

Attachment



INSTITUTO NACIONAL DE PROCESSAMENTO DE EMBALAGENS VAZIAS

Financial statements at December 31, 2013
and independent auditor's report

Independent auditor's report

To the Associates and Management 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, 2013 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, 2013, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, February 17, 2014

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Renato Barbosa Postal
Accountant CRC 1SP187382/O-0

Balance sheet at December 31

(All amounts in thousands of reais)

ASSETS	2013	2012 (Restated – (Note 2.2))
Current assets		
Cash and cash equivalents (Note 6)	28,350	26,268
Accounts receivable (Note 7)	5,409	6,882
Advances granted (Note 8)	3,705	2,414
Prepaid expenses	165	155
	<u>37,629</u>	<u>35,719</u>
Non-current assets		
Long-term receivables		
Security deposit for rent (Note 9)	60	59
Property and equipment (Note 10)	59,586	52,188
Intangible assets (Note 11)	322	292
	<u>59,968</u>	<u>52,539</u>
Total assets	<u>97,597</u>	<u>88,258</u>

LIABILITIES AND EQUITY	2013	2012 (Restated – (Note 2.2))
Current liabilities		
Accounts payable	4,535	2,336
Salaries and payroll charges	2,280	1,869
Taxes payable	234	241
Provision for contingencies (Note 12)	47	
Advances from associates (Note 13)	12,980	11,792
	<u>20,076</u>	<u>16,238</u>
Non-current liabilities		
Provision for contingencies (Note 12)	277	113
Total liabilities	<u>20,353</u>	<u>16,351</u>
Equity (Note 14)		
Net worth	77,244	71,907
Total liabilities and equity	<u>97,597</u>	<u>88,258</u>

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

Statement of surplus – Years ended December 31

(All amounts in thousands of reais)

	2013	2012
Net revenue from activities (Note 15)	<u>98,046</u>	<u>87,691</u>
Expenses with activities		
General and administrative (Note 20)	(93,372)	(81,700)
Other gains (losses), net	32	(95)
Provision for impairment of accounts receivable, net of reversals (Note 7)	(948)	(1,409)
Finance costs	(357)	(441)
Finance income	1,936	1,832
	<u>(92,709)</u>	<u>(81,813)</u>
Surplus for the year	<u>5,337</u>	<u>5,878</u>

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

Statement of changes in equity

(All amounts in thousands of reais)

	NET WORTH	ACCUMULATED SURPLUS	TOTAL
At January 1, 2012	66,029		66,029
Surplus for the year		5,878	5,878
Allocation of surplus for the year	5,878	(5,878)	
At December 31, 2012	71,907		71,907
Surplus for the year		5,337	5,337
Allocation of surplus for the year	5,337	(5,337)	
At December 31, 2013	77,244		77,244

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)

	2013	2012
Cash flows from operations		
Surplus for the year	5,337	5,878
Adjustments		
Depreciation and amortization	5,078	4,267
Residual value of property and equipment and intangible assets disposals	175	222
Provision for contingencies	1,402	1,161
Provision for impairment of accounts receivable	947	1,592
	12,939	13,120
Changes in assets and liabilities		
Accounts receivable	526	(4,145)
Advances granted	(1,291)	(226)
Prepaid expenses	(10)	(27)
Judicial deposits	(1,191)	(1,048)
Security deposit for rent	(1)	(1)
Accounts payable	2,199	(3,860)
Salaries and payroll charges	411	34
Taxes payable	(7)	35
Advances from associates	1,188	9,265
Net cash provided by operations	14,763	13,147
Cash flows from investing activities		
Purchases of property and equipment and intangible assets	(12,681)	(11,564)
Net cash used in investing activities	(12,681)	(11,564)
Increase in cash and cash equivalents	2,082	1,583
Cash and cash equivalents at the beginning of the year	26,268	24,685
Cash and cash equivalents at the end of the year	28,350	26,268

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 depends on the contributions made by its 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 establishes the rules for those entities which are exempt from the payment of income tax (such as the Institute) and social contribution on net income. 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 2013, 97 agrochemicals manufacturers in Brazil were associates of the Institute (2012 - 97 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 also 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.

