Envipco Holding N.V.
Annual Report 2010

Financial Highlights

	2010	2009
Revenues from continued operation	€47.57m	€33.09m
Gross Profit Margin	24.98%	19.79%
Net profit (loss) before taxes	€0.32m	€ (3.62m)
Net profit (loss) after taxes	€0.30m	€ (2.82m)
EBITDA From continuing operations	€3.30m	€(0.42m)
Shareholder's equity	€16.65m	€15.56m
Earnings (loss) per share	€ 0.002	€ (0.023)
Liquidity ratio (current assets / current liabilities)	1.2	1.5
Total assets	€40.67m	€31.08m

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 Polyethylene terephthalate (PET) and High-density polyethylene (HDPE) plastics for recycling.

Results

2010 has been a turn around year for Envipco group. Envipco significantly improved its operating results in both segments of its business, RVM operations and Plastic recycling. Its net Group profit before taxes was €321,000 during 2010 versus a loss of €3,622,000 in 2009. Gross margin for the RVM segment remained steady whereas the plastic business margin was increased by 8% due to recovery of the recycled PET market during 2010. Overall, the net profit after taxes stands at €300,000, after expensing €963,000 of research and development costs, €378,000 stock option charge and our 50% share of the non-deposit market CLRS development expenses of €265,000 compared to a loss of €2,824,000 (research and development costs - €1,293,000, stock option charge - €378,000 and CLRS development expenses - €60,000) during 2009.

50% of the 2010 total revenues were generated from the Reverse Vending Machine and related materials handling business (RVM), and 50% from the plastic recycling unit. The RVM segment increased its revenue by 40% and plastic recycling business revenues increased by 47% in 2010 when compared to 2009 figures.

The group has a net equity of €16,652,000 at 31 December 2010 (2009 - €15,552,000) with debt to equity ratio of 1.4 for the current year and 1.0 for 2009. Group has adequate working capital with current ratio of 1.2 as at balance sheet date (2009 - 1.5).

The RVM segment activities, mainly based in the United States of America generated a net profit of $2,076,000 in 2010 versus a profit of $365,000 during the previous year. We expect to show further growth during 2011 both, in net income and increased revenues. The expansion in the bottle bills in Connecticut and New York to include water bottles generated additional revenues with minimum costs, and operational efficiencies also contributed to better results. The introduction of new technology dedicated for smaller retail outlets generated additional sales. The consolidated net equity of the US operations at the balance sheet date was $11,075,000 (2009 - $9,021,000) with current ratio of 1.4 for 2010 and 1.5 for 2009.

The plastic recycling business in France showed an increase of 47% in revenues to €23,686,000. The recovery of the recycled PET market improved revenues and results. Operating profit for 2010 was €82,000 compared to a loss of €2,299,000 in 2009. The net loss in 2010 has been reduced to €60,000 from previous year loss of €1,214,000.

No dividend is proposed. The results of 2010 shall be carried forward to the retained earnings, subject to the approval and adoption of the 2010 Annual Report by the shareholders at the next annual general shareholder's meeting.

Future Outlook

The Group continues to pursue several initiatives in both its traditional deposit mandated and non-deposit markets where there are encouraging signs of major breakthroughs by creating a profitable business model based on advertising, couponing, sponsorship, promotions and sale of scrap value of materials collected; new opportunities based upon recently developed innovative technologies and the launch of our plastics recycling plant allowing us to market approved food grade recycled PET. Some of the notable developments are:

- Through its newly developed Closed Loop Recycling System "CLRS", Envipco has entered into a JV with Coca-Cola to pilot and operate 10 such systems in the Texas market. This unique system handles large volumes of beverage containers in bulk at the lowest possible cost. The results of first pilot so far, have exceeded our expectations. Following the success of other pilot sites, it is the intention of the partners to start an ambitious roll out program from 2011 onwards.
- Over the last three years, Envipco invested heavily in the development of new recycling technology platforms. Several of these platforms were completed during 2010 with more being introduced during 2011. We are now uniquely positioned to gain from presently untapped opportunities in non-deposit markets, in addition to driving market share gains in the traditional deposit markets.
- Several tests are being carried out in some of very large German supermarket chains on our innovative compactors which can be easily retrofitted into other company's Reverse Vending Machines. The results are very encouraging which are expected to generate OEM sales. The potential is huge as compactor is one of the key components in a RVM.
- The investment of about €5.5 million into our plastic recycling plant is expected to be completed by 30 September 2011. This new process will allow us to generate food grade approved recycled content which will provide added value and wider market opportunities. In 2011 Sorepla was granted a non-objection approval letter from the French Food and Drug approval agency.
- On 24 January 2011, Environmental Products Corporation, our US subsidiary, signed credit facilities totaling $7.5 Million with TD Bank N.A., which will greatly assist our expansion plan.
- Management is also evaluating its options to sell up to 20% of its plastic recycling business to strategic partners for both its downstream and upstream applications. There is a growing demand for recycled PET as more and more companies announce the reuse of PET in their containers.

- Previously, Envipco announced that it filed an antitrust and unfair trade practices complaint against Tomra North America Inc. and Tomra Systems ASA in federal court. The process is ongoing. Envipco remains committed to ending Tomra's anti-competitive behaviour and ensuring fair access to markets as we continue introduction of innovative reverse vending technology.

  As a result of the JV, recent launch of our breakthrough RVM technologies and the new investment in Sorepla plastics recycling plant, we expect to show further improvement of the results in 2011 and beyond. We remain optimistic on our success

Research and Development

The Group's Research and Development company in Germany, is responsible for product development and innovation for both the deposit and non-deposit markets. Currently the company is staffed with very highly skilled and related industry experienced engineers and technicians. The introduction of modern and innovative technologies to include bulk and low volume recycling solutions at a competitive price are expected to give the group an edge to enter most markets. During 2010 the Group's investment was €1.8 million (2009 - €1.3 million). These new products have already started to contribute positively in the existing and new markets. Development of other new products is expected to continue in the foreseeable future to meet market driven specifications and requirements.

Liquidity

The Group has a current ratio of 1.2 in 2010 against 1.5 in 2009 and is fully geared to meet all its short and long term working capital needs. Subsequent to the balance sheet date, in the US we have signed credit facility in the sum of $7.5 million with TD Bank NA. Net cash out flow from operation during 2010 was €371,000 versus net inflow of €156,000 for 2009.

The proceeds of the new shares issued in 2008 of which €1.5 million was paid during 2010 and the balance of €3.8 million is payable by the end of 2011, which will be sufficient to fund several initiatives including capital expenditures, research and development, and market development costs of the Group.

Managing Risks

About 47% 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. 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. For details on financial risk management, refer to Note 5 in the Notes to the consolidated financial statements.

Capital

The Company and the Foundation, on 26 June 1998 entered into an agreement pursuant to which the Foundation acquired all 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 of the Company at its par value of €0.01 each. Such shares were also lodged with the Foundation, giving a total of 24,407,811 shares.

The Company further increased its share capital as follows:

(a) On 10 March 2006, by a new issue of 69,200,000 common stock, each with a par value of €0.01 issued at a price of €0.25 per share (total €17.3 million).
(b) On 8 December 2008, the share capital was increased by new subscription of 30,022,525 common stock, each with a par value of €0.01 issued at a price of €0.2486 per share (total €7.46 million). The subscription was payable in installments. This balance of €3.8 million outstanding as at 31 December 2010 is payable as follows: €1.6 million due by 31 March 2011, another €1.0 million due by 30 June 2011 and the balance of €1.2 million by 30 September 2011.

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 consists of the following 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 2010 of Issued Share Capital

Common stock of €0.01 nominal value per share exchanged into an equal number of depositary receipts issued by the Foundation	4,295,378
Common stock of €0.01 nominal value per share not exchanged for depositary receipts	119,334,958
	123,630,336

Substantial Shareholding

The Group has been notified of, or is aware of the following 5% or more interests at 31 December 2010 and 2009.

