the maintenance and development of the Institute's social purposes.

In December 2012, 97 agrochemicals manufacturers in Brazil were associates of the Institute (2011 - 87 associated companies).

1.1 Business model description

The Institute, which represents the agrochemicals industry, has the legal responsibility to carry out the proper disposal of empty agrochemical containers.

In order to achieve this, units for the receipt of empty containers were created to collect containers coming from rural areas, which the Institute subsequently disposes of in the proper environmental manner.

After being delivered to the Empty Container Receiving Units (UREs) (units or centers managed by dealer associations), the Institute becomes responsible for the final disposal of these empty containers, which may be recycled or incinerated, depending on their technical characteristics.

The Institute enters into agreements with recycling companies for the purposes of technical and operational cooperation regarding the recycling of empty containers of phytosanitary products received at the UREs, whenever recycling is possible.

The containers are sent for recycling by the Institute through a simple shipping operation, performed by the receiving center, to the recycling company. Up to November 2009, this operation was supported by the issue of sales invoices to the recycling companies by dealer associations, which are responsible for the receiving units.

(a) Accreditation fee of recycling companies

The Institute receives an accreditation fee from recycling companies (before 2012, technological fee -accreditation), which corresponds to (i) the transfer of know-how to the recycling companies regarding the utilization of empty containers from agrochemical industries in the development of new products; and (ii) training sessions offered to employees of recycling companies concerning the proper handling of empty phytosanitary containers.

(b) Contributions to the costing of UREs

In addition, the recycling companies make payments to the Institute for the containers received as contributions to the costing of UREs (before 2012, technological fee - shipping). The contributions to the costing of UREs are used as a reimbursement for the costs incurred by collection centers and units when receiving empty containers and preparing them for final disposal.

This contribution made to the Institute by the recycling companies is transferred to dealer associations (responsible for the management of UREs) as reimbursement for expenses and costs incurred when preparing empty containers for final disposal, through a strict monthly accounting process.

Management carried out, together with its lawyers, an in-depth analysis of the Institute's business model and, as from December 2009, made changes in its processes, one of which consisting of the dealer associations delivering empty containers to recycling companies for just a symbolic amount and with the issue of a simple shipping invoice.

The accreditation fees and contributions to the costing of URE are calculated based on the product weight delivered to the recycling companies and represent, respectively, about 30% to 40% and 60% to 70% of the volume of processed products.

(c) Allocation of resources

While the contributions to the costing of UREs are periodically transferred to dealer associations for the maintenance of URE operations, the resources obtained as accreditation fees from recycling companies are allocated to the expansion of the recycling plant located in Taubaté, State of São Paulo. The Institute owns this plant, which is leased to Campo Limpo - Reciclagem e Transformação de Plásticos S.A., whose stockholders are associates of the Institute (Note 10).

(d) Evaluation of taxes levied on the Institute's operations

Together with the analysis of the new business model and, for the purposes of mitigating the risks arising from possible different interpretations about the taxes levied on the operations carried out by the Institute, management requested from its lawyers a detailed study on the taxation of its operations. This study includes the matter related to the revenue from the operation of the new shipping model, which is not subject to any taxes or contributions.

During 2012, changes were made to the classifications of the funds received from recycling companies, as mentioned in 1.1(a) and (b) above. These changes were made as recommended by the Institute's lawyers, with the purpose of showing exactly the source of the funds and, mainly, their allocation, as defined in the Institute's articles of association.

1.2 Management of the business unit

The management of the Institute is divided into three segments, as follows:

(a) Basic process – this segment comprises the construction, maintenance and granting of subsidies to the receiving units; the transportation of empty containers from the collection units to the central units and then to the final destination (to be recycled or incinerated); the logistics related to the transportation of the containers throughout the country; and the incineration of empty containers.

(b) Support process – this segment comprises the communication and publicity regarding the Institute's operations; the education, training and awareness of related parties and stakeholders; the legal support; and the projects.

(c) Administrative process – this segment includes the maintenance of the Institute's administrative area, including all personnel.

1.3 Business unit - recycling

As from 2006, with the purpose of providing self-sustainability to the Institute's business model, the construction of a recycling unit was started (Campo Limpo Reciclagem e Transformação de Plásticos S.A. - "Campo Limpo S.A."), which will receive a portion of the containers sent to the receiving units in order to be used for the manufacture of new plastic containers. Therefore, since 2006 up to 2012, the Institute invested a total amount of R$ 51,841 (2011 - R$ 41,536) in the construction, installation and expansion of this plant.

1.4 Campo Limpo - Reciclagem e Transformação de Plásticos S.A.

One of the Institute's objectives is to obtain the economic self-sustainability for the reverse logistics program of agrochemicals empty containers. This will be made through the verticalization of the container collection and destination process. For this, the Company established an investment plan divided into four stages: (1) rigid plastic recycling; (2) turning rigid plastic into containers; (3) recycling of flexible plastic; and (4) flexible plastic transformation.