(a) Accreditation fee of recycling companies

The Institute receives an accreditation fee from recycling companies, 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. 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.

These contributions made to the Institute by the recycling companies are transferred to dealer associations (responsible for the management of the UREs) as reimbursement for expenses and costs incurred when preparing empty containers for final disposal, through a strict monthly reporting 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 to its processes, one of which consists of the dealer associations delivering empty containers to the 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, from 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 the URE operations, the funds obtained as accreditation fees from recycling companies are allocated to the expansion of the pool of assets owned by the Institute and leased to Campo Limpo - Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo"), whose stockholders are associates of the Institute (Note 10). The excess of these funds, if any, are reinvested in the System in order to make it self-sustainable.

(d) Analysis of the 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 of the taxes levied on the operations carried out by the Institute, management requested from its lawyers a detailed study of the taxation of its operations. This study included the revenue from the operation of the new shipping model, and concluded that it was 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 establishment, 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 empty 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; and the legal support.

(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."), to receive part of the containers sent to the receiving units in order to be used for the manufacture of new plastic containers - "Campo Limpo S.A.". Therefore, from 2006 up to 2013, the Institute invested a total of R\$ 61,876 (2012 - R\$ 51,841) 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. In order to achieve this objective, an investment plan structured in four stages was established: (1) recycling of rigid plastics; (2) turning rigid plastics 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, redirecting the investments to the purchase of blow molding equipment (manufacture of containers).

The expansion of stages 1 and 2 required the purchase of four new blow molding machines, totaling an investment of R\$ 20,000 (unaudited), all of them installed up to December 2013, when the project investments were completed.

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 in 2012.

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 ABAS - Brazilian Association of Aerosol and Sanitizing Products, the segment representative and also an Institute associate, which temporarily decided not to carry on with the project.

During 2012, the Institute, together with APPS - Association of Seed and Seedling Manufactures of São Paulo, developed a new pilot project of reverse logistics for cotton and corn seed bags treated with insecticides, expected to be concluded in April 2013. It involves certain regions in the states of São Paulo, Paraná, Rio Grande do Sul, Minas Gerais, Bahia and Mato Grosso. In 2013, this pilot project resulted in revenue and costs amounting to R\$ 334 (2012 - 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 po-

licies 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 January 17, 2014

2.2 Reclassification of the balance sheet at December 31, 2012

In order to reflect more correctly the Institute's financial position, the following reclassifications were recorded in the balance sheet at December 31, 2012:

	Originally presented	Reclassification	Balance reclassified
Non-current assets			
Long-term receivables			
Judicial deposits	6,306	(6,306)	
Non-current liabilities			
Provision for contingencies	(6,306)	6,306	

As described in Note 12, the Institute is challenging in court the alleged liabilities of Social Contribution on Revenues (COFINS) levied on the accreditation fee. Accordingly, supported by an injunction, the Institute decided to deposit in court the amounts under dispute related to the contribution tax.

In order to more properly reflect the Institute's financial position, the balance of COFINS on accreditation fee is presented in the balance sheet as at December 31, 2012, net of the judicial deposits made. Details on this transaction are disclosed in Note 12 to these financial statements.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, 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 its financial assets at initial recognition.

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", "Accounts receivable" and "Judicial deposits".

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 flows of the financial asset or group of financial assets that 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.

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 relating to the services rendered by the Institute in the course of its business, are recognized initially at the amount of the transaction and subsequently measured at amortized cost, less provision for impairment of accounts receivable.

A provision for impairment of accounts receivable 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 collection term of accounts receivable is 30 days.

2.6 Advances granted

Advances granted are funds transferred in advance to collection centers and units to support 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, 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.