	31 December			
	2010		2009	
	Number of Shares	Percentage	Number of Shares	Percentage
A.F.Bouri/Megatrade International SA	90,428,383	73.14%	96,428,383	78.00%
G.S. Garvey/EV Knot LLC	20,101,367	16.26%	20,101,367	16.26%

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). During the year 2009 Mr Bouri sold another 2 million shares to Mr Garvey/EV Knot LLC for €0.5 million and 2 million shares to Mr Bhajun Santchurn for €0.5 million

Directors and their Interests

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

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

Executive:
Mr. Bhajun Santchurn
Mr. Christian Crépet

There are no contracts of significance between the Company and any of the Directors except for the options granted to Gregory Garvey which are explained in Note 20.

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

	31 December			
	2010		2009	
	Number of Shares	Percentage	Number of Shares	Percentage
A. Bouri/Megatrade International SA	90,428,383	73.14%	96,428,383	78.00%
G. Garvey/EV Knot LLC	20,101,367	16.26%	20,101,367	16.26%
B. Santchurn/Univest Portfolio Inc	2,024,006	1. 64%	2,304,006	1.86%
C. Crepet	322,800	0.26%	42,800	0.03%

Salaries and Remuneration

The Board of Directors received remuneration totaling €977,000 including €378,000 as stock option costs and €839,000 including €378,000 stock option costs during 2010 and 2009 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, 2010.

In addition to the above, Mr Garvey has been granted a further 12,000,000 share option on 8 December 2008, at the strike price of €0.32 per share in the Company as an incentive bonus subject to key performance targets to be met on a yearly basis through 31 December 2011. 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 €378,000 (2009 - €378,000). 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 4,295,378 depositary receipts. The total shares and depositary receipts owned by the parties shall be as follows:

Mr Alexandre Bouri 60.64%

Mr Gregory Garvey 21.52%

and the employees and public 17.84%

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. On 3 December 2009, a new version of the Dutch Corporate Governance Code was published, to be applied starting financial year 2009. 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 2010. 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 management board with the appointment of five non-executive and two executive board members.

Explanatory notes on article 10 of the takeover directive

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

As at 31 December 2010 Envipco had issued 123,630,336 ordinary shares. This includes 69,200,000 Class A ordinary shares and 54,430,336 Class B ordinary shares. There are no differences between Class A and Class B shares. Envipco holds 68,116 shares in its own capital. There are no physical share certificates issued, except for entries in the shareholders register. The Articles of Association do not provide for any limitation of the transferability of the ordinary shares.

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

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

The voting right is not subject to any limitation. All shares (both Class A and Class B) entitle the holder to one vote per share. No securities with special control rights have been issued. No agreement has been entered with any shareholder that could give rise to any limitation on the transfer of shares and/or voting rights.

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

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

The issue of new shares shall be by a resolution of the general meeting of shareholders and subject to the provisions of Article 5 of the Articles of Association. The general meeting of the shareholders has allowed the management board to issue 13.5 million shares for incentives to executives and employees.

Internal Controls

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

Board of Management

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

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.

Representation

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

Meeting

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

Auditors

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

Post Balance Sheet Events

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

Board Responsibility Statement

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

-the annual financial statements for the year 2010 give a true and fair view of the assets, liabilities, financial position and the profit 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 2010 and of their state of affairs during the financial year 2010;

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

w.s. Gregory Garvey
Chairman

w.s. Alexandre Bouri

w.s. Dick Stalenhoef

w.s. Guy Lefebvre

w.s. Bhajun Santchurn

w.s. Christian Crepet

w.s. David D'Addario

13 April 2011

(all amounts in thousands of euros)

	Note	2010		2009	
Revenue	(6)	47,566		33,092	
Cost of revenue		(34,543)		(25,335)	
Leasing depreciation		(1,143)		(1,207)	
Gross profit			**11,880**		**6,550**
Selling expenses	(7&9)	(621)		(472)	
General and administrative expenses	(7&9)	(10,901)		(9,577)	
Other income	(8)	31		203	
Operating result			**389**		**(3,296)**
Financial expense	(10)	(297)		(370)	
Financial income	(10)	128		26	
Exchange gains		101		18	
Result before taxes			**321**		**(3,622)**
Income taxes	(11&16)	(29)		(27)	
Deferred taxes	(11&16)	5		825	
			(24)		798
Net result			**297**		**(2,824)**
Other comprehensive income					
Exchange differences on translating foreign operations		430		(93)	
Share options: value of employee services	(20)	378		378	
Other movements/treasury shares		(1)		(12)	
Cash flow hedges:	(24)				
Gains/(losses) recognised on hedging instrument		(16)		67	
Total other comprehensive income			791		340
Total comprehensive income			1,088		(2,484)

(all amounts in thousands of euros)

	Note	2010	2009
Profit attributable to :			
Owners of the parent		309	(2,788)
Non-controlling interest		(12)	(36)
		297	(2,824)
Total comprehensive income attributable to :			
Owners of the parent		1,100	(2,448)
Non-controlling interest		(12)	(36)
		1,088	(2,484)
Earnings/(loss) per share for profit attributable To the ordinary equity holders of the parent during the year	(12)		
► Basic (euro)		0.002	(0.023)
► Fully diluted (euro)		0.002	(0.023)

(in thousands of euros)

	Note	2010		2009	
Assets					
Non-current assets					
Intangible assets	(13)	2,829		1,957	
Property, plant and equipment	(14)	14,629		10,744	
Long term deposits	(15)	393		326	
Deferred tax assets	(16)	167		135	
Total non-current assets			18,018		13,162
Current assets					
Inventory	(17)	10,406		4,972	
Trade and other receivables	(18)	11,211		11,850	
Cash and cash equivalents	(19)	1,037		1,096	
Total current assets			22,654		17,918
Total assets			**40,672**		**31,080**

(in thousands of euros)

	Note	2010		2009	
Equity	(20)				
Share capital		1,236		1,236	
Share premium		48,916		48,916	
Retained earnings		(35,720)		(36,390)	
Translation reserves		2,220		1,790	
Equity attributable to owners of the parent			16,652		15,552
Non-controlling interest			92		104
Total equity			16,744		15,656
Liabilities					
Non-current liabilities					
Borrowings	(21)	4,534		3,247	
Other liabilities	(21)	60		109	
Deferred tax liability	(16)	66		38	
Derivative financial instruments	(24)	175		146	
Total non-current liabilities			4,835		3,540
Current liabilities					
Borrowings	(21)	1,227		1,005	
Bank overdraft		1,619		1,307	
Trade creditors		13,672		7,291	
Accrued expenses		1,547		1,623	
Tax and social security	(22)	943		633	
Other current liabilities	(22)	85		25	
Total current liabilities			19,093		11,884
Total liabilities			23,928		15,424
Total equity and liabilities			**40,672**		**31,080**

(in thousands of euros)

	Note	2010		2009	
Cash flow (used in) / provided by operating activities					
Operating result		389		(3,296)	
Interest received		128		147	
Interest paid		(297)		(491)	
Income taxes (paid)/repaid		(46)		(12)	
Depreciation and amortisation	(13/14)	2,814		2,858	
Employee share options		378		378	
Other income		102		-	
			3,468		(416)
Changes in trade and other receivables		1,015		(631)	
Changes in inventories		(5,220)		3,928	
Changes in deferred income		(48)		(49)	
Changes in provisions		-		(292)	
Changes in trade and other payables		6,323		(616)	
			2,070		2,340
Cash flow (used in)/ provided by operating activities			5,538		1,924
Cash flow (used in)/provided by investing activities					
Net investment in intangible fixed assets	(13)	(992)		(511)	
Net investment in tangible fixed assets	(14)	(6,502)		(2,212)	
Net investment in other financial fixed assets		23		-	
Proceeds from sale of assets		362		600	
Cash flow (used in)/ provided by investing activities			**(7,109)**		**(2,123)**
Cash flow (used in)/provided by financing Activities					
Proceeds from share issue		-		1,000	
Changes in borrowings and capital lease obligations		1,131		(628)	
Changes equity for share premium		4		-	
Cash flow (used in)/ provided by financing activities			**1,135**		**372**
Net cash flow for the period			**(436)**		**173**
Foreign currency differences and other changes		65		(17)	
			65		(17)
Changes in cash and cash equivalents, including bank overdrafts for the period			**(371)**		**156**
Opening position as at 1 January			(211)		(367)
Closing position as at 31 December			(582)		(211)
The closing position consists of:					
Cash and cash equivalents	(19)		1,037		1,096
Bank overdraft			1,619		1,307
			(582)		(211)

