

**Envipco Holding N.V.  
Annual Report 2008**

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**Financial Highlights**

	2008	2007
Revenues from continued operation	€41.72m	€43.27m
<b>Gross Profit Margin</b>	20.57%	21.26%
Net profit (loss) before taxes on continued operation	€(0.09m)	€ (0.47m)
Net (loss) after taxes and discontinued operations	(€0.54m)	€ (0.39m)
<b>EBITDA</b>		
From continuing operations	€3.21m	€3.46m
From all operations	€2.98m	€4.19m
Shareholder's equity	€18.00m	€11.67m
Earnings per share	€ (0.005)	€ (0.004)
Liquidity ratio (current assets / current liabilities)	1.7	1.4
Total assets	€36.90m	€39.63m

**General**

## 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 USA, for containers that are subject to deposits mandated by law.
- The processing of used PET and HDPE plastics for recycling.

**Results**

37% of the 2008 total revenues are generated from the Reverse Vending Machine and related materials handling business, and 60% from the plastic recycling unit, with the balance of 3% from the discontinued operations which were sold in March of 2008. As a result, revenues dropped by 3.6% in Euro terms, but in dollar terms has been stagnant when compared to 2007.

Net group loss before taxes arising from continued operations was €92,000 during 2008 versus a loss of €470,000 in 2007. Gross margin on the RVM and related materials handling business remained steady at around 21%, whereas the plastic business margin was reduced by 3% to 19% due to adverse impact on selling prices. Overall, the net loss after taxes and discontinued operations stands at €541,000 compared to a loss of €394,000 during 2007.

The reverse vending and related materials handling business are based in USD and show a profit of \$2,000 versus a loss of \$582,000 for the previous year. We expect to show moderate growth during 2009 both in net income and increased revenues.

The plastic recycling business in France showed a growth of 2.5% in revenues to €25.4 million, but due to pressure on its margin, the pre-tax profit was reduced to €385,000 from €911,000 in 2007.

2009 shall be a challenging year due to the collapse of the recycled plastic markets. Cost reduction continues to be implemented and we expect to show a break-even situation.

The sale of the helicopter business was concluded in March of 2008. The loss until the sale amounting to €234,000 was charged to profit and loss during 2008 as results from discontinued operations. Two remaining entities remain dormant and are subject to earn-out provisions as part of the sale agreement. No profit has been accrued for the earn-out, as we are having a dispute with the buyers of the helicopter business.

No dividend is recommended and the results of 2008 are to be charged to the retained earnings, subject to the approval and adoption of the 2008 Annual Report by the shareholders at the annual general shareholder meeting to be held on July 13, 2009.

### **Future Outlook**

The Group is pursuing several initiatives in non-deposit markets where there are encouraging signs of a major breakthrough by creating a profitable business model based on advertising, couponing, sponsorship, promotions and sale of scrap value of materials collected. These opportunities are expected to generate major growth in the last quarter of 2009, and years beyond. Pilot programs have been tested in Greece, UK, Australia, and Ireland.

With the introduction of new technology platforms during 2010 we expect to increase our market share in the USA and become more profitable, enhanced by the introduction of new laws to include water bottles as containers under deposits for refund. Such laws have already been passed in the states of Connecticut and New York. Volumes of containers are expected to increase by 20-25% per annum.

While the plastic recycling business has been severely impacted by the collapse in prices of recycled PET, this is expected to recover in 2010. In addition, Sorepla is considering making an investment of €2 million to create added value products with more stable prices to a growing market.

### **Research and Development**

The Group has created a Research and Development company in Germany for the development of new generation machines for both the deposit and non-deposit markets. Several qualified engineers with proven industry experience have been recruited to minimise the development and learning curve. Modern and innovative technologies at a competitive price are expected to give us an edge to enter most markets. €0.9 million was invested during 2008 and an investment in excess of €5m during the next few years has been earmarked for this activity.

### **Liquidity**

The Group has a net current ratio of 1.7 in 2008 against 1.4 in 2007 which demonstrates that the group remains very solvent. Net cash in-flow in 2008 is €618,000 versus €251,000 in 2007.

The proceeds of the shares issued in 2008 of €7.46 million will be sufficient to fund several initiatives including capital expenditures, Research and Development, and market development of the Group.

## Managing Risks

About 40% of our current business is dependent upon legislation. The Company may be at risk if such legislations are cancelled although we have seen none 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 any transition. The reverse can also happen as new legislations are implemented in more states and countries. Prices of material collected can have a limited impact as we sign long term contracts. 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 and hedging followed by the 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. The Group ensures that there are adequate funds to support its initiatives, prior to getting started.

## Internal Controls

The executive board is responsible for establishing and maintaining adequate internal controls. Envipco's 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. 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.

## Capital

The Company and the Foundation, on 26 June 1998 entered into an agreement pursuant to which the Foundation acquired all the 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 in 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 €17.3 million).
- (b) On 8 December 2008, by a new increase of 30,022,525 common stock, each with a par value of €0.01 issued at a price of €0.2486 per share (total €7.46 million). €2 million was received by 31 December 2008 and the balance is payable as part of the subscription agreement with the Company's majority shareholder, Mr. Alexandre Bouri as follows: €0.5 million by 31 August 2009, €0.5 million by 31 October 2009, €0.5 million by 30 November 2009 and the balance of €3.96 million by 31 December 2009.

## 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 are 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 comprises two board members:

- ▶ Mr. B. Santchurn
- ▶ Mr. Neil Turpie

Ordinary shares may be issued pursuant to a resolution of the General Meeting of Shareholders, upon the proposal of the Board of Management. The Company's share capital is divided into class A and class B shares which carry separate dividend reserves. Both classes of shares have 1 vote per share. The Articles of the Company has a Transitional Provision whereby whenever Class A shares are transferred, these class A shares will be converted into class B shares.

#### Summary as of 31 December 2008 of Issued Share Capital

Common stock of €0.01 nominal value per share	24,407,811
exchanged into an equal number of depository receipts issued by the Foundation	
Common stock of €0.001 nominal value per share	<u>99,222,525</u>
not exchanged for depository receipts	<u>123,630,336</u>

#### Substantial Shareholding

The Group has been notified of, or is aware of the following interests at 31 December 2008 and 2007.

	31 December			
	2008		2007	
	Number of Shares	Percentage	Number of Shares	Percentage
A.F.Bouri / Megatrade International SA	100,428,383	81.24%	84,550,307	90.32%
Banque Saradar	-	-	1,702,022	1.82%
G.S. Garvey/EV Knot LLC	18,101,367	14.64%	-	-

On 8 December 2008, the controlling shareholder Mr Alexandre Bouri sold 18,101,367 shares in Envipco to Mr Gregory Garvey representing 14.64 % of the total outstanding shares of the Company for a consideration of €4.5 million (at €0.2486 per share).

#### 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.

#### Nomination

The Articles 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.

**Appointment/Suspension**

The General Meeting of Shareholders shall appoint the directors. The General Meeting of Shareholders may at any time suspend or remove any director.

**Representation**

The Company is represented by the Board of Management or by two executive 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.

**Directors and their Interests**

On 8 December 2008 at the General Meeting of the Shareholders the following changes took place. It was resolved that the Articles of Association of the Company be amended to reflect the inclusion of executive and non-executive board members in the Board of Management. Five non-executives and two executive board members were appointed as follows:

## 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

Neil Turpie and Hugues Letellier resigned from the Board as of 8 December 2008.

There are no contracts of significance between the Group and any of the Directors except for the options granted to Gregory Garvey which are explained in Note 19.