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 amounts 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 Intangible 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 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). Non-financial assets other than goodwill that suffered an impairment are subsequently reviewed for possible reversal of the impairment at each reporting date.

2.12 Accounts payable

These refer to obligations payable and are substantially represented by expenses incurred by dealer associations for the maintenance of the units that receive 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 passage of time 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 fees paid by recycling companies, contributions to the costing of UREs, income 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 receipt, transport and incineration process of empty containers, among others, the amount considered as associate contributions corresponds to the related costs and expenses incurred. Those contributions in excess of the costs and expenses incurred are recorded as "Advances from associates", in current liabilities.

(b) Accreditation fee for recycling companies

The amount of the accreditation fees 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 from 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. The surplus of these revenues is reinvested in the Final Disposal System for empty containers of agrochemicals.

(c) Contributions to the costing of UREs

The contributions to the costing of URE's, which correspond from 60% to 70% of the amount obtained from the containers sent for recycling and 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 and are invested when the URE's (centers and units) present the costs incurred in the process to prepare the containers to be sent to their final destination.

(d) Operating lease

Operating lease income is recorded on the accrual basis of accounting 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.

The extraordinary contributions are used to reduce the annual contributions of the Associates who are also stockholders of Campo Limpo S.A.

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 received from recycling companies

Up to November 2009, dealer associations sold the empty containers to the recycling companies. The Institute received amounts from the recycling companies as an

accreditation 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 materials and for the training of employees of the recycling companies regarding the proper handling of empty containers of phytosanitary products.

In order to prevent challenges from the tax authorities on 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 the 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 accreditation 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, 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:

(a) Credit risk

The Institute makes financial investments only with leading 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 as other financial liabilities.

6 Cash and cash equivalents

	2013	2012
Cash	10	5
Banks - current accounts	2,834	1,681
Investment funds (*)	25,506	24,582
	28,350	26,268

(*) This amount represents deposits in financial investment funds remunerated at 103% of the Interbank Deposit Certificate (CDI) interest rate with Banco Itaú S.A. (2012 - 107%).

Pursuant to the Institute's articles of association, cash and cash equivalents are invested for the following purposes:

	2013	2012
Investments in activities	16,195	21,071
Final disposal of empty containers	9,311	3,511
	25,506	24,582

7 Accounts receivable

	2013	2012
Associate contributions		
Agrochemicals	4,489	2,578
Seeds		346
Recycling companies		
Accreditation of recycling companies	1,248	2,226
Contributions to the costing of URE's	2,467	3,580
Provision for impairment of accounts receivable	(3,256)	(2,309)
Operating lease - Campo Limpo S.A.	457	446
Other accounts receivable	4	15
	5,409	6,882

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

	2013	2012
At January 1	(2,309)	(900)
Additions (i)	(1,238)	(1,592)
Reversal due to receipt	291	183
At December 31	(3,256)	(2,309)

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

- Outstanding balances of associates overdue for more than 90 days.
- Renegotiated debts overdue.

At a meeting held on February 5, 2013, the managers of Fersol Indústria e Comércio Ltda. (Fersol), officially informed the Institute of 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). In addition to the debts related to prior years, during 2013 Fersol stated its inability to settle the contributions for that year. Given the circumstances, management supplemented the provision at December 31, 2013 to include the total receivable from Fersol of R\$ 1,238 (2012 - provision of R\$ 885).

The associate Oxiquímica Indústria e Comércio Ltda. ("Oxiquímica") signed a private instrument on March 20, 2013 for the acknowledgment of the outstanding debt relating to the period from 2009 to 2013, amounting to R\$ 643. In 2013, the amount of R\$ 176 was reversed from the provision, equivalent to the payments made by Oxiquímica.

