Financial statements

December 31, 2019 and independent auditor's report

Independent auditor's report

To the Members and Management
Instituto Nacional de Processamento de Embalagens Vazias - inpEV

Opinion

We have audited the accompanying financial statements of Instituto Nacional de Processamento de Embalagens Vazias - inpEV ("Institute"), which comprise the balance sheet as at December 31, 2019 and the statements of surplus, comprehensive income, changes in net worth and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2019, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Institute in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to operational continuity and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

› Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud could involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
› Obtain an understanding of internal control relevant to the audit 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 Institute's internal control.
› Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
› Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a relevant uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
› Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, February 17, 2020

PricewaterhouseCoopers
independent auditor's
CRC 2SP000160/O-5

Renato Barbosa Postal
Contador CRC 1SP187382/O-o

BALANCE SHEET AT DECEMBER 31 – All amounts in thousands of reais GRI 201-1

Assets	2019	2018
Current assets		
Cash and cash equivalents (Note 6)	36,169	39,554
Accounts receivable (Note 7)	17,405	11,673
Advances granted (Note 8)	8,709	5,935
Prepaid expenses	129	101
	62,412	57,263
Non-current assets		
Long-term receivables		
Security deposit for rent (Note 9)	125	119
Property and equipment (Note 10)	69,282	51,071
Right-of-use asset (Note 10.1)	4,163	-
Intangible assets (Note 11)	700	338
	74,270	51,528
Total do Assets	136,682	108,791

Liabilities and net worth	2019	2018
Current liabilities		
Accounts payable	2,021	2,400
Payables to centers and stations (Note 12)	4,231	2,309
Center surplus (Note 13)	2,474	2,483
Salaries and social charges	3,373	2,988
Taxes payable	326	340
Provision for contingencies (Note 14)	46	50
Lease liabilities (Note 10.1)	342	-
Advances from associates (Note 15)	6,493	2
	19,306	10,572
Non-current assets		
Lease liabilities (Note 10.1)	3,923	-
Provision for contingencies (Note 14)	216	22
Total liabilities	23,445	10,594
Equity (Note 16)		
Net worth	113,238	98,197
Total liabilities and net worth	136,682	108,791

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

STATEMENT OF SURPLUS – YEARS ENDED DECEMBER 31
All amounts in thousands of reais unless otherwise stated

	2019	2018
Net revenue from activities (Note 17)	139,222	135,359
Operating expenses		
General and administrative (Note 22)	(131,319)	(128,196)
Other gains, net	735	53
Provision for impairment of accounts receivable, net (Note 7)	(75)	41
	(130,659)	(128,102)
Operating surplus	8,563	7,257
Finance costs (Note 23)	(851)	(687)
Finance income (Note 23)	2,142	2,387
Finance income, net	1,291	1,700
Surplus for the year	9,854	8,957

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

STATEMENT OF COMPREHENSIVE INCOME – YEARS ENDED DECEMBER 31
All amounts in thousands of reais unless otherwise stated

	2019	2018
Surplus for the year	9,854	8,957
Other comprehensive income	-	-
Total comprehensive income for the year	**9,854**	**8,957**

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

STATEMENT OF CHANGES IN NET WORTH – YEARS ENDED DECEMBER 31
All amounts in thousands of reais

	Net worth	Reserve for new associates	Accumulated surplus	Net worth Total
At January 1, 2018	82,693	1,765	-	84,458
Surplus for the year			8,957	8,957
Contributions from new affiliations (Note 16)		4,782		4,782
Allocation of surplus for the year	8,957		(8,957)	-
At December 31, 2018	91,650	6,547	-	98,197
Surplus for the year			9,854	9,854
Contributions from new affiliations (Note 16)		5,186		5,186
Allocation of surplus for the year	9,854		(9,854)	-
At December 31, 2019	101,504	11,733	-	113,238

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

STATEMENTS OF CASH FLOWS – YEARS ENDED DECEMBER 31
All amounts in thousands of reais

	2019	2018
Cash flows from operating activities		
Surplus for the year	9,854	8,957
Adjustments		
Depreciation and amortization	8,390	7,529
Net book value of property and equipment and intangible asset disposals	2, 417	349
Provision for contingencies	2,129	1,477
Provision/ reversal of provision for impairment of accounts receivable	75	(41)
Interest on leases	274	-
	23,139	18,271
Changes in assets and liabilities		
Accounts receivable	(5,807)	(3,729)
Advances granted	(2,774)	329
Prepaid expenses	(28)	10
Judicial deposits	(1,939)	(1,739)
Security deposit for rent	(6)	(42)
Accounts payable	(379)	735
Payables to centers and stations	1,922	204
Center surplus	(9)	(117)
Salaries and social charges	385	(29)
Taxes payable	(14)	(4)
Lease liabilities	4,265	-
Leases paid	(506)	-
Advances from associates	6,493	(6,534)
Net cash generated by operating activities	20,475	7,355
Cash flows from investing activities		
Acquisitions of fixed assets and intangible assets	(29,046)	(11,967)
Net cash used in investing activities	(29,046)	(11,967)
Cash flows from financing activities		
Contributions from new affiliations	5,186	4,782
Net cash generated by financing activities	5,186	4,782
Net increase (decrease) in cash and cash equivalents	(3,385)	170
Cash and cash equivalents at the beginning of the year	39,554	39,384
Cash and cash equivalents at the end of the year	36,169	39,554
Non-cash transactions		
First time recognition of right-of-use asset	4,497	
First time recognition of lease liabilities (short and long term)	(4,497)	

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

Notes to the financial statements at December 31, 2019

All amounts in thousands of reais unless otherwise stated

1 GENERAL INFORMATION

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

In order to achieve those objectives, the Institute depends largely on the contributions of its associates.

Because the Institute is structured as an association, it benefits from certain federal tax exemptions.