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

	31 December			
	2008		2007	
	Number of Shares	Percentage	Number of Shares	Percentage
A. Bouri/Megatrade International SA	100,428,383	81.24%	84,550,307	90.32%
G. Garvey/EV Knot LLC	18,101,367	14.64%	-	-

### Salaries and Remuneration

The Board of Directors received remuneration totaling €635,000 and €428,000 during 2008 and 2007 respectively.

The general meeting of the shareholders sets the remuneration of the board members.

### Incentive schemes

On 8 December 2008, management board and shareholders approved an option plan for 13.5 million shares for executives and employees. The allocation of these options is to be decided jointly by Mr Alexandre Bouri and Mr Gregory Garvey. These have not been allocated by December 31, 2008.

In addition to the above, Mr Garvey has been granted a further 12,000,000 share option at the strike price of €0.32 per share in the Company as an incentive bonus subject to key performance targets met on a yearly basis through 31 December 2011. He has also been appointed as the chairman of the Management Board with full operational responsibility for the reverse vending and related products and services segment of the business.

The stock option plan allows employees of the Group and its executives to acquire shares of the Company. The fair value of the options granted is calculated using Black-Scholes model relating to Gregory Garvey's options amounts to €142,000. Option is recognised as an employee cost with corresponding amount as other comprehensive income in equity.

In the new capital structure, once all the share issues are completed and if all the share options would have been granted and vested and exercised, the total number of shares shall become 149,130,336 and include 24,407,811 depositary receipts. The total shares and depositary receipts owned by the parties shall be as follows:

Mr Alexandre Bouri 67.34%

Mr Gregory Garvey 20.19%

and the employees and public 12.47%

### International Financial Reporting Standards (IFRS)

Effective 1 January 2005, under the European directive, the financial statements are to be prepared using the IFRS instead of the local Accounting Principles. Accordingly, the management has implemented the IFRS on all the financial reports from 2005 onwards. Where any subsidiaries have prepared statutory financials under local GAAP, these financials have been converted to IFRS and they are also required to report the applicable material differences between the local GAAP and IFRS.

### Delayed Audited Results

The audit of the consolidated financial statements of Envipco Holding NV and its consolidated subsidiaries for the year ended 31 December 2008 have been delayed until now mainly due to knock-on effect of the delayed finalisation of the audits of earlier years. We now expect to meet the timely reporting guidelines set out by the Dutch AFM, the Brussels Euronext, and the Belgian CBFA regulatory authorities.



### Corporate Governance

On 9 December 2003, the Dutch Corporate Governance Committee published the Dutch Corporate Governance Code ("Code") with principles of good corporate governance and best practice provisions. The Code has come into effect from 1 January 2004. Envipco Holding N.V., due to its current size and additional expenses required in adopting and implementing these codes, has decided to defer its implementation until after 2009. On 8 December 2008, at the General Meeting of the Shareholders it was resolved that the Articles of Association of the Company be amended to reflect the implementation of a two-tier board with the appointment of five non-executive and two executive board members.

### 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 2008 give a true and fair view of the assets, liabilities, financial position and the 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 2008 and of their state of affairs during the financial year 2008;

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

Gregory Garvey  
Chairman

Alexandre Bouri

Dick Stalenhoef

Guy Lefebvre

Bhajun Santchurn

Christian Crepet

David D'Addario

26 June 2009

**CONSOLIDATED INCOME STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER

**ENVIPCO**

(all amounts in thousands of euros)

	Note	2008	2007
Revenue	(6)	41.717	43.273
Cost of revenue		(31.905)	(32.761)
Leasing depreciation		(1.229)	(1.311)
<b>Gross profit</b>		<b>8.583</b>	<b>9.201</b>
Selling expenses	(7)	(354)	(338)
General and administrative expenses	(7)	(8.025)	(8.462)
<b>Operating result</b>		<b>204</b>	<b>401</b>
Other income	(8)	103	115
Financial expense		(482)	(808)
Financial income		29	31
Exchange gains/(losses)		54	(209)
<b>Result before taxes</b>		<b>(92)</b>	<b>(470)</b>
Income taxes	(10)	(215)	(646)
<b>Net result from continuing operations</b>		<b>(307)</b>	<b>(1.116)</b>
Net result from discontinued operations	(26)	(234)	722
<b>Net results</b>		<b>(541)</b>	<b>(394)</b>
<b>Attributable to</b>			
Non-controlling interest		1	19
Ordinary shareholders		(542)	(413)
		(541)	(394)
<b>Earnings/(loss) per ordinary share from continuing operations</b>	(11)		
▶ Basic		(0.003)	(0.012)
▶ Fully diluted		(0.003)	(0.012)
<b>Earnings/(loss) per ordinary share from total operations</b>	(11)		
▶ Basic		(0.005)	(0.004)
▶ Fully diluted		(0.005)	(0.004)

(in thousands of euros)

	Note	2008	2007
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	(12)	1,266	678
Property, plant and equipment	(13)	12,311	12,396
Other non-current assets	(14)	581	937
Deferred tax assets	(15)	44	51
Total non-current assets		14,202	14,062
<b>Current assets</b>			
Inventory	(16)	8,945	6,471
Trade and other receivables	(17)	12,311	8,056
Cash and cash equivalents	(18)	1,444	826
Assets of discontinued operations held for sale	(26)	-	10,220
Total current assets		22,700	25,573
<b>Total assets</b>		<b>36,902</b>	<b>39,635</b>

(in thousands of euros)

	Note	2008	2007
<b>Equity</b>	(19)		
Share capital		1,236	936
Share premium		48,916	41,753
Translation reserve		(380)	209
Retained earnings		<u>(31,773 )</u>	<u>(31,229)</u>
Total equity		17,999	11,669
Minority interest	(20)	140	142
<b>Liabilities</b>			
<b>Non-current liabilities</b>	(21)		
Borrowings		4,017	8,912
Other liabilities		<u>1,162</u>	<u>815</u>
Total non-current liabilities		5,179	9,727
<b>Current liabilities</b>			
Borrowings	(21)	1,100	1,282
Bank overdraft		1,811	593
Trade creditors		8,682	9,126
Accrued expenses		1,566	2,962
Other current liabilities	(22)	<u>425</u>	<u>1,062</u>
		13,584	15,025
Liabilities directly associated with Discontinued operations held for sale	(26)	<u>-</u>	<u>3,072</u>
Total current liabilities		13,584	18,097
Total liabilities		<u>18,763</u>	<u>27,824</u>
<b>Total equity and liabilities</b>		<u>36,902</u>	<u>39,635</u>

**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER

**ENVIPCO**

(in thousands of euros)

	Note	2008	2007
<b>Cash flow (used in) / provided by operating activities</b>			
Operating result		204	401
Results of minority interest		(1)	38
Interest received		11	31
Interest paid		(154)	(808)
Income taxes paid		(446)	(199)
Depreciation and amortisation	(2/3)	2,851	3,180
Other comprehensive income		142	-
Other income		103	115
		2,710	2,758
Changes in trade and other receivables		2,247	184
Changes in inventories		(2,385)	1,844
Changes in deferred tax		842	-
Changes in deferred income	(21)	(49)	-
Changes in provisions		590	-
Changes in trade and other payables		(3,883)	(3,031)
		(2,638)	(1,003)
<b>Cash flow (used in)/ provided by operating activities</b>		72	1,755
<b>Cash flow (used in)/provided by investing activities</b>			
Net investment in intangible fixed assets		(587)	-
Net investment in tangible fixed assets		(3,823)	-
Proceeds from sale of assets		1,229	-
Proceeds from sale of assets – discontinued operations		7,292	(2,538)
<b>Cash flow (used in)/ provided by investing activities</b>		4,111	(2,538)
<b>Cash flow (used in)/provided by financing Activities</b>			
Proceeds from share issue		2,000	-
Change in equity		-	63
Changes in borrowings and capital lease obligations		(5,720)	(485)
<b>Cash flow (used in)/ provided by financing activities</b>		(3,720)	(422)
<b>Net cash flow for the period</b>		463	(1,205)
Foreign currency differences and other changes		155	56
Cash flow from not consolidated subsidiaries		-	1,400
		155	1,456
<b>Changes in cash and cash equivalents, net of bank overdrafts for the period</b>	(18)	618	251
Opening balance cash and cash equivalents		826	575
Closing balance cash and cash equivalents		1,444	826

