Envipco
Annual Report 2005

Annual Report **Page**

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The 2005 financial year has become a turning point for the Envipco Group. While we have been frustrated by the delays in reporting the 2005 audited results under IFRS (our first year of implementation), we are very pleased with the progress the Group is making. The group saw revenues increase by €8.4 million to €52.6 million (including revenues of discontinued operations), an increase of 19%, while EBITDA for 2005 stood at €5.7 million compared with €0.2 million in 2004. Net Earnings before income taxes was €1.3 million compared to a loss of €4.2 million for the previous year.

All of our business segments are performing well and progress continues to be made. Sorepla, the plastic recycling unit showed very strong results during the year due to higher prices and strong demands. Because of a down turn in this industry, and lower selling prices during 2006, we expect the impact on our margins to be certainly affected. We, however expect this to be short term. We have acquired additional land to further expand our capacity and anticipate to make additional investment in excess of €1.0 million in extrusion and other equipment to obtain added value end products. We are also considering an investment of between €5 and €7 million in a FDA approved bottle to bottle line. Lines of credit for this project have been already approved by the banks. Once completed, this unit will continue to show strong performance. This proven concept shall then be expanded to other places.

The helicopter maintenance business also showed net profit of €0.5 million before taxes. As this business unit does not fit into our growth and expansion strategies, it has been earmarked for sale which is expected to happen during 2007/08.

The Reverse vending machines and related business continue to improve. We have reduced losses of €3.2 million in 2004 to €0.7 million in 2005. With the market share increase in the US market, we are looking to achieve break-even during 2006 and profitability thereafter. New markets are being opened in which Envipco is taking leadership position. Such markets are expected to support substantial growth to this unit.

We are continuing with our efforts on containing costs and expect the full benefits to accrue during the 2007 financial year. Our main focus and objectives for 2006 shall be to maintain the positive momentum while strengthening the balance sheet. We have almost completed our foundation for success in the years to come.

I again ask for your continued patience and ask that you view this investment as medium to long term to be able to realize its full potential. To all our employees, my personal thanks for all the joint team work.

Gool B Santchurn
Chairman & CEO

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 North East part of the USA, for containers that are subject to deposits mandated by law.
- The processing of used PET and HDPE plastics for recycling
- Operating authorized helicopter maintenance centers for Rolls Royce Allison, Bell Helicopters, Textron, HR Textron and Honeywell in the United Kingdom, Malta and USA. In March 2006 the managing board has earmarked this business unit for disinvestment as it does not fit within the strategy of the Group.

Financial results

The 2005 results confirm a major shift to profitability. While the group revenues soared by about 19% to €52.6 million (including discontinued operations), the EBITDA (Earnings before interest, taxes, depreciation and amortisation) jumped from €0.2 million in 2004 to €5.7 million in 2005. The group realized net profit before taxes of €1.3 million compared with net losses of €4.2 million during the previous year. Included in the above results for 2005 is a profit of €0.5 million generated from the helicopter maintenance group which is treated as investment held for resale. While the RVMs and materials handling revenues have increased marginally all business units have shown strong improvements.

Review of Operations

Reverse vending machines and materials handling

This segment of business generated revenues of €13.4 million during 2005 compared to €12.8 million in 2004, an increase of about 5%. In USD terms, the revenues increased by 5% mainly due to the increased volume of containers processed by our Machines, mainly in the US markets. Gross profit margins on average rose to 19.2% compared to 16.8% during 2004. The cost reduction initiatives significantly impacted the results, reducing the losses on this business unit from €3.2 million to €0.7 million.

These improvements are expected to continue and have a positive impact on the results of future years. In addition, several other projects including an expansion of the materials handling, have been initiated which are also expected to support our growth strategy. New markets are also being opened in non legislated deposit markets which are expected to enhance our profitability in the medium to long term.

Plastic Recycling

Sorepla, with its main facility at Neufchateau, France has a capacity of 60, 000 metric tonnes which makes it as one of the biggest plastic recyclers in Europe. This business unit has shown a 10 year consecutive growth in revenues to €19.1 million during 2005 compared to €13.7 million in 2004, representing an increase of 39%. Production capacity also increased by 10%, when compared to the previous year. The profit before taxes during 2005 stood at €2.4 million compared to €0.7 million in 2004. The group benefited from high virgin PET prices due to surging demands from China. This strong demand has brought new competitors in the market which put pressure on the raw materials

costs which in turn will impact the 2006 results. However, Sorepla is expanding its processes to add new equipments to create added value products which shall give it stability in its performance. The company incurred capital investment of €1.0 million in 2005 and another €1.0 million has been earmarked for land acquisition during 2006. The company will in the next few years, be investing in a bottle to bottle technology process which will create a bigger market for its products at higher margins.

Helicopter maintenance Business

Revenue rose by €2.5 million during 2005, an increase of 15% when compared to 2004 due to an increase in the activity in our US business due to further consolidation in this industry. The loss before tax incurred in 2004 of €1.4 million was turned into a profit of €0.5million during 2005. Although the company expects to maintain its profitability the managing board has decided to put this unit for sale as it does not fit within the Group strategy. This unit is expected to be sold during 2007/08 which shall bring substantial cash to fund and accelerate the group new initiatives and investment plan, including new equipments and market development.