Law 9,718 of December 1998 defines conditions for exemption from income tax and social contribution (such as the Institute). To maintain the tax exemption, the Institute cannot present a surplus for the year, or, if a surplus, is generated, it must be fully allocated to the maintenance and development of the Institute's social purposes.

At December 31, 2019, 112 agrochemicals manufacturers in Brazil were affiliates of the Institute (2018 - 111).

1.1 Business model description

The Institute, as a representative of the agrochemicals industry, has the legal responsibility for carrying out the proper disposal of empty agrochemicals containers. Units receive empty containers from rural areas which the Institute 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 technical and operational cooperation agreements with recycling companies to process empty containers containing phytosanitary products received by UREs, when recycling is possible.

The containers are sent for recycling by the Centers, under the responsibility of the Institute, by direct shipping from the receiving center to the recycling company.

(a) Accreditation fee for recycling companies

The Institute receives an accreditation fee from the recycling companies, for (i) transfer of know-how to the recycling companies on the utilization of empty containers from agrochemicals industries in the development of new products; and (ii) training for employees of recycling companies on the proper handling of empty phytosanitary containers.

(b) Contributions to the costing of UREs

The recycling companies pay the Institute for the containers received as contributions to the costing of UREs. Contributions to fund the 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.

The contribution are transferred to dealer associations (responsible for the management of UREs) as reimbursement for expenses and costs incurred when preparing empty containers for final disposal, on an imprest basis.

Under advice of legal counsel, Management carried out an in-depth analysis of the Institute's business model and, from December 2009, has made changes including requiring the dealer associations deliver empty containers to recycling companies with a shipping invoice for a notional monetary amount.

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

(c) Allocation of resources

The contributions for funding UREs are periodically transferred to dealer associations for the maintenance of URE operations; the accreditation fees from recycling companies are used to acquire assets by the Institute which are leased to Campo Limpo - Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."), whose stockholders are associates of inpEV (Note 1.4), located in the city of Taubaté, state of São Paulo.

(d) Center surplus

The financial results from the shipment of empty containers from the receiving centers to the recycling companies, net of costs shared between the Institute and the dealer associations are, in general, loss making. However, following improvements in the operating processes and growth in the volume of empty containers, the centers are expected to present, on occasion, surpluses for offset against accumulated deficits. Upon offset, the Institute presents these as "Centers surplus". Since the Institute is responsible for managing the financial resources, the balances from the "Centers surplus" are controlled in a specific current account and identified individually by centers.

The dealer association agreements establish that the centers with surpluses will have the right to use these, upon mutual consent with the Institute, in the following order:

1st. Improvements (expansion, renovation and necessary equipment) in the Receiving Unit;

2nd. Construction of stations and improvements (expansion, renovation and necessary equipment) in the stations managed by the association of dealers;

3rd. Improvements in the Receiving Units (Centers), which comprise the package destination system in the same State;

4th. Improvements in the Empty Container Receiving units in the same State;

5th. Improvements in the Receiving Units and State Stations, according to the aforementioned sequence.

(e) URE Project

Since 2014, Management has been evaluating a URE Project to integrate the management of the Receiving Centers. This was discussed with and approved by representative bodies, members of the General Meeting and the Managing Board to allow all Receiving Centers to become branches of inpEV.

By integrating management of the Receiving Centers, the aims is to promote improvement and benefits across the operating chain, reducing distributor costs, implementing best operating practices, standardizing procedures, ensuring compliance with safety standards and, thus, mitigating risks for each participant. Distributors will also benefit by being able to dedicate more time to their own businesses. This will also make it easier for farmers to return containers. Currently, inpEV bears the costs of some 90% of the operation of the Centers.

Actions began to be initiated in 2018 to implement the Project. At 12/31/19, it had already transformed 29 Receiving Centers as branches of inpEV.

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

Management sought from legal counsel a detailed study on the taxation implications of its operations evaluating the new business model to mitigate risks from possible tax interpretations. This covered new the shipping model revenue from the operations, which are not subject to any taxes or contributions.

1.2 Management of the business units

The management of the Institute's business units is organized as follows:

(a) Core processes - construction, maintenance and granting of subsidies to UREs; transportation of empty containers from the stations to the centers and onto the final destination (to be recycled or incinerated); and final destination costs of containers for incineration (Note 22).

(b) Support processes - communication and marketing of the Institute's operations; education, training and awareness of interested parties and stakeholders; legal support; and self-sustainability projects (Note 22).

(c) Administrative processes - running the Institute's administrative area, including all personnel (Note 22).

1.3 Business unit - recycling

To provide self-sustainability of the Institute's business model, a recycling unit was constructed to receive parts of containers sent to the UREs. These parts are used to manufacture new plastic containers. In 2008, this group of assets was leased to Campo Limpo Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."). The Institute's accumulated investments in the construction, assembly and expansion was R$ 91,930 (2018 - R$ 70,261) (Note 10).

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

One of the Institute's objectives is to achieve economic self-sustainability for the agrochemicals empty containers reverse logistics program through the verticalization of the container receipt and destination process. An investment plan was designed to cover the following 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 have led to the construction and structuring of Campo Limpo - Reciclagem e Transformação de Plásticos S.A. ("Campo Limpo S.A."), to recycle empty containers and manufacture containers to the standard of quality required by the associates, which are manufacturers of phytosanitary products.

At the Annual General Meeting on April 18, 2011, the associates cancelled stages 3 and 4 and agreed to expand stages 1 and 2, by investing in blow molding equipment (manufacture of containers).

The expanded stages 1 and 2 required the purchase of four new blow molding machines, an investment of R$ 20,000 (unaudited). These machines were installed by December 2013, when the project was concluded.

To make the Campo Limpo S.A. operations feasible, the Institute executed a lease agreement for the assets (Note 10) which provides the Institute a remuneration of some 10% of Campo Limpo S.A.'s the net billings (Note 21).