The amounts receivable by maturity are as follows:

	2013	2012
Not yet due	3,634	4,912
Overdue		
Up to 60 days	1,680	1,320
From 61 to 90 days	5	409
From 91 to 180 days	571	554
From 181 to 360 days	867	622
Over 360 days	1,908	1,374
	8,665	9,191

8 Advances granted

	2013	2012
Advances to employees	57	
Vacation pay advances	139	152
Advance payment of 13th month salary	67	
Advances to collection centers and units (*)	3,433	2,201
Other advances	9	61
	3,705	2,414

(*) 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 up to November 2009, the Institute assumed a portion of the costs incurred and the related deficits. 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 the recycling companies and the reimbursement of all costs incurred by the dealer associations.

In certain circumstances, the Institute makes advances to collection centers and units, based on the average of the total expenses for the last three months presented by the centers. These advances are recognized in the statement of surplus when the supporting documentation for the expenditures incurred is received.

9 Security deposit for rent

The balance of R\$ 60 (2012 - R\$ 59) comprises the amount of the deposit in a saving account, plus interest, relating 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	Vehicles	Furniture and fittings	Other	Total in operation	Construction and machinery in progress	Total property and equipment
At January 1, 2012	336	15,611	25,940	918	406	29	43,240	1,833	45,073
Purchases	95	132	1,442	254	72		1,995	9,466	11,461
Transfers			5,032				5,032	(5,032)	
Disposals		(25)	(108)	(68)	(8)	(5)	(214)	(2)	(216)
Depreciation		(692)	(3,089)	(276)	(62)	(11)	(4,130)		(4,130)
At December 31, 2012	431	15,026	29,217	828	408	13	45,923	6,265	52,188
Total cost	431	17,382	35,652	1,401	669	59	55,594	6,265	61,859
Accumulated depreciation		(2,356)	(6,435)	(573)	(261)	(46)	(9,671)		(9,671)
Net book value	431	15,026	29,217	828	408	13	45,923	6,265	52,188
At December 31, 2012	431	15,026	29,217	828	408	13	45,923	6,265	52,188
Purchases		3	2,291	580	45	19	2,938	9,549	12,487
Disposals				(140)	(1)		(141)	(4)	(145)
Transfers			4,411		(14)		4,397	(4,397)	
Depreciation		(686)	(3,667)	(517)	(62)	(12)	(4,944)		(4,944)
At December 31, 2013	431	14,343	32,252	751	376	20	48,173	11,413	59,586
Total cost	431	17,385	42,354	1,328	699	78	62,275	11,413	73,688
Accumulated depreciation		(3,042)	(10,102)	(577)	(323)	(58)	(14,102)		(14,102)
	431	14,343	32,252	751	376	20	48,173	11,413	59,586

With the purpose of promoting the economic self-sustainability of the Campo Limpo system (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."). ("Campo Limpo S.A."). The assets of Campo Limpo S.A. were purchased by the Institute and are recorded in the Institute's property and equipment. In 2013 these assets totaled R\$ 61,876 (2012 - R\$ 51,841).

On May 1, 2008, the Institute entered into an agreement with Campo Limpo S.A. for the lease of the 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 spare equipment in the property. This agreement is effective for ten years and automatically renewable for the same period, unless it is terminated by one of the parties.

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

			2013
Description	Cost	Accumulated depreciation	Net book value
Buildings and improvements	16,794	(2,666)	14,128
Equipment and installations	32,770	(6,637)	26,133
Vehicles	387	(214)	173
Furniture and fittings	489	(176)	313
Other	23	(21)	2
Property and equipment in progress	11,413		11,413
	61,876	(9,714)	52,162

			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

11 Intangible assets

	Software acquired	License	Total
At January 1, 2012	257	75	332
Purchases	81	22	103
Disposals	(6)		(6)
Amortization	(98)	(39)	(137)
At December 31, 2012	234	58	292
At December 31, 2012			
Total cost	861	370	1,231
Accumulated amortization	(627)	(312)	(939)
Net book value	234	58	292
At December 31, 2012	234	58	292
Purchases	167	27	194
Transfers	24	(24)	
Disposals	(30)		(30)
Amortization	(100)	(34)	(134)
At December 31, 2013	295	27	322
Total cost	950	373	1,323
Accumulated amortization	(655)	(346)	(1,001)
Net book value	295	27	322