(in thousands of euros)

	Share capital	Share premium	Retained Earnings	Translation Reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2009	1,236	48,916	(34,035)	1,883	18,000	140	18,140
Changes in equity for 2009							
Net profit/(loss) for the year	-	-	(2,788)	-	(2,788)	(36)	(2,824)
Other comprehensive income for the year							
-Currency translation adjustments	-	-	-	(93)	(93)	-	(93)
-Share options: value of employee benefits (Note 20)	-	-	378	-	378	-	378
-Cash flow hedge – fair value (Note 24)	-	-	67	-	67	-	67
-Other movements/treasury shares	-	-	(12)	-	(12)	-	(12)
Total comprehensive income for the year	-	-	(2,355)	(93)	(2,448)	(36)	(2,484)
Balance at 31 December 2009	**1,236**	**48,916**	**(36,390)**	**1,790**	**15,552**	**104**	**15,656**
Changes in equity for 2010							
Net profit/(loss) for the year	-	-	309	-	309	(12)	297
Other comprehensive income for the year							
-Currency translation adjustments	-	-	-	430	430	-	430
-Share options: value of employee benefits (Note 20)	-	-	378	-	378	-	378
-Cash flow hedge – fair value (Note 24)	-	-	(16)	-	(16)	-	(16)
-Other movements/treasury shares	-	-	(1)	-	(1)	-	(1)
Total comprehensive income for the year	-	-	670	430	1,100	(12)	1,088
Balance at 31 December 2010	**1,236**	**48,916**	**(35,720)**	**2,220**	**16,652**	**92**	**16,744**

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

(1) General information

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands, with its registered address at 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 and the Far East; and
- collects or acquires, cleans, processes and resells recycled plastic and derivative products.

These Financial Statements have been approved for issue by the Board of Management on 8 April 2011 and are subject to approval by the shareholders at the Annual General Meeting of Shareholders. All amounts are in thousands of euros unless stated otherwise.

Deposit redemption programs

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

Plastics processing program

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

(2) Summary of significant accounting policies

Basis of preparation

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

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

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

Adoption of new Standards

(a) Amendments and *Interpretations effective in 2010*

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010. The group has implemented these for the first time in its financial statements 2010.

IFRS 3 and IAS 27 stipulate different treatment on certain aspects of accounting for acquisitions and investments in subsidiaries. Transaction costs are no longer included in the purchase price of the acquisition. Goodwill is no longer adjusted after the initial valuation for changes in estimates regarding conditional subsequent payments that are part of the purchase price. The same applies to differences regarding the realisation of tax loss compensation possibilities which the acquired company had on the acquisition date.
An existing non-controlling interest in an acquired company, is valued at the fair value on the acquisition date, whereby the difference from the existing book value is included in the profit and loss account. The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control. In case of non-controlling interests, profits or losses and each component of unrealised results, are attributed to the group equity and to the non-controlling interests in equity. Even if this means that the non-controlling interests show a negative balance.
These changes have been applied in the 2010 financial statements prospectively in accordance with the applicable transitional provisions. The comparative figures have therefore not been restated. These changes have no consequences for the 2010 financial statements.

IFRS 8, Operating Segments – Disclosure of information about segment assets. The group has applied this amendment with effect from 1 January 2010, which states that a measure of total assets does not need to be reported for each segment, unless such an amount is regularly provided to the chief operating decision maker. The segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operation decision maker in order to allocate resources to the segments and to assess its performance. The adoption of the standard has not resulted in change of the number and composition of the segments reported by the group.

IAS 1 'Presentation of financial statements'. The current/non current classification of a financial liability is not affected by the existence of contractual terms that can, at the option of the counterparty, result in the immediate settlement of the financial liability through the issue of the issuer's own equity instruments. Instead, the focus is on the point at which an entity could be required to settle the liability in cash or other assets. The amendment has no impact on the presentation of the group financials.

IAS 17 Leases – Classification of land and buildings. The amendment requires additional consideration should be given to the land component when determining its indefinite useful life. Unexpired leases that include a land element need to be reassessed on the basis of information available at the inception of those leases. Leases newly classified as finance lease are recognised retrospectively. Any difference between the recognised fair values (leased assets compared to lease liabilities) is recognised in retained earnings. The group has applied IAS 17 in its 2010 financial statements, however it has no impact on group's financials.

IFRIC 15 Agreements for construction of real estates. The interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of the real estate should be recognised. The interpretation has no impact as the group does not perform construction activities for customers.

IFRIC 16 Hedges of a net investment in a foreign operation. Paragraph 14 of IFRIC 16 did not permit instruments held by the foreign operation, whose net investment is being hedged, to be designated as the hedging instruments. This restriction has been removed since, without hedge accounting, part of the foreign exchange difference arising from the hedging instrument would be included in consolidated profit or loss. As the group does not apply hedging of net investment in a foreign operations, there is no impact on the group's financial statements.

IFRIC 17 Distribution of non-cash assets to owners. The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The interpretation has no impact on the group's financial statements.

IFRIC 18 Transfers of assets from customers. IFRIC 18 clarifies the accounting treatment of agreements in which an entity receives an item of property, plant and equipment (or cash which must be used only to acquire or construct an item of property, plant and equipment) from a customer that the entity must then use either to connect the customer to a network, or provide the customer with ongoing access to a supply of goods or services. The Interpretation clarifies whether and when an asset should be recognised, and how it should be measured. It also clarifies how revenue arising from such a transaction should be recognised. The group applied IFRIC 18 starting 2010, without impact on its financials.

In addition to these changes, changes in the context of the 2008 improvements project have been applied for the first time. These changes have no significant consequences for the financial statements.

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

IFRS 3 Business Combinations was adjusted by some clarifying amendments. The group expects no significant financial impact of these amendments.

IFRS 7 Financial Instruments: Amendments were made to disclosure requirements on financial instruments. As the amendments regard disclosures, they will not impact the equity and income of the group.

IAS 12 Income Taxes contains amendments in respect of the measurement of deferred tax when investment property is measured using the fair value model in IAS 40 Investment Property. In addition, the requirements of SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets, which address similar issues involving non-depreciable assets, measured using the revaluation model in IAS 16 Property, Plant and Equipment, have been incorporated into IAS 12. These amendments are not relevant to the group and therefore no material impact on group financials is expected.

IAS 24 was revised in respect of the application of the existing disclosure requirements and the definition of a related party. The revised definition means that some entities may have more related parties for which disclosures will be required, however, it provides a partial exemption to government-related entities. It does not impact the equity and income of the group, as it regards disclosure requirements.

IAS 32 Financial Instruments: Presentation. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. The amendment is not expected to be relevant to the financial statements, as the group has no rights issues that are denominated in a currency other than the functional currency of the issuer.

IFRIC 13 Customer Loyalty Programmes. The amendment clarifies that the fair value of award credits includes consideration of the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale. The amendment is not expected to have any influence to the groups financial statements, as there are no customer loyalty programmes in place.

