Envipco Holding N.V.
Annual Report 2012

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Financial Highlights

	2012	2011
Revenues from continued operation	€51.84m	€50.66m
Gross Profit Margin	16.77%	21.97%
Net profit (loss) before taxes	€(4.45m)	€(0.24m)
Net profit (loss) after taxes after minority	€(4.09m)	€(0.51m)
EBITDA From continuing operations	€0.28m	€3.16m
Shareholder's equity	€11.46m	€15.65m
Earnings (loss) per share (after reverse stock split)	€(1.655)	€(0.205)
Liquidity ratio (current assets / current liabilities)	0.8	1.1
Total assets	€40.53m	€45.16m

General

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands.

Mission statement
Our mission is to become the most respected global company to recover, manage, operate and recycle post consumer beverage containers, using innovative technologies, while creating high value for our shareholders, customers, partners and employees.

Principal activities
The Group's principal activities during the year remained the same. These include the following:

- The design, development, manufacture and sale or lease of Reverse Vending Machines (RVM) as the foundation of recycling systems for the collection and processing of used beverage containers.
- The provision of technical support, RVM maintenance and accounting services to the retail stores, bottlers and distributors for containers redeemed through these machines.
- Provision of materials handling services, primarily in the Northeastern part of the United States of America (USA), for containers that are subject to deposits mandated by law.
- The processing of used Polyethylene terephthalate (PET) and High-density polyethylene (HDPE) plastics for recycling.

Results

2012 has been a challenging year for the Envipco group, with a net loss of €4,092,000 compared to a loss of €507,000 in 2011. Revenue for 2012 increased 2.3% over 2011 to €51,841,000. EBITDA declined to €279,000 compared to €3,161,000 in 2011. Reverse Vending Machines (RVM) saw increasing revenues and profitability while plastics recycling experienced revenue declines and extraordinary losses. After due consideration, the Board has made the decision that the primary focus of the Group will be on the RVM segment going forward. Accordingly, activities have been initiated to consider strategic options for the plastic recycling segment.

Despite significant improvement in the RVM segment profitability to €2,194,000 (2011: €813,000), the overall Group loss increased substantially. This is entirely attributable to losses in the plastic recycling segment of €4,739,000 (2011: €547,000) and to increases in Holding and non-operating expenses to €1,547,000 (2011: €773,000). The Holding and non-operating expenses in 2011 were favourably impacted by €898,000 in reversal of stock option charges.

The RVM business segment revenues increased 16.4% to €25,865,000 from €22,230,000 in 2011. Machine and technology sales increased 21.7% to €3,669,000, service revenue increased 20.9% to €14,713,000 and leasing revenue increased 6.2% to €7,483,000. RVM profitability increased 170% to €2,194,000. EBITDA increased to €3,875,000 as compared to €2,772,000 in 2011. The positive results for the year reflect continued operational improvements in our North American business combined with early indications of the market potential for our new line of RVM technology. The results also include ongoing development cost related to our Closed Loop Recycling System (CLRS) of €449,000 (2011: €383,000).

The plastic recycling business in France (Sorepla) suffered heavy losses of €4,739,000 on an 8.6% sales decline to €25,976,000. The business continued to be negatively impacted by volatility in the PET supply and weakness in pricing for recycle PET products. Start-up of our investment in the bottle-to-bottle production line (€6,500,000) was delayed from 1 July 2012 until late summer. This delay affected our ability to secure customer commitments for RPET production in the latter part of 2012. The business further suffered a major setback in October due to a trade union employee strike which affected all production in the month. The striking employee demands for pay increases and benefits were far outside the Company's ability to address, which forced management to file for "procedure de sauvegarde" court protection on 31 October 2012. The company continues to operate under court administrator oversight, while a restructuring plan is worked out.

No dividend is proposed. The results of 2012 shall be carried forward to the retained earnings, subject to the approval and adoption of the 2012 Annual Report by the shareholders at the next annual general meeting of the shareholders.

The group has a net equity of €11,462,000 at 31 December 2012 (2011: €15,654,000) with debt to equity ratio of 1.01 for the current year and 0.83 for 2011. Group has adequate working capital with current ratio of 0.8 (2011: 1.1) as at the balance sheet date. In the first quarter of 2013, the current ratio improved after the $3,000,000 long term loan from the majority shareholder.

Outlook

RVM Segment

As evidenced by the RVM business segment performance in 2012, we are beginning to gain market traction in North America. We have made significant investments in new RVM technology over the past several years. With our recent introduction of the Ultra 48 (U48), we now have a compelling and complete technology platform. The U48 is particularly important due to the adoption of federal guidelines under the American Disabilities Act (ADA) that requires the RVM be consumer accessible at 48 inches or lower. Envipco has delivered a breakthrough platform that sets the new market standard for user convenience, recognition speed, container compaction, storage capacity and industrial reliability. Our product range of Flex for small stores and non-deposit markets, the Ultra HDS for the Michigan high volume retailers and U48 in all markets positions the Company with a very competitive market lineup. The clearest statement of the potential of the new platform was confirmed by selection of Envipco as the RVM provider of choice in all US deposit markets for a major retailer at the end of 2012. The details and requirements under the contract are expected to be finalised in late April 2013 with significant RVM sales thereafter.

Michigan: In 2011 Envipco entered into a three year exclusive RVM Distributor Agreement with Tomra/CBSI for the State of Michigan. This agreement expanded our market placements and included certain contracts. A number of customers have opted to adopt Envipco's new Ultra product line. For the most part, the Michigan retailers have elected to purchase their RVM technology. The Michigan machine population of over 5,000 RVMs will undergo a significant replacement cycle over the coming years and we expect meaningful market share gains.

Northeast: The Company has maintained the existing RVM customer base and continues to make incremental gains in the New York, Connecticut and Massachusetts markets. RVM throughput volumes have moderated after the expansion of deposits to water in 2010. The increased number of redemption centers, especially in New York City is starting to slow container volume growth. Envipco's Sort-After program is an attractive service offering to retail accounts outside the traditional RVM. We expect to see continued growth in the Sort-After program.

California: In July 2011, Envipco signed an RVM supply agreement with one of California's largest third party redemption companies. The introduction of RVMs represents a market breakthrough to help California retailers with lower redemption volumes to reduce operating costs and comply with stricter enforcement of State regulations. Retailer experience with Envipco's RVMs has been positive to date and we see increasing machine placements over the next several years.

Closed Loop Recycling System (CLRS): Envipco's joint venture pilot program with Coca-Cola Recycling LLC continues in operation in Dallas, Texas, USA. This innovative concept www.reimaginerecycling.com is designed for non-deposit markets and geared to attract large volume recyclers. All five centers have now been in operation for 18 months. The consumer experience and acceptance has been overwhelmingly positive. Two of the five centers are exceeding pro-forma volumes with all centers continuing to build both volume and repeat recyclers. The business concept was developed to provide the highest volume, at the lowest cost and be sustained on commodity revenue. The high percentage of PET containers combined with the light weight water bottles has created a commodity revenue shortfall. Both Envipco and Coca-Cola Recycling believe the concept has significant potential to attract large beverage container volumes in the non-deposit markets. The parties are exploring a number of different concepts and strategies to mitigate the PET revenue shortfall. Resolution of a sustainable business model is expected to lead to meaningful expansion of the Reimagine concept.

OEM Compactor: During 2011, Envipco launched an OEM compactor business in Germany. We made initial deliveries of 600 compactors in late 2011 followed by additional deliveries of 700 compactors in early 2012. Competitor responses slowed negotiations with our major customer for larger frame orders. The competitor also filed an action for patent infringement on their compactor design. Envipco was previously granted a patent by the German patent authority for our innovative design. The competitor obtained a favorable ruling limited to the German market. We have counter claimed to invalidate the competitor's patent and have also filed an appeal to overturn the erroneous ruling. The German OEM compactor activities are under review and will be further assessed as court actions proceed.

On 20 December 2012, Environmental Products Corporation, our USA subsidiary, renewed and increased the term of its credit facilities with TD Bank N.A, which continues to assist our expansion plan.

Plastics recycling segment

Our plastics recycling business (Sorepla), as explained above, continues to be faced with significant challenges. The Company has provided significant additional funding as we execute on a restructuring plan under the court administrative process. Envipco is committed to stabilising the business and returning it to profitability. As part of this plan, the Company is evaluating a number of strategic alternatives including among others, strategic partnership on its upstream and downstream applications to best secure the future of the business.

Overall outlook

The investments in our RVM business segment are beginning to be realised in sales growth and increased profitability as demonstrated in 2012. We believe this trend will continue and accelerate as we execute on our 2013 plan. The outlook for the plastics recycling segment is contingent on our restructuring plans, cooperation of creditors, cooperation of union employees and the possibility of strategic partnerships.

Prior to October 2011, only 3.5% of the total issued and outstanding shares were listed as "Depositary Receipts (DRS) on the NYSE Euronext Brussels. A prospectus was issued in early October 2011 whereby 100% of all issued shares were admitted to the NYSE Euronext Brussels. In addition, a reverse stock split of 50 old shares to 1 new share was undertaken and all DRS were cancelled. It is our intention to increase awareness of the Group's potential through increased investor activities.

Research and Development

The Group's Research and Development facilities in Germany and the USA, continue to make excellent progress in product development and innovation for both deposit and non-deposit markets. The recent launch of the U48 combined with the Ultra HDS and the Flex provides a very competitive RVM offering. Development of bulk feed technology for the CLRS pilot provides an important concept with potential application in next generation platforms. During 2012 the Group's investment in research and development was €1,864,000 (2011: €2,070,000) of which €1,331,000 (2011: €1,155,000) was capitalised and €533,000 (2011: €915,000) treated as an expense. The capitalised development costs are periodically reviewed by the management and if it appears that a new project will fail to generate revenues, the associated costs are charged to the profit and loss account. To reduce such exposure, the Company undertakes prior to the start and during the development of the project, market and technology feasibility studies.

Liquidity

The Group's liquidity position is satisfactory with a current ratio of 0.8 in 2012 against 1.1 in 2011. The Group also has committed credit facilities with various lenders and is adequately prepared to meet its short and long term working capital needs. In December 2012, in the USA, we have renewed and increased our USA credit facility with TD Bank NA. Net cash outflow from operations during 2012 was €283,000 versus net outflow of €696,000 for 2011. The balance of the €3,800,000 from the new shares issued in 2008 was fully paid in 2011. The majority shareholder has further provided a long term loan of $3,000,000 in the first quarter of 2013 (Note 28). This positively impacted the current ratio.

Managing Risks

A majority of our current RVM business is dependent upon legislation. The Company may be at risk if such legislation was cancelled, although we have seen no such cancellations over the last 20 years. Theoretically this can happen, but we see that even in such an unlikely scenario there will be a notice period which will help the Company plan for any transition. Equally the reverse can also happen as new legislation is implemented in more states and countries. Customers with whom we have long term contracts can go out of business which would have an impact on our costs due to lower volumes. Sharp fluctuation in foreign exchange risk can impact the cash situation of the Company but is mitigated by proper cash management. Non availability of lines of credit or cash to continue to fund projects under a development stage may impact the long term viability of the Company.
For details on financial risk management, refer to Note 5 in the Notes to the consolidated financial statements.

Capital

The Company and the Foundation, on 26 June 1998 entered into an agreement pursuant to which the Foundation acquired all 23,807,811 ordinary shares of the Company up to a total par value that agreed with the total par value of all issued and outstanding shares. On 22 November 2002 the Company issued 600,000 additional shares of the Company at its par value of €0.01 each. Such shares were also lodged with the Foundation, giving a total of 24,407,811 shares.

The Company further increased its share capital as follows:

(a) On 10 March 2006, by a new issue of 69,200,000 common stock, each with a par value of €0.01 issued at a price of €0.25 per share (total €17,300,000).

(b) On 8 December 2008, the share capital was increased by new subscription of 30,022,525 common stock, each with a par value of €0.01 issued at a price of €0.2486 per share (total €7,463,000). The subscription was payable in installments. This balance of €3,800,000 outstanding as at 31 December 2010 had been paid in full during the year 2011.

The following further changes were made to the Company's capital:

On 27 June 2011, the General Meeting of Shareholders decided (i) to amend the Company's Articles of Association with the aim of, among other things, converting the class A shares and the class B shares into ordinary shares not designated by an alphabetical letter, and converting every 50 of those ordinary shares, each with a nominal value of €0.01, into one ordinary share with a nominal value of €0.50 (reverse stock split) and (ii) to apply for admission of the ordinary Envipco shares to trading on the regulated market of NYSE Euronext Brussels. Furthermore, Stichting Envipco Trust, (the Foundation) has decided to terminate the administration of class B shares in Envipco and to terminate the listing of the DRS for those shares.

On 21 September 2011, the Company issued a prospectus providing information regarding the admission to trading of the ordinary shares, the reverse stock split and the exchange of the DRS which were delisted. Consequently, after the reverse stock split, 2,712,607 shares were admitted to the trading exchange.