In 2006, the Institute's associates approved the implementation of stages 1 and 2, which led to the construction and structuring of Campo Limpo - Reciclagem e Transformação de Plásticos S.A., whose purpose is to recycle empty containers and manufacture containers with the quality required by the associates, which are manufacturers of phytosanitary products.

At the Annual General Meeting held on April 18, 2011, the associates decided to cancel stages 3 and 4 and to expand stages 1 and 2, making investments in the purchase of blow molding equipment (manufacture of containers) and in the plant's expansion.

The expansion of stages 1 and 2 requires the purchase of four new blow molding machines, totaling an investment of R$ 20,000 (unaudited). Two of these machines had already been acquired up to December 2012. The remaining machines are expected to be purchased up to December 2013.

1.5 Pilot projects - sanitizers and seeds

The pilot project of reverse logistics for empty containers of sanitizers (whose utilization is allowed only by specialized companies) had a duration of nine months and involved the cities of São Paulo (SP), Rio de Janeiro (RJ) and Recife (PE), resulting in revenue and costs amounting to R$ 407.

The purpose of this pilot project was to present to the industry segment possible solutions for the final disposal of empty containers whose technical profile is very similar to the containers used for agrochemicals. With the termination of the project on August 30, 2012, a final report was submitted to the Brazilian Association of Aerosol and Sanitizing Products (ABAS), the segment representative and also an Institute associate, which temporarily decided not to carry on with the project.

During 2012, the Institute, together with the Association of Seed and Seedling Manufactures of São Paulo (APPS), developed a new pilot project of reverse logistics for cotton and corn seed bags treated with plant protection products. This project is expected to be concluded in April 2013, and involves certain regions in the states of São Paulo, Paraná, Rio Grande do Sul, Minas Gerais, Bahia and Mato Grosso. In 2012, this pilot project resulted in revenue and costs amounting to R$ 337.

2 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the provisions of the Federal Accounting Council (CFC) Resolution 1,409/12, which approved the Technical Interpretation ITG 2002 - “Non-profit Entities”, and the accounting pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC).

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment when applying the Institute’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3. These financial statements were approved by the Institute’s Statutory Audit Board and Management on February 18, 2013.

2.2 Restatement of the financial statements at December 31, 2011

(a) Allocation of surplus for the year

According to paragraph 15 of Technical Interpretation ITG 2002, effective as from September 21, 2012, the amount of surplus or deficit for the year has to be transferred to net worth or, if there is any restriction to such allocation, recognized in a specific account in equity.

Pursuant to this new requirement, management allocated the accumulated surplus up to December 31, 2010 to net worth.

(b) Presentation of the fair value of voluntary work

As established by ITG 2002, paragraph 19, voluntary work has to be recognized at the fair value of the service rendered as if the financial disbursement had occurred.

Based on the market remuneration for the Statutory Audit Board and Management members, the Institute’s management accounted for the amounts presented in the statement of surplus for 2012 and, for comparison purposes, made the following accounting adjustments to the statement of surplus for 2011:

			2011
	Previously presented	**Adjustment**	**Restated**
Income from activities			
Voluntary work	83,791	352	84,143
Expenses with activities			
Voluntary work	(72,535)	(352)	(72,887)

2.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less and with immaterial risk of change in value.

2.4 Financial assets

2.4.1 Classification

The Institute classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at the time they are initially recorded.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Institute's loans and receivables comprise "Cash and cash equivalents" and "Accounts receivable".

2.4.2 Impairment of financial assets

Assets carried at amortized cost

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flow from the financial asset or group of financial assets, and this impact can be reliably estimated.

The criteria used to determine that there is objective evidence of impairment include, among others:

> significant difficulty to receive amounts from the associate;
> default or delinquency in interest or principal payments;
> the probability that the debtor will enter bankruptcy or other financial reorganization.

For financial assets recognized at amortized cost, impairment is the difference between the asset's recorded amount and the present value of the estimated future cash flows, discounted at the effective original interest rate of the financial asset. The carrying amount is reduced directly by the impairment loss for all financial assets.

2.5 Accounts receivable

The balances of accounts receivable, represented by the amounts due from associates and relating to the consideration for the services rendered by the Institute in the course of its business, are recognized initially at transaction value and subsequently measured at amortized cost, less the provision for impairment of accounts receivable.

A provision for impairment of accounts receivables is established when there is objective evidence that the Institute will not be able to collect all amounts due according to the original terms of the receivables.

The average receipt term of accounts receivable is 30 days.