On December 8, 2015, an amendment to the lease agreement established that, upon mutual consent, Campo Limpo S.A. may install new, or replace, equipment to increase revenue and the quality of products, will affect the lease remuneration due to inpEV.

Clause 1.3.2.1 of the amendment requires Campo Limpo to maintain equipment the expenditure for which will be deducted from subsequent lease payable once approved with proper supporting documentation. Deductions for such expenses have begun to be deducted from lease payments.

The general meeting of inpEV's associates of September 19, 2016, agreed, in order to rationalize these system costs, to make investments to expand activities, thus: approximately R$ 41,200 for 2017 - 2019 (2017 - R$ 2,727; 2018 - R$ 7,455 and 2019 - R$ 21,925), through revenue generation from leases of fixed assets, and increasing Campo Limpo S.A.'s operating earnings.

A balance of R$ 9,093 remains at December 31, 2019, due to the postponement of project deadlines, from the 2017– 2019 budget, to be disbursed in the first half of 2020.

1.4.1 Campo Limpo - Reciclagem e Transformação de Plásticos S.A - Ribeirão Preto Branch

To increase its share in the agrochemicals containers market and improve operating earnings, through a reduction in costs of the Campo Limpo System, the recycler Campo Limpo S.A. set up a branch in the city of Ribeirão Preto. Similar to the Taubaté head office arrangement, the branch will transfer 10% of its net revenue to inpEV, beginning on June 27, 2019.

1.5 Campo Limpo Tampas e Resinas Plásticas Ltda.

Campo Limpo Tampas e Resinas Plásticas Ltda. ("Campo Limpo Tampas") was incorporated on January 24, 2014, to complete the container's life cycle within its chain. Campo Limpo S.A holds 99.99% of its quotas capital. Its purpose is to produce a high-performing Ecocaps cover sealing system. The customer will then be offered a complete containers solution (produced by Campo Limpo S.A.) with covers (produced by Campo Limpo Tampas).

The Institute leased a space within Campo Limpo S.A. for the Campo Limpo Tampas operations, through a lease calculated on the basis of 0.5% of its monthly billing.

In 2019, the Institute accrued lease revenue from the Campo Limpo Tampas operations of R$ 232 (2018 - R$ 173) recorded in "Operating lease agreement" (Note 21).

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 for the years presented.

2.1 Basis of presentation

The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the provisions of the Brazilian 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 requires management to exercise its judgment in the process of applying the 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 17, 2020.

2.1.1. New accounting standards effective January 1, 2019

The following standard was first adopted from January 1, 2019:

› IFRS 16 / CPC 06 (R2) - Leases: the new standard requires lessees to recognize the liability for the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of scope of the standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially unchanged. The effects of the initial adoption of this new standard and the practical expedients used are detailed in Note 10.1.

2.2 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.

2.3 Financial assets

2.3.1 Classification

The Institute classifies its financial assets thus:

- Measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2.3.2 Measurement

At initial recognition, the Institute measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2.3.3 Impairment of financial assets
Impairment of financial assets

The following financial assets held by the Institute are subject to the expected credit loss model:

- accounts receivable
- financial assets carried at amortized cost

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9 / CPC 48, though no impairment loss was identified.

2.4 Accounts receivable

The balances of accounts receivable, representing 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. Expected loss provisions are established whenever there is evidence that it is not probable the Institute will receive amounts due. The amount of expected loss is the difference between carrying amount and recoverable amount. The average receipt term of accounts receivable is 30 days.

The expected loss model, provided for in IFRS 9/CPC 48, has not generated impact on the financial statement of inpEV, since the Institute's accounts receivable basically comprise contributions by associates, linked to the recognition of expenses incurred, as well as amounts receivable from the recycling companies for the supply of containers.

There is no history of default on accounts receivable from contributions. Recycling companies are required under Law 7,802 to implement a reverse logistics program for empty agrochemicals containers in order to be able to conduct their activities in Brazil. Should they fail to pay inpEV, which is the industry representative in Brazil, they will no longer be permitted to operate.

2.5 Advances granted

Advances granted are prepayments to collection centers and units covering their short-term cash needs. They are carried at cost.

2.6 Judicial deposits

Judicial deposits are in local currency deposited in courts in an escrow 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 accrue interest and are presented in the balance sheet as a deduction from the provision for contingencies (Note 14).

2.7 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, when it is probable that future economic benefits 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 less 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 when it is greater than its estimated recoverable amount.

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

2.8 Leases

On January 1, 2019, the Institute changed the accounting policy for leases in which the Institute is the lessee (Note 10.1).

Up to December 31, 2018, leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Operating lease instalments (net of incentives received from the lessor) are charged to the statement of surplus on the straight-line basis over the term of the lease.

2.9 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.

2.10 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 when 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 other than goodwill that suffered impairment are subsequently reviewed for possible reversal of the impairment at each reporting date.

2.11 Accounts payable

These are obligations substantially for expenses incurred by dealer associations for the maintenance of units which 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.

2.12 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 a transfer of economic benefits will be required to settle the obligation; and (c) the obligation 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 pre-tax rate 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.

2.13 Employee benefits - bonus

Bonuses, based on targets achieved by employees, are usually recognized at the end of the year, when the amount can be accurately calculated.

2.14 Revenue recognition and related expenses

Revenue comprises the present value of contributions made by associates, revenue of recycling companies (accreditation fee paid by recycling companies, contributions to the costing of UREs), revenue from operating leases and extraordinary contributions made by associates for investments 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 as costs and expenses with the management of the system are incurred.

(a) Associate contributions

Associate contribution related costs and expenses incurred for the costing of container receiving, transportation and incineration processes, among others. The contributions are approved by associates when preparing the annual budget, and are submitted monthly for approval in the Institute’s meetings with Management.