Directors and their interests

The Directors and their interests in the share capital of the Group were as follows:

	Ordinary shares represented by Depository Receipts	
	December 31	
	2005	**2004**
Dr. Theodor Leipold (*)	-	441,681
Mr. Christian Crépet	-	-
Mr. Bhajun Santchurn	-	-
Mr. Guy Lefebvre	-	-
Mr. Neil Turpie	-	-
Mr. Hugues Letellier (**)	-	-

There are no contracts of significance between the Group and any of the Directors.

(*) Dr. Theodor Leipold resigned from the Board as a director on 3rd February 2005
(**) Mr. Hughes Letellier was appointed to the board on 20 May 2004.

Salaries and remuneration

The Board of Directors received remuneration totaling €390 and €363 during 2005 and 2004 respectively.

Substantial shareholding

The Group has been notified of, or is aware of the following interests at 31st of December 2005 and 2004, representing 3 per cent or more of the Group's issued share capital.

	December 31			
	2005		2004	
	Number of Shares	Percentage	Number of Shares	Percentage
Mediterranee Investment Bank	-	-	970,000	3.97%
Megatrade International SA	1,294,125	5.30%	-	-
Banque Saradar	1,702,022	6.97%	1,702,022	6.97%
A.F.Bouri	14,056,182	57.59%	14,056,182	57.59%

International Financial Reporting Standards (IFRS)

Effective 1st January 2005, under the European directive, the financial statements are to be prepared using the IFRS instead of the local Accounting Principles. The 2004 statements have been prepared under the Dutch GAAP. However, the management has decided to implement the IFRS on 2005 financial reports. All the subsidiaries of the group have been instructed to prepare 2005 financial statements using the IFRS. They are also required to report the applicable material differences between the local GAAP and IFRS.

Delayed audited results

The audit of the consolidated financial statements of Envipco Holding NV and its consolidated subsidiaries for the year ended December 31, 2005 have been delayed until now mainly due to the delayed finalisation of the 2004 audit. Also it took longer than expected for the group subsidiaries to convert their respecting financials from local GAAP to IFRS.

Corporate Governance

On December 9, 2003, the Dutch Corporate Governance Committee published the Dutch Corporate Governance Code ("Code") with principles of good corporate governance and best practice provisions. The Code has come into effect from January 1, 2004. Envipco Holding NV, due to its current size and additional expenses required in adopting and implementing these codes, has decided to defer its implementation during the next 2-3 years. The company currently operates solely as one-tier management board and has no supervisory board.

Post balance sheet events

Details of the post balance sheet events are given in Note 29 of the Notes to the consolidated financial statements. A bank debt restructuring agreement was signed by a US subsidiary with its principal lender as of 30 June 2004 and again on 8 March 2006 to restructure its existing debt. The full details have been given in Notes 22 and 29.

The management reached an agreement with the majority shareholder to convert his €17.3m debt to equity by increasing the share capital. Following a resolution at the general meeting of the shareholders and depository receipt holders, held on 10 March 2006, the company's share capital has been increased by €17.3m by issuing 69,200,000 new shares. Further details are given in Note 29 of the Notes to the consolidated financial statements.

Secretary of the Board
27 April 2007

(all amounts in thousands of euros)

	Note	2005		2004	
Revenue	(5)	33,056		27,085	
Cost of revenue		(22,256)		(18,438)	
Leasing depreciation		(1,586)		(1,683)	
Gross profit			**9,214**		**6,964**
Selling expenses		(482)		(607)	
General and administrative expenses	(6)	(7,134)		(9,245)	
Operating result			**1,598**		**(2,888)**
Other income	(7)	640		92	
Other costs	(8)	(130)		(498)	
Interest expense		(1,050)		(890)	
Interest income		328		35	
Exchange gain		(493)		1,207	
Result before taxes			**893**		**(2,942)**
Income taxes	(10)		(765)		(187)
Net result from continuing operations			**128**		**(3,129)**
Net result from discontinued operations	(28)		456		(1,258)
Net results after tax			**584**		**(4,387)**
Minority interest			42		(4)
Net result			626		(4,391)
Attributable to					
Ordinary shareholders			626		(4,391)
Earnings/(loss) per ordinary share from continuing operations	(11)				
► Basic			0.01		(0.13)
► Fully diluted			0.01		(0.13)
Earnings/(loss) per ordinary share from total operations	(11)				
► Basic			0.03		(0.18)
► Fully diluted			0.03		(0.18)
EBITDA			5,749		244

(in thousands of euros)

	Note	2005		2004	
Assets					
Non-current assets					
Intangible assets	(12)	150		126	
Property, plant and equipment	(13)	14,178		12,951	
Other non-current assets	(14)	866		1,130	
Deferred income tax assets	(15)	269		222	
Total non-current assets			15,463		14,429
Current assets					
Cash and cash equivalents	(16)	897		145	
Trade and other receivables	(17)	8,264		5,946	
Inventory	(18)	5,560		4,097	
		14,721		10,188	
Assets of discontinued operations held for sale	(28)	14,242		12,156	
Total current assets			28,963		22,344
Total assets			**44,426**		**36,773**