2.6 Advances granted

Advances granted are represented by funds transferred in advance to collection centers and units with the purpose of supporting short-term cash needs. They are carried at cost.

2.7 Judicial deposits

Judicial deposits are those amounts in local currency deposited in court in a bank account linked to a lawsuit, whose purpose is to ensure the settlement of a possible future obligation and which can only be used after a judicial order. These deposits are monetarily restated according to legal rules.

2.8 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost also includes finance costs related to the acquisition of assets which are qualified for the capitalization of interest.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. The carrying amount of the replaced items or parts is derecognized. All other repairs and maintenance are charged to the statement of surplus during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

	YEARS
Buildings	50 - 60
Equipment and installations	10-15
Vehicles	5
Furniture and fittings	12 - 16
Other	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to the recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains (losses), net" in the statement of surplus.

2.9 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of all incentives received from the lessor) are charged to the statement of surplus on the straight-line basis over the term of the lease.

2.10 IIntangible assets

Computer software licenses acquired are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

2.11 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGUs)). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.12 Accounts payable

These refer to obligations payable and are substantially represented by expenses incurred by dealer associations for the maintenance of units responsible for the receipt of containers.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice.

2.13 Provisions

The Institute recognizes provisions when: (a) it has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate before tax effects that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

2.14 Employee benefits – bonus

The Institute recognizes a liability and an expense for payment of bonus based on targets achieved by its employees. The bonus is commonly recognized at the end of the year, when the amount can be accurately calculated by the Institute.

2.15 Revenue recognition and related expenses

Revenue comprises the present value of contributions made by associates, the accreditation fee paid by recycling companies, contributions to the costing of UREs, revenue from operating leases and extraordinary contributions made by associates for the investment in Campo Limpo S.A.

The amounts related to the business unit dealing with the management of the reverse logistics systems for empty containers of agrochemicals are recognized as revenue for the year to the extent the costs and expenses with the management of the system are incurred.

The amounts related to the recycling business unit are accounted for as revenue for the year when the costs are incurred.

(a) Associate contributions

Considering that the contributions of the associates are made for the costing of all expenses with the container receipt, transportation and incineration processes, among others, the amount considered as associate contribution corresponds to the related costs and expenses incurred. Those contributions in excess of the costs and expenses incurred are accounted for in "Advances from associates" in current liabilities.

(b) Accreditation fee of recycling companies

The amount of the accreditation fee paid by recycling companies is calculated based on the containers received and destined for recycling, and is recognized when the empty containers are effectively delivered to the recycling companies. This amount is equivalent to approximately 30% to 40% of the amount obtained with the containers sent for recycling. The funds are applied in the Institute's investment plan approved by its associates in 2008 which, currently, includes the expansion of the recycling unit in Taubaté, operated by Campo Limpo Reciclagem e Transformação de Plásticos S.A.

(c) Contributions to the costing of UREs

Contributions to the costing of UREs, which correspond from 60% to 70% of the amount obtained with the containers sent for recycling and are applied in the business unit dealing with the management of the reverse logistics systems for empty containers, are recorded when the containers are effectively delivered to the recycling companies.

(d) Operating leases

Operating lease revenue is recorded on the accrual basis based on a percentage of the monthly net revenue of the sales of Campo Limpo S.A. products.

(e) Extraordinary contributions (transfer of dividends of associates/stockholders of Campo Limpo S.A.)

These are funds transferred by the Institute's associates (who are also stockholders of Campo Limpo S.A.) arising from funds originated from the dividends paid by Campo Limpo S.A. to the associate-stockholders at the end of each year. Therefore, the Institute recognizes as revenue the amounts approved at the Annual General Meeting of Campo Limpo S.A., which is expected to occur in April of the following year.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events.

The Institute makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Process of management of the final disposal of empty phytosanitary product containers and taxation of the accreditation fee

Up to November 2009, dealer associations were selling the empty containers to the recycling companies. The Institute received amounts from the recycling companies as a technological fee, which was due for the accreditation of the recycling companies, for the transfer of know-how related to the recycling process of plastic residues, for the manufacture of new products from such material and for the training of employees of the recycling companies regarding the proper handling of empty containers of phytosanitary products.

With the purpose of preventing challenges from tax authorities on the sales of containers by the system participants, and considering that the owners of these containers are the manufacturers of the phytosanitary products, the Institute's management, supported by external lawyers, made changes in its business model (Note 1.1.).

With the implementation of the new business model on December 1, 2009, the sales of empty containers to recycling companies were discontinued, and the amounts that the recycling companies used to pay to dealer associations for the empty containers were incorporated into the amount of contributions to the costing of the UREs and started to be charged directly by the Institute. On the other hand, a portion of such contributions received by the Institute started to be used as a subsidy for some of the costs incurred by those units receiving empty containers, which include dealer associations.