Admission to trading of ordinary shares

On 6 October 2011 (the Closing Date) the deed of amendment of the Company's articles of association took effect, and the DRS for class B shares were delisted following the close of trading on 5 October 2011 and, simultaneously, the ordinary Envipco shares were admitted to trading on the regulated market of NYSE Euronext Brussels under the new ISIN code NL0009901610 and the new trading symbol ENVI.

VVPR Strips

The VVPR strips issued simultaneously to the DRS in 1998 were admitted to trading on the regulated market of NYSE Euronext Brussels under the new ISIN code BE0005645198, simultaneously to the admission to trading of the ordinary shares of Envipco. The VVPR Strips were also subject to the reverse stock split of 50 VVPR Strips into 1 VVPR Strip.

Stichting Administratiekantoor van aandelen in Envipco Holding N.V. ('the Stichting Trust Envipco / the Foundation')

The Foundation is a non-membership organisation incorporated under the laws of The Netherlands. Its statutory objectives were to safeguard the interests of the Company and its enterprise, Group companies, and all other parties involved with the Group. The Board of the Foundation consisted of the following members:

- Mr B Santchurn
- Mr Neil Turpie

After the cancellation of the DRS of Envipco Holding N.V., the trust remained in existence until another year. A new Foundation, Stichting Employees Envipco Holding was formed in 2011 with following Board members:

- Mr Dick Stalenhoef
- Mr Guy Lefebvre

Summary as of 31 December 2012 of Issued Share Capital (after the reverse stock split)	**2012**	**2011**
Common stock of €0.50 nominal value per share:		
Opening balance	2,712,607	2,472,607
Shares issued during the year *	-	240,000
Closing balance	2,712,607	2,712,607

*Stichting Employees Envipco Holding acquired 240,000 shares of the Company at a nominal value of €0.50, which are treated as treasury shares.

Substantial Shareholding

The Group has been notified of, or is aware of the following 5% or more interests at 31 December 2012 and 2011.

	31 December			
	2012		2011	
	Number of Shares	Percentage	Number of Shares	Percentage
A Bouri/Megatrade International SA	1,208,568	44.55%	1,208,568	44.55%
G Garvey/EV Knot LLC	213,054	7.85%	*402,027	14.82%
Douglas Poling/GD Env LLC**	720,000	26.54%	720,000	26.54%
Stichting Employees Envipco Holding	240,000	8.85%	240,000	8.85%

*211,554 (7.80%) of these shares are beneficially owned by Mr Gregory Garvey, and the balance is for the benefit of other parties.
**Mr Alexandre Bouri has the voting rights on 600,000 of Mr Douglas Poling's shares and has an option to buy back these shares from Mr Douglas Poling by 8 January 2013. Subsequent to the year end, Mr Bouri has exercised this option (Note 28).

Directors and their Interests

As per Articles of Association of the Company, the Board comprises of executive and non-executive board members. The Board includes five non-executive and two executive board members:

Non-executive:
Mr Gregory Garvey (Chairman)
Mr Alexandre Bouri
Mr Dick Stalenhoef
Mr Guy Lefebvre
Mr David D'Addario

Executive:
Mr Bhajun Santchurn
Mr Christian Crépet

The Directors' interests in the share capital of the Group are shown below:

	31 December			
	2012		2011	
	Number of Shares	Percentage	Number of Shares	Percentage
A Bouri/Megatrade International SA	1,208,568	44.55%	1,208,568	44.55%
G Garvey/EV Knot LLC	213,054	7.85%	*402,027	14.82%
B Santchurn/Univest Portfolio Inc	40,480	1. 49%	40,480	1. 49%
C Crepet	6,456	0.24%	6,456	0.24%
D D'Addario	80,451	2.97%	-	-

*211,554 (7.80%) of these shares are held by Mr Gregory Garvey.
*80,451 (2.97%) of these shares are for the benefit of Mr David D'Addario.

Remuneration of the Members of the Board

The Board of Directors is comprised of five non-executive and two executive directors. The total remuneration was €648,000 in 2012, as compared to 2011 of €643,000 for the prior year (See Note 9).

There are employment contracts in place for Mr Bhajun Santchurn and Mr Christian Crepet. A loan was granted to a director for €20,000 repayable over the next 2 years (See Note 26)

Remuneration Policy of the Board of Directors and Senior Executives:

According to the Dutch Civil Code, our General Meeting of Shareholders has adopted a remuneration policy in respect of the remuneration of our Board of Directors, which is published on our website. Our non-executive directors propose the remuneration of the individual executive members of our Board of Directors to the General Meeting of Shareholders.

Senior executives applies to the CEO and other senior management executives. Salary and other employment terms for the senior executives shall be competitive with local markets to retain the best talents. Salary includes both fixed and variable factors which are dependent upon the area of individual responsibility, expertise, position experience, conduct and performance. The variable component is dependent upon specific performance criteria. The Chairman of the Board appointed the CEO whose goals and remuneration package and any changes are proposed to the Board for approval. The remuneration of other senior executives including any changes is agreed by the CEO and the respective executive.

Incentive schemes

On 8 December 2008, the General Meeting of Shareholders approved an option plan for 13,500,000 (after reverse stock split: 270,000) shares for executives and employees. On 27 June 2011, the Board of Directors amended the stock option plan. Following the amendment it is possible to issue shares to a foundation (Stichting Employees Envipco Holding). The options have not been allocated and the terms and conditions of the stock option plan are yet to be determined.

Mr Gregory Garvey was granted a 12,000,000 share option on 8 December 2008, at the strike price of €0.32 per share in the Company as an incentive bonus subject to key performance targets to be met on a yearly basis through 31 December 2011. The fair value of the options granted is calculated using Black-Scholes model relating to Mr Gregory Garvey's options. The option costs of the previous years were reversed in 2011 as these options did not vest. The gain is relating to the reversal of the options costs recognised as a credit in 2011 to the income statement with a corresponding amount reflected in other comprehensive income as a charge.

Corporate Governance

Dutch Corporate Governance Code

On 9 December 2003, the Dutch Corporate Governance Committee released the Dutch Corporate Governance Code which was subsequently updated effective as per 1 January 2009 (the "Code"). The Code contains 21 principles and 128 best practice provisions for a managing board, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditing, disclosure, compliance with and enforcement of the Code.

Dutch companies admitted to trading on a registered stock exchange or, under certain circumstances, registered on a multilateral trading facility, whether in the Netherlands or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Code and, if and to the extent they do not apply, to explain the reasons why.

The Company acknowledges the importance of good corporate governance. Since 2011 the Company supports the Code (www.envipco.com) and has started to implement the relevant provisions of the Code subject to the exceptions set out below:

The Company does not comply with the following provisions of the Dutch corporate governance code:

II.2 The Company has not in place a formal risk management system. In view of the size of the Company this is not necessary in view of the Board of Directors of the Company. In the view of the Board of Directors, the Company has adequate measures in place to monitor risks.

II.2.14 The Company has not published on its website the main elements of the service agreements with the executive directors. In view of the size of the Company the Board of Directors, takes the view that this is not necessary. The Company publishes in its financial statements the elements of the salary of the executive directors.

III.3.1 The Company has not prepared a profile for the non-executive members of the Board of Directors. In view of the size of the Board of Directors, the Board of Directors is of the opinion that this is not necessary.

III.3.6 The Board of Directors has not made a schedule of retirement by rotation. In view of the size of the Company, the Board of Directors is of the opinion that this is not necessary.

III.4.3 The Company has no secretary. Due to the size of the Company, the Company believes this is not necessary.

III.5 The Company does not have a remuneration committee or a selection and nomination committee. The tasks to be performed by these committees are performed by the non-executive members of the Board of Directors. In view of the size of the Company, there is no need to have a separate remuneration committee and a nomination and selection committee.

III.7.1 The Company had granted stock options to Mr Gregory Garvey, the chairman of the Board of Directors. These shares did not vest, because certain conditions for vesting were not met. It is customary in the USA (the residence and working place of Mr Gregory Garvey) to grant share options also to non-executive directors.

V.3 The Company has no internal audit function. In view of the size of the Company, the Company believes this is not necessary. The internal risks are in the view of the Board of Directors adequately monitored.

General Meetings of Shareholders and Voting Rights

The Annual General Meeting of Shareholders must be held within six months after the end of each financial year. The notice convening any General Meeting of Shareholders shall contain an agenda indicating the items for discussion included therein. The notice for convening the General Meeting of Shareholders shall mention the registration date and the manner in which the persons with meeting rights at the General Meeting of Shareholders may procure their registration and the way they may exercise their rights. The registration date is the twenty-eighth day prior to the date of the General Meeting of Shareholders.

Decisions of the General Meeting of Shareholders are taken by a majority of three/fourth of the votes validly cast, except where Dutch law or the Company's Articles of Association provide for a special or greater majority.

Explanatory notes on article 10 of the takeover directive

Pursuant to the Implementing Decree of 5 April 2006 relating to Article 10 of Directive 2004/25/EC on takeover bids of 21 April 2004 of the European Parliament and the Council of the European Union, Envipco includes the following explanatory notes:

Following changes in the Company's capital (as explained above) as at 31 December 2011 Envipco had issued 2,712,607 ordinary shares. Envipco no longer holds 1,362 shares in its own capital. These were cancelled during 2012. Stichting Employees Envipco Holding acquired 240,000 shares of the Company at a nominal value of €0.50 and the Company has a liability to Stichting Employees Envipco Holding for an equal amount. There are no physical

share certificates issued, except for entries in the shareholders register. The Articles of Association do not provide for any limitation on the transferability of the ordinary shares.

Significant direct and indirect shareholdings are set out in this report under the section 'Substantial Shareholdings.

Envipco currently does not hold any employee share scheme in which the control rights are not exercised directly by the employees.

The voting right is not subject to any limitation. All shares entitle the holder to one vote per share. No securities with special control rights have been issued. No agreement has been entered with any shareholder that could give rise to any limitation on the transfer of shares and/or voting rights except for an agreement between Mr Alexandre Bouri and Mr Douglas Poling as explained on page 8 under Substantial Shareholding.

Unless otherwise specified by the Articles, all resolutions at the general meeting shall be passed by a majority of three/fourth the votes cast.

The appointment, suspension and discharge of the members of the Board of Managing Directors and their remuneration is decided at the General Meeting of Shareholders as per Article 8 of the Articles of Association.

The issue of new shares shall be by a resolution of the General Meeting of Shareholders and subject to the provisions of Article 5 of the Articles of Association. The General Meeting of Shareholders has allowed the management board to issue 13,500,000 (270,000 after reverse stock split) shares for incentives to executives and employees.

The Enterprise Chamber may at the request of the Company, any shareholder of the Company, any holder of DRS for shares issued with the cooperation of the Company or a foundation or association with full legal capacity which articles promote the interests of such company, shareholder or holder of DRS, order a shareholder who has obtained 30% or more of the Company's voting rights or more to make a public offer in respect of all shares.

The above mentioned obligation for a person acting solely or together with others to make a public offer does not apply according to the Exemption Decree on Public Offers (*Vrijstellingbesluit overnamebiedingen Wft*) in cases where prior to, but no more than three months prior to, the acquisition of 30% or more of the Company's shares or voting rights, the General Meeting of the Shareholders has approved such acquisition with 95% of the votes cast by others than the acquirer and the person(s) acting with him/her.

Dutch Squeeze-out Proceedings

After a public offer, pursuant to Section 2:359c of the Dutch Civil Code, a holder of at least 95% of the outstanding shares and voting rights, which has been acquired as a result of a public offer, has the right to require the minority shareholders to sell their shares to him/her.

Corporate Social Responsibility

As a Company dedicated to improving the rates at which the world recycles, Envipco works closely to help all of our clients reach their environmental goals. From delivering food-grade quality plastic flakes and pellets to helping beverage companies recover significant percentages of their bottles and cans, we have developed customised programs that promote sustainability. Envipco also proactively promotes its comprehensive recycling program and constantly explores new opportunities for greener operations.

Within the communities in which we operate, Envipco is an active and engaged citizen. We recognise our potential role as educators, regularly inviting school groups to tour our manufacturing facility to learn more about the process of recycling. We offer scholarships and internship programs to students interested in pursuing environmentally focused careers.

For years, Envipco has also participated in a program designed to give workers a second chance. The Company hires individuals from halfway houses and shelters, providing employment and training to help them secure stable

housing and rebuild their lives. Often starting as temporary workers, many of the participants in the program have gone on to successful careers at Envipco and other area companies.

As a relatively small Company we have begun by setting up the foundation of good corporate social responsibility principles which we intend to adopt as the Company grows. We plan to implement various initiatives to achieve a high level of employee satisfaction, optimising the use of both internal and external resources to have the most efficient carbon foot print while ensuring the adoption of a high code of conduct and ethics relating to all aspects of our business.