IFRIC 14/IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction The amendment applies in the limited circumstances in which an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment expands the circumstances in which the benefit of such an early payment is recorded as an asset. This amendment is expected not to be relevant to the group, as group does not have any defined benefit assets.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments covers the valuation of own shares if they are issued to repay debts. The company does not anticipate that this interpretation will have a significant effect on the financial statements.

Some other improvements were made that are expected to have no significant consequences for the financial statements.

Consolidated cash flow statement

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

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

Consolidation

Subsidiaries

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

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

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

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%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Posada Holding B.V. – Amsterdam, The Netherlands – 100%
Tek-O-Matic Enterprises Inc., Quebec, Canada – 74%
Recypac Inc., Quebec, Canada – 100%
Aeromaritime Mediterranean Corporation, 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income.

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

Foreign currencies
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency. The subsidiaries that are included in the consolidation have the Euro, US Dollars and the Japanese Yen as their functional currency. Transactions and cash flows in foreign currencies are translated into the functional currency at the rate prevailing when the transaction took place. Related exchange rate differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income.
Balance sheets of entities that have a functional currency other than the Euro are translated using the closing rates at each reporting date. The income statements of such entities are translated at the average rates during the period. The resulting exchange difference is recognised in currency translation adjustment in equity. When a foreign entity is sold, such cumulative exchange difference is recognised in the income as part of the gain or loss on sale. Translation gains and losses on inter-company balances which are in substance a part of the investment in such Group company are also 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

General

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

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

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

Cost of revenue

Cost of revenue includes all direct material and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, housing and depreciation costs. The Group performs ongoing profitability 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 on a straight-line basis over the period of the lease.

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

Deferred tax

Deferred income tax is provided in full, using the 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

All intangible assets have finite lives based on their economic use except for Goodwill. The intangible assets with finite lives are amortised using the straight line method. The useful life is estimated at 10 years.

(a) Goodwill

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

(b) Patents and licences

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

(c) Research and development

Research costs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:
– it is technically feasible to complete the product so that it will be available for use;
– management intends to complete the product and use or sell it;
– there is an ability to use or sell the product;
– it can be demonstrated how the product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
– the costs attributable to the product during its development can be reliably measured.

The capitalised development cost is amortised when the asset becomes available for use. Some developed assets have become available for use in 2010. Once the asset is completely developed it is amortised over the estimated useful life, which is 5-10 years.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

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

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

Inventory
Product inventory is valued at the lower of cost or net realisable value based on first in first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Spare parts inventory is valued at the lower of historical cost, or net realisable value. Appropriate consideration is given to excessive inventory levels, product deterioration and other factors when establishing the net realisable value.

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

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

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

The fair values of derivative instruments used for hedging purposes are disclosed in note 24. Movements on the hedging reserve in shareholders' equity are shown in consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. 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 as other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

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

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

The Company records purchases of its own ordinary shares (treasury shares) under the cost method whereby the entire cost of the acquired shares is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

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

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

Borrowing costs are recognised as interest expense.

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

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

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

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

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

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

(3) Critical accounting estimates and judgments

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

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

Goodwill impairment testing

The Group 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 (Note13).

Allowance for inventory obsolescence

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

Intangible assets

The group amortises its intangible assets, except for Goodwill, over their expected useful lives which are as follows:

Patents and licenses	5-10 years
Capitalised development costs	5-10 years

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. One of group's subsidiary has to comply with certain financial covenants under its loan agreement, details of which are given in Note 21. Most of group's current funding requirements will be met from the new subscription receivable during 2011 (refer to Note 20 for details).

(5) Financial Risk Management

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

Credit risk

Credit risk arises from the possibility of asset impairment occurring because counterparties are not able to meet their obligations in transactions mainly involving trade receivables. While the Group's trade receivables are mostly exposed to credit risk, the exposure to concentrations of credit risk is limited due to the diverse geographic areas and industries covered by its operations. One of the group subsidiaries has a exposure to credit risk resulting in about 15% of subsidiary'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 though a system of deposit accounting where Envipco acts as a clearing house, but disburses funds to customers only after collections have been made from its receivables.

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

		€'000 Current	€'000 31-60 Days	€'000 61-90 Days	€'000 >90 Days	€'000 TOTAL
2010	Europe	839	803	2,670	2,155	6,467
	United States	3,957	624	80	27	4,688
	Others	31	25	-	-	56
		4,827	**1,452**	**2,750**	**2,182**	**11,211**
2009	Europe	806	587	2,284	3,630	7,307
	United States	1,781	1,523	225	956	4,485
	Others	32	26	-	-	58
		2,619	**2,136**	**2,509**	**4,586**	**11,850**

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

		€'000 In 1 Year	€'000 1-2 Years	€'000 2-5 Years	€'000 > 5 Years	€'000 TOTAL
2010	**Europe**					
	Leases & Payables	10,233	-	-	-	10,233
	Bank Debt	1,187	3,220	-	-	4,407
	United States					
	Leases & Payables	7,816	827	636	-	9,279
	Bank Debt	40	89	1,162	-	1,291
	Others					
	Leases & Payables	733	-	-	-	733
	Total	**20,009**	**4,136**	**1,798**	**-**	**25,943**
	Off-balance sheet	(552)	(827)	(636)	-	(2,015)
		19,457	3,309	1,162	-	23,928
2009	**Europe**					
	Leases & Payables	5,421	-	-	-	5,421
	Bank Debt	970	2,053	-	-	3,023
	United States					
	Leases & Payables	5,504	385	125	-	6,014
	Bank Debt	34	76	1,118	-	1,228
	Others					
	Leases & Payables	607	-	-	-	607
	Total	**12,536**	**2,514**	**1,243**	**-**	**16,293**
	Off-balance sheet	(359)	(385)	(125)		(869)
		12,177	2,129	1,118	-	15,424

The Group's current assets at 31 December 2010 amounted to €25,966,000 (2009 – €21,656,000) including off balance sheet deferred lease revenue of €3,312,000 in 2010 and €3,738,000 in 2009.

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 and the Japanese yen. The Group manages its currency risk by closely monitoring the currency fluctuations and does not hedge its currency risk.

Sensitivity analysis

A 5% strengthening of US Dollar against the Euro would have increased the profit after tax by €37,000 (2009 – €3,000) and would result in net decrease in equity of €65,000 (2009 – €5,000) 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 basis points in interest rates would have increased the profit after tax and equity by €1,000 (2009 – €6,000) and an increase of 0.25 basis points 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. The segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The group's main continuing operations relate to its core activity of Recycling. This activity has two main operating segments – RVMs and Plastics. The RVMs business segment include operations in the USA and Japan, whereas Plastics operations are based in France. The non-operating segments include the Holding company and the research and development facility in Germany and rest of the non-active group entities. Segment information for continuing operations is presented by geographical areas where a segment is based except for the non-operating segments. Segment information of the main operating segments is detailed below:

(in thousands of euros)				2010				2009
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Revenues								
Continuing operations – Recycling								
RVM								
Sale of goods	-	4,469	-	4,469	-	2,314	-	2,314
Service revenue	-	10,544	590	11,134	-	8,438	661	9,099
Leasing revenue	-	8,278	-	8,278	-	5,582	-	5,582
Plastics								
Sale of goods	23,600	-	-	23,600	10,463	-	-	10,463
Service revenue	85	-	-	85	5,634	-	-	5,634
Non-operating segments	-	-	-	-	-	-	-	-
Total	**23,685**	**23,291**	**590**	**47,566**	**16,097**	**16,334**	**661**	**33,092**

				2010				2009
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Gross assets								
Continuing operations – Recycling								
RVM	-	16,027	307	16,334	-	12,503	328	12,831
Plastics	16,928	-	-	16,928	10,538	-	-	10,538
Non-operating segments	7,410	-	-	7,410	7,711	-	-	7,711
Total	**24,338**	**16,027**	**307**	**40,672**	**18,248**	**12,503**	**328**	**31,080**

RVM segment assets in North America include €616,000 of assets of a joint venture (refer to Note 26).