The Institute, based on a study prepared by its external lawyers, understands that no payment of taxes on the container shipping operations is applicable.

(b) Provision for tax and labor contingencies
As described in Note 12, the Institute is challenging in court the Social Contribution on Revenues (COFINS) levied on the technological fee, in addition to the payment of termination benefits to former employees. Provisions are established for all contingencies referring to litigation that represents probable losses and can be reliably estimated. The assessment of the likelihood of an unfavorable outcome in these lawsuits and administrative proceedings includes the analysis of the evidence available, the hierarchy of the laws, available former court decisions, the most recent court decisions and their importance in the Brazilian legal system, and the opinion of external legal counsel. Management believes that the provisions for tax and labor risks are fairly presented in the financial statements.

4 Financial risk management

4.1 Financial risk factors

The Institute is exposed to the following financial risks: credit risk and liquidity risk.

(a) Credit risk
The Institute makes financial investments only with prime financial institutions in order to minimize liquidity risks.

(b) Liquidity risk
This is the risk of the Institute not having liquid funds sufficient to meet its financial commitments, due to the mismatch of terms or volume in expected receipts and payments.

To manage liquidity of cash in local currency, assumptions for future disbursements and receipts are determined, and these are monitored daily by the finance department.

4.2 Capital management

The Institute's objectives when managing capital are to safeguard its ability to continue as a going concern for reinvestment and to maintain a capital structure which is sufficient to meet its short-term obligations.

5 Financial instruments by category

The Institute's financial assets are represented by cash and cash equivalents (substantially financial investments in investment funds), accounts receivable from associates and judicial deposits. They are all classified in loans and receivables.

Financial liabilities, such as accounts payable, advances from associates and recycling companies and provisions for contingencies, are classified in other financial liabilities.

6 Cash and cash equivalents

	2012	2011
Cash	5	2
Banks – current accounts	1,681	2,791
Investment funds (*)	24,582	21,892
	26,268	24,685

(*) This amount represents applications in financial investment funds remunerated at 107% of the Interbank Deposit Certificate (CDI) rate with Banco Itaú S.A. (2011 - 106%).

Pursuant to the Institute's articles of association, cash and cash equivalents are invested as follows:

	2012	2011
Investments in activities	21,071	16,304
Investments in Taubaté	3,511	5,588
	24,582	21,892

7 Accounts receivable

	2012	2011
Associate contributions		
Agrochemicals	2,578	1,626
Sanitizers		308
Seeds	346	15
Recycling company fees		
Accreditation of recycling companies	2,226	830
Contributions to the costing of UREs	3,580	2,014
Provision for impairment of accounts receivable	(2,309)	(900)
Operating lease – Campo Limpo S.A.	446	395
Other accounts receivable	15	41
	6,882	4,329

Changes in the Institute's provision for impairment of accounts receivable are as follows:

	2012	2011
At January 1	(900)	(448)
Additions (*)	(1,592)	(1,293)
Reversal due to receipt	183	841
At December 31	(2,309)	(900)

(*) Major effects during the year arose from unpaid contributions of the associates Fersol Indústria e Comércio Ltda. and Oxiquímica Agrociência Ltda., which amounted to R$ 1,129 (provision recorded in 2011 - R$ 526) and R$ 463, respectively.

The provision for impairment of accounts receivable was recorded in accordance with the following criteria:

> Analyses of outstanding balances of associates overdue for more than 180 days.
> Renegotiated debts overdue.

At the meeting held on February 5, 2013, the managers of Fersol officially informed the Institute their inability to settle the outstanding debt with the Institute corresponding to 2012 and 2011 (a provision of 50% of the outstanding debt was recorded). At December 31, 2012, given the circumstances, a provision for the totality of the receivable at that date was recorded amounting to R$ 1,655.

The associate Oxiquímica signed on July 6, 2012 a private instrument for the acknowledgment of outstanding debt amounting to R$ 624 (original amount - R$ 463), plus interest and monetary restatement, to be paid in 15 installments. During 2012, Oxiquímica paid only four installments, the last of which on October 15, 2012. According to the Institute's policy regarding the recording of a provision for amounts renegotiated but not paid and, considering that this was the third acknowledgment of debt with this associate, the Institute constituted a provision for the total amount of this balance.

The amounts receivable by maturity are as follows:

	2012	2011
Not yet due	4,912	2,902
Overdue		
Up to 60 days	1,320	826
From 61 to 90 days	409	355
From 91 to 180	554	420
From 181 to 360 days	622	612
Over 360 days	1,374	114
	9,191	5,229

8 Advances granted

	2012	2011
Vacation pay advances	152	220
Advances to collection centers and units (*)	2,201	1,915
Other advances	61	53
	2,414	2,188

(*) According to the agreement entered into with the dealer associations responsible for the management of the collection centers and units dealing with empty containers, effective until November 2009, the Institute assumed a portion of the costs incurred and the related deficit balances. When the new business model became effective in December 2009 (Note 1.1), the Institute became the manager of the funds generated by the shipping of containers to recycling companies and the reimbursement of all costs incurred by the dealer associations.