(in thousands of euros)

	Share capital	Share premium	Retained earnings	Translation Reserve	Equity
<b>Balance at 1 January 2007</b>	936	41,753	(30,879)	146	11,956
Net result	-	-	(413)	-	(413)
Currency translation adjustment	-	-	-	63	63
Other movements	-	-	63	-	63
Total recognised movements for the year ended 31 December 2007	-	-	(350)	63	(287)
<b>Balance at 31 December 2007</b>	936	41,753	(31,229)	209	11,669
Net result	-	-	(542)	-	(542)
Currency translation adjustment	-	-	-	(589)	(589)
Proceeds from shares issued	300	7,163	-	-	7,463
Other comprehensive income					
-Cash flow hedge – fair value			(217)		(217)
-Share options : value of employee services			142		142
Other movements	-	-	73	-	(238)
Total recognised movements for the year ended 31 December 2008	300	7,163	(544)	(589)	6,330
<b>Balance at 31 December 2008</b>	1,236	48,916	(31,773)	(380)	17,999

Please refer to note 19 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 Leliegracht 10, 1015 DE Amsterdam, 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, South America and the Far East; and
- collects or acquires, cleans, processes and resells recycled plastic and derivative products.

These Financial Statements have been authorised for issue by the Board of Management on 30 June 2009 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 programmes**

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 programme**

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.

### Adoption of new Standards

(a) *Interpretations effective in 2008*

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008. They are not relevant to the group's operations:

IFRIC 11, 'IFRS 2 – Group and treasury share transactions,' provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements.

- IFRIC 12, 'Service concession arrangements;' and

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction,' provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements, as the group does not have any defined benefit plans.

(b) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group*

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

IFRIC 13, 'Customer loyalty programs' is effective for periods beginning 1 January 2009 but does not have any impact as the Group does not have any customer loyalty programs.

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. The group expects to apply this standard in the accounting period beginning on 1 January 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amendment) from 1 January 2009 but is currently not able to assess its impact on equity and income.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required



to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement of comprehensive income will be presented as performance statements.

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the group's financial statements.
- IAS 32 (Amendment), 'Financial Instruments: Presentation,' and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, as all subsidiaries of the group will transition to IFRS. The amendment will not have any impact on the group's financial statements.
- IAS 27 (Revised), 'Consolidated and separate financial statements,' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010. It is not expected to have a material impact on group's financial statements.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010, but is currently not able to assess its impact on the financial statements.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010. The group is currently not able to assess the impact of this amendment on equity and income.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement.' This eliminates the inconsistency of terms between IAS 39 and IAS 23. The group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009. It is not expected to have a material impact on group's financial statements.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009. It is not expected to have a material impact on equity and income.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009. The group is currently assessing the impact of this amendment on the financial statements.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for show mail order catalogues when the group has access to the catalogues and not when the catalogues are distributed to customers, as is the group's current accounting policy. The group will apply the IAS 38 (Amendment) from 1 January 2009 but no material impact is expected on its equity and income.
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The group will apply the IAS 19 (Amendment) from 1 January 2009 and is not expected to have a material impact on its equity and income.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - The definition of financial asset of financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
  - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment, removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments,' which requires disclosure for segments to be based on information reported to the chief operating decision-maker.
  - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's income statement.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's financial statements.
  - There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures,' IAS 8, 'Accounting policies, changes in accounting estimates and errors,' IAS 10, 'Events after the reporting period,' IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting,' which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's accounts and have therefore not been analysed in detail.
  - IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates,' do apply to the hedged item. The group will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the group's financial statements.
- (e) *Interpretations and amendments to existing standards that are not yet effective and not relevant for the group's operations*

The following interpretations and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the group's operations:

- IFRIC 13, 'Customer loyalty programs' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the group's operations because none of the group's companies currently operate any loyalty programs.
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the group's operations because none of the group's companies ordinary activities comprise renting and subsequently selling assets.
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment is a subsidiary that is accounted for under IAS 39, 'Financial instruments: Recognition and measurement,' is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations,' IAS 39 would continue to be applied. The group is assessing the impact of this amendment on its financials.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in an associate is accounted for in accordance with IAS 39, 'Financial instruments: Recognition and measurement,' only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures.' The amendment will not have an impact on the group's operations because it is the group's policy for an investment in an associate to be equity accounted in the group's consolidated accounts.
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the group's operations, as none of the group's subsidiaries operate in hyperinflationary economies.
- IAS 31, (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation,' and IFRS 7 'Financial instruments: Disclosures.' The amendment will not have an impact on the group's operations as there are no interests held in joint ventures.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. The group is currently assessing the impact of this amendment on its financials.
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value.

However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the group's operations, as no investment properties are held by the group.

- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the group's operations as no agricultural activities are undertaken.
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement,' and the proceeds received with the benefit accounted for in accordance with IAS 20. The group is assessing the impact of this amendment on its financials.
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue,' or IAS 11, 'Construction contracts,' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

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.

#### 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. 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

### 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.

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

Tek-O-Matic Enterprises Inc.- Quebec, Canada – 74%  
Recypac Inc. – Quebec, Canada – 100%  
Envipco Finance Company Limited – London, United Kingdom – 100%  
Sorepla Industrie S.A. – Paris, France – 97.5%  
Sorepla Technologie S.A. – Rebevrille, France – 100%  
Envipco Automaten GmbH, Germany – 100%  
Envipco Japan Limited, Japan – 100%  
Envipco Pickup & Processing Services Inc., Delaware, U.S.A. – 99.85%  
Environmental Products Corporation, Delaware, U.S.A. – 99.85%  
Envipco Sweden AB, Sweden - 99.85%  
Community Redemption Center LLC, Delaware, U.S.A. – 99.85%  
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%  
Posada Holding B.V. – Amsterdam, The Netherlands – 100%

Wholly owned subsidiaries of Posada Holding B.V. at the year end and included in the consolidated financial statements consisted of:

Aeromaritime Mediterranean Corporation, Delaware, U.S.A. – 100%

The following subsidiaries of Posada Holding B.V. are included in the consolidated financial statements up to the date of their disposal:

Aeromaritime Mediterranean Limited, Hal-Far, Malta – 100%  
Aeromaritime U.K. Limited, London, United Kingdom – 100%  
Component Process & Repair Limited – London, United Kingdom – 100%  
Aeromaritime America Inc., Delaware, U.S.A. – 100%

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, plus costs directly attributable to the acquisition. 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 statement. Inter-company transactions and balances between Group companies are eliminated.

**Discontinued operations**

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and

- ▶ Represents a separate major geographical area of operations;
- ▶ Is part of a single coordinated plan to dispose of a separate major geographical area of operations; or
- ▶ Is a subsidiary acquired exclusively with a view to resale.

The assets and associated liabilities of discontinued operations are classified as held for sale. The discontinued operations are stated at the lower of carrying amount and fair value less costs to sell. The assets and liabilities are expected to be recovered through a sale rather than through continued use. Non-current assets are not depreciated as from the moment they are held for sale.