The intangible assets related to Campo Limpo S.A. at December 31, 2013 are as follows:

Description	Cost	Accumulated amortization	Net book value
Hardware and software	215	(125)	90
License	103	(90)	13
	318	(215)	103

12 Contingencies

The litigations and corresponding judicial deposits are as follows:

	Judicial deposits		Litigation	
	2013	2012	2013	2012
Tax - Social Contribution on Revenues (COFINS) (i)	7,497	6,306	7,544	6,306
Labor (ii)			277	113
	7,497	6,306	7,821	6,419
Related judicial deposits	(7,497)	(6,306)	(7,497)	(6,306)
Net amount under litigation			324	113
Less current liabilities			(47)	
Non-current liabilities			277	113

In 2013, the changes in the litigations were as follows:

	Tax	Labor	Total
At January 1, 2013	6,306	113	6,419
Additional provisions (iii)	797	224	1,021
Reversal (ii)		(60)	(60)
Monetary restatement	441		441
At December 31, 2013	7,544	277	7,821

(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 fees) on not-for-profit entities, which are exempt of income tax.

The Institute received a reply on June 9, 2008 regarding the PIS taxation, with the confirmation that PIS should only be levied 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 an injunction in order to assure its right to the non-payment of COFINS on the accreditation fees paid by recycling companies. This injunction was denied on May 13, 2009.

The sentence handed down in October 2013 denied the Institute's claim and determined the payment of COFINS. In November 2013, the Institute lodged an appeal with the Federal Regional Court, which is currently pending judgment.

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 amount provided, plus interest and fines, referring to the period from 2004 to December 2013, totaling R\$ 7,497 (2012 - R\$ 6,306). The corresponding judicial deposits are presented net under liabilities.

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 2013, a provision for labor claim filed by a former employee was recorded, in the amount of R\$ 224, and a provision of R\$ 60 was reversed after a favorable outcome to the Institute.

(iii) The amount of R\$ 797 refers to the legal dispute over the COFINS levy on the accreditation fee.

(a) Possible losses, not provided for

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:

	2013	2012
Labor	80	30

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 the contributions over the costs and expenses incurred is recorded as advances from associates.

The changes in advances from associates were as follows:

	At January 1, 2013	Additions	Realizations	At December 31, 2013
Associate contributions (i)	11,260	53,270	(51,744)	12,786
Associate advances - seeds	528		(334)	194
Associate advances - sanitizers	4		(4)	
	11,792	53,270	(52,082)	12,980

(*) The Institute's budget for each year addresses the investments required for expansion, maintenance and improvements in centers and units. The remaining balance at the end of each year corresponds to the portion of investments approved for that year but not yet incurred up to the reporting date.

The additions of R\$ 53,270 represent contributions estimated individually by associate and considered as the amount necessary to meet the needs for the Institute's activities during 2013, according to the annual budget approved in General Meeting.

The realization of R\$ 51,744 (R\$ 70,844, net of the associates' contribution discount of R\$ 19,100), corresponds to the recognition of revenue for the year, based on the expenses incurred with the Institute's activities in 2013.

The remaining balance at December 31, 2013, of R\$ 12,786, resulted from the positive differences between the amounts estimated and realized during the year and in prior years and is available for the associates to give continuity to the Institute's activities in the following years.

The balance of associate contributions at December 31, 2013, of R\$ 12,786 (2012 - R\$ - R\$ 11,260), includes amounts for expenses with maintenance, improvements and construction of units and centers in the amount of R\$ 4,595 (2012 - R\$ 4,151), approved in the 2013 budget and to be incurred in 2014 (Note 22).