Contributions in excess of the costs and expenses incurred are accounted for in “Advances from associates” in current liabilities.

(b) Accreditation fee for recycling companies

The recycling companies’ accreditation fee is 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 annual contribution of the Institute’s associates is reduced by this amount.

(c) Contributions to the costing of UREs

Contributions to the costing of UREs, which range from 60% to 70% of the amount obtained from the containers sent for recycling and applied in the business unit that deals 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 UREs (centers and stations) present the costs incurred for preparing the containers to be sent to their final destination.

(d) Operating leases

Operating lease revenue is recorded on the accrual basis of accounting at 10% of the monthly net revenue from the sales of Campo Limpo S.A. and Campo Limpo Tampas products, as provided for by the Property Lease Agreement by and between the parties.

(e) Extraordinary contributions

These are funds transferred by Campo Limpo S.A., on behalf of its stockholders who are also inpEV's associates, as approved in Annual General Meetings, to reduce the amount of annual contributions due to inpEV.

Revenue from extraordinary contributions is recognized after approval by Campo Limpo S.A.'s General Meeting.

The extraordinary contributions are used to reduce the amount of the annual contribution made by associates to inpEV.

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 recycling company accreditation fee

Up to November 2009, dealer associations would sell the empty containers to the recycling companies. The Institute received fee from the recycling companies for the accreditation of the recycling companies, for the transfer recycling process of know-how of plastic residues, for the manufacture of new products from such material and for the training of employees of the recycling companies for the proper handling of empty phytosanitary product containers.

To avoid 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. Simultaneously, a portion of contributions received by the Institute started to be used as a subsidy for part of the costs incurred by 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

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 (own employees and URE employees) (Note 14). Provisions are established for all contingencies when these indicate 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 the Brazilian legal system, under advice 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 finance risks related to credit and liquidity.

(a) Credit risk

The Institute makes financial investments only with prime financial institutions in order to minimize credit risks.

Accounts receivable are comprised of amounts from associates and recycling companies that have not yet been received. When the associate or recycling company is in default (Note 7), the Institute's management starts an out-of-court collection process to receive the outstanding balance and, if appropriate, Management may file a judicial collection proceeding.

(b) Liquidity risk

This is the risk of the Institute not having sufficient liquid funds 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 that 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, security deposit for rent and judicial deposits. They are all classified in the amortized cost category.

Financial liabilities, such as accounts payable, advances from associates and recycling companies and provisions for contingencies, are classified as subsequently measured at amortized cost.

5.1 Credit quality of financial assets

The Institute's cash and cash equivalents and financial investments are negotiated with financial institutions classified under the following ratings (FICTH):

	2019	2018
Cash and cash equivalents and securities		
Banco Itaú S.A. - AAA	35,376	39,179
	35,376	39,179

The credit quality of trade receivables is assessed based on the risk of a customer failing to honor amounts due at maturity dates and difficulty recovering receivables through an out-of-court process.

6 CASH AND CASH EQUIVALENTS

	2019	2018
Cash	8	15
Banks - current accounts	785	360
Investment funds (*)	35,376	39,179
	36,169	39,554

(*) Financial investment remunerated at 103% of the Interbank Deposit Certificate (CDI) rate with Banco Itaú S.A. (2018 - Banco Itaú S.A. - 98.2%), being readily redeemable, with no significant discount on redemption.

7 ACCOUNTS RECEIVABLE

	2019	2018
Associate contributions - Agrochemicals	5,856	7,664
Recycling companies		
Accreditation of recycling companies	1,653	1,055
Contributions to the costing of UREs (i)	12,070	4,505
Operating lease - Campo Limpo S.A.	1,719	2,286
Other accounts receivable	19	-
Provision for impairment of accounts receivable	(3,912)	(3,837)
	17,405	11,673

(i) Includes R$ 11,371 for the request for postponement of payment terms of a recycling company undergoing expansion. Up to January 15, 2020, R$ 5,000 had been received, and the remaining amount renegotiated for settlement by March 31, 2020.

Changes in the provision for impairment of accounts receivable:

	2019	2018
At January 1	(3,837)	(3,878)
Additions	(87)	-
Reversal due to receipt	12	41
At December 31	(3,912)	(3,837)

The Institute, after out-of-court collection attempts, through its lawyers decided to file a lawsuit against an associate in default, Fersol Indústria e Comércio Ltda., whose outstanding balance at December 31, 2019 was R$ 3,667 (2018 - R$ 3,667). The remaining balance of R$ 245 refers to two recycling companies in financial difficulties, for which a provision was made (Tecnicontrol - R$ 57, Pica Pau - R$ 59 and Tundra - R$ 36).

The amounts receivable by maturity are as follows:

	2019	2018
Not yet due	16,324	3,394
Overdue		
Up to 60 days	1,079	7,410
From 61 to 90 days	2	880
From 91 to 180 days	39	4
From 180 to 360 days	9	23
Over 360 days	3,864	3,799
	21,317	15,510

8 ADVANCES GRANTED

	2019	2018
Advances to centers (i)	6,149	3,941
Advances to units (i)	1,450	1,033
Advances to employees	80	68
Payroll advances	131	203
Other advances	899	690
	8,709	5,935

(i) Pursuant 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 (Note 1.1.) in December 2009, 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 expenses for the last three months as presented by the centers. These advances are recognized in the statement of surplus for the year, upon presentation of supporting documentation.

Included in balance of R$ 6,149 at December 31, 2019 (2018 - R$ 3,941) is R$ 2,477 for amounts prepaid to certain centers, which are in surplus, in accordance with the monthly accountability process; the remaining balance refers to the advances granted that are still within the period established by the Institute for accountability. However, because these centers are in surplus, they did not use the funds paid in advance for the execution of their activities (Note 1.1 (d)), thus the Institute presents a liability, under Centers Surplus, for payable to centers in surplus as per the established hierarchy.