**Segment reporting**

A geographical segment is engaged in providing services and products within a particular economic environment, that are subject to risks and returns, that are different from those of segments operating in other economic environments. 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. 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 statement.

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 currency translation adjustment in equity. When a foreign entity is sold, such cumulative exchange difference is recognised in the income statement 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 credited or charged to equity. 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 recognition****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.

**Services**

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.

#### Product

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.

#### 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 analyses 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 statement 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 statement 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.

#### Income tax

Deferred income tax is provided in full, using the 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 or 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

### (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) Trademarks and licences

Trade names and customer relationships 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 such assets, except where the revenues of these intangible assets consist of licence fees in which case the amortisation matches the realised fees in relation to the total expected fee revenue from the asset. Computer software represents purchased software licenses valued at historical cost less accumulated amortisation and direct costs to develop software internally. These costs are amortised over the estimated useful life of the software. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

### (d) 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 expenditure attributable to the product during its development can be reliably measured.

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 face value, less an impairment allowance for credit losses 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. 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**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

Amounts accumulated in equity are recycled in the income statement 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 income statement within finance income or expense. The gain or loss relating to the ineffective portion is recognised in the income statement 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.

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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 are recognised as interest expenses.

**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 has a share-based compensation agreement with one of the 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 expiry 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.

**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.

**Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and a reliable estimate of the amount can be made. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation

**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.

**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 15).

**Goodwill impairment testing**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on intangible assets stated in Note 2. Goodwill is tested for impairment based on value-in-use calculations. These calculations require estimates (Note 12).

**Discontinued operations valuation**

Assets and associated liabilities of discontinued operations have been valued at fair value less costs to sell.

**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.

**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

**(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.

**(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. Although one of the group subsidiary has a significant exposure to credit risk resulting in about 41% of group's trade receivables to be concentrated with one customer of this subsidiary. 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 US operations manage receivables through 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	€'000	€'000	€'000	€'000
		Current	30 Days	60 Days	90 Days & Over	TOTAL
2008	Europe	6,251	730	973	822	8,976
	United States	3,256	64	137	-	3,457
	Others	43	35	-	-	78
		<u>9,550</u>	<u>829</u>	<u>1,110</u>	<u>822</u>	<u>12,311</u>
2007	Europe	-	-	2,851	1,488	4,339
	United States	2,437	599	207	474	3,717
		<u>2,437</u>	<u>599</u>	<u>3,058</u>	<u>1,962</u>	<u>8,056</u>

#### 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 obligation 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 is managed by invoice factoring in Europe and closely pursuing receivable collections in the US and also by keeping the committed credit lines in place. The Group's financial liabilities and receivables are given below:

The following are the Group's contractual maturities of financial liabilities:

		€'000	€'000	€'000	€'000	€'000
		In 1 Year	1-2 Years	2-5 Years	> 5 Years	TOTAL
2008	<b>Europe</b>					
	Leases & Payables	7,939	930	-	-	8,869
	Bank Debt	1,068	2,769	-	-	3,837
	<b>United States</b>					
	Leases & Payables	4,244	499	150	-	4,893
	Bank Debt	32	1,248	-	-	1,280
	<b>Others</b>					
	Leases & Payables	482	-	-	-	482
		<u>13,765</u>	<u>5,446</u>	<u>150</u>	<u>-</u>	<u>19,361</u>
2007	<b>Europe</b>					
	Leases & Payables	3,072	519	-	246	3,837
	Bank Debt	-	1,637	2,418	77	4,132
	Shareholder Loan	1,278	3,477	-	-	4,755
	<b>United States</b>					
	Leases & Payables	5,163	2,938	844	6,017	14,962
	Bank Debt	86	31	61	1,132	1,310
		<u>9,599</u>	<u>8,602</u>	<u>3,323</u>	<u>7,472</u>	<u>28,996</u>

Included in the above liabilities are off balance sheet commitments for operating leases of €581,000 (2007 – €1,172,000).

The Group's current assets at 31 December 2008 amounted to €27,894,000 (2007 – €30,963,000) including off balance sheet deferred lease revenue of €5,194,000 in 2008 and €5,390,000 in 2007.

#### 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 UK pound, the Japanese yen and the Maltese pound. The Group manages its currency risk by closely monitoring the currency fluctuations and does not hedge its currency risk.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Company does not hedge translation risk.

#### Sensitivity analysis

A 5% strengthening of US Dollar against the Euro would have increased the profit after tax and equity by €20,000 (2007 – €25,000) and €40,000 (2007 – €66,000) respectively and a 5% decline in US Dollar against the Euro would have had 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.

#### Cash flow sensitivity analysis

A reduction of 0.25% in interest rates would have increased the profit after tax and equity by €7,000 (2007 – €14,000) and an increase of 0.25% would have had equal but opposite effect with other factors remaining constant.

#### Price risk

The group does not have exposure to any significant price risk.

## (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. Segment information is presented for continuing operations. Revenues and gross assets of the main business segments are detailed below:

(in thousands of euros)	2008				2007			
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
<b>Revenues</b>								
Continuing operations								
Sale of goods	16,477	1,217	694	18,388	16,174	2,992	649	19,815
Service revenue	8,873	11,397	-	20,270	8,956	11,151	-	20,107
Leasing revenue	-	3,059	-	3,059	-	3,351	-	3,351
<b>Total</b>	<b>25,350</b>	<b>15,673</b>	<b>694</b>	<b>41,717</b>	<b>25,130</b>	<b>17,494</b>	<b>649</b>	<b>43,273</b>
Discontinued operations								
Engine overhaul	567	-	-	567	5,550	7,558	-	13,108
Sale of parts	655	-	-	655	5,341	1,912	-	7,253
<b>Total</b>	<b>1,222</b>	<b>-</b>	<b>-</b>	<b>1,222</b>	<b>10,891</b>	<b>9,470</b>	<b>-</b>	<b>20,361</b>
<b>Gross assets</b>								
Continuing operations	24,585	11,937	380	36,902	17,263	11,825	327	29,415
Discontinued operations	-	-	-	-	5,411	4,809	-	10,220
<b>Total</b>	<b>24,585</b>	<b>11,937</b>	<b>380</b>	<b>36,902</b>	<b>22,674</b>	<b>16,634</b>	<b>327</b>	<b>39,635</b>
<b>Segment Results</b>								
Continuing operations	(197)	1	(111)	(307)	(75)	(425)	(167)	(667)
Discontinued operations	(167)	(67)	-	(234)	211	62	-	273
<b>Total</b>	<b>(364)</b>	<b>(66)</b>	<b>(111)</b>	<b>(541)</b>	<b>136</b>	<b>(363)</b>	<b>(167)</b>	<b>(394)</b>



(6) Segment information (continued)

(in thousands of euros)

	2008				2007			
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
<b>Gross Liabilities</b>								
Continuing operations	12,685	5,596	482	18,763	17,123	7,629	-	24,752
Discontinued operations	-	-	-	-	1,725	1,347	-	3,072
<b>Total</b>	<b>12,685</b>	<b>5,596</b>	<b>482</b>	<b>18,763</b>	<b>18,848</b>	<b>8,976</b>	<b>-</b>	<b>27,824</b>

	2008				2007			
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
<b>Cost of Property, Plant &amp; Equipment and Intangibles Additions</b>								
Continuing operations	2,718	1,679	13	4,410	3,324	1,171	-	4,495
Discontinued operations	-	-	-	-	149	56	-	205
<b>Total</b>	<b>2,718</b>	<b>1,679</b>	<b>13</b>	<b>4,410</b>	<b>3,473</b>	<b>1,227</b>	<b>-</b>	<b>4,700</b>

	2008				2007			
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
<b>Depreciation &amp; Amortisation Expense</b>								
Continuing operations	1,409	1,420	22	2,851	1,603	1,557	20	3,180
Discontinued operations	-	-	-	-	159	251	-	410
<b>Total</b>	<b>1,409</b>	<b>1,420</b>	<b>22</b>	<b>2,851</b>	<b>1,762</b>	<b>1,808</b>	<b>20</b>	<b>3,590</b>

There were no non-cash expenses other than depreciation and amortisation.