14 Equity

According to the Institute's articles of association, the net worth, revenues, funds and any operating surplus should be fully invested in Brazil in the maintenance and development of the Institute's social objectives, and, in no circumstances, is the distribution of profits, dividends, profit sharing or dilution of a portion of net worth allowed.

Plan to reduce contributions

The original self-sustainability project for the Institute included, to be decided at some time in the future, the start of a reduction in the contributions made by associates due

to the generation of revenues, pursuant to its business model (Note 1.1.). As discussed at the 121st meeting of the Institute's Board Members, held on September 30, 2013, the reduction of associate contributions for 2013 was approved at an amount in excess of that initially budgeted, from R\$ 13,500 to R\$ 19,100 at the end of the year (2012 - R\$ 8,500), individually distributed among the Institute's associates. Accordingly, the revenues from associate contributions of R\$ 70,844 were reduced by R\$ 19,100 (2012 - contributions approved in the budget of R\$ 56,478 with reduction of R\$ 8,500 through the operating surplus).

15 Net revenue from activities

	2013	2012
Associate contributions - agrochemicals (Note 13)	70,844	56,478
Accreditation fees for recycling companies (Note 16)	10,492	9,059
Contributions to the costing of UREs (Note 17)	24,646	21,231
Extraordinary contributions (transfer of dividends of associates/stockholders of Campo Limpo S.A.) (Note 18)	4,770	3,458
Operating lease (Note 19)	6,095	4,982
Associate contributions - seeds and sanitizers		744
Voluntary work (Management and Statutory Audit Board)	440	408
Other	322	210
	117,609	96,570
Deductions from revenues		
Reduction in the contributions of associates (Note 14(i))	(19,100)	(8,500)
COFINS levied on lease	(463)	(379)
Net revenue from activities	98,046	87,691

16 Accreditation fees 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 this purpose. 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 revenue in 2013 amounting to R\$ 10,492 (2012 - R\$ 9,059).

17 Contributions to the costing of UREs

As from December 1, 2009, with the introduction of the new model for container shipment, 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 2013, revenue from contributions to the costing of UREs totaled R\$ 24,646 (2012 - R\$ 21,231).

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

As established in the agreement of the 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 guidance activities for the participants of this system.

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

On April 15, 2013, the stockholders of Campo Limpo S.A. approved the financial statements at December 31, 2012, as well as the distribution and allocation of all their dividends to the Institute.

The management of the Institute recorded all the dividends received from Campo Limpo S.A. as an extraordinary contribution for 2013, amounting to R\$ 4,770 (2012 - R\$ 3,458), considering that the amount relates to revenue from the recycling business.

19 Operating lease

This lease refers to the agreement for the lease of the property, industrial equipment, electric, hydraulic and gas installations, tools, vehicles, furniture and fittings, computer and peripherals and other assets that are installed and operating at 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, with a minimum amount of 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:

	2013	2012
Up to one year	6,020	5,354
More than one year and less than five years	24,080	26,770
	30,100	32,124

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:

	2013	2012
Infrastructure	(22,515)	(19,787)
Support process	(6,647)	(7,106)
Basic process (Note 2.2(i))	(64,210)	(54,807)
	(93,372)	(81,700)

On the financial statements dates, the following amounts were recorded as general and administrative expenses:

	2013	2012
Infrastructure		
Occupation	(453)	(358)
Personnel, plus social charges	(11,372)	(10,611)
Voluntary work (Management and Statutory Audit Board)	(440)	(408)
General expenses (i)	(7,620)	(5,947)
Outsourced services (ii)	(982)	(1,044)
Information technology	(1,085)	(903)
Institutional	(563)	(516)
	(22,515)	(19,787)
Support process		
Legal (iii)	(673)	(618)
Communication, education and campaigns (iv)	(3,821)	(3,867)
Technological development	(201)	(179)
Projects (v)	(1,952)	(2,442)
	(6,647)	(7,106)
Basic process		
Operations (vi)	(37,301)	(31,045)
Logistics (vii)	(19,453)	(16,822)
Final disposal (viii)	(7,456)	(6,940)
	(64,210)	(54,807)

(i) Refers mainly to depreciation and amortization amounting to R\$ 5,078 (2012 - R\$ 4,267).