(in thousands of euros)

	Note	2005		2004	
Equity	(19)				
Share capital		244		244	
Share premium		25,145		25,145	
Translation reserve		515		(53)	
Retained earnings		(30,233)		(30,634)	
Total equity			(4,329)		(5,298)
Minority interest	(20)		-		258
Provisions	(21)		1,150		749
Liabilities					
Non-current liabilities	(22)				
Borrowings		26,557		24,994	
Other liabilities		771		961	
Total non-current liabilities			27,328		25,955
Current liabilities					
Borrowings	(22)	2,163		1,996	
Trade creditors		9,655		6,862	
Accrued expenses		1,881		1,728	
Other current liabilities	(23)	1,532		609	
		15,231		11,195	
Liabilities directly associated with discontinued operations held for sale	(28)	5,046		3,914	
Total current liabilities			20,277		15,109
Total liabilities			48,755		42,071
Total equity and liabilities			**44,426**		**36,773**

(in thousands of euros)

	Note	2005		2004	
Cash flow (used in) / provided by operating activities					
Operating result		1,598		(2,888)	
Interest income		328		35	
Finance costs		(1,050)		(890)	
Income taxes		(765)		(187)	
Depreciation of property, plant & equipment		3,636		3,593	
Other income		640		317	
			4,387		(20)
Decrease/(increase) in trade and other receivables		(4,404)		(8,651)	
Decrease/(increase) in other current assets		(1,463)		6,276	
Increase/(decrease) in provisions	(21)	401		427	
Increase/(decrease) in trade and other creditors		5,168		4,685	
Increase/(decrease) in other current liabilities		-		-	
			(298)		2,737
Cash flow (used in)/ provided by operating activities			**4,089**		**2,717**
Cash flow (used in)/provided by investing activities					
Acquisition of consolidated subsidiary		1,872		-	
Capital expenditures on property, plant and equipment		(5,304)		(5,730)	
Cash flow (used in)/ provided by investing activities			**(3,432)**		**(5,730)**
Cash flow (used in)/provided by financing activities					
Net drawings under credit facility					
Proceeds from/(repayments of)borrowings		1,373		529	
Cash flow (used in)/ provided by financing activities			**1,373**		**529**
Net cash flow for the period			**2,030**		**(2,484)**
Exchange rate differences		(1,734)		833	
Cash flow from not consolidated subsidiaries		456		325	
			(1,278)		1,158
Changes in cash and cash equivalents, net of bank overdrafts for the period	(16)		**752**		**(1,326)**
Opening balance cash and cash equivalents			145		1,471
Closing balance cash and cash equivalents			897		145

(in thousands of euros)

	Share capital	Share premium	Retained earnings	Other reserves	Translation reserve	Equity
Balance at 1 January 2004	**244**	**25,145**	**(26,256)**	**-**	**214**	**(653)**
Net result	-	-	(4,391)	-	-	(4,391)
Currency translation adjustment	-	-	-	-	(267)	(267)
Other movements	-	-	13	-	-	13
Balance at 31 December 2004	**244**	**25,145**	**(30,634)**		**(53)**	**(5,298)**
Net result	-	-	626	-	-	626
Currency translation adjustment	-	-	-	-	568	568
Other movements	-	-	(225)	-	-	(225)
Total recognized income for the year ended 31 December 2005	-	-	401	-	568	969
Balance at 31 December 2005	**244**	**25,145**	**(30,233)**	**-**	**515**	**(4,329)**

(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 two sectors; Recycling and Helicopter Engine Maintenance.

Recycling remains the core business of the Company in which it

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

The Company acquired Posada Holding B.V. in August 1999, which operates through its subsidiaries in approved helicopter maintenance centers in the USA, Malta and UK for Agusta, Bell, HR Textron, Honeywell/Allied Signal, Parker Stratoflex, Robinson and Rolls-Royce Allison.

These Financial Statements have been authorized for issue by the Board of Management on 27 April 2007 and are subject to approval by the shareholders at the Annual General Meeting of Shareholders.
All amounts are stated in thousands of euros unless stated otherwise.

Deposit redemption programmes

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

Plastics processing programme

The Company operates 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 fiber 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 (IFRS) as adopted by the European Union. These consolidated financial statements are the first Envipco financial statements to be prepared in accordance with IFRS.
The policies set out below have been consistently applied to all the years. The Group has taken the exemption available under IFRS 1 *First time adoption of IFRS* to apply International Accounting Standard 32 *Financial Instruments: Disclosure and Presentation* (IAS 32). The Group elected to apply early adoption of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* As these consolidated financial statements are the first to be prepared in accordance with IFRS, there is no impact to the Group's accounting policies. The group has not applied early adoption of the following new IFRS accounting standards which have been issued but are not yet effective: IFRS7 *Financial Instruments:* dealing with disclosures, which will become effective in 2007, IFRIC 4:

Determining where an Arrangement contains a Lease, which will become effective in 2006, and amendments to International Accounting Standard 19 *Employee Benefits:* dealing with amendments relating to Actuarial Gains and Losses, Group plans and Disclosures (IAS 19), which will become effective in 2006. The effect of application of the new and amended accounting standards has not yet been assessed.