Depending on the circumstances, the Institute makes advances to collection centers and units, based on the average of total expenses for the last three months presented by the centers. These advances are derecognized when the supporting documentation for the incurred expenditures is made available.

9 Security deposit for rent

The balance of R$ 59 (2011 - R$ 58) comprises the amount of the deposit in a saving account, plus interest, which refers to the security deposit established in the lease agreement of the building where the Institute is headquartered. This amount will be redeemed at the end of the lease agreement.

10 Property and equipment

	LAND	BUILDINGS AND IMPROVEMENTS	EQUIPMENT AND INSTALLATIONS
At December 31, 2010	336	10,404	6,420
Acquisition		35	1,510
Transfer		5,690	19,064
Disposal		(21)	
Depreciation		(498)	(1,054)
At December 31, 2011	336	15,611	25,940
Total cost	336	17,275	29,527
Depreciation		(1,664)	(3,587)
At December 31, 2011	336	15,611	25,940
Acquisition	95	132	1,442
Transfer			5,032
Disposal		(25)	(108)
Depreciation		(692)	(3,089)
At December 31, 2012	431	15,026	29,217
Total cost	431	17,382	35,652
Depreciation		(2,356)	(6,435)
Net book value	431	15,026	29,217

VEHICLES	FURNITURE AND FITTINGS	OTHER	TOTAL IN OPERATION	CONSTRUCTION AND INSTALLATIONS IN PROGRESS	TOTAL PROPERTY AND EQUIPMENT
809	357	42	18,368	17,369	35,737
438	109	1	2,094	9,265	11,359
47			24,801	(24,801)	
(363)	(5)		(389)		(389)
(13)	(55)	(14)	(1,634)		(1,634)
918	406	29	43,240	1,833	45,073
1,834	623	127	49,722	1,833	51,555
(916)	(217)	(98)	(6,482)		(6,482)
918	406	29	43,240	1,833	45,073
254	72		1,995	9,466	11,461
			5,032	(5,032)	
(68)	(8)	(5)	(214)	(2)	(216)
(276)	(62)	(11)	(4,130)		(4,130)
828	408	13	45,923	6,265	52,188
1,401	669	59	55,594	6,265	61,859
(573)	(261)	(46)	(9,671)		(9,671)
828	408	13	45,923	6,265	52,188

With the purpose of promoting the economic self-sustainability of the system Campo Limpo (reverse logistics for empty containers of plant protection products), thus benefiting all those who are part of the chain, the associates established a separate entity denominated Campo Limpo Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."). The assets of Campo Limpo S.A. were acquired by the Institute and are recorded in the Institute's property and equipment. In addition to these assets, there are expansion plans for which the expected investments, up to 2013, amount to approximately R$ 11,000 (unaudited), at the prices of December 31, 2012 (Note 1.4).

On May 1, 2008, the Institute entered into an agreement with Campo Limpo S.A. for the lease of property, industrial equipment, electric, hydraulic and gas installations, tools, vehicles, furniture and fittings, computers and peripherals as well as other assets which are already installed and operating, in addition to other spare equipment attached to the property. Should this agreement not be terminated by one of the parties, it will be effective for ten years and automatically renewed for the same period.

The assets leased to Campo Limpo S.A. are the following:

2012

DESCRIPTION	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Buildings and improvements	16,792	(2,007)	14,785
Equipment and installations	27,922	(3,519)	24,402
Vehicles	378	(201)	177
Furniture and fittings	460	(129)	331
Other	23	(19)	4
Property and equipment in progress	6,266		6,266
	51,841	(5,875)	45,965

2011

DESCRIPTION	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Buildings and improvements	16,384	(1,346)	15,038
Equipment and installations	22,511	(1,243)	21,268
Vehicles	368	(71)	297
Furniture and fittings	411	(91)	320
Other	29	(19)	10
Property and equipment in progress	1,833		1,833
	41,536	(2,770)	38,766

11 Intangible assets

	SOFTWARE ACQUIRED	LICENSE	TOTAL
At December 31, 2010	244	119	363
Acquisition	127	12	139
Disposal	(5)		(5)
Amortization	(109)	(56)	(165)
At December 31, 2011	257	75	332
Total cost	861	370	1.231
Accumulated amortization	(627)	(312)	(939)
Net book value	234	58	292
At December 31, 2011	257	75	332
Acquisition	81	22	103
Disposal	(6)		(6)
Amortization	(98)	(39)	(137)
At December 31, 2012	234	58	292