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 €1,622,000 (2007: €1,869,000), research and development costs of €344,000 (2007: €305,000). The fee paid to the auditors for the following services is included in general expenses as well and can be specified as follow:

	<u>2008</u>	<u>2007</u>
	€'000	€'000
Audit fee	245	351
Tax services	40	62
Other services	34	1
	<u>319</u>	<u>414</u>

**BDO, Netherlands**

	<u>2008</u>	<u>2007</u>
	€'000	€'000
Audit fee	90	100
	<u>90</u>	<u>100</u>

**(8) Other income**

Other income relates to government grant received by the group companies of €52,000 (2007: €115,000) and €51,000 in respect of sundry income during the year.

**(9) Employee benefit expense**

	<u>2008</u>	<u>2007</u>
	€'000	€'000
Salaries	6,424	6,259
Social security expenses	2,152	2,139
Pension expenses	37	25
Share based payments	142	-
	<u>8,755</u>	<u>8,423</u>

	<u>2008</u>	<u>2007</u>
Average number of employees		
Continuing operations		
North America	111	123
Europe	95	89
	<u>205</u>	<u>212</u>
Discontinued operations		
North America	-	23
Europe	-	89
	<u>-</u>	<u>112</u>
Total	<u>205</u>	<u>324</u>

**(9) Employee benefit expense (continued)****Remuneration of the Management Board**

The remuneration of the Management Board charged to the result in 2008 was €635,000 (2007 - €428,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Share based payments	Total
<b>2007</b>					
B. Santchurn	129	15	2	-	146
C. Crepet	118	53	10	-	181
H. Letellier	101	-	-	-	101
<b>Total</b>	<b>348</b>	<b>68</b>	<b>12</b>	<b>-</b>	<b>428</b>
<b>2008</b>					
B. Santchurn	126	14	2	-	142
C. Crepet	118	53	10	-	181
H. Letellier	103	52	-	-	155
G. Garvey	15	-	-	142	157
<b>Total</b>	<b>362</b>	<b>119</b>	<b>12</b>	<b>142</b>	<b>635</b>

**(10) 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 25.5%. 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 25.5%, can be specified as follows:

	<b>2008</b>		<b>2007</b>
	€'000		€'000
Profit/(loss) before tax	(92)		470
Taxation at statutory rate	25.5% 23	25.5%	(40)
Different statutory tax rates on foreign subsidiaries	(192)		(108)
Losses under participation exemption	(46)		(498)
Effective income tax	<u>(215)</u>		<u>(646)</u>

The taxable loss for which no deferred tax asset was recorded is € 22,325,000 (2007: €21,876,000).

**(11) Net result per ordinary 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 there were no outstanding employee stock options.

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

	<b>2008</b>	<b>2007</b>
	€'000	€'000
<b>Basic</b>		
Net result attributable to holders of ordinary shares from continuing operations	(307)	(1,116)
Net result attributable to holders of ordinary shares from discontinued operations	(234)	722
	<u>          </u>	<u>          </u>
Net result attributable to holders of ordinary shares	<u><b>(541)</b></u>	<u><b>(394)</b></u>
	<b>2008</b>	<b>2007</b>
Net result per ordinary share - basic from continuing operations	(0.003)	(0.012)
Net result per ordinary share - basic from discontinued operations	<u>(0.002)</u>	<u>0.008</u>
Net result per ordinary share - basic	<u><b>(0.005)</b></u>	<u><b>(0.004)</b></u>
<b>Fully Diluted</b>		
Net result per ordinary share - fully diluted from continuing operations	(0.003)	(0.012)
Net result per ordinary share - fully diluted from discontinued operations	<u>(0.002)</u>	<u>0.008</u>
Net result per ordinary share - fully diluted	<u><b>(0.005)</b></u>	<u><b>(0.004)</b></u>

Basic and diluted earnings/(loss) per share for 2008 have been calculated using the weighted-average number of current ordinary shares of 96,119,663 (2007 – 93,607,811).

(12) Intangible assets (in thousands of euros)	Goodwill	Concessions, licenses & intellectual property	Development expenditure	Total
<b>At 1 January 2007</b>				
Cost	915	1,149		2,064
Accumulated amortisation	(780)	(977)		(1,757)
Net carrying amount	135	172		307
<b>Changes to net carrying amount in 2007</b>				
Additions	-	390		390
Disposals	-	-		-
Amortisation	-	(2)		(2)
Currency translation differences	(14)	(3)		(17)
Total changes in 2007	(14)	385		371
<b>At 31 December 2007</b>				
Cost	901	1,536		2,437
Accumulated amortization and impairment	(780)	(979)		(1,759)
Net carrying amount	121	557		678
<b>Changes to net carrying amount in 2008</b>				
Additions	-	2	585	587
Disposals	-	-	-	-
Reclassifications – cost	(780)	(979)	-	(1,759)
Reclassifications - depreciation	780	979	-	1,759
Amortisation	-	(6)	-	(6)
Currency translation differences	5	2	-	7
Total changes in 2008	5	(2)	585	588
<b>At 31 December 2008</b>				
Cost	126	561	585	1,272
Accumulated amortisation and impairment	-	(6)	-	(6)
Net carrying amount	126	555	585	1,266

**Goodwill**

In September 2006, the Group's management board approved the sale of its helicopter engine maintenance operations. In light of the proposed sale, the Group assessed the recoverable value of its operations being the carrying value of the assets and liabilities of this operation. As a result of classifying this operation as discontinued, no goodwill impairment charges were recognised. The sale of this segment was completed on 7 March 2008 and the amount of goodwill included in the assets held for sale amounted to €430,000. Please refer to Note 26 for more information on discontinued operations.

No impairment charges were recognised on any other goodwill during the period. Goodwill was tested for any impairment 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 6.51%, effective tax rate 34% working capital requirement 10% of revenue and terminal cash flow growth rate of 2.5%.

**Development expenditure**

€585,000 of the development expenditure was capitalised during the year which was incurred on the internally developed assets.