(ii) Refers mainly to expenses for the following advisory services:

- Tax - R\$ 261 (2012 - R\$ 290).
- Human resources - R\$ 45 (2012 - R\$ 174).
- Internal and external audit - R\$ 359 (2012 - R\$ 352).
- Administrative - R\$ 33 (2012 - R\$ 88).

(iii) Refers mainly to the support of external legal advisors during the monitoring of lawsuits in progress - R\$ 673 (2012 - R\$ 618).

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

- Campaign expenditures - R\$ 468 (2012 - R\$ 678).
- Dia Nacional (National Day) Campo Limpo - R\$ 1,719 (2012 - R\$ 1,230).
- Communication/institutional material - R\$ 555 (2012 - R\$ 562).

- Triple washing regional campaign - R\$ 117 (2012 - R\$ 59).
- Outsourced services/communication services - R\$ 473 (2012 - R\$ 523).
- Institutional events - R\$ 489 (2012 - R\$ 330).

(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 sub-standard products - R\$ 1,952 (2012 - R\$ 1,192), included in the annual budget.

The seeds project, financed by APPS (Nota 1.5), continued in 2013.

(vi) Refers mainly to costs incurred by the units receiving 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\$34,887 (2012 - R\$ 28,373) and those for the construction of collection centers and units, amounting to R\$ 1,130 (2012 - R\$ 2,031).

(vii) Refers substantially to expenses incurred with freight for the transportation of empty containers, washed for recycling, amounting to R\$ 15,697 (2012 - R\$ 13,388) and not washed, for incineration, amounting to R\$ 979 (2012 - R\$ 730).

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

	2013	2012
Incinerar Serviços Coleta e Destinação de Resíduos S/C Ltda.	(3,565)	(5,292)
Basf S.A.	(2,598)	(771)
Essencis Soluções Ambientais S.A.	(1,175)	(789)
Other	(118)	(88)
	(7,456)	(6,940)

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:

	2013	2012
Salaries, vacation pay and 13 th month salary	(2,259)	(2,004)
Social charges	(1,028)	(921)
Other remuneration	(1,154)	(1,285)
	(4,441)	(4,210)

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

22 Commitments

During 2013, 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 2013 budget, will be performed in 2014. The commitments entered into with third parties at December 31, 2013 and 2012 are as follows:

	2013	2012
Infrastructure process	(229)	(242)
Support process	(1,925)	(320)
Basic process (i)	(2,441)	(3,589)
	(4,595)	(4,151)

(i) Represented by the construction, improvement and expansion of collection centers and units, processes of logistics and incineration contracts, amounting to R\$ 1,340, R\$ 97 and R\$ 1,004, respectively.

23 Insurance

The Institute is supported by insurance advisors to determine the cover compatible with its size and operations. The insurance policies at December 31, 2013 indicated the following levels of cover:

Local	Amount insured
Campo Limpo - Reciclagem e Transformação de Plásticos S.A.	
Fire damage to property and equipment	72,195
Civil liability	200
InpEV - office	
Fire damage to property and equipment	5,000
Civil liability	200
InpEV - 112 centers	
Fire damage to property and equipment	3,203
Civil liability	350

24 Event after the reporting date

Reduction of associate contributions for 2014

As discussed at the 121st meeting of the Institute's Board Members held on September 30, 2013, a reduction of associate contributions is budgeted, totaling R\$ 22,000, 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 dividends receivable in October 2014.

João Cesar Meneghel Rando
President - inpEV

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