Up to the date of issuance of these financial statements, post balance sheet payments totaled R$ 5,420.

9 SECURITY DEPOSIT FOR RENT

The balance of R$ 125 (2018 - R$ 119) refers to the security deposit defined in the lease agreement of the property located at Avenida Roque Petroni Junior, 850, the Institute's principal offices.
This amount will be redeemed at the end of the agreement.

10 PROPERTY AND EQUIPMENT

	Land	Buildings and improvements	Equipment and installations	Vehicles	Furniture and fittings	Other	Total in operation	Construction in progress/ advances	Total property and equipment
At December 31, 2017	431	12,051	29,314	725	443	16	42,980	3,948	46,928
Acquisition	-	231	4,346	999	112	8	5,697	6,172	11,869
Transfers	-	-	-	-	-	-	-	-	-
Disposal	-	-	(180)	(137)	(31)	-	(348)	-	(348)
Depreciation	-	(975)	(5,896)	(415)	(81)	(10)	(7,378)	-	(7,378)
At December 31, 2018	431	11,307	27,584	1,172	443	14	40,951	10,120	51,071
Total cost	431	18,456	64,754	2,246	1,080	126	87,093	10,120	97,213
Accumulated depreciation		(7,149)	(37,170)	(1,074)	(637)	(112)	(46,142)		(46,142)
Net book value	431	11,307	27,584	1,172	443	14	40,951	10,120	51,071
At December 31, 2018	431	11,307	27,584	1,172	443	14	40,951	10,120	51,071
Acquisition	162	477	5,294	540	230	25	6,728	21,781	28,509
Transfers	-	3,380	15,321	-	110	2	18,813	(18,813)	-
Disposal	-	-	(2,290)	(119)	(11)	-	(2,419)	-	(2,419)
Depreciation	-	(1,144)	(6,190)	(438)	(96)	(10)	(7,879)	-	(7,879)
At December 31, 2019	593	14,020	39,719	1,155	676	31	56,194	13,088	69,282
Total cost	593	22,313	80,387	2,354	1,405	153	107,205	13,088	120,293
Accumulated depreciation	-	(8,293)	(40,668)	(1,199)	(730)	(122)	(51,011)	-	(51,011)
Net book value	593	14,020	39,719	1,155	676	31	56,194	13,088	69,282

The associates established a separate entity, Campo Limpo S.A. (Note 1.3). The assets of Campo Limpo S.A. were acquired by the Institute for its property and equipment, which at December 31, 2019 amounted to R$ 91,930 (2018 - R$ 70,261).

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 that are already installed and operating, in addition to other spare equipment attached to the property. This agreement is effective for ten years and automatically renewed for the same period.

The assets leased to Campo Limpo S.A., included in the table above, are the following:

			2019
Description	**Cost**	**Accumulated depreciation**	**Net book residual**
Buildings and improvements	20,571	(6,810)	13,761
Equipment and installations	59,093	(29,962)	29,131
Vehicles	424	(281)	143
Furniture and fittings	730	(452)	278
Construction in progress	11,079	-	11,079
Other	33	(26)	7
	91,930	(37,531)	54,399

			2018
Description	**Cost**	**Accumulated depreciation**	**Net book value**
Buildings and improvements	16,831	(5,987)	10,844
Equipment and installations	46,888	(28,068)	18,820
Vehicles	467	(268)	199
Furniture and fittings	579	(404)	175
Construction in progress	5,466	-	5,466
Other	30	(24)	6
	70,261	(34,751)	35,510

10.1 Lease agreements

The Institute reviewed its rental contracts and identified two contracts that are within the scope of IFRS 16/CPC 06 (R2), for the lease of two floors of a commercial building where the Institute's offices are located.

The measurements of the right-of-use asset were made taking into account the following assumptions:

- Beginning of the lease term: begins on the date the Institute became entitled to use the leased property, being the date of signing the agreements, since from that date it could determine operational aspects of the property such as renovations, and preparation of the physical environment;
- Lease term: period for which inpEV contracted the lease. The Institute adopted the term of each new contract and assumptions detailed below or, when applicable, added by Law 8,245/91 ("Landlord-Tenant Law"), which grants to lessee (the Company and its subsidiary) the right to enforceable lease renewals (enforceable right) when certain conditions are satisfied.

i) 18th floor - Offices 181 to 184 (4 offices)
Lease amount: R$ 25 thousand/month indexed annually by reference to the IGPM
Term: 12/01/2016 to 12/31/2031

ii) 13th floor - Offices 131 and 134 (2 offices))
Valor do aluguel: R$ 14 mil/mês corrigidos anualmente pelo IGPM
Term: 11/01/2018 to 12/31/2031

The lease agreement term has renew options.

- Payments: as established in the agreement, payments consist of fixed monthly installments indexed to the IGPM annually based on the anniversary date of the agreement.
- Incremental interest rate of tenant financing: for two contracts, the Institute considered interest rates required to acquire assets under similar conditions to those leased as of the date of lease contract signing. After analyses, the nominal discount rate was 7% p.a. and corresponds to the rate of funding for property financing offered by banks.
- Depreciation of right-of-use asset: The lease agreements do not purchase options at the end of the lease term. Therefore, the useful life of these assets, in the absence of impairment, is the contractual term, whichever is shorter. The Institute recognizes the depreciation expense of the right-of-use asset in a systematic and linear manner according to the agreement terms. The useful life is periodically reassessed for the rights-of-use whenever there are changes in the strategic business plans and intentions of the lessors in continuing the contract;
- Interest expenses on lease agreements: Interest expenses are recognized as finance costs and allocated to each period during the lease term.