The Group's consolidated financial statements until 31 December 2004 had been prepared in accordance with generally accepted accounting principles in The Netherlands (Dutch GAAP).
Dutch GAAP differs in certain respects from IFRS. As a result, management has amended certain accounting and valuation methods applied in the Dutch GAAP financial statements to comply with IFRS. The 2004 comparative figures have been restated to reflect these adjustments.
Reconciliations and descriptions of the effect of the transition from Dutch GAAP to IFRS on the Group's equity and its net result are presented in Notes to the consolidated financial statements (note 4).

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.

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

Consolidation

Subsidiaries

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

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

Minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any of their unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

The Group's interests in jointly controlled entities are generally equity accounted for in its financial statements. Where there is an increase of ownership to more than 50%, then up to the date of the acquisition the results are equity accounted for and after the date of the increased ownership the results are consolidated.

Discontinued operations

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

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

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

Segment reporting

A geographical segment is engaged in providing services and products within a particular economic environment, that are subject to risks and returns, that are different from those of segments operating in other economic environments. This coincides with the Group's internal organizational and management structure and its internal financial management reporting system. A business segment is a group of operations engaged in providing services or products that are subject to risks and returns that are different from those of other business segments.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency. Transactions and cash flows in foreign currencies are translated into the functional currency at the rate prevailing when the transaction took place. Related exchange rate differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the income statement.

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

Revenue recognition

General

Group revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, allowances for credit notes likely to be sent out, other revenue reducing factors, and after eliminated sales within the Group.
The Group recognizes revenue when the amount of revenue can be reliably measured, collectability is reasonably assured and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies related to the sale have been resolved. When revenue recognition involves the use of estimates, the Group bases its estimates on historical results taking into consideration the type of client, the type of transaction and the specifics of each arrangement.

Services

The Group's primary services 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 recognized at the contractual rates as labour hours are delivered and direct expenses are incurred. Revenue from fixed-price contracts involving manage services is generally recognized 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 recognized when the product is delivered to the client and when there are no unfulfilled obligations that affect the client's final acceptance of the arrangement. Delivery does not occur until products have been shipped, risk of loss has transferred to the client and client acceptance has been obtained, client acceptance provisions have lapsed, or the Group has objective evidence that the criteria specified in the client acceptance provisions are either perfunctory or have been satisfied.

Cost of revenue

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

Leases

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

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

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

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

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
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 recognized for the amount by which the goodwill of a cash generating unit exceeds the recoverable amount of that segment.
The recoverable amount is the higher of the cash generating unit's fair value less costs to sell and value in use. The Group identified its cash generating units as countries as they are the lowest level at which goodwill is monitored. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Trade names and customer relationships are acquired intangible assets and are measured initially at their fair values at the acquisition date. They are amortized using the straight-line method based on the estimated useful lives of such assets. Computer software represents purchased software licenses valued at historical cost less accumulated amortization and direct costs to develop software internally. These costs are amortized over the estimated useful life of the software. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

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

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 recognized initially at fair value, which is generally face value, less an impairment allowance for credit losses when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Inventory
Product inventory is valued at the lower cost or net realizable value. Net realizable 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 realizable value. Appropriate consideration is given to excessive inventory levels, product deterioration and other factors when establishing the net realizable value.

Equity
From 1 January 2004 onwards
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
From 1 January 2004 to 31 December 2004
Borrowings are recognized at their nominal value. Transaction costs are capitalized and amortized on a straight-line basis over the period of the borrowings.

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 recognized as interest expense.

From 1 January 2005 onwards
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

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

Borrowing costs are recognized as interest expenses.

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

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

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

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

(3) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including estimates and assumptions concerning the future that are believed to be reasonable under the circumstances. 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 recognizes 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 utilized (note 15).

Goodwill impairment testing
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on intangible assets stated in note 2. Goodwill is tested for impairment based on value-in-use calculations. These calculations require estimates (note12).

Discontinued operations valuation
Assets and associated liabilities of discontinued operations are valued at the book value.

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

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to exchange rate fluctuations. Exposure to currency risks arises primarily when receivables and payables are denominated in a currency other than the operating company's local currency. In addition, the Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the UK pound, the Japanese yen, the Maltese pound.

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

Credit risk
Credit risk arises from the possibility of asset impairment occurring because counterparties are not able to meet their obligations in transactions involving financial instruments. 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. 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. Credit losses, when realized, have been within the range of management's impairment provision for credit losses. Cash and cash equivalents are held with reliable counterparties.