(6) Segment information (continued)

	2010				2009			
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Segment Results								
Continuing operations – Recycling								
RVM	-	1,565	(78)	1,487	-	261	(183)	78
Plastics	(60)	-	-	(60)	(1,439)	-	-	(1,439)
Non-operating segments	(1,130)	-	-	(1,130)	(1,463)	-	-	(1,463)
Total	**(1,190)**	**1,565**	**(78)**	**297**	**(2,902)**	**261**	**(183)**	**(2,824)**

RVM segment results in North America include €265,000 of loss from joint venture.

	2010				2009			
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Gross Liabilities								
Continuing operations – Recycling								
RVM		8,557	733	9,290	-	6,384	606	6,990
Plastics	13,790	-	-	13,790	7,452	-	-	7,452
Non-operating segments	848	-	-	848	982	-	-	982
Total	**14,638**	**8,557**	**733**	**23,928**	**8,434**	**6,384**	**606**	**15,424**

Plastic segment liabilities are after capitalising parent's debt of €2,300,000 during the year.

	2010				2009			
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Cost of Property, Plant & Equipment and Intangibles Additions								
Continuing operations – Recycling								
RVM	-	2,531	-	2,531	-	1,562	-	1,562
Plastics	3,978	-	-	3,978	608	-	-	608
Non-operating segments	987	-	-	987	751	-	-	751
Total	**4,965**	**2,531**	**-**	**7,496**	**1,359**	**1,562**	**-**	**2,921**

(6) Segment information (continued)

	2010				2009			
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Depreciation & Amortisation Expense								
Continuing operations – Recycling								
RVM	-	1,429	17	1,446	-	1,429	20	1,449
Plastics	1,265	-	-	1,265	1,346	-	-	1,346
Non-operating segments	103	-	-	103	63	-	-	63
Total	**1,368**	**1,429**	**17**	**2,814**	**1,409**	**1,429**	**20**	**2,858**

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 €1,671,000 (2009: €1,651,000), research and development costs of €963,000 (2009: €1,293,000), payments made under operating leases of €448,000 (2009: €404,000), and bad debt charge of €160,000 (2009: €359,000) . The fee paid to the auditors for the following services is included in general expenses as well and can be specified as follow:

BDO, Netherlands

	2010	2009
	€'000	€'000
Advisory services	10	12
Audit fee	72	86
	82	**98**

(8) Other income

Other income relates to government grant received by the group companies of €52,000 (2009: €95,000) and €63,000 (2009: 20,000) sundry income during the year. The government grant is a yearly incentive offered to businesses in recycling industry and is not repayable.

(9) Employee benefit expense

	2010	2009
	€'000	€'000
Salaries	8,368	7,298
Social security expenses	2,023	1,658
Pension expenses	41	27
Equity share based payments	378	378
	10,810	**9,361**

	2010	2009
Average number of employees		
Continuing operations		
North America	129	122
Europe	97	90
Total	226	212

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2010 was €977,000 (2009 - €839,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Other short term benefits	Social cost	Pension	Share based payments	Total
2010						
B. Santchurn	272	68	21	4	-	365
C. Crepet	118	-	24	11	-	153
G. Garvey	53	-	-	-	378	431
T.J.M. Stalenhoef	18	-	-	-	-	18
G. Lefebvre	10	-	-	-	-	10
A.Bouri	-	-	-	-	-	-
D. D'Addario	-	-	-	-	-	-
Total	471	68	45	15	378	977
2009						
B. Santchurn	190	-	14	3	-	207
C. Crepet	125	-	61	-	-	186
G. Garvey	42	-	-	-	378	420
T.J.M. Stalenhoef	16	-	-	-	-	16
G. Lefebvre	10	-	-	-	-	10
A.Bouri	-	-	-	-	-	-
D. D'Addario	-	-	-	-	-	-
Total	383	-	75	3	378	839

(10) Financial expense and income

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

(11) Income taxes

Effective tax rate

Envipco operates in several jurisdictions with varied local statutory income tax rates. This causes a difference between the average statutory income tax rate and The Netherlands tax rate of 25.5%. 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:

		2010		2009
		€'000		€'000
Profit/(loss) before tax		297		(3,622)
Taxation at statutory rate	25.5%	(76)	25.5%	924
Different statutory tax rates on foreign subsidiaries		(372)		180
Profit / (losses) under participation exemption		424		(306)
Effective income tax		**(24)**		**798**

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

Current and deferred tax income/(expense)

	2010	2010	2010	2009	2009	2009
	€'000	€'000	**€'000**	€'000	€'000	**€'000**
	This period	Prior period	**Total**	This period	Prior period	**Total**
Current						
- Netherlands	-	-	**-**	9	-	**9**
- USA	(29)	-	**(29)**	(25)	(11)	**(36)**
	(29)	-	**(29)**	(16)	(11)	**(27)**
Deferred						
- France	(27)	-	**(27)**	690	-	**690**
- Germany	32	-	**32**	135	-	**135**
	5	-	**5**	**825**	**-**	**825**
Total	**(24)**	**-**	**(24)**	**809**	**(11)**	**798**

(11) Income taxes (continued)

Tax losses, where no deferred tax has been recognised, of €2,647,000 will expire in 2011, €1,268,000 in the years 2012 through 2015 and €20,064,000 in the years 2016 through 2028.

(12) Earnings per share

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

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

	2010	**2010**	**2009**	**2009**
	€'000	€'000	€'000	€'000
	Continued operations	Total Operations	Continued operations	Total operations
Numerator				
Profit/(loss) for the year and earnings used in basic EPS	309	309	(2,788)	(2,788)
Earning/(loss) used in basic and diluted EPS	**309**	**309**	**(2,788)**	**(2,788)**
Denominator				
	'000	**'000**	**'000**	**'000**
Weighted average number of shares used in basic EPS	123,562	123,562	123,562	123,562
Weighted average number of shares used in diluted EPS	123,562	123,562	123,562	123,562

Basic and diluted earnings/(loss) per share for 2010 and 2009 have been calculated using the weighted-average number of current ordinary shares of 123,562,000. Treasury shares have been deducted to calculate the outstanding shares.

(13) Intangible assets

(in thousands of euros)	Goodwill	Patents & licenses	Development costs	Total
At 1 January 2009				
Cost	126	561	585	1,272
Accumulated amortisation	-	(6)	-	(6)
Net carrying amount	**126**	**555**	**585**	**1,266**
Changes to net carrying amount in 2009				
Additions	-	-	487	487
Disposals	-	-	-	-
Reclassifications – fixed asset	-	-	264	264
Amortisation	-	(4)	(53)	(57)
Currency translation differences	(3)	-	-	(3)
Total changes in 2009	**(3)**	**(4)**	**698**	**691**
At 31 December 2009				
Cost	123	561	1,336	2,020
Accumulated amortisation and impairment	-	(10)	(53)	(63)
Net carrying amount	**123**	**551**	**1,283**	**1,957**
Changes to net carrying amount in 2010				
Additions	-	92	900	992
Disposals	-	(44)	-	(44)
Amortisation	-	(42)	(45)	(87)
Currency translation differences	10	1	-	11
Reclassification - cost	-	10	(30)	(20)
Reclassification - depreciation	-	(10)	30	20
Total changes in 2010	**10**	**7**	**855**	**872**
At 31 December 2010				
Cost	133	620	2,206	2,959
Accumulated amortisation and impairment	-	(62)	(68)	(130)
Net carrying amount	**133**	**558**	**2,138**	**2,829**

Goodwill

No impairment charges were recognised on any other goodwill during the period. All goodwill as per 31 December 2010 and 2009 relates to goodwill of one Cash Generating Unit in the RVM segment, which was tested for any impairment, based on its value in use, by using present value of discrete cash flows for next three years and the present value of the terminal cash flow with the following assumptions: cost of capital 10.52%, effective tax rate 34% working capital requirement 10% of revenue and terminal cash flow growth rate of 2.5%.