Em 31 de dezembro de 2019, os impactos decorrentes da adoção do IFRS 16 (CPC 06 R2) estão demonstrados a seguir:

(i) Balances recognized in the balance

The balance sheet contains the following balances related to leases:

	2019	
	December 31,	January 1 ,
Right-of-use assets		
Buildings	4,163	4,343
	4,163	4,343
Lease liabilities		
Current	342	334
Non-current	3,923	4,009
	4,265	4,497

Changes in the right-of-use assets are as follows:

	Commercial property
At January 1	4,343
New agreements	-
Remeasurements	154
Termination of agreements	-
Depreciation	(334)
At December 31	**4,163**

The changes in lease liabilities are as follows:

	Commercial property
At January 1	4,343
New agreements	-
Remeasurements	154
Termination of agreements	-
Payments	(506)
Remeasurement of lease liabilities	274
At December 31	**4,265**

(ii) Balances recognized in the statement of surplus

The statement of surplus includes the following amounts related to leases:

	2019
Depreciation charges of right-of-use assets (total depreciation charge - Note 22)	
Buildings	(334)
	(334)
Remeasurement of lease liabilities (finance costs - Note 23)	(274)
	(274)

11 INTANGIBLE ASSETS

	Software acquired	License	Total
At December 31, 2017	393	-	393
Acquisition	97	-	97
Amortization	(152)	-	(152)
At December 31, 2018	338	-	338
Total cost	2,000	-	2,000
Accumulated amortization	(1,662)	-	(1,662)
Net book value	338	-	338
At December 31, 2018	338		338
Acquisition	479	60	539
Amortization	(172)	(5)	(177)
At December 31, 2019	645	55	700
Total cost	2,480	60	2,540
Accumulated amortization	(1,835)	(5)	(1,840)
At December 31, 2019	645	55	700

Campo Limpo S.A. intangible assets at December 31, 2019 are as follows:

Description	Cost	Accumulated amortization	Net book value
Hardware and software	907	(564)	343

12 PAYABLES TO CENTERS AND STATIONS

These refer to accounts payable to the receiving units (UREs), the centers and stations, under the operating maintenance shared cost agreements with the managers of the units (dealers). The balance at December 31, 2019 was R$ 4,231 (2018 - R$ 2,309).

13 CENTER SURPLUS

The surplus balance of certain centers (Note 1.1. (d)), amounting to R$ 2,474 (2018 - R$ 2,483), is segregated in a specific financial investment account controlled by each center, and will only be used upon preapproval of the Institute as per the hierarchy of priorities, as established in the agreements.

14 CONTINGENCIES

Provisions and corresponding judicial deposits are as follows:

	Judicial deposits		Contingency	
	2019	2018	2019	2018
Tax - Social Contribution on Revenues (COFINS) (i)	18,656	16,717	18,702	16,767
Labor (ii)			216	22
	18,656	16,717	18,918	16,789
Judicial deposits	(18,656)	(16,717)	(18,656)	(16,717)
Net amount under litigation			262	72
Less current liabilities			(46)	(50)
Non-current liabilities			216	22

Changes in the provisions were as follows:

	Tax	Labor	Total
At January 1, 2018	15,026	287	15,313
Complement/ additions (iii)	1,105	16	1,122
Reversal/write-off		(281)	(281)
Accruals	636		636
At December 31, 2018	16,767	22	16,790
Complement/ additions (iii)	1,252	216	1,468
Reversal/write-off		(22)	(22)
Accruals	683		683
At December 31, 2019	18, 702	216	18,918

(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, on July 2, 2004, 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 accreditation fee) of not-for-profit entities, which are exempt from income tax.

The Institute received a favorable response on June 9, 2008 for the PIS, confirming 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.

However, the Regional Superintendency of Federal Revenue indicated that COFINS should be levied on this type of revenue. The Institute, supported by its tax lawyers, maintained its own interpretation and, in February 2009, filed for a writ of mandamus in order to assure its right for the non-payment of COFINS on the accreditation fee. This injunction was denied on May 13, 2009.

The sentence handed down in October 2013 denied the Institute's claim and determined that the payment of COFINS is due. 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 provisioned amount plus interest and fines, for the period from 2004 to December 2019, totaling R$ 18,507 (2018 - R$ 16,767). The corresponding judicial deposit is presented as a deduction in liabilities.

Other than the COFINS matter referred to above, based on the position 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 further taxes are being levied on the Institute's revenues.

In 2014, the Federal Tax Authorities presented their counterarguments in respect of the Appeal on the merits of the case filed by the Institute, and the case records were sent to the Federal Regional Court (TRF) of the 3rd Region. Currently, the Appeal regarding the merits of the case lodged by the Institute is pending judgment.

(ii) A labor provision was recorded for claims filed by former employees of UREs. Under advice of its lawyers, the Institute considers the likelihood of loss to be probable.

(iii) The balance of R$ 1,252 (2018 - R$ 1,105) refers to the taxes to be paid in 2019 deposited in court in relation to a judicial discussion for the COFINS levied on the accreditation fee.

(a) Possible losses, not provided for in the balance sheet

Some labor claims were filed by former employees of the UREs, for which the Institute, as joint obligor, which are regularly reviewed by the legal area.

The reviews are to advise the dealers, which are the actual employers, to the conducting of their processes. At December 31, 2019, the contingency amounted to R$ 426 (2018 - R$ 457).

In the event of an unfavorable outcome, the Institute will incur the cost in proportion to its contribution to monthly expenses of these UREs.

Joint obligation for compliance with labor obligations

In 2015, the Federal Labor Prosecution Office (MPT) of Mato Grosso filed a public-interest civil action against the Institute, of approximately R$ 58,000, questioning the labor obligation in the management of the Sapezal Receiving Unit, which is administered exclusively by the Association of Agronomists of Sapezal (AEASA), and the Institute and the other defendants (manufacturers) who were included as joint obligors in the fulfillment of labor obligations.