Liquidity risk
Liquidity risk arises from the possibility that the
Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(4) Transition to IFRS

General
The Group's consolidated financial statements for the year ended 31 December 2005 are the first annual financial statements that comply with IFRS. The Group's transition date is 1 January 2004. The Group prepared its opening IFRS balance sheet at that date. The Group's IFRS adoption date is 1 January 2005. As a result of the finalisation of the transitions to IFRS, comparative figures can deviate from previously reported Dutch GAAP figures.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

Reconciliation of the cash flow statement for the year ended 31 December 2004
As a result of recognizing various IFRS transition adjustments, certain amounts in the 'Cash flow used in operation activities' are reported differently under IFRS than they were under Dutch GAAP. These changes however, had no impact on the total amount reported as 'Cash flow used in operating activities.'

Reconciliation of the income statement for the year ended 31 December 2004	*Notes	Dutch GAAP	Effect of transition to IFRS	Effect of re-presentation *A	IFRS
Revenue	*2	44,263	(131)	(17,047)	27,085
Cost of revenue	*2	(35,826)	1,633	14,072	(20,121)
Gross profit		8,437	1,502	(2,975)	6,964
Selling expenses		(859)	4	252	(603)
General and administrative expenses	*2	(11,698)	(1,209)	3,651	(9,256)
Amortization of goodwill	*1/*2		7	-	7
Operating result		(4,120)	304	928	(2,888)
Interest income	*2	67	(29)	(3)	35
Exchange gains and losses	*2	557	197	453	1,207
Finance costs	*2	(983)	(208)	301	(890)
Other costs	*2	(336)	(162)		(498)
Other income	*2	272	75	(255)	92
Result before taxes		(4,543)	177	1,424	(2,942)
Income taxes	*2	(41)	20	(166)	(187)
Net result from continuing operations		**(4,584)**	**197**	**1,258**	**(3,129)**
Net result form discontinued operations		-	-	-	(1,258)
Net result		**(4,584)**	**197**	**-**	**(4,387)**
Minority	*2	5	(9)		(4)
Attributable to:					
Ordinary shareholders		(4,579)	188	-	(4,391)

Notes to the Reconciliation of income statement for the year ended 31 December 2004

[*1)] **Goodwill amortization**
Under Dutch GAAP, the Group amortized goodwill under the straight-line method based on its estimated useful life of up to 20 years. Under IFRS, goodwill is not amortized but is tested annually for impairment. Accordingly, goodwill amortization of €7 is reversed.

[*2)] **Effect of IFRS adjustments**
Adjustments were made to various items, including re-class of certain items, to comply with the IFRS requirements. The net impact to the Group's income statement as a result of such adjustments was as follows:

Revenue	(€131)
Cost of sales	€1633
Operating expenses	(€1205)
Goodwill	€7
Interest expense	(€208)
Interest income	(€29)
Exchange difference	€197
Other income	€75
Other costs	(€162)
Taxation	€20
Minority	(€9)
	€188

[*A)] **Effect of re-presentation**
In 2005, the Company reported the results of its helicopter engine maintenance operating group as a discontinued operation. Accordingly, the 2004 income statement has been re-presented to conform to the 2005 presentation.

Reconciliation of equity at 1 January 2004	*Notes	Dutch GAAP	Effect of transition to IFRS	IFRS
Assets				
Non-current assets				
Intangible assets	*2	1,211		1,211
Property, plant and equipment		13,091	27	13,118
Deferred income tax assets	*1	-	214	214
Other non-current assets		334		334
		14,636	241	14,877
Current assets				
Cash and cash equivalents	*1	1,477	(6)	1,471
Trade and other receivables	*1/*3	9,540	(124)	9,416
Inventory		10,373	-	10,373
		21,390	(130)	21,260
Total assets		**36,026**	**111**	**36,137**
Equity				
Share capital		244	-	244
Share premium		25,145	-	25,145
Translation reserve		214	-	214
Retained earnings	*3	(26,256)	117	(26,139)
Shareholders' equity		(653)	117	(536)
Minority interest		253	-	253
Total equity		(400)	117	(283)
Liabilities				
Non-current liabilities				
Borrowings		25,388	(964)	24,424
Provision for liabilities and charges		714	(41)	673
Deferred taxation	*1	-	41	41
Other non-current liabilities		-	964	964
		26,102	-	26,102
Current liabilities				
Borrowings	*1	-	84	84
Trade, other creditors and accruals	*1	10,324	(844)	9,480
Tax and social security	*1	-	754	754
		10,324	(6)	10,318
Total liabilities		36,426	(6)	36,420
Total equity and liabilities		**36,026**	**111**	**36,137**

*Notes to the Reconciliation of equity at 1 January 2004

[*1] Reclassifications

- All deferred tax assets, including those previously classified as current under Dutch GAAP of €116, are classified as non-current assets under IFRS.
- Bank overdraft previously included in the in the current liabilities is now included in cash and cash equivalents in current assets under IFRS.
- Other amounts previously included in trader, other creditors and accruals are reclassified under IFRS to Borrowings €84, Tax and social security €754 in the current liabilities.
- In addition, the deferred income of €964 and deferred tax provision of €41 are reclassified separately under non-current liabilities.