Internal Controls

The executive board is responsible for establishing and maintaining adequate internal controls. The executive board members are involved in the day to day management of the USA and the French subsidiaries. Both these members are responsible to implement the management board's decisions and strategy, and are also accountable to the management board for their respective organisations. Envipco internal control system is designed to provide reasonable assurance to the Company's management board regarding the preparation and fair presentation of published financial statements in accordance with International Financial Reporting Standards (IFRS). All internal control systems, no matter how well designed, have inherent limitations, and therefore can provide only reasonable assurance with respect to financial statement preparation and presentation. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with Management's authorisation, assets are safeguarded, and financial records are reliable. Management periodically assesses the effectiveness of the Company's internal controls and believes these to be effective and reliable.

Board of Management

The Company's management board consists of 2 executive and 5 non-executive directors. The non-executive directors shall elect a chairman of the Management Board from among themselves. The Management Board is charged with the management of the Company and is responsible for establishing the Group's strategy and general policies. The executive directors are responsible for the day-to-day management of the Company.

Audit Committee
The Company has established an audit committee which operates pursuant to the terms of reference adopted by the Board of Directors, which are published on the Company's website. The audit committee was established by the Board of Directors on 27 June 2011 and is comprised of three non-executive directors appointed by the Board of Directors. The terms of reference of the audit committee are included in the Board Regulations. The audit committee is chaired by the person appointed thereto by the Board of Directors, provided that this chairman: i) shall be independent (in the manner prescribed by the Dutch Corporate Governance Code, and set out in the Board regulations, ii) shall not be the chairman of the Board of Directors, nor a former executive director, and iii) shall have the necessary qualifications. The audit committee shall meet at least four times per year, or more frequently according to need. Currently, the audit committee consists of Mr Stalenhoef as chairperson and financial expert, Mr Garvey and Mr Lefebvre.

Due to the frequent discussions of the audit committee with senior management within the Group and discussions with our external auditors, the committee is satisfied with its oversight on financial reporting, risk management and audit functions of the Group activities, even though no formal procedure is currently in place due to the size of the company. It has therefore not fully adopted this part of the governance code due to its size.

Nomination

The Articles of Association of the Company provide for the number of directors to be determined by the Management Board. The remuneration and the terms and conditions of employment for each director are determined at the General Meeting of Shareholders.

Representation

The Company is represented by the Board of Management or by two directors acting jointly.

Meeting

Meetings of the Board of Management are convened upon the request of a member of the Board of Management. Resolutions of the Board of Management are passed by an absolute majority of votes.

Auditors

The General Meeting of Shareholders shall appoint the auditors of the company.

Post Balance Sheet Events

Details of the post balance sheet events are given in Note 28 of the Notes to the consolidated financial statements.

Board Responsibility Statement

The Company's directors hereby declare that, to the best of their knowledge:

-the annual financial statements for the year 2012 give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Company and its consolidated entities;

-the directors' report gives a true and fair view of the position of the Company and its related entities whose financial information has been consolidated in the annual financial statements as at the balance sheet date 31 December 2012 and of their state of affairs during the financial year 2012;

-the annual report describes the principal risks that the Company faces.

w.s. Gregory Garvey
Chairman

w.s. Alexandre Bouri

w.s. Dick Stalenhoef

w.s. Guy Lefebvre

w.s. Bhajun Santchurn

w.s. Christian Crepet

w.s. David D'Addario

29 April 2013

(all amounts in thousands of euros)

	Note	2012		2011	
Revenue	(6)	51,841		50,661	
Cost of revenue		(41,914)		(38,411)	
Leasing depreciation		(1,231)		(1,120)	
Gross profit			**8,696**		**11,130**
Selling expenses	(7&9)	(600)		(606)	
General and administrative expenses	(7&9)	(12,164)		(10,644)	
Other income	(8)	82		(105)	
Gain/(loss) on disposal of a subsidiary		-		474	
Operating result			**(3,986)**		**249**
Financial expense	(10)	(597)		(422)	
Financial income	(10)	2		87	
Exchange gains		134		(155)	
Result before taxes			**(4,447)**		**(241)**
Income taxes	(11&16)	(171)		(343)	
Deferred taxes	(11&16)	490		47	
			319		(296)
Net results from continuing operations			**(4,128)**		**(537)**
Other comprehensive income					
Exchange differences on translating foreign operations		(283)		417	
Share options: value of employee services	(20)	-		(898)	
Other movements/treasury shares		-		(37)	
Other movements/minority		16		16	
Cash flow hedges:	(24)				
Gains/(losses) recognised on hedging instrument		97		27	
Total other comprehensive income			(170)		(475)
Total comprehensive income			**(4,298)**		**(1,012)**

(all amounts in thousands of euros)

	Note	2012	2011
Profit attributable to :			
Owners of the parent		(4,092)	(507)
Non-controlling interest		(36)	(30)
		(4,128)	(537)
Total comprehensive income attributable to :			
Owners of the parent		(4,262)	(998)
Non-controlling interest		(36)	(14)
		(4,298)	(1,012)
Number of shares			
- Basic		2,472,607	2,472,607
- Diluted		2,472,607	2,472,607
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year (after reverse stock split)	(12)		
▶ Basic (euro) – Continuing operations		(1.655)	(0.205)
▶ Fully diluted (euro) – Continuing operations		(1.655)	(0.205)

(in thousands of euros)

	Note	2012		2011	
Assets					
Non-current assets					
Intangible assets	(13)	4,829		3,921	
Property, plant and equipment	(14)	18,012		17,857	
Long term deposits	(15)	697		377	
Deferred tax assets	(16)	606		179	
Total non-current assets			24,144		22,334
Current assets					
Inventory	(17)	8,452		12,276	
Trade and other receivables	(18)	7,221		8,869	
Cash and cash equivalents	(19)	714		1,684	
Total current assets			16,387		22,829
Total assets			**40,531**		**45,163**

(in thousands of euros)

	Note	2012		2011	
Equity	(20)				
Share capital		1,356		1,356	
Share premium		48,916		48,916	
Retained earnings		(41,164)		(37,255)	
Translation reserves		2,354		2,637	
Equity attributable to owners of the parent			11,462		15,654
Non-controlling interest			156		78
Total equity			11,618		15,732
Liabilities					
Non-current liabilities					
Borrowings	(21)	7,786		8,340	
Other liabilities	(21)	956		280	
Deferred tax liability	(16)	311		276	
Derivative financial instruments	(24)	88		147	
Total non-current liabilities			9,141		9,043
Current liabilities					
Borrowings	(21)	1,678		1,775	
Bank overdraft		2,275		2,962	
Trade creditors		12,054		12,482	
Accrued expenses		2,273		1,948	
Provisions	(22)	247		156	
Tax and social security		1,245		1,065	
Total current liabilities			19,772		20,388
Total liabilities			28,913		29,431
Total equity and liabilities			**40,531**		**45,163**

(in thousands of euros)

	Note	2012		2011	
Cash flow (used in) / provided by operating activities					
Operating result		(3,986)		249	
Book result on disposal of group company		-		(474)	
Interest received		2		87	
Interest paid		(597)		(422)	
Income taxes (paid)/repaid		(56)		(52)	
Depreciation and amortisation	(13/14)	4,131		3,068	
Employee share options		-		(898)	
			(506)		1,558
Changes in trade and other receivables		1,366		(1,310)	
Changes in inventories		3,721		(2,012)	
Changes in deferred income		76		22	
Changes in provisions		91		-	
Changes in trade and other payables		832		1,146	
			6,086		(2,154)
Cash flow (used in)/ provided by operating activities			**5,580**		**(596)**
Cash flow (used in)/provided by investing activities					
Investment in intangible fixed assets	(13)	(1,366)		(1,393)	
Investment in tangible fixed assets	(14)	(4,650)		(6,853)	
Net investment in other financial fixed assets		(138)		(6)	
Proceeds from sale of assets		186		179	
Cash flow (used in)/ provided by investing activities			**(5,968)**		**(8,073)**
Cash flow (used in)/provided by financing Activities					
Proceeds from share issue		184		3,755	
Changes in borrowings and capital lease obligations		(100)		4,175	
Cash flow (used in)/ provided by financing activities			**84**		**7,930**
Net cash flow for the period			**(304)**		**(739)**
Foreign currency differences and other changes		21		43	
			21		43
Changes in cash and cash equivalents, including bank overdrafts for the period			**(283)**		**(696)**
Opening position as at 1 January			(1,278)		(582)
Closing position as at 31 December			(1,561)		(1,278)
The closing position consists of:					
Cash and cash equivalents	(19)		714		1,684
Bank overdraft			2,275		2,962
			(1,561)		(1,278)

(in thousands of euros)

	Share capital	Share premium	Retained Earnings	Translation Reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2011	**1,236**	**48,916**	**(35,720)**	**2,220**	**16,652**	**92**	**16,744**
Changes in equity for 2011							
Capital Increase	120	-	(120)	-	-	-	-
Net profit/(loss) for the year	-	-	(507)	-	(507)	(30)	(537)
Other comprehensive income for the year							
-Currency translation adjustments	-	-	-	417	417	-	417
-Share options: value of employee benefits (Note 20)	-	-	(898)	-	(898)	-	(898)
-Cash flow hedge – fair value (Note 24)	-	-	27	-	27	-	27
-Other movements	-	-	(37)	-	(37)	16	(21)
Total comprehensive income for the year	-	-	(1,415)	417	(998)	(14)	(1,012)
Balance at 31 December 2011	**1,356**	**48,916**	**(37,255)**	**2,637**	**15,654**	**78**	**15,732**
Changes in equity for 2012							
Capital Increase	-	-	-	-	-	184	184
Dilution effect of minority interest	-	-	70	-	70	(70)	-
Net profit/(loss) for the year	-	-	(4,092)	-	(4,092)	(36)	(4,128)
Other comprehensive income for the year							
-Currency translation adjustments	-	-	-	(283)	(283)	-	(283)
-Cash flow hedge – fair value (Note 24)	-	-	97	-	97	-	97
-Other movements	-	-	16	-	16	-	16
Total comprehensive income for the year	-	-	(3,979)	(283)	(4,262)	(36)	(4,298)
Balance at 31 December 2012	**1,356**	**48,916**	**(41,164)**	**2,354**	**11,462**	**156**	**11,618**

Please refer to note 20 for changes in share capital and reserves.

(1) General information

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands, with its registered address at Utrechtseweg 102, 3818 EP Amersfoort, The Netherlands.
Envipco Holding N.V. and Subsidiaries ("the Company" or "Envipco") are engaged principally in Recycling in which it:

- develops, manufactures, assembles, leases, sells, markets and services a line of "reverse vending machines" (RVMs) in the USA, Europe, Australia and the Far East; and
- collects or acquires, cleans, processes and resells recycled plastic and derivative products.

These Financial Statements have been approved for issue by the Board of Management on 29 April 2013 and are subject to approval by the shareholders at the Annual General Meeting of Shareholders. All amounts are in thousands of euros unless stated otherwise.

Deposit redemption programs

Under deposit redemption programs, the Company is responsible for the operation of systems to redeem, collect, account for and dispose of used beverage containers. In connection with these programs, participating retailers lease or purchase RVMs from the Company. The Company then acts in a clearinghouse capacity to collect deposits and handling fees on redeemed containers from participating beverage distributors and to distribute deposit refunds and handling fees to participating retailers. Accordingly, deposits and handling fees are not included as revenue and expense in the consolidated financial statements. The Company earns its revenues through leasing and selling machines to retailers and other participants, and through various services provided to distributors and retailers, including container collection, disposition, and accounting services.

Plastics processing program

The Company operates a plastic processing facility in France, which produces plastic "flake" a product derived from post-consumer plastic beverage containers. The plastic product is sold to various customers for packaging and fibre applications.

(2) Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of Envipco have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereafter: IFRS).

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value. Income and expenses are accounted for on accrual basis. Profit is only included when realised on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements. Revenues from goods are recognised upon delivery. The cost of these goods is allocated to the same period. Revenues from services are recognised in proportion to the services rendered. The cost of these services is allocated to the same period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity are disclosed in Note 3.

Adoption of new Standards

Amendments and Interpretations effective in 2012

Changes in accounting policies and disclosures

The International Accounting Standards Board (IASB) has issued certain International Financial Reporting Standards or amendments thereof, and the IFRIC has issued certain interpretations. The impact of changes, when adopted by the EU, on the Envipco's consolidated financial statements, has been assessed.

a) New and amended standards adopted by the group:

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)
Amends IFRS 1 First-time Adoption of International Financial Reporting Standards to: Replace references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs' and provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. As the company is not a first time adopter and does not operate in countries with severe hyperinflation, these changes have no impact on the financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures
Makes amendments to IFRS 7 Financial Instruments: Disclosures resulting from the IASB's comprehensive review of off-balance sheet activities. The amendments introduce additional disclosures. The amendment will not have any impact on the group's equity and results.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)
Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn. The amendment will not have any impact on the group's financials.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not adopted early by the Group:

- IFRS 10 'Consolidated financial statements' and IAS 27 'Separate Financial Statements' will take effect on 1 January 2014. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. As the standards are not expected to change the entities that will be consolidated, this change is not expected to have any impact on the group's financials.