According to its legal advisors, the labor joint obligation attributed to the Institute is without merit since there is no labor responsibility that could be attributed to the Institute and the other defendants for the a reverse logistics chain.

In May 2018, the Labor Court of Sapezal - Mato Grosso State rendered a ruling considering the public-interest civil action to be partially substantiated, and ordering AEASA to pay indemnity for collective personal damages of R$ 30, as well as indemnity for individual damages of R$ 4 for each employee working at the Receiving Unit. The ruling further acknowledged that both the Institute and the manufacturers were not to be held responsible for any of the facts disputed in the litigation.

MPT filed an appeal, currently pending judgment by the Regional Labor Court of the 23rd Region.

In 2019, the appeal filed by the MPT of Mato Grosso was analyzed by the Regional Labor Court of the 23rd Region, which considered the public civil action partially unsubstantiated, excluding inpEV and the associates (industry) as joint obligors in the fulfillment of labor obligations. The decision became final and unappealable and no further appeal is possible.

15 ADVANCES FROM ASSOCIATES

Considering that the associated companies contribute to 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 changes in the advances from associates are as follows:

	January 1, 2019	Additions	Reductions	December 31, 2019
Associate contributions (i)	-	78,577	(72,084)	6,493
Crop Life Associados - sanitizers	2	-	(2)	-
	2	78,577	(72,086)	6,493

(i) The Institute's budget for each year sets out 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 contributions from associates amounted to R$ 78,577, and substantially correspond to estimated associate contributions of R$ 90,316, less the contribution reduction plan of R$ 15,000 and extraordinary contributions of associates that are also stockholders of Campo Limpo S.A. of R$ 3,261.

Deductions in 2019 represent the net revenue recognition of the associate contributions of R$ 72,084, resulting from the gross contributions from agrochemicals of R$ 83,823 (Note 17), less the capital contribution of R$ 15,000, plus the amount transferred by Campo Limpo S.A. of R$ 3,261.

The balance of associate advance at December 31, 2019 of R$ 6,493 refers to the disbursements as per the 2019 budget that will be realized in the subsequent years.

16 NET WORTH

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

(a) Reserve for new associates

During 2013, the Board of Directors of inpEV, together with the executive board, discussed the need to charge a fee for membership to the new applicants as a reimbursement for all investments already made by current associates the life of the Institute.

At the 17th General Meeting of Associates, held on April 14, 2014, the associates approved the following main terms for affiliation of new associates:

(i) One-time payment, of 20 minimum salaries, from the date of grant of the application for membership by the Board of Directors;

(ii) 1.5% of the annual net revenue of the new associate computed on the basis of the agricultural pesticides business, paid for three years and calculated each year of the effective payment as from the first year in which the associate informs that it places packaging on the market directly, if it has not done so since the beginning; and

(iii) 150% of the average cost/kilo of packaging ascertained in the annual inpEV budget multiplied by the number of containers placed by the associate on the market, directly and/or through third parties, paid for five years, and collected from the first year in which the associate informs that it has placed containers on the market (directly and/or through third parties), if it has not done so since the beginning.

The new associates as from January 2014, who began selling agrochemicals, are now responsible for removing the empty packaging from the environment. Accordingly, they began the process of payment of membership fees, which, in the year ended December 31, 2019, corresponded to R$ 5,186 (2018 - R$ 4,782).

(b) Plan to reduce contributions

The Institute's original self-sustainability project included plans to reduce future contributions from by associates due to the generation of revenues, pursuant to its business model (Note 1.1.). As advised to associates in November 2018, their contributions for 2019 decreased by R$ 15,000 (2018 - R$ 20,000).

17 NET REVENUE FROM ACTIVITIES

	2019	2018
Associate contributions - agrochemicals (Note 15 (i))	83,878	92,451
Recycling company accreditation fee (Note 18)	16,474	14,544
Contributions to the costing of UREs (Note 19)	41,330	38,328
Extraordinary contributions (Note 20)	3,261	2,722
Operating lease (Note 21)	10,021	7,688
Voluntary work (Management and Statutory Audit Board)	642	611
Other	250	303
	155,856	156,647
Deductions from revenues		
Reduction in the associate contribution (Note 15 (i))	(15,000)	(20,000)
COFINS levied on accreditation fee	(829)	(704)
COFINS levied on lease	(761)	(584)
ISS and COFINS levied on consulting	(44)	-
Net revenue from activities	139,222	135,359

18 ACCREDITATION FEE FOR RECYCLING COMPANIES

In 2004, the Institute entered into agreements with recycling companies for technical and operational cooperation services for the recycling of plastic residues. These services include the development, training and studies for improvements in the recycling process.

The Institute recorded revenue in 2019 of R$ 16,474 (2018 - R$ 14,544).

19 CONTRIBUTIONS TO THE COSTING OF UREs

As from December 2009, with the new model for container shipping, a new revenue source for recycling companies was created from contributions for costing of UREs. Revenue from these contributions is used to subsidize the costs incurred by the units receiving the empty containers (Note 1.1).

In 2019, revenue from contributions for costing UREs totaled R$ 41,330 (2018 - R$ 38,328).

20 EXTRAORDINARY ASSOCIATE CONTRIBUTIONS

As authorized by the Annual General Meeting of Campo Limpo S.A., the amounts received from its stockholders, associates of the Institute, should be invested for the 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.

This revenue from the recycling business, allowed Management to recognize R$ 3,261 (2018 - R$ 2,722) from Campo Limpo S.A., as an extraordinary contribution.

21 OPERATING LEASES

Leases are for 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 S.A. The lease, amounting to R$ 10,021, of which R$ 9,790 is related to Campo Limpo S.A. and R$ 232 to Campo Limpo Tampas (2018 - R$ 7,515 and R$ 173, respectively), corresponds to 10% of the net monthly revenue calculated by the lessee, the minimum being 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:

	2019	2018
Up to one year	12,170	7,076
More than one year less than five years	77,020	69,855
Mais de cinco anos	26,110	26,636
	115,300	103,567

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.