[*2] Intangible assets

Under Dutch GAAP, the Group reviewed the carrying value of goodwill for impairment whenever events and circumstances (triggering events) indicated that the carrying value of goodwill may not be recoverable. At December 2003, there were no triggering events that indicated the goodwill of certain of its operating companies was not recoverable. Accordingly, such goodwill was not tested for impairment. As a result of mandatory impairment tests in accordance with IFRS performed on the Group's goodwill at 1 January 2004 concluded no impairment charges were necessary.

[*3] Shareholders' equity

The Group has reclassified the balances within shareholders' equity to conform to IFRS presentation requirements. These balances may differ from the amounts presented under statutory requirements.

Retained earnings: The total transition adjustment consists of:

Net deferred tax asset	€99
Property, plant and equipment	€27
Receivables - finance charge	(€9)
	€117

Reconciliation of equity at 31 December 2004	*Notes	Dutch GAAP	Effect of transition to IFRS	IFRS
Assets				
Non-current assets				
Intangible assets	*1/2	1,394	226	1,620
Property, plant and equipment		11,782	3,000	14,782
Deferred income tax assets	*1	-	394	394
Other non-current assets		249	593	842
		13,425	4,213	17,638
Current assets				
Cash and cash equivalents	*1	864	(218)	646
Trade and other receivables		9,825	(673)	9,152
Inventory		9,337	-	9,337
		20,026	(891)	19,135
Total assets		**33,451**	**3,322**	**36,773**
Equity				
Share capital		244	-	244
Share premium		25,145	-	25,145
Translation reserve		(54)	1	(53)
Retained earnings		(30,828)	194	(30,634)
Shareholders' equity	*3	(5,493)	195	(5,298)
Minority interest		245	13	258
Liabilities				
Non-current liabilities				
Borrowings	*1	23,241	1,749	24,990
Provisions for liabilities and charges		945	4	949
Deferred income tax liabilities	*1	-	56	56
Other non-current liabilities	*1	-	811	811
		24,186	2,620	26,806
Current liabilities				
Borrowings		-	2,052	2,052
Trade, other creditors and accruals		14,513	(2,261)	12,252
Tax and social security		-	703	703
		14,513	494	15,007
Total liabilities		38,699	3,114	41,813
Total equity and liabilities		**33,451**	**3,322**	**36,773**

Notes to the Reconciliation of equity at 31 December 2004

*1 Reclassifications

- All deferred tax assets €394, including those previously classified as current under Dutch GAAP of €209, are classified as non-current assets under IFRS.
- Bank overdraft of €218, including those previously classified in the in the current liabilities, is now included in cash and cash equivalents in current assets under IFRS.
- Other amounts previously included in trader, other creditors and accruals are reclassified under IFRS to Borrowings €1,546, Tax and social security €870 in the current liabilities.
- In addition, the deferred income of €811 and deferred tax provision of €56 are reclassified separately under non-current liabilities.
- Other non-current assets and liabilities are reclassified to comply with the IFRS requirements.

*2 Intangible assets

Under Dutch GAAP, the Group reviewed the carrying value of goodwill for impairment whenever events and circumstances (triggering events) indicated that the carrying value of goodwill may not be recoverable. At December 2003, there were no triggering events that indicated the goodwill of certain of its operating companies was not recoverable. Accordingly, such goodwill was not tested for impairment. As a result of mandatory impairment tests in accordance with IFRS performed on the Group's goodwill at 1 January 2004 concluded no impairment charges were necessary. Under Dutch GAAP, the Group amortized goodwill under the straight-line method based on its estimated useful life of up to 20 years. Under IFRS, goodwill is not amortized but is tested annually for impairment. Accordingly, the goodwill amortization of €7 is reversed. Amortization charged before 2004 is not restated.

*3 Shareholders' equity

The Group has reclassified the balances within shareholders' equity to conform to IFRS presentation requirements. These balances may differ from the amounts presented under statutory requirements.

Retained earnings: The total transition adjustment consists of:

Net deferred tax asset	€185
Reversal of goodwill amortization	€13
Creditors and other payables	€6
Receivables - finance charge	(€16)
	€188
Other prior year adjustment	€6
Translation reserve	€1
	€195

(5) 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 allocated to the geographical segments. Segment information is presented for continuing operations. Revenues and gross assets of the main business segments are detailed below:

				2005				2004
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Revenues								
Continuing operations								
Sale of goods	12,389	2,708	132	15,229	8,930	2,456	-	11,386
Service revenue	6,673	8,012	-	14,685	4,794	8,030	-	12,824
Leasing revenue	-	3,142	-	3,142	-	2,875	-	2,875
Total	**19,062**	**13,862**	**132**	**33,056**	**13,724**	**13,361**	**-**	**27,085**
Discontinued operations								
Engine overhaul	4,094	4,405	514	9,013	4,216	4,353	535	9,104
Sale of parts	4,796	5,161	602	10,559	3,678	3,798	467	7,943
Total	**8,890**	**9,565**	**1,116**	**19,572**	**7,894**	**8,151**	**1,002**	**17,047**

				2005				2004
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Gross assets								
Continuing operations	14,932	14,276	835	30,043	13,353	11,432	-	24,785
Discontinued operations	7,287	6,955	-	14,242	6,183	5,973	-	12,156
Total	**22,219**	**21,231**	**835**	**44,285**	**19,356**	**17,585**	**-**	**36,941**

(6) General and administrative expenses

General and administrative expenses include depreciation expenses for an amount of €2,050 (2004: €1,910 and incidental costs for the impairment of goodwill of € 669, software development cost write-off of € 313 and the costs for the stopping of some activities in Germany of € 200).