(13) Intangible assets (continued)

Development costs

All capitalised development costs relate to internally developed assets in respect of new product range namely CF1500+, LCRV, new compactor and bulk volume solutions for the existing and new markets. All material, labour and overhead costs directly attributable to these projects have been capitalised.
€900,000 (2009: €387,000) of the development cost was capitalised in 2010. €264,000 of the development cost was reclassified from fixed assets in 2009. Fully developed assets are amortised over their expected useful lives, which are between five to ten years.

One of the compactor development was completed during the year and development cost relating to this asset is being amortised over ten years, its expected useful life.
Another development of Flex model (previously included in LCRV) was also completed in 2010 and the development cost relating to this asset is being amortised over ten years, its expected useful life.

(14) Property, plant and equipment

(in thousands of euros)	Reverse vending machines	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2009					
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	**3,666**	**4,670**	**2,734**	**1,241**	**12,311**
Changes to net carrying amount in 2009					
Additions	728	216	946	280	2,170
Disposals	(133)	(150)	(486)	(125)	(894)
Depreciation	(1,207)	(428)	(763)	(387)	(2,785)
Currency translation	(39)	(17)	(9)	7	(58)
Reclassifications – cost	(17,900)	(417)	(1,271)	(2,859)	(22,447)
Reclassifications - depreciation	17,900	417	1,271	2,859	22,447
Total changes in 2009	**(651)**	**(379)**	**(312)**	**(225)**	**(1,567)**
At 31 December 2009					
Cost	15,946	7,060	9,272	2,953	35,231
Accumulated depreciation	(12,931)	(2,769)	(6,850)	(1,937)	(24,487)
Net carrying amount	**3,015**	**4,291**	**2,422**	**1,016**	**10,744**
Changes to net carrying amount in 2010					
Additions	1,367	174	4,737	224	6,502
Disposals	(169)	(77)	(28)	(44)	(318)
Depreciation	(1,143)	(473)	(782)	(329)	(2,727)
Currency translation	250	80	58	40	428
Reclassifications – cost	(1,320)	(19)	(288)	9	(1,618)
Reclassifications - depreciation	1,320	19	288	(9)	1,618
Total changes in 2010	**305**	**(296)**	**3,985**	**(109)**	**3,885**
At 31 December 2010					
Cost	16,074	7,218	13,751	3,182	40,225
Accumulated depreciation	(12,754)	(3,223)	(7,344)	(2,275)	(25,596)
Net carrying amount	**3,320**	**3,995**	**6,407**	**907**	**14,629**

Plant and machinery includes €4,456,000 (2009 - €328,000) for assets which are under construction.

(15) Long term deposits

	2010	2009
	€'000	€'000
Schedule of movement		
At beginning of year	**326**	**581**
Addition	67	-
Withdrawal	-	(255)
At end of year	**393**	**326**

Other non-current assets

	2010	2009
	€'000	€'000
Deposits with Suppliers and Vendors	393	326
	393	**326**

(16) Deferred tax

	2010	2010	2010	2010	2010
	€'000	€'000	€'000	€'000	€'000
				(Charge)/credit	(Charge)/credit
	Asset	Liability	Net	profit & loss	Equity
Available profits/(losses)	167	(66)	101	(28)	-
Accelerated capital allowances	-	-	-	4	-
At 31 December 2010	**167**	**(66)**	**101**	(24)	-

	2009	2009	2009	2009	2009
	€'000	€'000	€'000	€'000	€'000
				(Charge)/credit	(Charge)/credit
	Asset	Liability	Net	profit & loss	Equity
Available profits/(losses)	135	(173)	308	825	-
Accelerated capital allowances	-	211	(211)	(27)	-
At 31 December 2009	135	38	97	798	-

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.
The taxable loss for which no deferred tax asset was recorded is €23,979,000 (2009: €20,887,000) of which €2,647,000 will expire in 2011, €1,268,000 in the years 2012 through 2015 and €20,064,000 in the years 2016 through 2028. During the year €4,000 (2009 - €135,000) of deferred taxes were recognised relating to previous year unused tax losses.

(17) Inventory

	2010	2009
	€'000	€'000
Finished goods	1,320	600
Raw material and parts	9,626	4,657
Work in progress	344	272
Provision for obsolescence	(884)	(557)
Inventory	**10,406**	**4,972**

In 2010 inventory amounted to €21,467,000 (2009 - €15,561,000) has been included in the cost of revenue.

Finished goods are valued at lower of cost and net realisable value. Cost includes material cost, direct labour and overheads. Raw material and parts are valued at lower of cost and net releasable 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.

Schedule of movement of provision for obsolescence

	2010	2009
	€'000	€'000
At beginning of period	557	390
Additions	669	557
Release of provision	(342)	(390)
At end of period	**884**	**557**

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

(18) Trade and other receivables

	2010	2009
	€'000	€'000
Trade receivables	7,168	5,856
Receivable from shareholders	3,755	5,129
Other receivables	134	662
Prepaid expenses	154	203
Trade and other receivables	**11,211**	**11,850**

Estimates of the recoverability of trade receivables are based on the most reliable evidence available at the time the estimates are made. As these estimates are continuously evaluated, it is common that in the normal course of business, circumstances that previously caused trade receivables to be impaired no longer exist resulting in reversals of impairment charges. Trade receivables are shown net of bad debt charge of €160,000 for the current year and €359,000 for 2009.

(18) Trade and other receivables (continued)

Schedule of movement of provision for bad debts

	2010	2009
	€'000	€'000
At beginning of period	1,151	813
Additions	160	359
Release of provision	(12)	(21)
At end of period	**1,299**	**1,151**

(19) Cash and cash equivalents

	2010	2009
	€'000	€'000
Cash at bank and in hand	1,037	1,096
Cash and cash equivalents	**1,037**	**1,096**

The cash balances are at free disposal of the Company except for €242,000 (2009 - €0) relating to the investment in jointly controlled assets (note 27).

(20) Shareholders' equity

Share Capital
(in thousands of euros)

	Ordinary shares		
	Nominal value A Shares	Nominal value B Shares	Total
At 1 January 2009	883	353	1,236
Conversion from Class A to Class B	(191)	191	-
At 31 December 2009	**692**	**544**	**1,236**
At 1 January 2010	**692**	**544**	**1,236**
At 31 December 2010	**692**	**544**	**1,236**

(20) Shareholders' equity (continued)

Number of ordinary shares (in thousands)	**2010**	**2009**
Class A Shares		
At 1 January	69,200	88,288
Converted to Class B shares	-	(19,088)
At 31 December	**69,200**	**69,200**
Class B Shares		
At 1 January	**54,430**	**35,342**
Coversion from Class A shares	-	**19,088**
At 31 December	**54,430**	**54,430**
Total shares at 1 January	**123,630**	**123,630**
Total shares at 31 December	**123,630**	**123,630**

Authorised share capital (in thousands of euros)	**2010**	**2009**
Ordinary Shares		
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
	4,000	**4,000**

24,407,811 of the company's Class A and Clas 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 Receipts and the Trust Office. One of the conditions stipulates that holders of the 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 originally to be paid by 31 December 2009, which has subsequently been restructured.

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 and another 2,000,000 shares in the year 2009 in Envipco representing 16.26 % of the total outstanding shares of the Company for a consideration of €5.0 million (at €0.2486 per share).

(20) Shareholders' equity (continued)

Mr Garvey has been granted a further 12,000,000 share option on 8 December 2008 at the strike price of €0.32 per share in the Company as an incentive bonus subject to key performance targets, as agreed, to be realised on a yearly basis through 31 December 2011. He had 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, had 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 have been available to the Company to fund its initiatives and business plan. This subscription is payable in instalments. The outstanding balance of €3,089,538 including interests, as of December 31, 2010 is payable as follows: €1.6 million due by 31 March 2011, followed by €1.0 million due by 30 June 2011 and the balance by 30 September 2011.
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 4,295,378 depositary receipts. The total shares and depositary receipts owned by the parties shall be as follows: Mr Alexandre Bouri 60.64%, Mr Gregory Garvey 21.52% and the employees and public 17.84%.