**(13) Property, plant and equipment**

(in thousands of euros)	Reverse vending machines	Land & buildings	Plant & machinery	Vehicles & equipment	Total
<b>At 1 January 2007</b>					
Cost	37,977	7,606	14,130	3,344	63,057
Accumulated depreciation	(32,858)	(3,189)	(11,005)	(2,472)	(49,524)
Net carrying amount	<u>5,119</u>	<u>4,417</u>	<u>3,125</u>	<u>872</u>	<u>13,533</u>
<b>Changes to net carrying amount in 2007</b>					
Additions	670	1,239	1,886	342	4,137
Disposals	(188)	(197)	(1,162)	(99)	(1,646)
Depreciation	(1,311)	(402)	(983)	(387)	(3,083)
Currency translation differences	(439)	(8)	(104)	6	(545)
IFRS adjustments and reclassifications	-	-	-	-	-
Reclassifications - cost	(3,251)	(1,249)	(5,302)	1,525	(8,277)
Reclassifications - depreciation	3,251	1,249	5,302	(1,525)	8,277
Total changes in 2007	<u>(1,268)</u>	<u>632</u>	<u>(363)</u>	<u>(138)</u>	<u>(1,137)</u>
<b>At 31 December 2007</b>					
Cost	34,769	7,391	9,448	5,118	56,726
Accumulated depreciation	(30,918)	(2,342)	(6,686)	(4,384)	(44,330)
Net carrying amount	<u>3,851</u>	<u>5,049</u>	<u>2,762</u>	<u>734</u>	<u>12,396</u>
<b>Changes to net carrying amount in 2008</b>					
Additions	1,075	96	1,768	884	3,823
Disposals	(210)	(2)	(1,821)	(47)	(2,080)
Depreciation	(1,229)	(418)	(845)	(353)	(2,845)
Elimination of depreciation on disposal	-	-	850	-	850
Currency translation	179	(55)	20	23	167
Reclassifications – cost	(2,523)	(2)	(173)	(328)	(3,026)
Reclassifications - depreciation	2,523	2	173	328	3,026
Total changes in 2008	<u>(185)</u>	<u>(379)</u>	<u>(28)</u>	<u>507</u>	<u>(85)</u>
<b>At 31 December 2008</b>					
Cost	33,290	7,428	10,092	5,650	56,460
Accumulated depreciation	(29,624)	(2,758)	(7,358)	(4,409)	(44,149)
Net carrying amount	<u>3,666</u>	<u>4,670</u>	<u>2,734</u>	<u>1,241</u>	<u>12,311</u>

Plant and machinery includes €94,000 (2007 €298,000) for an asset which is under construction.

<b>(14) Other non-current assets</b>	<b>2008</b>	<b>2007</b>
	€'000	€'000
Schedule of movement		
<b>At beginning of year</b>	<b>937</b>	<b>813</b>
Addition	31	223
Withdrawal	(387)	(99)
<b>At end of year</b>	<b>581</b>	<b>937</b>
Other non-current assets		
	<b>2008</b>	<b>2007</b>
	€'000	€'000
Deposits with Suppliers and Vendors	581	937
	<b>581</b>	<b>937</b>
<b>(15) Deferred tax assets</b>	<b>2008</b>	<b>2007</b>
	€'000	€'000
<b>At beginning of year</b>	<b>51</b>	<b>289</b>
Addition/reclassification	44	38
Withdrawal/release	(51)	(276)
<b>At end of year</b>	<b>44</b>	<b>51</b>

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.

<b>(16) Inventory</b>	<b>2008</b>	<b>2007</b>
	€'000	€'000
Finished goods	2,263	1,790
Raw material and parts	6,788	4,227
Work in progress	284	743
Provision for obsolescence	(390)	(289)
<b>Inventory</b>	<b>8,945</b>	<b>6,471</b>

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, 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.

**(16) Inventory (continued)**

Schedule of movement of provision for obsolescence	2008 €'000	2007 €'000
At beginning of period	289	293
Additions	414	671
Release of provision for scrapped inventory	(313)	(675)
At end of period	<u>390</u>	<u>289</u>

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

<b>(17) Trade and other receivables</b>	2008 €'000	2007 €'000
Trade receivables	5,764	7,815
Receivable from shareholders	6,105	-
Other receivables	177	129
Prepaid expenses	265	112
	<hr/>	<hr/>
Trade and other receivables	<b>12,311</b>	<b>8,056</b>

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.

<b>(18) Cash and cash equivalents</b>	2008 €'000	2007 €'000
Cash at bank and in hand	1,444	826
Cash and cash equivalents	<u>1,444</u>	<u>826</u>

The cash balances are at free disposal of the Company.



**(19) Shareholders' equity****Share Capital**

(in thousands of euros)

	Ordinary shares		Total
	Nominal value A Shares	Nominal value B Shares	
At 1 January 2007	883	53	936
Issue of shares	-	-	-
At 31 December 2007	883	53	936
At 1 January 2008	883	53	936
Issued and fully paid	-	300	300
At 31 December 2008	883	353	1,236
<b>Number of ordinary shares (in thousands)</b>		<b>2008</b>	<b>2007</b>
<b>Class A Shares</b>			
At 1 January		88,288	88,288
Issued and fully paid		-	-
Issued and not paid		-	-
At 31 December		<b>88,288</b>	<b>88,288</b>
<b>Class B Shares</b>			
At 1 January		5,319	5,319
Issued and fully paid		30,023	-
At 31 December		<b>35,342</b>	<b>5,319</b>
<b>Total shares at 1 January</b>		<b>93,607</b>	<b>93,607</b>
<b>Total shares at 31 December</b>		<b>123,630</b>	<b>93,607</b>
<b>Authorised share capital (in thousands of euros)</b>		<b>2008</b>	<b>2007</b>
<b>Ordinary Shares</b>			
200,000,000 Class A shares of €0.01 each		2,000	2,000
200,000,000 Class B shares of €0.01 each		2,000	2,000
		<b>4,000</b>	<b>4,000</b>

24,407,811 of the company's Class A and Class B shares are registered with Stichting Administratiekantoor Envipco Holding N.V., ("the Trust Office"), with its registered address at Leliegracht 10, 1015 DE, Amsterdam, in exchange for bearer Depositary Receipts. 68,116 depositary receipts of the Company are held by one of its subsidiaries.

The Trust Office manages and administers the shares received in exchange for Depositary Receipts, exercises the voting rights and all the rights attached to the shares and does everything in connection therewith, with due observance of the applicable administration conditions. Upon transfer of their shares to the Trust Office in exchange for Depositary Receipts, the holders of shares in Envipco Holding N.V. accept the conditions of the Trust Office. Such Trust conditions are therefore regarded as an agreement between the holders of the Depositary

**(19) Shareholders' equity (continued)**

Receipts and the Trust Office. One of the conditions stipulates that holders of Depositary Receipts do not have any voting rights.

On 8 December 2008 the shareholders approved a resolution to issue 30,022,525 Class A shares, each of nominal value of €0.01 to Mr Alexandre Bouri at a price of €0.2486 each. The total payment on the said share issue was €7.46 million to be paid by 31 December 2009.

**Change in capital structure**

On 8 December 2008, the controlling shareholders Mr Alexandre Bouri and Megatrade International S.A., transferred to Mr Gregory Garvey 18,101,367 shares in Envipco representing 14.64 % of the total outstanding shares of the Company for a consideration of €4.5 million (at €0.2486 per share).

Mr Garvey has been granted a further 12,000,000 share option at the strike price of €0.32 per share in the Company as an incentive bonus subject to key performance targets, as agreed, to be realised on a yearly basis through 31 December 2011. He has also been appointed as the chairman of the management board with full operational responsibility for the reverse vending, related products and services segment of the business.

Mr Alexandre Bouri, the current majority shareholder, has subscribed to 30,022,525 new shares at €0.2486 each in the Company, representing about €7.46 million (\$10.1m) in cash which would be available to the Company to fund its initiatives and business plan. This subscription is payable in installments: €2.0 million within 7 days of issue of shares which has been received by the Company. As a result of an amendment to the subscription agreement, the balance of €5.4 million is payable in four instalments: €0.5 million by 31 August 2009, €0.5 million by 31 October 2009, €0.5 million by 30 November 2009 and remaining 3.96 million by 31 December 2009.

A performance based incentive tied to a share option plan for executives and employees of the Company has also been approved by the Board and the shareholders on 8 December 2008 for 13.5 million shares. The terms and conditions of this plan are yet to be determined and no options have yet been granted under this plan.