The intangible assets related to Campo Limpo S.A. are as follows:

2012

DESCRIPTION	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Hardware and software	203	(118)	85
Licenses	103	(81)	22
	306	(199)	107

2011

DESCRIPTION	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Hardware and software	234	(155)	79
Licenses	89	(70)	19
	323	(225)	98

12 Contingencies

The provision for contingencies is as follows:

	2012	2011
Tax - Social Contribution on Revenues (COFINS) (i)	6,306	5,258
Labor (ii)	113	
	6,419	5,258
Less current liabilities	(113)	
Non-current liabilities	6,306	5,258

(i) Since 2004, the Institute has generated revenue from accreditation fees, according to agreements entered into with recycling companies. Differently from the Brazilian Federal Revenue Service (RFB), the Institute and its tax lawyers consider that the Social Integration Program (PIS) and the Social Contribution on Revenues (COFINS) should not be levied on these revenues. Accordingly, the Institute filed an inquiry with the Regional Superintendency of Federal Revenue of the 8th Tax Region, in São Paulo, in order to clarify the lack of legal definition about the taxation of PIS and COFINS on other types of revenue (revenue from recycling company accreditation fee) of not-for-profit entities, which are exempt of income tax.

The Institute received a positive outcome on June 9, 2008 regarding the PIS taxation, with the confirmation that PIS should be levied only on payroll balances, which has been the Institute's practice since the beginning of its operations, in March 2002.

On the other hand, the Regional Superintendency of Federal Revenue stated that COFINS is to be levied on this type of revenue. The Institute, supported by its tax lawyers, maintained its contrary interpretation to the RFB decision and, on February 2009, filed for a writ of mandamus in order to assure its right for the non--payment of COFINS on the accreditation fee paid by recycling companies. This injunction was denied on May 13, 2009.

As a preventive measure, and in order to safeguard the original amount of the tax obligation, the Institute deposited in court the total balance of the provisioned amount plus interest and fines, referring to the period from 2004 to December 2012, totaling R$ 6,306 (2011 - R$ 5,258). The corresponding judicial deposit is presented in long-term receivables.

In addition to the COFINS matter referred to above, based on the opinion of the Institute's external lawyers, and because it is related to the transfer of information and technical knowledge regarding the handling of empty containers up to their final disposal, no other taxes are being levied on the Institute's revenues.

(ii) In 2012, the Institute constituted provisions for labor claims filed by two former employees because, according to the Institute's lawyers, the likelihood of loss arising from these lawsuits started to be considered as probable, instead of just possible, as was the case in 2011.

Possible losses, not provided for in the balance sheet

The Institute has tax and labor lawsuits, presented below, involving risks of loss classified by management as possible, based on the evaluation of the legal advisors, for which no provision was recorded:

	2012	2011
Labor	30	279

13 Advances from associates

Considering that the associated companies make contributions for the costing of all expenses with the receipt, transportation and final disposal processes of empty containers, among others, the excess of contributions over costs and expenses incurred is accounted for as advances from associates.

The amounts received in excess of the expenses incurred in 2012 and 2011 were as follows:

	2012	2011
Balance of associate contributions in excess (2011, 2012 and 2013) (*)	7,109	2,115
Amounts applied in 2012 with disbursement in 2013 (Note 21)	4,151	
Associate advances – seeds	528	
Associate advances – sanitizers	4	410
Other		2
	11,792	2,527

(*) The balance of associate contributions is substantially comprised of contributions received from associates in excess of the expenses incurred for the year, which resulted in a balance of R$ 7,109 at December 31, 2012 (2011 - R$ 2,115). As disclosed in Note 14(i), in 2012, the associates approved the reduction of the contributions amounting to R$ 8,500 through the utilization of cash available.

14 Equity

According to the Institute's articles of association, the net worth, revenues, funds and operational surplus should be fully applied in Brazil, involving the maintenance and development of the Institute's social objectives, and the distribution of profits, dividends, share of results or dilution of a portion of net worth is not allowed under all circumstances.

Surplus for the year

According to the Institute's business model, the surplus for the year, which amounted to R$ 5,878 in 2012 (2011 - R$ 12,290), is comprised as follows:

	2012	2011
Increases:		
Accreditation fee for recycling companies	9,059	7,923
Contributions to the costing of UREs	21,231	18,825
Extraordinary contributions	3,458	1,160
Operating lease	4,982	3,203
Finance income, net	1,391	1,534
Reductions:		
Rebates of contributions (i)	(8,500)	
Expense with maintenance of collection centers and units supported by the technological fee on shipping of containers	(21,231)	(18,825)
Depreciation and amortization	(4,267)	(1,799)
Other	(245)	717
	5,878	12,290

(i) The original self-sustainability project for the Institute included, in the future, the beginning of the reduction of contributions made by associates due to the generation of revenues, pursuant to its business model (Note 1.1.). As decided at the 108th meeting of the Institute's Board Members held on July 16, 2012, the reduction of the contributions in 2012 was approved amounting to R$ 8,500, distributed individually among the Institute's associates. Accordingly, revenues from the contribution of associates, which amounted to R$ 56,478, decreased after the rebate of R$ 8,500.