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

Class A ordinary shares	69,200,000
Class B Shares	54,430,336
Total	123,630,336

The voting rights are same for each class of shares.

Share options

12,000,000 share options were granted on 8 December 2008 to one of the directors at a strike price of €0.32. The underlying share price on that day was €0.2486 based on an earlier private transaction. Options are conditional on the employee remaining with the Company till 31 December 2011 (the vesting period) and can vest sooner if the Company meets targets regarding EBITDA or stock market value. Up to 4,000,000 options are exercisable in each of the years 2009, 2010 and 2011 if certain targets are met. The options expire on 31 March 2012. The options will be settled in equity. As of 31 December 2010 none of the share options are vested.

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.

	2010	2009
Outstanding at 1 January	12,000	12,000
Granted during the period	-	-
Exercised during the period	-	-
Outstanding at 31 December	**12,000**	**12,000**

The share option charge for the year amounted to €378,000 (2009 - €378,000).

(20) Shareholders' equity (continued)

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 include the 2010 net result to 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.

(21) Non-current liabilities

	2010	2009
	€'000	€'000
Borrowings	**4,534**	**3,247**

	2010	2009
	€'000	€'000
Other liabilities	60	109
	60	**109**

Borrowings

	2010	2009
	€'000	€'000
Sorepla Industrie S.A. entered into various secured and unsecured borrowing agreements with various parties totaling €4,407,000 (2009 - €3,023,000) with maturity dates ranging from 2011 to 2018. €2,741,000 of the debt is secured by the assets under finance leases (see note 25) and €1,227,000 is secured by fixed and floating charges on other assets.	4,407	3,023
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 baloon 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.	1,291	1,229
Others	63	-
Total	**5,761**	**4,252**

Future payments under long term borrowings	2010	2009
	€'000	€'000
Current	1,227	1,005
Due between 2 to 5 years	3,994	3,247
> 5 years	540	-
Total borrowings	**5,761**	**4,252**

(21) Non-current liabilities (continued)

Schedule of movement	2010	2009
	€'000	€'000
At beginning of period	4,252	5,117
Increase	1,409	209
(Decrease)	-	(1,054)
Translation effect	100	(20)
At end of period	**5,761**	**4,252**

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.

	2010	2009
	€'000	€'000
Un-amortised balance	**61**	**109**

(22) Other current liabilities

	2010	2009
	€'000	€'000
Provisions	25	25
Tax and social security contributions	918	629
	943	**654**

(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 2010, expenses related to defined contribution plans amounted to €41,000 (2009: €27,000).

(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 hedge will terminate with the term loan on 15 May 2014. The increase/(decrease) in the value of interest rate swap agreement is recognised as an adjustment to accumulated other comprehensive income/(loss). At 31 December 2010 the fair value of the interest rate swap was a liability of approximately €175,000 (2009 - €146,000) and is included in long-term liabilities and as part of accumulated other comprehensive income/(loss). The Company does not issue or hold derivative contracts for speculative purposes. The movement does not relate to any changes in the credit risk.

(24) Derivative financial instruments (continued)

Interest rate swap – cash flow hedge	2010		2009	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Opening balance	-	146	-	217
Change in value	-	16	-	(67)
Translation adjustment	-	13	-	(4)
Closing balance	**-**	**175**	**-**	**146**

(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 2010 and 2009 were as follows:

	2010	2009
	€'000	€'000
Current	552	359
Between 2 to 5 years	1,463	510
	2,015	**869**

The leases relate to buildings, plant and equipment, office machines and vehicles. Rent expenses for the year ended 31 December 2010 were approximately €448,000 (2009: €404,000).

Operating lease commitments-where a Group company is the lessor

The future minimum lease payments receivable under non-cancellable RVM operating leases as of 31 December 2010 and 2009 were as follows:

	2010	2009
	€'000	€'000
Current	1,418	1,861
Between 2 to 5 years	1,894	1,980
	3,312	**3,841**

Lease revenues from RVMs for the year ended 31 December 2010 were approximately €3,312,000 (2009 - €3,841,000).

Finance lease commitments-where a Group company is the lessee

	2010		2009	
	Buildings €'000	Plant €'000	Buildings €'000	Plant €'000
Current	272	575	270	228
Between 2 to 5 years	366	1,498	450	449
Over 5 years	70	245	135	-
	708	**2,318**	**855**	**677**
Carrying value at 31 December	1,359	3,716	1,507	1,382

(25) Commitments and contingencies (continued)

Other commitments

Under the joint venture fully described under Note 27, the Group's share of contribution is expected to be around €504,000 until the expected remaining period of the pilot project .

The French subsidiary Sorepla agreed to invest about €5,500,000 into a process to produce food grade approved recycled Pet. As of December 31, 2010 €3,716,000 has already been invested and showed as plant capital expenditure. There are commitments for the balance of the investment with suppliers of the required equipments which will be met during the first half of 2011.

Legal proceedings

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

The Group sold its helicopter business to ITP during 2008 and as part of its sale, the buyer agreed to pay additional earn-outs based upon certain conditions. ITP is in default of their agreement and the Group is proceeding with legal actions against ITP to obtain the required information to compute these earn-outs. The Group has not recognised any earn-out proceeds as at 31 December 2010. ITP is alleging that the seller owes up to $750,000 which management strongly disputes and will vigorously defend and is of the belief that these are frivolous claims. Consequenly no provisions are made in the financial statements.

The US subsidiary entered into a law suit against Tomra North America Inc and Tomra Systems ASA for alleged antitrust and unfair trade practices. The process is ongoing and damages are expected to be claimed for these alleged acts. Legal expenses are charged to the income statement when incurred. No provisions for damages have been taken. Typically the nature and complexities of these types of law suits take years for the court process to give its ruling. Envipco remains committed to ending Tomra's anti competitive behavior and ensuring fair access to markets as it continues with the introduction of innovative reverse vending technologies.

The French subsidiary Sorepla is in dispute with one of its suppliers for breach of its supply contract. In excess of €2.75 million is being claimed by Sorepla as compensation. Due to the uncertainty of the amount no provision for such claims have been accrued in the accounts.

Envipco Holding N.V. owns certain intellectual property rights on the applications and secured readings of security ink applied on beverage containers which are subject to deposits in certain deposit mandated countries. The Company believes that DPG Deutsche Pfandsystem GmbH "DPG" and other parties are infringing its IP rights. Envipco initiated legal proceedings against DPG and other parties in the German court. The matter is in progress. Envipco expects an eventual positive outcome. However, no potential income has been recognised in the financial statements.

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) Related party transactions

Transactions and relations with the shareholders are explained in note 20. Under Book 2 of the Netherlands Civil Code the receivable from the majority shareholder was restructured (refer to note 20 for further details). The key management personnel comprised of the management board (refer to note 9 for further details). €125,000 of interest was charged on the outstanding balance in 2010 from Mr Alexandre Bouri.

(26) Related party transactions (continued)

Group companies enter into transactions with each other in the normal course of business. These transactions are eliminated on consolidation. Net research and development costs of €1,623,000 was incurred on behalf of other group subsidiaries by the parent company. The group companies charge interest on intercompany loans. No interest is charged on the intercompany current account balances. The parent company also charges head office expenses to its subsidiaries, although no charge was made to its German subsidiary for the years 2009-10.