- IFRS 11 'Joint Arrangements' and IAS 28 'Associates and Joint Ventures' will take effect on 1 January 2014. IFRS 11 puts more focus on the rights and obligations of the arrangement than on its legal form. There will only remain two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenues and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures will no longer be allowed. IAS 28 includes the requirements for associates and joint ventures that have to be equity-accounted following the adoption of IFRS 11. The new standard is not expected to have any material impact on the group's financials.

- IFRS 12 'Disclosures of interests in other entities' will take effect on 1 January 2014 and includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. No material impact on group financials is expected as the amendments relate to disclosure requirements.

- IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. Currently, the group is investigating any possible impact of IFRS 13.

- In 2011, the IASB issued the revised IAS 19 'Employee Benefits'. The revised IAS 19 was endorsed by the European Union on 5 June 2012 and will take effect on 1 January 2013. The main change in the revised IAS 19 is the requirement to recognise all actuarial gains and losses immediately. The amendment is not expected to be relevant to the financial statements, as the group has no defined benefit plans in place.

- Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. No material impact on group's financials is expected as the amendments relate to disclosure requirements.

- Amendment to IAS 32 'Financial Instruments' regarding the offsetting of financial assets and financial liabilities. The presentation requires clarifying certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realisation and settlement, the offsetting of collateral amounts; the unit of account for applying the offsetting requirements. The group is yet to assess the full impact of this amendment to IAS 32.

- Annual Improvements 2009-2011 Cycle**,** makes amendments to, amongst others, the following standards:
IAS 16 — Classification of servicing equipment. The group is yet to assess the full impact of this amendment.

Some other amendments, interpretations and improvements were made that are not relevant to the group and are expected to have no significant consequences on its financial statements.

Consolidated cash flow statement

The Group's consolidated statement of cash flows is presented using the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Bank overdrafts are included as a component of cash and cash equivalents when the overdrafts are repayable on demand and often fluctuate. Cash flows in foreign currencies are translated at an average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Consolidation

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions and balances between Group companies are eliminated.

Non-controlling interest:
The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

The consolidated financial statements comprise the financial data of Envipco Holding N.V. and the following group companies:

Envipco Finance Company Limited – London, United Kingdom – 100%
Sorepla Industrie S.A. – Neufchateau, France – 96.62% (2011: 97.49%)
Sorepla Technologie S.A. – Rebevrille, France – 100%
Envipco Automaten GmbH, Westerkapplen, Germany – 100%
Envipco Pickup & Processing Services Inc., Delaware, U.S.A. – 99.85%
Environmental Products Corporation, Delaware, U.S.A. – 99.85%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Posada Holding B.V. – Amsterdam, The Netherlands – 100%
Aeromaritime Mediterranean Corporation, Delaware, U.S.A. – 100%
Envipco Japan Limited, Japan – 100% up to moment of disposal as per 30 June 2011
Stichting Employees Envipco Holding, Amersfoort, The Netherlands

Stichting Employees Envipco Holding owns 240,000 shares of Envipco Holding N.V. (EHNV).
Stichting Employees Envipco Holding is controlled by EHNV, as the Board of Stichting Employees Envipco Holding consists of 2 members of the Board of Envipco Holding N.V.

EHNV is entitled to the benefits from selling these shares and shall compensate all costs and expenses of Stichting Employees Envipco Holding.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income.

Segment reporting

The segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. Group considers geography and products as its main segments. Management measures geographical segment performance based on the segment's operating result. Similarly the respective assets and liabilities are allocated to the geographical segments. This coincides with the Group's internal organisational and management structure and its internal financial management reporting system. A business segment is a group of operations engaged in providing services or products that are subject to risks and returns that are different from those of other business segments.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency. The subsidiaries that are included in the consolidation have the Euro, US Dollars, UK Sterling Pounds as their functional currency. Transactions and cash flows in foreign currencies are translated into the functional currency at the rate prevailing when the transaction took place. Related exchange rate differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income.

Balance sheets of entities that have a functional currency other than the Euro are translated using the closing rates at each reporting date. The income statements of such entities are translated at the average rates during the period. The resulting exchange difference is recognised in other comprehensive income in equity. When a foreign entity is sold, such cumulative exchange difference is reclassified in the income as part of the gain or loss on sale. Translation gains and losses on inter-company balances which are in substance a part of the investment in such Group company are also recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue

General

Group revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, allowances for credit notes likely to be sent out, other revenue reducing factors, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, collectability is reasonably assured and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies related to the sale have been resolved. When revenue recognition involves the use of estimates, the Group bases its estimates on historical results taking into consideration the type of client, the type of transaction and the specifics of each arrangement. In the USA, under Bottle Bill deposit system, one of the subsidiary's billing include mandatory deposits on the beverage containers which once collected, are passed through to the operators of redemption sites where Envipco machines are used. These pass through amounts are included in receivables and payables but are not recognised as revenues.

Service revenue

The Group's primary service offerings include repairs and maintenance, and pickup and processing. These services are provided on a time and material basis or as a fixed-price contract with contract terms generally ranging from less than one year to three years.

Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred. Revenue from fixed-price contracts involving managed services is generally recognised in the period the services are provided using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs, or extent of progress toward completion, then revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which management becomes aware of the circumstances that give rise to the revision.

Sale of goods

Revenue from product sales is generally recognised when the product is delivered to the client and when there are no unfulfilled obligations that affect the client's final acceptance of the arrangement. Delivery does not occur until products have been shipped, risk of loss has transferred to the client and client acceptance has been obtained, client acceptance provisions have lapsed, or the Group has objective evidence that the criteria specified in the client acceptance provisions are either perfunctory or have been satisfied.

Leasing revenue

Revenues from product lease are recognised over the term of the lease.

Cost of revenue

Cost of revenue includes all direct material and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, housing and depreciation costs. The Group performs ongoing profitability analysis of its service contracts in order to determine whether the latest estimates - revenues, costs and profits - require updating. If, at any time, these estimates indicate that a contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately and presented as losses on contracts under provisions.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income on a straight-line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset or the present value of the minimum lease payment. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income over the lease period using the effective interest method. Assets acquired under finance leases are depreciated over the shorter of their useful life or the lease term.

Deferred tax

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Intangible assets

All intangible assets have finite lives based on their economic use except for Goodwill. The intangible assets with finite lives are amortised using the straight line method. The useful life is estimated at 5-7 years.

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired company at the date of acquisition and is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment. An impairment loss is recognised for the amount by which the goodwill of a cash generating unit exceeds its recoverable amount.
The recoverable amount is the higher of the cash generating unit's fair value less costs to sell and value in use. Impairment testing of goodwill is performed at the level of the cash generating units, which is the smallest identifiable group of assets to independently generate cash flows. For the group, the smallest cash generating units comprise the activities of one single country. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(b) Patents, licenses and concessions

Patents are acquired intangible assets and are measured initially at their fair values at the acquisition date. They are amortised using the straight-line method based on the estimated useful lives of 5-7 years.

Concessions relate to RVM distribution rights in the USA Midwest market for three years.

(c) Research and development

Research costs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the product so that it will be available for use;
– management intends to complete the product and use or sell it;
– there is an ability to use or sell the product;
– it can be demonstrated how the product will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
– the costs attributable to the product during its development can be reliably measured.

The capitalised development cost is amortised when the asset becomes available for use. Some developed assets have become available for use in 2011. Once the asset is completely developed, it is amortised over the estimated useful life, which is 5-7 years as a result of review per IAS 8 of the economical useful life of the developed asset. The effect of the change for the current period resulted in an additional charge to the profit and loss account by €200k.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 value in use.

Property, plant and equipment
Property, plant and equipment are valued at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. In addition, the cost of leasehold improvements includes the estimated future costs of returning leased facilities to their original condition, if required. Subsequent expenditures that extend the asset's useful life are capitalised. Expenditures for repairs and maintenance are expensed when incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values, based on the estimated useful lives of such assets.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 value in use.

Assets under construction will be depreciated once the assets are complete and available for use.

Depreciation is based on the estimated useful lives of assets as follows:

Buildings	25-40 years
Plant and machinery	3-10 years
Vehicles and equipment	3-8 years

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, and other highly liquid investments with original maturities of three months or less.

Trade receivables
Trade receivables are recognised initially at fair value, which is generally the face value, and subsequently carried at amortised cost less provision for impairment. Impairment provisions for credit losses are recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Inventory
Product inventory is valued at the lower of cost or net realisable value based on first in first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.
Spare parts inventory is valued at the lower of historical cost, or net realisable value. Appropriate consideration is given to excessive inventory levels, product deterioration and other factors when establishing the net realisable value.

Derivative financial instruments and hedging activities

IFRS 7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items. The Group also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 24. Movements on the hedging reserve in shareholders' equity are shown in consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised as other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss account.

Amounts accumulated in equity are recycled in the profit or loss account in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within finance income or expense. The gain or loss relating to the ineffective portion, if any, is recognised in the profit or loss within other income.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company records purchases of its own ordinary shares (treasury shares) under the cost method whereby the entire cost of the acquired shares is deducted from equity until the shares are cancelled, reissued or disposed of.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

Provisions
The group recognises provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

Borrowings
Borrowings are recognised initially at fair value and subsequently stated at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs have been shown as a deduction from the long term debt (See Note 21).

Trade creditors and other current liabilities
Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost.

Employee benefit plans
The Group subsidiaries sponsor employee benefit plans which cover substantially all of their employees. Such plan is referred to as defined contribution. A defined contribution plan is a plan under which the Group companies pay fixed contributions into a separate entity. Under defined contribution plans, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, Envipco pays contributions to publically or privately administered funds or insurance companies. Contributions are generally based on fixed amounts of eligible compensation and the cost for such plans is recognised based on employee service.

Share-based compensation
The Group had a share-based compensation agreement with one of the directors, under which the entity receives services from employee as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the period from the date of grant to the date of vesting of the option. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The expected non-vesting of the share options resulted in the reversal in 2011 of €898,000 charged in prior years from 2008 thru 2011.

Government grants
Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated income statement or netted against the asset purchased.

Deferred income
In some of the Group's services contracts, the Group bills the client prior to performing the services resulting in the recognition of deferred income on the consolidated balance sheet.

(3) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including estimates and assumptions concerning the future that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The main areas for which the use of different estimates and assumptions could cause material adjustment to the carrying amounts of assets and liabilities are discussed below.

Legal proceedings

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Income taxes

The Group is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Other contingencies
The French recycling business suffered a major setback in October 2012 due to a trade union employee strike which affected all production in the month. The striking employee demands for pay increases and benefits were far outside the Company's ability to address, which forced management to file for "procedure de sauvegarde" court protection on 31 October 2012. The company continues to operate under court administrator oversight, while a restructuring plan is worked out. The business has received significant additional funding as we execute on a restructuring plan under the court administrative process. Envipco is committed to stabilising the business and returning it to profitability. The French recycling business is valued on a going concern basis as of 31 December 2012 (See Note 25).

Deferred tax valuation

The Group recognises deferred tax assets for loss carry-forwards and deductible temporary differences, estimating the amount of future taxable profit that will be probable, against which the loss carry-forwards and deductible temporary difference can be utilised (Note 16).

Goodwill impairment testing

The Group is required to test, on an annual basis whether goodwill has suffered any impairment. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in Note13.

Allowance for inventory obsolescence

All RVM parts inventory is valued at the lower of cost and net realisable value. For repaired inventory, the estimated value has been assessed at 50% of cost.

Intangible assets

The Group amortises its intangible assets, except for Goodwill, over the contracted term or their expected useful lives which are as follows:

Patents, licenses and concessions	3-7 years
Capitalised development costs	5-7 years as a result of review per IAS 8 of the economical useful life of the developed asset. The effect of the change for the current period resulted in an additional charge to the profit and loss account by €200k.

The capitalisation of self generated R&D is amongst others based on estimates of future recovery.

Property, plant and equipment

The Group estimates useful lives of its assets as follows:

Buildings	25-40 years
Plant and machinery	3-10 years
Vehicles and equipment	3-8 years

See Note 3 – Other contingencies.

(4) Capital management

The Group's capital consists of its net equity. Management monitors and assesses the capital requirements for the Group and ensures that enough funding is available to meet the working capital requirements and also for the future business development. To raise funding, the Group considers both committed credit lines and equity contributions.

One of the Group's subsidiaries has to comply with certain financial covenants under its loan agreement, details of which are given in Note 21. The Group's current funding requirements have been met from the balance of 2008 subscription received during 2011 (refer to Note 20 for details) and from the committed credit lines.