As established in clause 2.1.1. of the contract, the renewal period automatically occurs for the same period and under the same conditions, if not challenged by either party, in writing, within 210 days prior to the expected expiration of the lease (May 2, 2018), that is, 10 years. As no parties made any pronouncements prior to the 210-day period, the lease renewed on December 31, 2017 as well as the Institute's commitment with future payments.

In 2016, a plan was approved to expand Campo Limpo S.A.'s activities in the approximate amount of R$ 41,200 to be realized by the Institute, increasing the lease revenue received by the Institute (Note 1.4).

The stockholders' agreement was renewed in 2018 for the same period initially agreed upon, that is, for additional 10 years.

22 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are divided into three segments and managed accordingly, as follows:

	2019	2018
Infrastructure	(42,525)	(37,164)
Support process	(5,307)	(6,158)
Core process	(83,487)	(84,874)
	(131,319)	(128,196)

General and administrative expenses were:

	2019	2018
Infrastructure		
Facilities	(521)	(523)
Personnel, plus social charges	(23,582)	(19,455)
Voluntary work (Management and Statutory Audit Board)	(642)	(611)
General expenditures (i)	(14,111)	(11,725)
Outsourced services (ii)	(1,257)	(2,591)
Information Technology	(1,979)	(1,689)
Institutional	(432)	(570)
	(42,525)	(37,164)
Support process		
Legal (iii)	(711)	(1,030)
Communication, education and campaigns (iv)	(4,269)	(4,566)
Technological development	(247)	(191)
Projects (v)	(81)	(371)
	(5,307)	(6,158)
Core process		
Operations (vi)	(50,529)	(53,481)
Logistics (vii)	(26,885)	(24,028)
Final destination (viii)	(6,073)	(7,365)
	(83,487)	(84,874)

(i) Refers mainly to depreciation and amortization expenses totaling R$ 8,055 (2018 - R$ 7,563) and to expenses with maintenance of property and equipment leased to Campo Limpo S.A. totaling R$ 1,304 (2018 - R$ 1,114).

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

- Tax - R$ 261 (2018 - R$ 119).
- Human resources - R$ 199 (2018 - R$ 118).
- Internal and external audits - R$ 419 (2018- R$ 448).
- Administrative - R$ 378 (2018 - R$ 1,705).

(iii) Refers to support of external legal advisors during the monitoring of lawsuits, of R$ 711 (2018 - R$ 806).

(iv) Refers to expenditures with communication, publicity and training events, comprising:

- Campaign expenditures - R$603 (2018 - R$ 593).
- Dia Nacional (National Day) Campo Limpo - R$ 1,314 (2018 - R$1,635).
- Communication/institutional material - R$ 495 (2018 - R$ 636).
- Triple rinsing regional campaign - R$ 144 (2018 - R$ 177).
- Outsourced services/communication services - R$ 1,025 (2018 - R$ 842).
- Institutional events - R$ 687 (2018 - R$ 367).

(v) Refers to the Institute's activities in connection with the management of projects preapproved by the Board Members, mainly for the removal of obsolete and inadequate products - R$ 81 (2018 - R$ 369).

(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 stations, amounting to R$ 45,488 (2018 - R$ 51,658), and those for the construction of collection centers and stations, amounting to R$ 3,520 (2018 - R$ 993).

(vii) Refers substantially to expenses incurred with freights for the transportation of empty containers rinsed for recycling, amounting to R$ 20,851 (2018 - R$ 19,825), and not rinsed for incineration, amounting to R$ 1,347 (2018 - R$ 1,200).

(viii) Refers to expenses with incineration of containers not rinsed amounting to R$ 5,722 (2018 - R$ 6,999).

23 FINANCE INCOME AND COSTS

	2019	2018
Revenue from financial investments	2,123	2,085
Other finance income	19	302
	2,142	2,387
Withholding income tax on financial investment	(462)	(414)
COFINS on financial investment	(86)	(84)
Other finance costs	(303)	(189)
	(851)	(687)
	1,291	1,700

24 MANAGEMENT REMUNERATION

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

	2019	2018
Salaries, vacation pay and 13th month salary	(3,912)	(3,614)
Social charges	(1,731)	(1,327)
Other remuneration (*)	(2,367)	(2,497)
	(8,010)	(7,438)

(*) Other remuneration includes annual bonus, defined contribution private pension plan, health care and group life insurance.

25 COMMITMENTS

During 2019, 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 2019 budget, will be performed in 2020. The commitments entered into with third parties at December 31, 2019 and 2018 are as follows:

	2019	2018
Infrastructure process (i)	(1,084)	-
Support process (ii)	(195)	-
Core process (iii)	(5,214)	-
	(6,493)	-

(i) Relates to expected IT and administrative expenses, of R$ 462 and R$ 622, respectively.

(ii) Relates to expenses for the preparation of the annual report and the “PEA”, amounting to R$ 119 and R$ 76, respectively.

(iii) Relates to construction and renovation of centers with exclusive inpEV administration of R$ 5,018.

26 INSURANCE

The Institute is supported by insurance advisors to determine the coverage compatible with its size and operations. The insurance policies at December 31, 2019 indicated the following levels of coverage:

Location	Amounts covered
inpEV - office	
Fire damage to property and equipment	5,000
inpEV - 109 centers	
Civil liability	20,000
inpEV - Property and equipment leased to Campo Limpo S.A.	
Clause 065 - Expenses with Coinsured Claims Containment	95,000

João Cesar Meneghel Rando
CEO - inpEV

Regina Marta de Santana Sousa
Accountant inpEV CRC 1SP177254/O-6