(7) Other income

Other income of €640 mainly relates to sundry income of the group companies (2004: €92 sundry income).

(8) Other costs

Other cost of €130 include €101 of deferred tax asset write-off and other incidental costs of €29 (2004: €498 mainly consisted of the Japanese joint venture loss of €290 and provision for raw material pricing in the French subsidiary of €196).

(9) Employee benefit expense

	2005	2004
Salaries	6,255	6,203
Social security expenses	1,872	1,335
Pension expenses	163	24
	8,290	**7,562**

	2005	2004
Average number of employees		
Continuing operations		
North America	110	110
Europe	88	81
	198	191
Discontinued operations		
North America	23	18
Europe	90	90
	113	108
Total	311	299

(10) Income taxes

	2005	2004
Tax expense		
Deferred taxes	(159)	(20)
Current taxes	(606)	(167)
Income tax benefit/(loss) from continued operations	**(765)**	**(187)**

Effective tax rate

Envipco operates in several jurisdictions with local statutory income tax rates varying from 16% to 41%. This causes a difference between the average statutory income tax rate and The Netherlands tax rate of 31.5%. 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 31.5%, can be specified as follows:

		2005		2004
Profit/(loss) before tax		1,349		(4,200)
Taxation at statutory rate	31.5%	(425)	34.5%	1,449
Lower statutory tax rates on foreign subsidiaries		720		(124)
Losses under participation exemption		(1,060)		(1,512)
Effective income tax	56.7%	**(765)**	-4.5%	**(187)**

The effective tax is 56.7% (2004 (4.5%). The nominal tax rate is 31.5% (2004 34.5%). The taxable loss for which no deferred tax asset was recorded is € 14,976 (2004 €15,042).

(11) Net result per ordinary share

The numerator for both basic and fully diluted net result per ordinary share (earnings per share or EPS) is net result attributable to holders of ordinary shares from continuing operations. The denominator for basic EPS is the number of ordinary shares outstanding during the year, excluding ordinary shares held as treasury shares. The fully diluted EPS is same as the basic EPS as there were no outstanding employee stock options.

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

	2005	**2004**
Basic		
Net result attributable to holders of ordinary shares from continuing operations	128	(3,129)
Net result attributable to holders of ordinary shares from discontinued operations	456	(1,258)
Minority	42	(4)
Net result attributable to holders of ordinary shares	**626**	**(4,391)**
Weighted-average number of ordinary shares (x 1,000)	24,407	24,407
Net result per ordinary share - basic from continuing operations	0.01	(0.13)
Net result per ordinary share - basic from discontinued operations	0.02	(0.05)
Net result per ordinary share - basic	**0.03**	**(0.18)**
Fully Diluted		
Net result per ordinary share - fully diluted from continuing operations	0.01	(0.13)
Net result per ordinary share - fully diluted from discontinued operations	0.02	(0.05)
Net result per ordinary share - fully diluted	**0.03**	**(0.18)**

(12) Intangible assets	Goodwill	Concessions, licences & intellectual property	Total
At 1 January 2004			
Cost	879	975	1,854
Accumulated amortization	(122)	(971)	(1,093)
Net carrying amount	**757**	4	**761**
Changes to net carrying amount in 2004			
Additions/Reclassification	8	762	770
Disposals/Reclassification	33	(762)	(729)
Amortization	(669)	(2)	(671)
Currency translation differences	(5)	-	(5)
Total changes in 2004	**(633)**	**(2)**	**(635)**
At 31 December 2004			
Cost	915	975	1,890
Accumulated amortization and impairment	(791)	(973)	(1,764)
Net carrying amount	**124**	**2**	**126**
Changes to net carrying amount in 2005			
Additions/Reclassification	-	565	565
Disposals/Reclassification	(610)	(565)	(1,175)
Amortization	11	(2)	9
Currency translation differences	625	-	625
Total changes in 2005	**26**	**(2)**	**24**
At 31 December 2005			
Cost	930	975	1,905
Accumulated amortization and impairment	(780)	(975)	(1,755)
Net carrying amount	**150**	**-**	**150**

Goodwill

In September 2006, the Group's management Board approved the sale of its helicopter engine maintenance operations. In light of the proposed sale, the Group assessed the recoverable value of its operations being the carrying value of the assets and liabilities of this operation. As a result of classifying this operation as discontinued, no goodwill impairment charges were recognized.

Other intangible assets

Debt issuance costs represent the costs incurred in structuring loan agreements with lending institutions on acquisition. These costs are capitalized and amortised over the term of the loan.