(5) Financial Risk Management

The Group has exposure to Credit, Liquidity and Market risks on the financial instruments used by it. The Board of Directors has the overall responsibility to monitor and manage these risks.

Credit risk

Credit risk arises from the possibility of asset impairment occurring because counterparties are not able to meet their obligations in transactions mainly involving trade receivables. While the Group's trade receivables are mostly exposed to credit risk, the exposure to concentrations of credit risk is limited due to the diverse geographic areas and industries covered by its operations. One of the Group's subsidiaries has an exposure to credit risk resulting in about 25% of this subsidiary's revenues and trade receivables to be concentrated with one of its customer. Another subsidiary in the USA has is dependent on two customers for its sales and receivables in 2012 for 40% of its revenues and 18% of its receivables and in 2011, 37% of its revenues and 21% of receivables. In the normal course of business, the Group provides credit to clients, provides credit evaluations of these clients, and maintains an impairment provision for credit losses. Cash and cash equivalents are held with reliable counterparties.

European receivables are monitored periodically and the USA operations manage receivables though a system of deposit accounting where Envipco acts as a clearing house, but disburses funds to customers only after collections have been made from its receivables.

The carrying amount of financial assets represents the maximum credit exposure. This maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

		€'000 Current	€'000 31-60 Days	€'000 61-90 Days	€'000 >90 Days	€'000 TOTAL
2012	Europe	693	625	833	71	2,222
	United States	3,757	1,039	258	(55)	4,999
		4,450	**1,664**	**1,091**	**16**	**7,221**
2011	Europe	1,511	831	1,108	-	3,450
	United States	5,403	8	-	8	5,419
		6,914	**839**	**1,108**	**8**	**8,869**

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in meeting its obligations as they fall due. The Group's policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations in a timely manner. The executive directors follow prudent liquidity risk management by maintaining sufficient cash, enforcing strict credit policy and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Liquidity risk (continued)

Liquidity is managed by invoice factoring in Europe and closely pursuing receivable collections in the USA and also by keeping the committed credit lines in place. The following are the Group's contractual maturities of financial liabilities:

		€'000 In 1 Year	€'000 1-2 Years	€'000 2-5 Years	€'000 > 5 Years	€'000 TOTAL
2012	**Europe**					
	Operational leases & payables	12,023	-	-	-	12,023
	Bank debt & finance Leases	1,775	3,857	-	308	5,940
	United States					
	Operational leases & payables	7,082	427	401	-	7,910
	Bank debt & finance leases	580	3,558	-	-	4,138
	Total	**21,460**	**7,842**	**401**	**308**	**30,011**
	Off-balance sheet	(359)	(338)	(401)	-	(1,098)
		21,101	**7,504**	**-**	**308**	**28,913**
2011	**Europe**					
	Operational leases & payables	13,806	-	-	-	13,806
	Bank debt & finance leases	1,369	1,206	2,848	442	5,865
	United States					
	Operationlal leases & payables	5,972	229	324	-	6,525
	Bank debt & finance leases	406	1,687	2,014	81	4,188
	Total	**21,553**	**3,122**	**5,186**	**523**	**30,384**
	Off-balance sheet	(400)	(553)	-	-	(953)
		21,153	**2,569**	**5,186**	**523**	**29,431**

The Group's current assets at 31 December 2012 amounted to €18,594,000 (2011: €24,192,000) including off balance sheet deferred lease revenue of €2,207,000 in 2012 and €1,363,000 in 2011.

Market risk

Market risk arises from the fact that the value of financial instruments may be positively or negatively affected by fluctuating prices on the financial markets. Market risk includes currency risk, fair value interest rate risk, and price risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to exchange rate fluctuations. Exposure to currency risks arises primarily when receivables and payables are denominated in a currency other than the operating company's local currency. In addition, the Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. The Group manages its currency risk by closely monitoring the currency fluctuations and does not hedge its currency risk.

Sensitivity analysis

A 5% strengthening of US Dollar against the Euro would have increased the profit after tax by €130,000 (2011: €111,000) and would result in net decrease in equity of €130,000 (2011: €64,000) and a 5% decline in US Dollar against the Euro would have had an equal but opposite effect on the basis that all other variables remain constant.

Interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group tries to minimise its interest rate risk by negotiating a fixed interest rate for the borrowings. A reduction of 0.25 basis points in interest rates would have decreased the profit after tax by €17,000 and equity by €13,000 (2011: both €16,000) and an increase of 0.25 basis points in interest rate would result in an equal but opposite effect with other factors remaining constant.

Price risk

The Group does have an exposure to raw material price risk in France.

Sorepla, our French plastic recycling company buys its raw materials comprising of baled plastics at spot and short term contracted prices which may be subject to wide commodity price swings. While selling prices eventually adjust to these price fluctuations, it can often take a few months for such adjustments to take effect. If raw material price increases by 10%, impact on profit before tax on sale of such inventory when realised will be €340,000 (2011: €733,000) on an annual basis, and if raw material price decreases then an equal but opposite effect will be realised.

(6) Segment information

Envipco considers geography and products as its main segments. Management measures geographical segment performance based on the segment's operating result. Similarly the respective assets and liabilities are allocated to the geographical segments. The segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The Group's main continuing operations relate to its core activity of Recycling. This activity has two main operating segments – RVMs and Plastics. The RVMs business segment include operations in the USA and Japan (which was disposed of on 30 June 2011) and starting 2011 Germany has an RVM segment due to compactor sales to a single new customer, whereas Plastics operations are based in France. The non-operating segments include the Holding company and the research and development facility in Germany and rest of the non-active Group entities. Segment information for continuing operations is presented by geographical areas where a segment is based except for the non-operating segments. Segment information of the main operating segments is detailed below:

(in thousands of euros)				2012				2011
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Revenues								
Continuing operations – Recycling								
RVM								
Sale of goods	1,401	2,268	-	3,669	861	2,154	-	3,015
Service revenue	-	14,713	-	14,713	-	12,169	-	12,169
Leasing revenue	-	7,483	-	7,483	-	6,671	375	7,046
Plastics								
Sale of goods	25,884	-	-	25,884	27,816	-	-	27,816
Service revenue	92	-	-	92	615	-	-	615
Total	**27,377**	**24,464**	**-**	**51,841**	**29,292**	**20,994**	**375**	**50,661**

				2012				2011
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Gross assets								
Continuing operations – Recycling								
RVM	268	18,916	-	19,184	989	18,546	-	19,535
Plastics	16,523	-	-	16,523	21,093	-	-	21,093
Non-operating segments	4,824	-	-	4,824	4,535	-	-	4,535
Total	**21,615**	**18,916**	**-**	**40,531**	**26,617**	**18,546**	**-**	**45,163**

RVM segment assets in North America include €710,000 (2011: 942,000) of assets of a joint venture (See Note 27).

(6) Segment information (continued)

	2012				2011			
Segment Results	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Continuing operations – Recycling								
RVM	56	2,138	-	2,194	55	857	(99)	813
Plastics	(4,739)	-	-	(4,739)	(547)	-	-	(547)
Non-operating segments	(1,547)	-	-	(1,547)	(773)	-	-	(773)
Total	**(6,230)**	**2,138**	**-**	**(4,092)**	**(1,265)**	**857**	**(99)**	**(507)**

RVM segment results in North America include €449,000 of charges (2011: €383,000) for CLRS development costs. Due to a change in the segmentation of the results in the management reporting, the classification of the results has changed from last year. As a consequence, the 2011 comparative figures have been adjusted to reflect this change.

	2012				2011			
Gross Liabilities	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Continuing operations – Recycling								
RVM	388	10,950	-	11,338	374	10,709	-	11,083
Plastics	16,132	-	-	16,132	17,591	-	-	17,591
Non-operating segments	-	-	1,443	1,443	-	-	757	757
Total	**16,520**	**10,950**	**1,443**	**28,913**	**17,965**	**10,709**	**757**	**29,431**

	2012				2011			
Cost of Property, Plant & Equipment and Intangibles Additions	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Continuing operations – Recycling								
RVM	-	2,719	-	2,719	-	3,513	-	3,513
Plastics	3,296	-	-	3,296	3,499	-	-	3,499
Non-operating segments	-	-	-	-	1,160	-	-	1,160
Total	**3,296**	**2,719**	**-**	**6,015**	**4,659**	**3,513**	**-**	**8,172**

(6) Segment information (continued)

	2012				2011			
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Depreciation & Amortisation Expense								
Continuing operations – Recycling								
RVM	23	1,852	-	1,875	30	1,571	-	1,601
Plastics	1,869	-	-	1,869	1,280	-	-	1,280
Non-operating segments	387	-	-	387	187	-	-	187
Total	**2,279**	**1,852**	**-**	**4,131**	**1,497**	**1,571**	**-**	**3,068**

There were no non-cash expenses other than depreciation and amortisation except for an amount in the non-operating segment relating to the reversal in 2011 of €898,000 in respect of the share options.

There were no associates or joint ventures where equity accounting was required.

(7) Expenses

Selling expenses

Selling expenses consist of costs associated with market development, marketing and promotions and trade shows.

General and administrative expenses

General and administrative expenses include depreciation expenses for an amount of €2,706,000 (2011: €1,865,000), research and development costs of €533,000 (2011: €915,000), payments made under operating leases of €406,000 (2011: €255,000), and bad debt charge of €133,000 (2011: €103,000). The fee paid to the Group's auditor for the following services is included in general expenses and can be specified as follows:

BDO, Netherlands

	2012	2011
	€'000	€'000
Other services	9	15
Audit fee	85	85
	94	**100**

(8) Other income

Other income includes government grant received by the Group companies of €104,000 (2011: €22,000) and €72,000 (2011: €13,000) sundry income during the year. The government grant is a yearly incentive offered to businesses in recycling industry and is not repayable.

(9) Employee benefit expense

	2012	2011
	€'000	€'000
Salaries	10,002	9,133
Social security expenses	2,080	1,833
Pension expenses	66	47
Equity share based payments	-	(898)
	12,148	**10,115**

	2012	2011
Average number of employees		
Continuing operations		
North America	121	131
Europe	114	109
Japan	-	-
Total	**235**	**240**

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2012 was €648,000 (2011: €643,000 excluding share option credit of €898,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Other short term benefits	Social cost	Pension	Share based payments	Total
2012						
B. Santchurn	363	-	-	3	-	366
C. Crepet	138	-	31	36	-	205
G. Garvey	47	-	-	-	-	47
T.J.M. Stalenhoef	20	-	-	-	-	20
G. Lefebvre	10	-	-	-	-	10
A. Bouri	-	-	-	-	-	-
D. D'Addario	-	-	-	-	-	-
Total	**578**	**-**	**31**	**39**	**-**	**648**
2011						
B. Santchurn	303	-	33	2	-	338
C. Crepet	176	-	42	11	-	229
G. Garvey	43	-	-	-	(898)	(855)
T.J.M. Stalenhoef	18	-	-	-	-	18
G. Lefebvre	15	-	-	-	-	15
A. Bouri	-	-	-	-	-	-
D. D'Addario	-	-	-	-	-	-
Total	**555**	**-**	**75**	**13**	**(898)**	**(255)**

(10) Financial expense and income

The financial expense and income are fully in respect of loans and receivables. No interest expense or income is recognised using the effective interest rate method.

(11) Income taxes

Effective tax rate

Envipco operates in several jurisdictions with varied local statutory income tax rates. This causes a difference between the average statutory income tax rate and The Netherlands tax rate of 25.0%. The following table reconciles income taxes based on the Group's weighted average statutory income tax rate and the Group's income tax benefit from continuing operations:

Reconciliation between the company's effective tax rate and the statutory income tax rate in The Netherlands, which currently is 25.0%, can be specified as follows:

		2012		2011
		€'000		€'000
Profit/(loss) before tax		(4,447)		(241)
Taxation (charge)/credit @ statutory rate	25.0%	1,112	25.0%	60
Tax (charge) credit for different statutory tax rates on foreign subsidiaries		7		(93)
Gain on disposal of subsidiary under participation exemption		-		118
Effect of unused losses for which no deferred tax asset has been recognised		(268)		(381)
Effect of recognising deferred tax asset for which previously no tax has been recognised (USA) less reversal Germany		(532)		-
Effective income tax		**319**		**(296)**

None of the items of other comprehensive income is included in income taxes.

Current and deferred tax income/(expense)

	2012	2012	2011	2011
	€'000 This Period	€'000 **Total**	€'000 This period	**€'000 Total**
Current				
- France	-	**-**	(244)	**(244)**
- Germany	-	**-**	-	**-**
- USA	(171)	**(171)**	(99)	**(99)**
	(171)	**(171)**	**(343)**	**(343)**
Deferred				
- France	-	**-**	120	**120**
- Germany	(93)	**(93)**	(73)	**(73)**
- USA	583	**583**	-	**-**
	490	**490**	**47**	**47**
Total	**319**	**319**	**(296)**	**(296)**

(11) Income taxes (continued)

Tax losses, where no deferred tax has been recognised totaling €23,490,000 (2011: €26,389,000), of which €290,000 in the years 2012 through 2015 and €21,334,000 in the years 2016 through 2019 and €1,866,000 in the year 2020.