15 Net revenue from activities

	2012	2011
Associate contributions - agrochemicals	56,478	52,896
Recycling company accreditation fee (Note 16)	9,059	7,924
Contributions to the costing of UREs (Note 17)	21,231	18,825
Extraordinary contributions (transfer of dividends of Campo Limpo S.A. associate-stockholders) (Note 18)	3,458	1,160
Operating lease (Note 19)	4,982	3,203
Associate contributions - seeds and sanitizers	744	45
Voluntary work (Management and Statutory Audit Board) (Note 2.2.)	379	352
Other	239	
	96,570	84,405
Deductions from revenues		
Reduction in the contribution of associates - 2012 (Note 14(i))	(8,500)	
COFINS levied on lease	(379)	(262)
Net revenue from activities	87,691	84,143

16 Accreditation fee for recycling companies

In 2004, the Institute entered into agreements with recycling companies regarding services of technical and operational cooperation for the recycling of plastic residues (establishing an accreditation fee for recycling companies). These services include the development, training and studies for improvements in the stages of the recycling process.

As a result of these agreements, the Institute recorded a revenue in 2012 amounting to R$ 9,059 (2011 - R$ 7,924).

17 Contributions to the costing of UREs

As from December 1, 2009, with the application of the new model for container shipping, a new form of revenue generated by the recycling company was created: the contributions to the costing of UREs. As described in Note 1.1., revenue from these contributions is used to subsidize the costs incurred by the units receiving the empty containers.

In 2012, revenue from contributions to the costing of UREs totaled R$ 21,231 (2011 - R$ 18,825).

18 Extraordinary contributions (transfer of dividends of Campo Limpo S.A. associate-stockholders)

As established in the agreement of Campo Limpo S.A. stockholders, the amounts received as dividends from these stockholders, who are all associates of the Institute, should be invested in the constant improvement of the operations, logistics and management of final disposal for empty containers of phytosanitary products, including support and orientation activities for the participants of this system.

At the Annual Meeting held on April 24, 2012, the stockholders of Campo Limpo S.A. approved the issue of Campo Limpo's financial statements at December 31, 2011, in addition to the dividends to be distributed and the allocation of such dividends to the plan of expanding and diversifying the businesses of the recycling unit for which the Institute is responsible.

The management of the Institute recorded the totality of the dividends received from Campo Limpo S.A. as revenue for 2012, amounting to R$ 3,458 (2011 - R$ 1,160), considering that the amount relates to revenue from the recycling business.

19 Operating lease

This lease refers to the agreement for the lease of property, industrial equipment, electric, hydraulic and gas installations, tools, vehicles, furniture and fittings, computer and peripherals and other operating assets attached to the property of Campo Limpo - Reciclagem e Transformação de Plásticos S.A. The amount of the lease corresponds to 10% of the net monthly revenue calculated by the lessee, and the minimum amount is R$ 50 per month.

The operating lease agreement also comprises a package of services that the Institute renders to Campo Limpo S.A., mainly related to information technology, tax advisory and communication.

The minimum future payments of the non-cancellable operating lease of the plant built by Campo Limpo S.A. in Taubaté, in total and for each of the periods presented below, are as follows:

	2012	2011
Up to one year	5,354	4,735
More than one year and less than five years	24,093	23,675
More than five years		2,367
	29,447	30,777

Minimum future payments for periods over five years include the receipt of the lease considering ten years (the effective period of the agreement) and the renewal for another ten years, after approval of both parties, totaling 20 years.

20 General and administrative expenses

The Institute's general and administrative expenses are divided into three segments and managed accordingly, as follows:

	2012	2011
Infrastructure	19,787	15,955
Support process	7,106	5,923
Basic process (Note 2.2.(i))	54,807	51,009
	81,700	72,887

On the financial statements date, the Institute had the following amounts related to general and administrative expenses:

		2012	2011
Infrastructure			
	Occupation	358	380
	Personnel, plus social charges	10,640	9,557
	Voluntary work (Management and Statutory Audit Board) (Note 2.2.)379	379	352
	General expenditures (i)	5,947	3,556
	Outsourced services (ii)	1,044	946
	Information technology	903	708
	Institutional	516	456
		19,787	15,955
Support process			
	Legal (iii)	618	730
	Communication, education and campaigns (iv)	3,867	3,817
	Technological development	179	262
	Projects (v)	2,442	1,114
		7,106	5,923
Basic process			
	Operations (vi)	31,045	28,122
	Logistics (vii)	16,822	16,018
	Final disposal (viii)	6,940	6,869
		54,807	51,009

(i) Refers mainly to depreciation and amortization expenses amounting to R$ 4,267 (2011 - R$ 1,799).