In the new capital structure, once all the share issues are completed and if all share options would have been granted and vested and exercised, the total number of shares shall become 149,130,336 and include 24,407,811 depository receipts. The total shares and depository receipts owned by the parties shall be as follows: Mr Alexandre Bouri 67.34%, Mr Gregory Garvey 20.19% and the employees and public 12.47%.

After this new issue of shares the total number of issued and outstanding shares is as follows:

Class A ordinary shares	88,288,622
Class B Shares	<u>35,341,714</u>
Total	<u>123,630,336</u>

**(19) Shareholders' equity (continued)****Share options**

12,000,000 share options were granted on 15 August 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.

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 and there is 100% probability that the options will be exercised.

	2008	2007
Outstanding at 1 January	-	-
Granted during the period	12,000	-
Exercised during the period	-	-
Outstanding at 31 December	<u>12,000</u>	<u>-</u>

**Share premium reserve**

For full detailed movements in share premium reserve please refer to the consolidated statement of changes in equity.

**Retained earnings**

At the Company's Annual General Shareholders' Meeting it will be proposed to deduct the 2008 net result from retained earnings.

**Translation reserve**

Group entities whose functional currency is other than Euro, 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.

**(20) Minority interest**

Changes in minority interest during the year ended 31 of December 2008 were as follows:

	2008 €'000	2007 €'000
At beginning of period	142	104
Result for the period	(2)	19
Translation reserve	-	19
At end of period	<u>140</u>	<u>142</u>

(21) Non-current liabilities

	2008 €'000	2007 €'000
Borrowings	4,017	8,912
Other liabilities		
	2008 €'000	2007 €'000
Deferred taxation	787	608
Other non-current liabilities	217	-
Deferred income	158	207
	<u>1,162</u>	<u>815</u>

Borrowings

	2008 €'000	2007 €'000
Sorepla Industrie S.A. entered into various secured and unsecured borrowing agreements with various parties totaling €3,837,000 (2007 - €4,132,000) with maturity dates ranging from 2009 to 2013. €2,021,000 of the debt is secured by the assets under finance leases (see note 25) and €1,524,000 is secured by fixed and floating charges on other assets.	3,837	4,132
Envipco Pickup and Processing Services Inc., entered into a seven year loan agreement on 30 May 2007 for US\$ 1,875,000 with a floating interest. 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 has entered into a fixed interest rate swap agreement for the duration of the loan term.	1,280	1,310
Envipco Holding N.V. entered into a secured loan agreement of US\$18,482,000 with its main shareholder with interest at 1% over the 12 month Euribor, repayable at the demand of the Lender after 31 December 2006. This loan was secured by the pledge of shares of Posada Holding B.V., Sorepla Technologie S.A. and Sorepla Industrie S.A. The denominated currency of the loan is Euros. Of the total outstanding balance an amount of €17,300,000 was converted to equity on 16 February 2006. The balance was repaid in full during the year.	-	3,477
Other loans were repaid in full during the year.	-	1,275
<b>Total</b>	<u>5,117</u>	<u>10,194</u>

Future payments under long term borrowings

	2008 €'000	2007 €'000
Current	1,100	1,282
Due between 2 to 5 years	3,809	8,708
> 5 years	208	204
<b>Total borrowings</b>	<u>5,117</u>	<u>10,194</u>

Schedule of movement

	2008 €'000	2007 €'000
At beginning of period	10,194	10,532
Reclassification	593	-
Increase	172	6,342
(Decrease)	(5,892)	(5,954)
Translation effect	50	(726)
At end of period	<u>5,117</u>	<u>10,194</u>

**(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.

	2008 €'000	2007 €'000
Un-amortised balance	<u>158</u>	<u>207</u>

**(22) Other current liabilities**

	2008 €'000	2007 €'000
Provisions	317	-
Tax and social security contributions	<u>108</u>	<u>1,062</u>
	<u>425</u>	<u>1,062</u>

**(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 2008, expenses related to defined contribution plans amounted to €36,000 (2007: €69,000).

**(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 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 notational amounts and expiration dates of the derivative instrument with the Company's associated debt instrument. The interest rate swap agreement is designated as a cash flow hedge. 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 2008 the fair value of the interest rate swap was a liability of approximately €217,000 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.

	2008		2007	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Interest rate swap – cash flow hedge	-	217	-	-

**(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 2008 and 2007 were as follows:

	<b>2008</b>	<b>2007</b>
	€'000	€'000
Current	164	272
Between 2 to 5 years	417	900
	<u>581</u>	<u>1,172</u>

Rent expenses for the year ended 31 December 2008 were approximately €154,000 (2007: €299,000).

**Operating lease commitments-where a Group company is the lessor**

The future minimum lease payments receivable under non-cancellable operating leases as of 31 December 2008 and 2007 were as follows:

	<b>2008</b>	<b>2007</b>
	€'000	€'000
Current	2,089	2,506
Between 2 to 5 years	2,886	2,884
	<u>4,976</u>	<u>5,390</u>

Lease revenues from Reverse Vending Machines for the year ended 31 December 2008 were approximately €3,058 (2007 €3,351).

**Finance lease commitments-where a Group company is the lessee**

	<b>2008</b>		<b>2007</b>	
	Buildings	Plant	Buildings	Plant
	€'000	€'000	€'000	€'000
Current	258	309	246	245
Between 2 to 5 years	691	677	911	379
Over 5 years	86	-	156	-
	<u>1,035</u>	<u>986</u>	<u>1,313</u>	<u>624</u>
Carrying value at 31 December	<u>1,655</u>	<u>1,607</u>	<u>1,803</u>	<u>1,663</u>

**(25) Commitments and contingencies (continued)****Legal proceedings**

Group companies are parties to various legal actions that are incidental to the conduct of business.

In a separate litigation against a US subsidiary, a plaintiff alleges breach of contract making a claim of about €288,000. The Subsidiary had counterclaimed, for breach of the same contract and for fraud and negligence that damaged the Subsidiary's business, for a sum of about €323,000. On 12 September 2008, the matter was settled without any further financial impact.

One of the group company received a claim from the buyer of the helicopter activities of €750,000. The group has taken the position that this claim is not valid and strongly believes that it does not have to pay. This company is entitled to an earn-out proceeds on the sale of these activities. No earn-out proceeds have been recognised as at 31 December 2008.

The Company is not aware of any other legal proceedings than the above that can have a material impact on the accounts.

**Loans**

Please refer to Note 21.

**(26) Discontinued operations**

The assets and liabilities related to the Company's helicopter maintenance business have been presented as held for sale from the time it was decided to divest this activity. Execution of the sale and purchase agreement occurred on 7 March 2008 with Industria de Turbinas de Helicopteros S.L.

The results of the discontinued operations to the date of disposal were as follows:

	2008	2007
	€'000	€'000
Revenue	1,222	20,361
Cost of sales	<u>(1,016)</u>	<u>(15,272)</u>
Gross profit	206	5,089
Selling expenses	-	(47)
General and administrative expenses	<u>(221)</u>	<u>(3,599)</u>
Operating result	(15)	1,443
Interest expense	-	(15)
Exchange gain/(loss)	15	(244)
Loss on disposal of assets	<u>(234)</u>	<u>(410)</u>
Result before taxes	(234)	774
Income taxes	<u>-</u>	<u>(52)</u>
Result after taxes of discontinued operations	<b><u>(234)</u></b>	<b><u>722</u></b>

Assets of the operating company held for sale consist of the following:

	2008	2007
	€'000	€'000
Intangible assets	-	87
Property, plant and equipment	-	409
Other non-current assets	-	101
Cash and cash equivalents	-	327
Trade receivables	-	1,909
Inventory	-	6,707
Other current assets	-	680
Assets of discontinued operations held for sale	<u>-</u>	<u>10,220</u>

Liabilities directly associated with the operating company held for sale consist of the following:

	2008	2007
	€'000	€'000
Trade creditors	-	1,498
Accrued expenses	-	1,488
Other current liabilities	<u>-</u>	<u>86</u>
Liabilities directly associated with discontinued operations held for sale	<u>-</u>	<u>3,072</u>

There was no operating company held for sale as at 31 December 2008.