(12) Earnings per share

The numerator for both basic and fully diluted net result per ordinary share (earnings per share or EPS) is net result attributable to holders of ordinary shares. The denominator for basic EPS is the number of ordinary shares outstanding during the year, excluding ordinary shares held as treasury shares. The fully diluted EPS is same as the basic EPS as the outstanding employee stock options were out-of-the-money i.e. as their exercise price is greater than the weighted average share price during the year.

The net result per ordinary share has been calculated according to the following schedule:

	2012	2012	2011	2011
	€'000	€'000	€'000	€'000
	Continued Operations	Total Operations	Continued operations	Total operations
Numerator				
Profit/(loss) for the year and earnings used in basic EPS	(4,092)	(4,092)	(507)	(507)
Earnings/(loss) used in basic and diluted EPS	**(4,092)**	**(4,092)**	**(507)**	**(507)**
Denominator				
	'000	'000	'000	'000
Weighted average number of shares used in basic EPS after reverse stock split	2,473	2,473	2,473	2,473
Weighted average number of shares used in diluted EPS after reverse stock split	**2,473**	**2,473**	**2,473**	**2,473**

Following the reverse stock split in 2011, basic and diluted earnings/(loss) per share for 2012 and 2011 have been calculated using the weighted-average number of current ordinary shares of 2,472,607 (exclusive of 240,000 treasury shares). Treasury shares have been deducted to calculate the outstanding shares.

(13) Intangible assets

(in thousands of euros)	Goodwill	Patents, licenses & concessions	Development costs	Total
At 1 January 2011				
Cost	133	620	2,206	2,959
Accumulated amortisation	-	(62)	(68)	(130)
Net carrying amount	**133**	**558**	**2,138**	**2,829**
Changes to net carrying amount in 2011				
Additions	-	238	1,155	1,393
Disposals	-	(75)	-	(75)
Amortisation	-	(81)	(157)	(238)
Currency translation differences	4	8	-	12
Total changes in 2011	**4**	**90**	**998**	**1,092**
At 31 December 2011				
Cost	137	791	3,361	4,289
Accumulated amortisation and impairment	-	(143)	(225)	(368)
Net carrying amount	**137**	**648**	**3,136**	**3,921**
Changes to net carrying amount in 2012				
Additions	-	35	1,331	1,366
Disposals	-	(66)	-	(66)
Amortisation	-	(188)	(281)	(469)
Currency translation differences	(3)	80	-	77
Reclassification - cost	-	325	(61)	264
Reclassification - depreciation	-	(363)	99	(264)
Total changes in 2012	**(3)**	**(177)**	**1088**	**908**
At 31 December 2012				
Cost	134	1,165	4,631	5,930
Accumulated amortisation and impairment	-	(694)	(407)	(1,101)
Net carrying amount	**134**	**471**	**4,224**	**4,829**

Goodwill

No impairment charges were recognised on any goodwill during the period. All goodwill as per 31 December 2012 and 2011 relates to goodwill of one Cash Generating Unit in the RVM segment, which was tested for any impairment, based on its value in use, by using present value of discrete cash flows for next three years and the present value of the terminal cash flow with the following assumptions: cost of capital 10.40%, effective tax rate 34% working capital requirement 10% of revenue and terminal cash flow growth rate of 2.5%.

(13) Intangible assets (continued)

Concessions

Concessions relate to a three year exclusive RVM Distributor Agreement in Michigan, USA, including assignment of certain chain account relationships and contracts. The amount is being amortised over the term of the contract.

Development costs

All capitalised development costs relate to internally developed assets in respect of new product range namely U48, Flex, Ultra HDS, Mini Bulk, new compactor and bulk volume solutions for the existing and new markets. All material, labour and overhead costs directly attributable to these projects have been capitalised.
€1,331,000 (2011: €1,155,000) of the development costs was capitalised in 2012. Fully developed assets are amortised over their expected useful lives, which are between 5-7 years. The largest individual asset included in the development cost has a book value of €1,314,000 (2011: €545,000).

Key projects under development during 2012 include U48, Ultra HDS and Mini Bulk.

(14) Property, plant and equipment

(in thousands of euros)	Reverse vending machines	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2011					
Cost	16,074	7,218	13,751	3,182	40,225
Accumulated depreciation	(12,754)	(3,223)	(7,344)	(2,275)	(25,596)
Net carrying amount	**3,320**	**3,995**	**6,407**	**907**	**14,629**
Changes to net carrying amount in 2011					
Additions	1,898	136	4,772	47	6.853
Disposals	(218)	-	(74)	(5)	(297)
Depreciation	(1,120)	(493)	(1,089)	(128)	(2,830)
Currency translation	122	22	(646)	4	(498)
Reclassifications – cost	(4,230)	(111)	727	(1,756)	(5,370)
Reclassifications - depreciation	4,230	111	(240)	1,269	5,370
Total changes in 2011	**682**	**(335)**	**3,450**	**(569)**	**3,228**
At 31 December 2011					
Cost	13,646	7,265	18,530	1,472	40,913
Accumulated depreciation	(9,644)	(3,605)	(8,673)	(1,134)	(23,056)
Net carrying amount	**4,002**	**3,660**	**9,857**	**338**	**17,857**
Changes to net carrying amount in 2012					
Additions	2,362	469	1,700	119	4,650
Disposals	(388)	(1)	(316)	-	(705)
Depreciation	(1,231)	(454)	(1,822)	(155)	(3,662)
Currency translation	(100)	(43)	21	(6)	(128)
Reclassifications – cost	(4,457)	67	100	(100)	(4,390)
Reclassifications - depreciation	4,457	(67)	(100)	100	4,390
Total changes in 2012	**643**	**(29)**	**(417)**	**(42)**	**155**
At 31 December 2012					
Cost	11,063	7,757	20,035	1,485	40,340
Accumulated depreciation	(6,418)	(4,126)	(10,595)	(1,189)	(22,328)
Net carrying amount	**4,645**	**3,631**	**9,440**	**296**	**18,012**

Plant and machinery includes €150,000 (2011: €6,692,000) for assets which are under construction.

(15) Long term deposits

	2012	2011
	€'000	€'000
Schedule of movement		
At beginning of year	377	393
Additions	320	-
Releases	-	(16)
At end of year	**697**	**377**

Other non-current assets

	2012	2011
	€'000	€'000
Deposits with suppliers and vendors	697	377
	697	**377**

(16) Deferred tax

	2012	2012	2012	2012	2012
	€'000	€'000	€'000	€'000	€'000
	Asset	Liability	Net	(Charge)/credit profit & loss	(Charge)/credit Equity
Available profits/(losses)	606	(311)	295	319	-
At 31 December 2012	**606**	**(311)**	**295**	**319**	**-**

	2011	2011	2011	2011	2011
	€'000	€'000	€'000	€'000	€'000
	Asset	Liability	Net	(Charge)/credit profit & loss	(Charge)/credit Equity
Available profits/(losses)	179	(276)	(97)	47	-
At 31 December 2011	**179**	**(276)**	**(97)**	**47**	**-**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.
The taxable loss for which no deferred tax asset was recorded is €23,490,000 (2011: €26,389,000) of which €290,000 in the years 2012 through 2015 and €21,334,000 in the years 2016 through 2019 and €1,866,000 in the year 2020 will expire. During the year €319,000 (2011: €47,000) of deferred tax credits were recognised relating to previous year unused tax losses.

(17) Inventory

	2012	2011
	€'000	€'000
Finished goods	2,489	2,654
Raw material and parts	6,316	8,252
Work in progress	841	2,235
Provision for obsolescence	(1,194)	(865)
Inventory	**8,452**	**12,276**

In 2012 inventory amounting to €28,595,000 (2011: €25,884,000) has been included in the cost of revenue.

Finished goods are valued at lower of cost and net realisable value. Cost includes material cost, direct labour and overheads. Raw material and parts are valued at lower of cost and net realisable value. Cost includes purchase cost and cost of bringing the part to its present location. Work in progress is valued including direct material cost and a proportion of direct labour and overheads.

Estimates of net realisable value of inventory are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. As such estimates are continuously evaluated and it is common that in the normal course of business, circumstances that previously caused inventories to be written down below cost no longer exist resulting in reversals of write-downs.

Schedule of movement of provision for obsolescence

	2012	2011
	€'000	€'000
At beginning of period	865	884
Additions	329	207
Release of provision	-	(226)
At end of period	**1,194**	**865**

The increase/(decrease) in provisions relating to raw materials is effected through cost of revenue.

(18) Trade and other receivables

	2012	2011
	€'000	€'000
Trade receivables	7,049	8,538
Other receivables	86	68
Prepaid expenses	86	263
Trade and other receivables	**7,221**	**8,869**

(18) Trade and other receivables (continued)

Estimates of the recoverability of trade receivables are based on the most reliable evidence available at the time the estimates are made. As these estimates are continuously evaluated, it is common that in the normal course of business, circumstances that previously caused trade receivables to be impaired no longer exist resulting in reversals of impairment charges. Trade receivables are shown net of bad debt provisions of €3,679,000 and €4,525,000 at the end of years 2012 and 2011 respectively.

Schedule of movement of provision for bad debts

	2012	2011
	€'000	€'000
At beginning of period	4,525	4,327
Additions	-	103
Release of provision	(783)	(61)
Translation adjustment	(63)	156
At end of period	**3,679**	**4,525**

(19) Cash and cash equivalents

	2012	2011
	€'000	€'000
Cash at bank and in hand	714	1,684
Cash and cash equivalents	**714**	**1,684**

The cash balances are at the free disposal of the Company except for €3,000 (2011: €244,000) relating to the investment in jointly controlled assets (Note 27).

(20) Shareholders' equity

Share Capital

Authorised and Issued Share Capital
On 27 June 2011, the General Meeting of Shareholders decided (i) to amend the Company's Articles of Association with the aim of, among other things, converting the class A shares and the class B shares into ordinary shares not designated by an alphabetical letter, and converting every 50 of those ordinary shares, each with a nominal value of €0.01, into one ordinary share with a nominal value of €0.50 (reverse stock split) and (ii) to apply for admission of the ordinary Envipco shares to trading on the regulated market of NYSE Euronext Brussels.

The following table presents information about the share capital of the Company immediately before and after the abovementioned changes:

	Before changes in capital structure			After changes in capital structure
	Class A shares	Class B shares	Class A shares and Class B shares	Shares
Number of authorised shares	200,000,000	200,000,000	400,000,000	8,000,000
Authorised share capital	€ 2,000,000	€ 2,000,000	€ 4,000,000	€ 4,000,000
Number of issued shares	65,200,000	70,430,350	135,630,350	2,712,607
Issued share capital	€ 652,000	€ 704,303.50	€ 1,356,303.50	€ 1,356,303.50
Nominal value	€ 0.01	€ 0.01	€ 0.01	€ 0.50

As per 1 January 2011, the number of outstanding shares of the Company amounted to 123,630,336 shares, divided into 65,200,000 Class A shares and 58,430,336 Class B shares. After the increase in company's capital, the number of outstanding shares of the Company amounts to 135,630,350 shares, divided into 65,200,000 Class A shares and 70,430,350 Class B shares. Since all the capital structure changes have been incorporated the total number of outstanding shares of the Company amounts to 2,712,607 Shares.

All Shares that are issued and outstanding are fully paid up.

On 8 December 2008 the Company issued 30,022,525 Class A shares (equal to 600,450.5 Shares after reverse stock split) with nominal value of €0.01, at a price of €0.2486 per share to Mr Alexandre Bouri. All outstanding subscription amounts were received by the company in 2011.

On 19 July 2011 and 25 July 2011 respectively, the Company issued 12,000,014 Class B shares (equal to 240,000 Shares) to Stichting Employees Envipco Holding. The Class B shares issued on 19 July 2011 have been issued following the assignment of 12,000,000 stock options of Mr Gregory Garvey to Stichting Employees Envipco Holding on the same date. The shares issued to the Stichting Employees Envipco Holding in 2011 are fully paid up.

On 8 December 2008 the General Meeting of Shareholders approved an option plan for 13,500,000 shares for executives and employees. On 27 June 2011, the Board of Directors amended the stock option plan. Following the amendment it is possible to issue shares to a foundation (Stichting Employees Envipco Holding). The options have not been allocated and the terms and conditions of the stock option plan are yet to be determined.

Stichting Employees Envipco Holding acquired 240,000 shares of the Company at a nominal value of €0.50 and the Company has a liability to Stichting Employees Envipco Holding for an equal amount.

There is one vote for each ordinary share.