The Group companies had following intra-group transactions:

	2010	2009
	€'000	€'000
Goods and services	1,326	2,074
Other charges and services	396	475
Research and development	1,623	1,293
	3,345	**3,842**

(27) Jointly controlled assets

Environmental Products Corporation, a US subsidiary, executed an agreement on 22 December 2009 for the evaluation and pilot of innovative recycling concepts in selected US non-deposit markets. The pilot will employ new proprietary technology developed by Envipco for large scale collection of PET and aluminum beverage containers. According to IAS 31 the investment has been treated as Jointly controlled assets. During the year the group invested €881,000, its share of capital contribution based on 50:50 ownership for this pilot operation. The group's share of expenses in 2010 amounted to €265,000 (2009 - €60,000). The group's share of results and assets have been consolidated in these financial statements. The group's share of equity at the balance sheet date amounted to €616,000.

(28) Post balance sheet events

In January 2011 two of the US subsidiaries signed a credit facility with TD Bank NA, consisting of Term loan and Line of credit. The total $7.5 million credit facility includes $5.0 million of Line of Credit subject to monthly borrowing base. The company has provided a corporate guarantee and subsidiaries assets as collateral and agreed to inject $1.8 million of additional capital into one of the borrowing subsidiaries.

Separate Company Balance Sheet as at 31 December — Envipco

Before proposed appropriation of result

(in thousands of euros)

	Note	2010		2009	
Assets					
Fixed assets					
Intangible assets	(B)	2,668		1,814	
Financial fixed assets	(C)	11,435		7,145	
Loans to group companies	(D)	438		2,839	
			14,541		11,798
Current assets					
Receivables	(E)	3,781		5,271	
Cash		451		104	
			4,232		5,375
Total assets			**18,773**		**17,173**
Equity and liabilities					
Shareholders' equity	(F)				
Share capital		1,236		1,236	
Share premium		46,778		47,632	
Legal reserve		2,138		1,284	
Retained earnings		(35,720)		(36,390)	
Translation reserve		2,220		1,790	
			16,652		15,552
Provisions					
Non-current liabilities					
Provisions for Consolidated Group Companies			883		1,025
Loans from group companies	(H)		733		-
Other non-current liabilities	(I)		63		-
Current liabilities					
Creditors and other liabilities		442		596	
			442		596
Total equity and liabilities			**18,773**		**17,173**

Separate Company Income Statement for the Year Ended 31 December — Envipco

Before proposed appropriation of result

(in thousands of euros)

	2010	2009
Result from Group companies after income taxes	1,664	(1,199)
Other results after income taxes	(1,355)	(1,589)
Net result	**309**	**(2,788)**

(A) General information

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

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

Composition of shareholders' equity

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

(B) Intangible assets

(in thousands of euros)	Patents & licenses	Development costs	Total
At 31 December 2009			
Cost	560	1,307	1,867
Accumulated amortisation and impairment	(30)	(23)	(53)
Net carrying amount	**530**	**1,284**	**1,814**
At 31 December 2010			
Cost	590	2,206	2,796
Accumulated amortisation and impairment	(60)	(68)	(128)
Net carrying amount	**530**	**2,138**	**2,668**

(C) Financial fixed assets

	2010	**2009**
	€'000	€'000
At beginning of the year	7,145	8,456
Investments	2,302	(13)
Treasury shares	(6)	(6)
Results of the group companies for the year	1,664	(1,199)
Exchange differences	330	(93)
	11,435	**7,145**

(D) Loans to group companies

	2010	**2009**
	€'000	€'000
At beginning of the year	2,839	2,079
Addtions/redemptions of loans	(2,401)	760
	438	**2,839**

The receivables include subordinated amount of €275,000 from the German subsidiary.

(E) Receivables

Receivables include outstanding balance of €3,755,000 including interests from Mr Alexandre Bouri, as of December 31, 2010 which is payable as follows: €1.6 million due by 31 March 2011, followed by €1.0 million due by 30 June 2011 and the balance by 30 September 2011. The interest rate charged is Euribor plus margins of 1%-2%. All receivables are due within 12 months.

(F) Shareholders' equity

At the General Meeting of the Shareholders of 27 April 2010, the Company's shareholders approved that the 2009 net results of the Company be transferred to the retained earnings.

Refer to Consolidated statement of changes in equity and Note 20 Shareholders' equity of the Company's consolidated financial statements for further information regarding the Company's shareholders' equity. Transactions and relations with the shareholders are explained in Note 20. Under Book 2 of the Netherlands Civil Code the receivable from the majority shareholder was restructured (refer to Note 20 for further details). €125,000 of interest was charged on the outstanding balance in 2010.
According to Book 2 of the Netherlands Civil Code, the company is required to restrict part of its equity from distribution to shareholders, by forming a legal reserve equal to the amount it has capitalised for development costs. The equity enclosed in this legal reserve is not at the disposal of the General Meeting of Shareholders. Therefore, this amount cannot be distributed to shareholders until the capitalised development costs have been recognised in the profit and loss account. The capitalised development costs as at 31 December 2010 amount to €2,138,000. A legal reserve equalling this amount has been created in 2010 by decreasing the share premium reserve with this amount. In note 20 on the IFRS consolidated financial statements the legal reserve is included in the share premium reserve. The comparative information has been adjusted to reflect this change.

(G) Subsidiaries and affiliates of Envipco

All inter-company transaction balances have been eliminated in consolidation.

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

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%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Posada Holding B.V. – Amsterdam, The Netherlands – 100%
Tek-O-Matic Enterprises Inc., Quebec, Canada – 74%
Recypac Inc., Quebec, Canada – 100%
Aeromaritime Mediterranean Corporation, Delaware, U.S.A. – 100%

(H) Loans from group companies

	2010	2009
	€'000	€'000
At beginning of the year	-	-
Additions/redemptions of loans	733	-
	733	**-**

(I) Non-current liabilities

Borrowings

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

(J) Remuneration of the Board of Management

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2010 was €977,000 (2009 - €839,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Other short term benefits	Social cost	Pension	Share based payments	Total
2010						
B. Santchurn	272	68	21	4	-	365
C. Crepet	118	-	24	11	-	153
G. Garvey	53	-	-	-	378	431
T.J.M. Stalenhoef	18	-	-	-	-	18
G. Lefebvre	10	-	-	-	-	10
A.Bouri	-	-	-	-	-	-
D. D'Addario	-	-	-	-	-	-
Total	471	68	45	15	378	977
2009						
B. Santchurn	190	-	14	3	-	207
C. Crepet	125	-	61	-	-	186
G. Garvey	42	-	-	-	378	420
T.J.M. Stalenhoef	16	-	-	-	-	16
G. Lefebvre	10	-	-	-	-	10
A.Bouri	-	-	-	-	-	-
D. D'Addario	-	-	-	-	-	-
Total	383	-	75	3	378	839

(K) Research and developments costs

During the year research and development costs of €963,000 (2009: €1,293,000) were expensed, Amsterdam, 13 April 2011

w.s. Mr. Gregory Garvey (Chairman)

w.s. Mr. Alexandre Bouri

w.s. Mr. Bhajun Santchurn

w.s. Mr. Dick Stalenhoef

w.s. Mr. David D'Addario

w.s. Mr. Guy Lefebvre

w.s. Mr. Christian Crépet

(L) Events after the balance sheet date

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

(M) 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 depositary receipts for such shares.

11 Shares or depositary 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.

(N) Appropriation of result for the financial year 2009

The annual report 2009 was determined in the General Meeting of Shareholders held on 27 April 2010. The General Meeting of Shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

(O) 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.

(P) Proposed appropriation of loss for the financial year 2010

The Board of Directors proposes that the profit for the financial year 2010 amounting to €297,000 will be added to the retained earnings. The financial statements do reflect this proposal.

(Q) Special statutory voting rights

Rights are connected to all shares for the binding nomination of directors. The "Stichting Envipco Trust / Foundation at Amsterdam" holds 4,295,378 of the Class B shares. The voting rights are the same for each class of shares.

(R) Auditor's report

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2010 of Envipco N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2010 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at December 31, 2010 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 Dutch Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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

Amstelveen, 13 April 2011

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

w.s. O. van Agthoven RA

RA 19061