**(27) Related party transactions**

A director had a unsecured loan of €35,000 from a subsidiary which was outstanding at the year end. This loan was repaid in full subsequent to the balance sheet date (see note 28).

Transactions with the shareholders are explained in note 19 and 28.

Group companies enter into transactions with each other which are at arms length and in the normal course of business. These transactions are eliminated on consolidation. Net research and development expenditure of €628,000 was transferred by German subsidiary to the parent company. In addition €248,000 of research and development expenses were directly charged to a US subsidiary. The Group companies had following transaction:

	2008	2007
	€'000	€'000
Goods and services	1,984	1,459
Other charges and services	698	901
Research and development	628	-
	<u>3,310</u>	<u>2,360</u>

**(28) Post balance sheet events**

The Company entered into an agreement with Mr Alexandre Bouri to a revised payment plan for the balance of the subscription amount of €5.46 million (refer to note 19 for full details).

A loan of €35,000 to one of the directors from a subsidiary was fully repaid subsequent to the balance sheet date. This was a temporary loan with no interest and without any agreement.

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

**ENVIPCO**

(in thousands of euros)

	Note	2008	2007
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets		1.116	529
Tangible assets		-	-
Financial fixed assets	(B)	8.456	7.410
Loans to group companies	(C)	2.079	9.070
		11.651	17.009
<b>Current assets</b>			
Receivables		6.141	33
Cash		845	438
		6.986	471
<b>Total assets</b>		<b>18.637</b>	<b>17.480</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
	(D)		
Share capital		1.236	936
Share premium		48.916	41.753
Translation reserve		(380)	209
Retained earnings		(31.773)	(31.229)
		17.999	11.669
<b>Provisions</b>			
Provisions for Consolidated Group Companies		-	360
<b>Non-current liabilities</b>			
	(F)	-	4.755
<b>Current liabilities</b>			
Creditors and other liabilities		638	696
		638	696
<b>Total equity and liabilities</b>		<b>18.637</b>	<b>17.480</b>

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

**ENVIPCO**

(in thousands of euros)

	2008	2007
Result from Group companies after income taxes	(279)	(366)
Other results after income taxes	(262)	(28)
<b>Net result</b>	<b>(541)</b>	<b>(394)</b>

**(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 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 legal or constructive obligation to reimburse the group companies' losses.

**Composition of shareholders' equity**

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

<b>(B) Financial fixed assets</b>	<b>2008</b>	<b>2007</b>
	€'000	€'000
At beginning of the year	7,410	4,470
Investments	1,915	3,252
Treasury shares	(1)	(9)
Results of the group companies for the year	(279)	(366)
Exchange differences	(589)	63
	<u>8,456</u>	<u>7,410</u>
<b>(C) Loans to group companies</b>	<b>2008</b>	<b>2007</b>
	€'000	€'000
At beginning of the year	9,070	10,576
Additions/redemptions of loans	(6,991)	(1,506)
	<u>2,079</u>	<u>9,070</u>

**(D) Shareholders' equity**

At the General Meeting of the Shareholders of 15 May 2009, the Company's shareholders approved that the 2007 net results of the Company be transferred to the retained earnings.

Refer to Consolidated statement of changes in equity and Note 19 Shareholders' equity of the Company's consolidated financial statements for further information regarding the Company's shareholders' equity.

**(E) Subsidiaries and affiliates of Envipco**

All inter-company transaction balances have been eliminated in consolidation. Please refer to Note 2 of the Notes to the Consolidated Financial Statements for an overview of the subsidiaries of the Company.

**(F) Non-current liabilities****Borrowings**

	2008	2007
	€'000	€'000
Envipco Holding N.V. entered into a secured loan agreement of US\$18,482,000 with its main shareholder with interest at 1% over the 12 month Euribor, repayable at the demand of the Lender after 31 December 2006.		
This loan was secured by the pledge of shares of Posada Holding B.V., Sorepla Technologie S.A. and Sorepla Industrie S.A. The denominated currency of the loan is Euros. Of the total outstanding balance an amount of €17,300,000 was converted to equity on 16 February 2006. The balance was repaid in full during the year.	-	3,477
Other loans were repaid in full during the year.	-	1,278
<b>Total</b>	<u>-</u>	<u>4,755</u>

**Future payments under long term borrowings**

	2008	2007
	€'000	€'000
Current	-	1,278
Due between 2 to 5 years	-	3,477
> 5 years	-	-
<b>Total borrowings</b>	<u>-</u>	<u>4,755</u>

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

**(G) Remuneration of the Board of Management****Remuneration of the Management Board**

The remuneration of the Management Board charged to the result in 2008 was €635,000 (2007 - €428,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Share based payments	Total
<b>2007</b>					
B. Santchurn	129	15	2	-	146
C. Crepet	118	53	10	-	181
H. Letellier	101	-	-	-	101
<b>Total</b>	<u>348</u>	<u>68</u>	<u>12</u>	<u>-</u>	<u>428</u>
<b>2008</b>					
B. Santchurn	126	14	2	-	142
C. Crepet	118	53	10	-	181
H. Letellier	103	52	-	-	155
G. Garvey	15	-	-	142	157
<b>Total</b>	<u>362</u>	<u>119</u>	<u>12</u>	<u>142</u>	<u>635</u>

Amsterdam, 26 June 2009

Mr. Gregory Garvey (Chairman)

Mr. Alexandre Bouri

Mr. Dick Stalenhoef

Mr. Guy Lefebvre

Mr. David D'Addario

Mr. Bhajun Santchurn

Mr. Christian Crépet

**(H) Events after the balance sheet date**

The Company entered into an agreement with Mr Alexandre Bouri to a revised payment plan for the balance of the subscription amount of €5.46 million..

**(I) Statutory rules concerning appropriation of results**

In Article 16 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. If the general meeting 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 relevant 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 relevant 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 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 relevant 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 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 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 has been obtained.

- 10 No distribution shall be made in favor of the company on shares acquired by the company in its own capital or depository receipts for such shares.
- 11 Shares or depository receipts for shares on which, pursuant to the provisions of paragraph 10, no distribution is made in favor 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.

**(J) Appropriation of result for the financial year 2007**

The annual report 2007 was determined in the General Meeting of Shareholders held on 15 May 2009. The General Meeting of Shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

**(K) 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. 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.

**(L) Proposed appropriation of loss for the financial year 2008**

The Board of Directors proposes that the loss for the financial year 2008 amounting to €541,000 will be deducted to the retained earnings. The financial statements do reflect this proposal.

**(M) Special statutory voting rights**

Rights are connected to all shares for the binding nomination of directors. The "Stichting Envipco Trust / Foundation at Amsterdam" holds 24,407,811 of the Class A and B shares. The voting rights are the same for each class of shares.

**(N) Auditor's report**

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





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Audit & Assurance B.V.

audit office  
Postbus 71730 1066 JE Amsterdam  
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To: the shareholders and the board of directors  
Envipco Holding N.V.

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements 2008 of Envipco Holding N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account for the year then ended and the notes.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands 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 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 26 June 2009

BDO CampsObers Audit & Assurance B.V.  
for and on behalf of it,

w.s.  
O. van Agthoven RA