(ii) Refers mainly to expenses with the following advisory services:
. Tax - R$ 290 (2011 - R$ 234).
. Human Resources- R$ 174 (2011 - R$ 129).
. Internal and external audits - R$ 352 (2011 - R$ 309).
. Administrative - R$ 88 (2011 - R$ 74).

(iii) Refers mainly to support of external legal advisors during the monitoring of lawsuits in progress - R$ 618 (2011 - R$ 730).

(iv) Refers to expenditures with communication, publicity and training events. The balance mainly includes:

. Campaign expenditures - R$ 678 (2011 - R$ 735);
. Dia Nacional (National Day) Campo Limpo - R$ 1,230 (2011 - R$ 1,150);
. Communication/institutional material - R$ 562 (2011 - R$ 513);
. Triple rinsing regional campaign - R$ 59 (2011 - R$ 151);
. Outsourced services/communication services - R$ 523 (2011 - R$ 343);
. Institutional events - R$ 330 (2011 - R$ 453).

(v) Refers to the Institute's activities in connection with the management of projects which were previously approved by the Board Members, mainly the following: removal of obsolete and inadequate products - R$ 1,192 (2011 - R$ 788); destination of illegal products/Sindag agreement R$ 300 (2011 – R$ 0); and Sanitizers project - R$ 407 (2011 - R$ 31), included in the annual budget.

In 2011, the pilot project of sanitizers and seeds was initiated (R$ 46), financed by the associates ABAS and APPS (Note 1.4).

(vi) Refers mainly to costs incurred by the units receiving the empty containers, which are reimbursed by the Institute and are used for the expansion, renovation and maintenance of collection centers and units, amounting to R$ 28,373 (2011 - R$ 26,573), and those for the construction of collection centers and units, amounting to R$ 2,031 (2011 - R$ 652).

(vii) Refers substantially to expenses incurred with freights for the transportation of empty containers rinsed for recycling, amounting to R$ 13,388, and not rinsed for incineration, amounting to R$ 730 (2011 - R$ 931).

(viii) Refers to expenses with incineration of containers which were not rinsed. The Institute works together with five companies responsible for the incineration process. The expenditures incurred with the incineration are distributed as follows:

	2012	2011
Incinerar Serviços Coleta e Destinação de Resíduos S/C Ltda.	5,292	4,695
Cetrel Lumina Tecnologia e Engenharia Ltda.		243
Basf S.A.	771	205
Essencis Soluções Ambientais S.A.	789	1,726
Other	88	
	6,940	6,869

21 Management remuneration

Management includes the president and five officers. The remuneration paid or payable to key management personnel for their services is shown below:

	2012	2011
Salaries, vacation pay and 13th month salary	2,004	1,866
Social charges	921	822
Other remuneration	1,285	978
	4,210	3,666

The balance of other remuneration includes annual bonus, private pension plan, health care and group life insurance.

22 Commitments

During 2012, the Institute entered into agreements with third parties for the maintenance and implementation of improvements in its business management units which, despite being approved in the 2012 budget, will be performed in 2013. The commitments entered into with third parties are as follows at December 31, 2012:

	2012
Infrastructure process	242
Support process	320
Basic process (i)	3,195
	4,151

(i) Represented by the construction, improvement and expansion of collection centers and units (R$ 2,078), processes of logistics (R$ 403) and purchase of 28 press machines (R$ 714).

23 Insurance

The Institute is supported by insurance advisors to determine the coverage compatible with its size and operations. The insurance policies at December 31, 2012 indicated the following levels of coverage:

LINES	AMOUNT INSURED
Fire damage to property and equipment	54,835
Civil liability	200

24 Other matters

Reduction of associate contributions for 2013

As discussed at the 110th meeting of the Institute's Board Members, held on September 18, 2012, the reduction of associate contributions for 2013 is expected, totaling R$ 13,500, to be individually distributed among the Institute's associates. The contribution of the associates who are also stockholders of Campo Limpo S.A. will be reduced first by the Campo Limpo's amount of dividends receivable in April 2013.

João Cesar Meneghel Rando
President - inpEV

Regina Marta S. Sousa
Accountant (inpEV) - Regional Accounting Council
CRC 1SP177254/O-6

Statement
GRI Application Level Check

GRI hereby states that **inpEV - Inst Nac Proces EmbalagensVazias** has presented its report "2012 inpEV Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 7 May 2013

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

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