(20) Shareholders' equity (continued)

Share options

12,000,000 share options were granted on 8 December 2008 to one of the directors at a strike price of €0.32. The underlying share price on that day was €0.2486 based on an earlier private transaction. Options are conditional on the employee remaining with the Company till 31 December 2011 (the vesting period) and can vest sooner if the Company meets targets regarding EBITDA or stock market value. Up to 4,000,000 options are exercisable in each of the years 2009, 2010 and 2011 if certain targets are met. The options expire on 31 March 2012. The options will be settled in equity. As of 31 December 2011 none of the share options for Mr Gregory Garvey vested because the conditions for vesting were not met. Consequently, a reversal of the prior year charges amounted to a credit in 2011 of €898,000.

The fair value was determined using Black-Scholes pricing model. The volatility was calculated using last 5 years share prices and risk free interest rate used is for long term government bonds with no expected dividend payments by the Company and the assumptions that all the vesting conditions will be met as of 31 December 2011.

	2012	2011
Outstanding at 1 January (after reverse stock split)	240	240
Granted during the period	-	-
Exercised during the period	-	-
Expired during the period	(240)	
Outstanding at 31 December (after reverse stock split)	**0**	**240**

Share premium reserve

For full detailed movements in share premium reserve please refer to the consolidated statement of changes in equity. No share subscription occurred during the year.

Retained earnings

At the Company's Annual General Meeting of the Shareholders it will be proposed to include the 2012 net result to retained earnings. All other net gains and losses and transactions with owners (e.g. dividends) are not recognised elsewhere.

Translation reserve

Group entities whose functional currency is other than Euro, the Group's reporting currency, are translated using closing rates for balance sheets and average rates for income statements. The resulting difference is recognised as translation reserve in equity.

(21) Non-current liabilities

	2012	2011
	€'000	€'000
Borrowings	**7,786**	**8,340**

	2012	2011
	€'000	€'000
Other liabilities	956	280
	956	**280**

(21) Non-current liabilities (continued)

Other liabilities include shareholder loan to the majority shareholder of €677,000 (2011: €76,000) inclusive of interest payable at 9% on the outstanding balance repayable within two years.

Borrowings

	2012	2011
	€'000	€'000
Sorepla Industrie S.A. entered into various secured and unsecured borrowing agreements with various parties totaling €5,263,000 (2011: €5,865,000) with maturity dates ranging from 2013 to 2019. €4,165,000 (2011: €4,496,000) of the debt is secured by the assets under finance leases and €1,098,000 (2011: €1,369,000) is secured by fixed and floating charges on other assets.	5,263	5,865
Envipco Pickup and Processing Services Inc. (EPPSI), entered into a seven year loan agreement on 30 May 2007 for $1,875,000 with a floating interest rate. This loan is secured by the real estate and improvements. In addition to the interest, the monthly payments also include a portion of principal calculated based on a 25 year amortisation period with a balloon payment at end of year 7. To hedge the risk of floating interest rate the subsidiary entered into a fixed interest rate swap agreement for the duration of the loan. Net borrowing costs deducted is €7,000.(2011: €12,000)	1,205	1,269
Others	63	63
Environmental Products Corporation (EPC) borrowed a facility from a third party lender for $8,500,000 of which $6,000,000 as a line of credit (LOC) repayable after 2 years with interest and $2,500,000 as a Term Loan, repayable after 5 years with interest. The LOC is renewable annually for a term of another 2 years and are collateralised by a fixed and floating charge on all assets of EPC and guaranteed by the parent. Net borrowing costs deducted is €57,000.(2011: €69,000)	2,933	2,918
Total	**9,464**	**10,115**

The debt covenants for the USA subsidiaries EPC and EPPSI have been met during the year.
Though the borrowing costs of €64,000 (2011: €81,000) have been deducted, the debt is payable in full inclusive of the borrowing costs.

Future payments under long term borrowings	2012	2011
	€'000	€'000
Current	1,678	1,775
Due between 2 to 5 years	7,478	7,855
> 5 years	308	485
Total borrowings	**9,464**	**10,115**

Schedule of movement	2012	2011
	€'000	€'000
At beginning of period	10,115	5,761
Increase	10,104	4,548
(Decrease)	(10,670)	(431)
Translation effect	(85)	237
At end of period	**9,464**	**10,115**

(21) Non-current liabilities (continued)

Deferred income

These represent grant assistance received during the years 1999 through 2003 by a consolidated subsidiary for the acquisitions of Plant and Machinery. The grants are amortised over the useful lives of the assets and any un-amortised amount is shown as a deferred income liability.

	2012	2011
	€'000	€'000
Un-amortised balance	**159**	**83**

(22) Provisions

	2012	2011
	€'000	€'000
Provisions	247	156
	247	**156**

Movement of warranty provisions

These are required by our German subsidiary for warranty for the repair and maintenance of compactor sales and are adequate for expected usage.

	2012	2011
	€'000	€'000
Beginning of period	52	-
Additions	100	52
Releases	(9)	-
End of period	**143**	**52**

Movement of employee benefits costs

These are required by our French subsidiary for employee benefits costs and are adequate for expected payouts.

	2012	2011
	€'000	€'000
Beginning of period	95	95
Additions	-	-
Releases	-	-
End of period	**95**	**95**

Movement of other provisions

	2012	2011
	€'000	€'000
Beginning of period	9	-
Additions	-	9
Releases	-	-
End of period	**9**	**9**

(23) Employee benefit plans

Group companies provide pension benefits for their employees. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country. Such benefits are provided under defined contribution plans.

For the year ended 31 December 2012, expenses relating to defined contribution plans amounted to €66,000 (2011: €47,000).

(24) Derivative financial instruments

Interest Rate Management
A derivative financial instrument is used to reduce exposure to changes in interest rates. The instrument, designated as a cash flow hedge, is an interest rate swap agreement, which has effectively fixed the interest rate on a term loan (Note 21). The Company manages its risk related to the instrument by matching the notional amounts and expiration dates of the derivative instrument with the Company's associated debt instrument. The hedge will terminate with the term loan on 15 May 2014. The increase/(decrease) in the value of interest rate swap agreement is recognised as an adjustment to accumulated other comprehensive income/(loss). At 31 December 2012 the fair value of the interest rate swap was a liability of approximately €88,000 (2011: €147,000) and is included in long term liabilities and as part of accumulated other comprehensive income/(loss). The Company does not issue or hold derivative contracts for speculative purposes. The movement does not relate to any changes in the credit risk.

	2012	2011
Interest rate swap – cash flow hedge	Liabilities €'000	Liabilities €'000
Opening balance	147	175
Change in value	(57)	(31)
Translation adjustment	(2)	3
Closing balance	**88**	**147**

There is only one class of derivative and the valuation is from a third party lender on an interest rate SWAP, which is a Level 3 fair value measurement.

(25) Commitments and contingencies

Operating lease commitments where a Group company is the lessee

The future minimum lease payments under non-cancellable operating leases as of 31 December 2012 and 2011 were as follows:

	2012	2011
	€'000	€'000
Current	359	400
Between 2 to 5 years	739	553
	1,098	**953**

The leases relate to buildings, plant and equipment, office machines and vehicles. Rent expenses for the year ended 31 December 2012 were approximately €406,000 (2011: €255,000).

(25) Commitments and contingencies (continued)

Operating lease commitments where a Group company is the lessor:

The future minimum lease payments receivable under non-cancellable RVM operating leases as of 31 December 2012 and 2011 were as follows:

	2012	2011
	€'000	€'000
Current	1,072	1,363
Between 2 to 5 years	2,060	1,697
	3,132	**3,060**

Lease revenues from RVMs for the year ended 31 December 2012 were approximately €2,268,000 (2011: €2,089,000).

Finance lease commitments where a Group company is the lessee:

	2012		2011	
	Buildings €'000	Plant €'000	Buildings €'000	Plant €'000
Current	120	560	120	746
Between 2 to 5 years	278	2,491	278	2,725
Over 5 years	-	9	-	178
	398	**3,060**	**398**	**3,649**
Carrying value at 31 December	**2,655**	**7,702**	**2,599**	**5,579**

Other commitments

The French subsidiary Sorepla has no remaining investment commitment relating to the new line for a process to produce food grade approved recycled PET.

Legal proceedings

Group companies are parties to various legal activities which are incidental to the conduct of their businesses.

a. The Group sold its helicopter overhaul business to Industria De Turbo Propulsores (ITP) on 7 March 2008. As part of its sale, the buyer agreed to pay additional earn-outs based on certain conditions, whichever have been met. ITP has been in default of the Share Purchase Agreement refusing these earn-outs and has filed a counterclaim in the amount of $750,000 for alleged misrepresentation. Management strongly disagrees with ITP claims, the basis of which is being challenged. Both claims and counterclaims have been challenged at the London Administration Court. The judge has heard the arguments from both sides through December 2012. We are awaiting on a favourable judgment imminently. Management has taken a conservative approach not to recognise any income on the earn-outs except when awarded. At the same time, no provision was felt necessary for the counterclaim.

b. The French subsidiary Sorepla is in dispute since 2010 with one of its suppliers for breach of its supply contract. Sorepla has filed a claim of about €7.0 million against the supplier in the Tribunal de Commerce de Paris Court in Paris. This litigation, at the date of this report, is being heard by the judge. Ruling is expected to be provided within 12 months. No income provision has been made in the results to date.

(25) Commitments and contingencies (continued)

c. HSM GmbH & Co KG filed a patent infringement claim against Envipco Automaten GmbH (EAG) on 4 October 2012. After hearing the case at the regional district court in Dusseldorf, the judge awarded the judgment in favour of the plaintiff. Immediately thereafter, EAG filed an appeal with the Federal court as it strongly believes that its own patents granted by the German Patents office does not violate the HSM IP. Expert advice had been sought and the Counsel concurs with the management's assessment. The appeal hearing is expected to take place during the third quarter of 2013.

   EAG has also filed a claim to have HSM patents on its compactor cancelled due to prior art discovery. As no monetary damages have been awarded, no provisions have been considered necessary.

d. A bank guarantee of €575,000 was provided to one of its clients in Germany to cover repair warranty obligations of our German affiliate, EAG, on its sale of compactors. On 29 January 2013, the customer requested the bank guarantee to be cashed for no reason, for which there is no support. The customer has agreed to return the guarantee upon certain conditions which are currently being discussed. No provision is considered necessary.

Other contingencies

The French recycling business suffered a major setback in October 2012 due to a trade union employee strike which affected all production in the month. The striking employee demands for pay increases and benefits were far outside the Company's ability to address, which forced management to file for "procedure de sauvegarde" court protection on 31 October 2012. The company continues to operate under court administrator oversight, while a restructuring plan is worked out. The business has received significant additional funding as we execute on a restructuring plan under the court administrative process. Envipco is committed to stabilising the business and returning it to profitability The French recycling business is valued on a going concern basis as of 31 December 2012 (See Note 3).

Loans

Please refer to Note 21.

(26) Related party transactions

Transactions and relations with the shareholders are explained in Note 20. Under Book 2 of the Netherlands Civil Code the receivable from the majority shareholder was restructured (refer to Note 20 for further details). The key management personnel comprised of the management board (refer to Note 9 for further details). €37,000 of interest was charged on the outstanding balance in 2012 (2011: €85,000) from Mr Alexandre Bouri.

A loan was granted to a director for €20,000 during the year repayable with interest over the next 2 years.

Group companies enter into transactions with each other in the normal course of business. These transactions are eliminated in consolidation. Net research and development costs of €533,000 (2011: €915,000) were incurred on behalf of other group subsidiaries by the parent company. The Group companies charge interest on intercompany loans. No interest is charged on the intercompany current account balances. The parent company also charges head office expenses to its subsidiaries, although no charge was made to its German subsidiary for the years 2011 and 2012.

(26) Related party transactions (continued)

The Company has provided a guarantee to EAG for the subordination of its receivable in 2012 of €0 (2011: €610,000) from this subsidiary and during the year one of the USA subsidiaries has provided a €575,000 guarantee for the warranty obligations of its German affiliate. The Company also provided a guarantee to the USA subsidiary's lender, TD Bank for the credit facilities of $8,500,000 in 2012.

The Group companies had following intra-group transactions:

	2012	2011
	€'000	€'000
Goods and services	4,503	4,143
Other charges and services	539	591
Research and development	533	915
	5,575	**5,649**

(27) Jointly controlled assets

EPC, a USA subsidiary, executed an agreement on 22 December 2009 for the evaluation and pilot of innovative recycling concepts in selected USA non-deposit markets. The pilot employs new proprietary technology developed by Envipco for large scale collection of PET and aluminum beverage containers. According to IAS 31, the investment has been treated as Jointly controlled assets. The agreement was amended on 13 December 2011 and based there on, during the year the Group invested €0 (2011: €335,000), its share of capital contribution based on 50:50 ownership for this pilot operation. The Group's share of expenses in 2012 amounted to €449,000 (2011: €383,000). The Group's share of results and assets has been included in these financial statements. The Group's share of equity at the balance sheet date amounted to €710,000 (2011: €942,000).

(28) Post balance sheet events

a) On January 8, 2013, the majority shareholder, Mr Alexandre Bouri exercised his option to buy back 600,000 shares in Envipco Holding N.V. for €2,400,000 from GD Env LLC, which results in Mr Bouri owning 66.67% of the total issued shares.

b) The majority shareholder, Mr Alexandre Bouri granted a loan of $3,000,000 to the Company on 15 February 2013 which bears interest at 10% per annum and is repayable as a balloon after 2 years with an option to renew at maturity by the Borrower. €1,500,000 of these funds have been used to support and stabilise our French recycling business.

(29) Significant non-cash transactions

No significant non-cash transactions took place in 2012.

SEPARATE COMPANY BALANCE SHEET AS AT 31 DECEMBER
BEFORE PROPOSED APPROPRIATION OF RESULT

ENVIPCO

(in thousands of euros)

	Note	2012		2011	
Assets					
Fixed assets					
Intangible assets	(D)	4,611		3,642	
Financial fixed assets	(E)/(J)	11,614		13,149	
Loans to group companies	(F)	52		1,354	
			16,277		18,145
Current assets					
Receivables	(G)	61		36	
Cash	(H)	42		748	
			103		784
Total assets			**16,380**		**18,929**
Equity and liabilities					
Shareholders' equity	(I)				
Share capital		1,356		1,356	
Share premium		44,692		45,780	
Legal reserve		4,224		3,136	
Retained earnings		(41,164)		(37, 255)	
Translation reserve		2,354		2,637	
			11,462		15,654
Provisions					
Non-current liabilities					
Provisions for Consolidated Group Companies			178		-
Loans from group companies	(K)		3,508		2,633
Other non-current liabilities	(L)		740		259
Current liabilities					
Creditors and other liabilities		492		383	
			492		383
Total equity and liabilities			**16,380**		**18,929**

SEPARATE COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER
BEFORE PROPOSED APPROPRIATION OF RESULT

ENVIPCO

(in thousands of euros)

	2012	2011
Result from Group companies after income taxes		
Result for the year	(3,273)	68
Result of sale of subsidiary	-	474
Other results after income taxes	(819)	(1,049)
Net result	**(4,092)**	**(507)**

(A) General information

Accounting principles used to prepare separate Company financial statements

The Company financial statements have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code. In accordance with Article 2:362 subsection 8 of the Civil Code, the Company has elected to apply the valuation of the accounting policies used in the consolidated financial statements to the separate Company financial statements. Furthermore, in accordance with Article 2:402 of the Civil Code, the Company has elected to present an abbreviated income statement. All amounts are in thousands of euros unless stated otherwise.

In addition, Consolidated Group companies (financial fixed assets) are valued based on their net equity, determined using the Group accounting policies. In case the net equity of a Group company is negative, the Company records a provision for as far as the Company assesses that it has a legal or constructive obligation to reimburse the Group companies' losses. This provision shall be deducted from receivables on the Group company if these receivables are part of the net investment in the Group company.

Composition of shareholders' equity

Refer to Note I Shareholders' equity of the separate Company financial statements.

(B) Remuneration of the Board of Management

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2012 was €648,000 (2011: €643,000 excluding a share option credit of €898,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Other short term benefits	Social cost	Pension	Share based payments	Total
2012						
B. Santchurn	363	-	-	3	-	366
C. Crepet	138	-	31	36	-	205
G. Garvey	47	-	-	-	-	47
T.J.M. Stalenhoef	20	-	-	-	-	20
G. Lefebvre	10	-	-	-	-	10
A.Bouri	-	-	-	-	-	-
D. D'Addario	-	-	-	-	-	-
Total	**578**	**-**	**31**	**39**	**-**	**648**
2011						
B. Santchurn	303	-	33	2	-	338
C. Crepet	176	-	42	11	-	229
G. Garvey	43	-	-	-	(898)	(855)
T.J.M. Stalenhoef	18	-	-	-	-	18
G. Lefebvre	15	-	-	-	-	15
A. Bouri	-	-	-	-	-	-
D. D'Addario	-	-	-	-	-	-
Total	**555**	**-**	**75**	**13**	**(898)**	**(255)**

(C) Research and developments costs

During the year research and development costs of €533,000 (2011: €915,000) were expensed.

(D) Intangible assets

(in thousands of euros)	Patents & licenses	Development costs	Total
At 31 December 2012			
Cost	593	4,631	5,224
Accumulated amortisation and impairment	(206)	(407)	(613)
Net carrying amount	**387**	**4,224**	**4,611**
At 31 December 2011			
Cost	596	3,361	3,957
Accumulated amortisation and impairment	(90)	(225)	(315)
Net carrying amount	**506**	**3,136**	**3,642**

(E) Financial fixed assets

	2012	2011
	€'000	€'000
At beginning of the year	13,149	11,435
Investments	2,500	1,286
Treasury shares	-	(11)
Results of the group companies for the year	(3,273)	68
Exchange differences	(283)	417
Sale of group company	-	604
Movement of provision	178	(883)
Dilution effect of minority interest	70	
Impairment of loans in subsidiaries	(727)	233
	11,614	**13,149**

Financial fixed assets relate to the investments in group companies.

(F) Loans to group companies

	2012	2011
	€'000	€'000
At beginning of the year	1,354	438
Additions	-	916
Redemptions	(1,302)	-
	52	**1,354**

The receivables include subordinated amount of €0 (2011: €610,000) from the German subsidiary.

(G) Receivables

The current receivables are for VAT recoverable within 12 months.

(H) Cash and cash equivalents

	2012	2011
	€'000	€'000
Cash at bank and in hand	42	748
Cash and cash equivalents	**42**	**748**

The cash balances are at the free disposal of the Company.

(I) Shareholders' equity

At the General Meeting of the Shareholders, the Company's shareholders approved that the 2012 net results of the Company be transferred to the retained earnings.

Refer to Consolidated statement of changes in equity and Note 20 Shareholders' equity of the Company's consolidated financial statements for further information regarding the Company's shareholders' equity. Transactions and relations with the shareholders are explained in Note 20. Under Book 2 of the Netherlands Civil Code the receivable from the majority shareholder was restructured in 2011 (refer to Note 20 for further details). €37,000 (2011: €85,000) of interest was charged on the outstanding balance during 2012 and 2011 respectively.
According to Book 2 of the Netherlands Civil Code, the Company is required to restrict part of its equity from distribution to shareholders, by forming a legal reserve equal to the amount it has capitalised for development costs. The equity enclosed in this legal reserve is not at the disposal of the General Meeting of Shareholders. Therefore, this amount cannot be distributed to shareholders until the capitalised development costs have been recognised in the profit and loss account. The capitalised development costs as at 31 December 2012 amount to €4,224,000 (2011: €3,136,000). A legal reserve equalling this amount has been created in 2012 by decreasing the share premium reserve with this amount. In the consolidated statement of changes in equity and Note 20 of the IFRS consolidated financial statements the legal reserve is included in the share premium reserve. The comparative information has been adjusted to reflect this change.

(J) Subsidiaries and affiliates of Envipco

The company has the following subsidiaries:

Envipco Finance Company Limited – London, United Kingdom – 100%
Sorepla Industrie S.A. – Neufschateau, France – 96.62% (2011 : 97.49%)
Sorepla Technologie S.A. – Rebevrille, France – 100%
Envipco Automaten GmbH, Westerkappeln, Germany – 100%
Envipco Pickup & Processing Services Inc., Delaware, U.S.A. – 99.85%
Environmental Products Corporation, Delaware, U.S.A. – 99.85%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Posada Holding B.V. – Amsterdam, The Netherlands – 100%
Aeromaritime Mediterranean Corporation, Delaware, U.S.A. – 100%
Envipco Japan Limited, Japan – 100% up to moment of disposal as per 30 June 2011

(K) Loans from group companies

	2012	2011
	€'000	€'000
At beginning of the year	2,633	733
Additions	875	1,900
	3,508	**2,633**

(L) Non-current liabilities

Borrowings

Refer to Note 21 Borrowings of the Company's consolidated financial statements for further information regarding the Company's borrowings.

(M) Commitments and contingencies

The Company has provided a guarantee to EAG for the subordination of its receivable in 2012 of €0 (2011: €610,000) from this subsidiary and during the year one of the USA subsidiaries has provided a €575,000 guarantee for the warranty obligations of its German affiliate. The Company also provided a guarantee to the USA subsidiary's lender, TD Bank for the credit facilities of $8,500,000 in 2012.

Amersfoort, 29 April 2013

w.s. Mr Gregory Garvey (Chairman)

w.s. Mr Alexandre Bouri

w.s. Mr Bhajun Santchurn

w.s. Mr Dick Stalenhoef

w.s. Mr David D'Addario

w.s. Mr Guy Lefebvre

w.s. Mr Christian Crépet

(N) Events after the balance sheet date

For events after the balance sheet date please refer to Note 28 Post balance sheet events of the Company's consolidated financial statements.

(O) Statutory rules concerning appropriation of results

In Article 15 of the Company statutory regulations the following has been presented concerning the appropriation of result:

1. In the Company's books, a dividend reserve shall be maintained for each class of shares.
   These dividend reserves shall be designated as 'dividend reserve' followed by the letter corresponding with the relevant class of shares.

2. The Company may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the shareholders' equity exceeds the sum of the paid and called-up part of the share capital and the reserves which must be maintained by law.

3. An amount equal to three percent of the average balance of the relevant dividend reserve over the relevant financial year, increased by the amounts withdrawn from the reserves pursuant to the provisions of paragraph 5 of this article, shall be retained from the profit as referred to in paragraph 2 of this article and added to each of the dividend reserves.
   If the amount calculated as described above is larger than the available profit, the amounts to be added shall be decreased pro rata.

4. The profit that remains after applying the above shall be at the disposal of the General Meeting of Shareholders. If the General Meeting of Shareholders does not resolve to add the profit to the company's general reserve, the profit shall be added to the abovementioned dividend reserves pro rata to the nominal amount of the shares of the single class.

5. Losses shall be charged to the company's general reserve and, if and to the extent this reserve is insufficient, to the divided reserves pro rata to the nominal amount of the shares of the single class.

6. Each withdrawal from the dividend reserve pursuant to the provisions of the preceding paragraph must be compensated before any addition can be made to any dividend reserve pursuant to paragraph 4.

7. The General Meeting of Shareholders shall resolve to distribute such amounts on the shares corresponding with a particular dividend reserve as has been decided upon by the meeting of the holders of the single class of shares, up to the amount of the positive balance of that dividend reserve and if and to the extent the relevant dividend reserve is sufficient.
   The General Meeting of Shareholders may only decide not to distribute the amounts referred to in the preceding sentence if and to the extent that it can be demonstrated and that the Company's liquidity position does not allow this.

8. The General Meeting of Shareholders is authorised to apply the dividend reserves for a different purpose after having obtained the prior approval of the all holders of shares of a particular class, on the understanding that the distribution shall be charged to the various reserves pro rata to the nominal amount of the shares of the relevant classes.

9. The Company may only make interim additions to the dividend reserves if the requirement in paragraph 2 has been met and provided that the prior approval of the General Meeting of Shareholders has been obtained.

10 No distribution shall be made in favour of the Company on shares acquired by the Company in its own capital or DRS for such shares.

11 Shares or DRS for shares on which, pursuant to the provisions of paragraph 7, no distribution is made in favour of the Company do not count for the purpose of calculating the profit appropriation.

12 The claim for payment of dividends shall lapse on the expiry of a period of five years.

(P) Appropriation of result for the financial year 2011

The annual report 2011 was determined in the General Meeting of Shareholders held on 27 June 2012. The General Meeting of Shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

(Q) Dividend distributions

Dividend distributions may only be paid out of the profit as shown in the separate Company financial statements adopted by the General Meeting of Shareholders. Dividends may not be paid if the distribution would reduce shareholders' equity below the sum of the paid up and called up part of the issued share capital and any reserves which must be retained according to Dutch law or the Company's Articles of Association.

The Board of Management proposes the amount that shall be reserved from the profits as disclosed in the adopted annual accounts.

(R) Proposed appropriation of loss for the financial year 2012

The Board of Directors proposes that the loss for the financial year 2012 amounting to €4,092,000 will be taken to the retained earnings. The financial statements do reflect this proposal.

(S) Auditor's report

The auditor's report is set forth on the following page.

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INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Shareholders and the Management of Envipco Holding N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of Envipco Holding N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2012 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the 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 Dutch law, including the Dutch Standards on Auditing. This requires 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 with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at December 31, 2012 its result and its cash flows for the year then ended

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in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amstelveen, 30 April 2013

BDO Audit & Assurance B.V.
on its behalf,

sgd. O. van Agthoven RA

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