(13) Property, plant and equipment

	Reverse vending machines	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2004					
Cost	39,792	4,347	10,697	1,978	56,814
Accumulated depreciation	(34,738)	(1,607)	(7,829)	(1,435)	(45,609)
Net carrying amount	5,054	2,740	2,868	543	11,205
Changes to net carrying amount in 2004					
Additions	1,476	211	1,831	182	3,700
Disposals	(1,644)	-	(1,250)	(173)	(3,067)
Depreciation	(1,683)	(246)	(712)	(137)	(2,778)
Currency translation differences	(388)	(97)	(2)	(6)	(493)
IFRS adjustments and reclassifications	1,671	2,330	383	-	4,384
Total changes in 2004	**(568)**	**2,198**	**250**	**(134)**	**1,746**
At 31 December 2004					
Cost	40,907	6,791	11,659	1,981	61,338
Accumulated depreciation	(36,421)	(1,853)	(8,541)	(1,572)	(48,387)
Net carrying amount	**4,486**	**4,938**	**3,118**	**409**	**12,951**
Changes to net carrying amount in 2005					
Additions	3,031	115	1,211	91	4,448
Disposals	(297)	(508)	(857)	(215)	(1,877)
Depreciation	(1,587)	(436)	(1,463)	(150)	(3,636)
Currency translation differences	733	(26)	(302)	(22)	383
IFRS adjustments and reclassifications	-	702	982	225	1,909
Total changes in 2005	**1,880**	**(153)**	**(429)**	**(71)**	**1,227**
At 31 December 2005					
Cost	44,374	7,074	12,693	2,060	66,201
Accumulated depreciation	(38,008)	(2,289)	(10,004)	(1,722)	(52,023)
Net carrying amount	**6,366**	**4,785**	**2,689**	**338**	**14,178**

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

(14) Other non-current assets	2005	2004
At beginning of year	**1,130**	**-**
IFRS adjustments	-	-
Addition/reclassification	82	1,130
Withdrawal/release	(346)	-
At end of year	**866**	**1,130**

(15) Deferred tax assets	2005	2004
At beginning of year	**222**	**-**
IFRS adjustments	-	119
Addition/reclassification	150	116
Withdrawal/release	(103)	(13)
At end of year	**269**	**222**

(16) Cash and cash equivalents	2005	2004
Cash at bank and in hand	905	341
Bank overdrafts	(8)	(196)
Cash and cash equivalents - net	**897**	**145**

(17) Trade receivables	2005	2004
Trade receivables	6,960	5,531
Other receivables	975	109
Prepaid expenses	329	306
Trade receivables - net	**8,264**	**5,946**

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. Impairment charges and reversals of impairment charges are generally not material.

(18) Inventory

	2005	2004
Finished goods	1,428	273
Raw material and parts	4,028	3,771
Work in progress	104	53
Inventory	**5,560**	**4,097**

Estimates of net realizable 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. Write-downs and reversals of write-downs are generally not material.

(19) Shareholders' equity

Share Capital

	Ordinary shares		
	Nominal value A Shares	**Nominal value B Shares**	**Total**
At 1 January 2004	**6**	**238**	**244**
At 31 December 2004	**6**	**238**	**244**
At 1 January 2005	6	238	244
At 31 December 2005	**6**	**238**	**244**

Number of ordinary shares (in thousands)	**2005**	**2004**
At 1 January	24,407	24,407
At 31 December	**24,407**	**24,407**

Authorized share capital (amounts in thousands)	**2005**	**2004**
Ordinary Shares		
21,500,000 Class A shares of €0.01 each	215	215
28,500,000 Class B shares of €0.01 each	285	285
	500	**500**

Share premium reserve

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

Other reserves are not distributable.

Retained earnings

At the company's Annual General Shareholders' Meeting it will be proposed to add the 2005 net result to retained earnings.

(20) Minority interest

Changes in minority interest during the year ended 31st of December 2005 were as follows:

	2005	2004
At beginning of period	258	253
Result for the period	(42)	(4)
Translation reserve	(241)	9
Transfer to reserves	25	-
At end of period	-	258

(21) Provisions

	2005	2004
Provision against investments	781	509
Other provisions	368	240
	1,150	749

Schedule of movement of provision against investments	2005	2004
At beginning of period	709	481
Additions	428	348
Other liabilities	(200)	(200)
Withdrawals/Releases	(156)	(120)
At end of period	781	509

When investments in subsidiaries are written down to negative values, these provisions are created in the absence of any current receivables from those subsidiaries. The provision is esteemed to be long term (1-5 years).

Schedule of movement of other provision	2005	2004
At beginning of period	240	192
IFRS adjustment	-	60
Additions	128	-
Withdrawals/Releases	-	(12)
At end of period	368	240

The provision is esteemed to be long term (1-5 years).

(22) Non-current liabilities

	2005	2004
Borrowings	26,557	24,994
Other liabilities	112	150
Deferred income	659	811
	27,328	25,955

Borrowings

	2005	2004
Environmental Products Corporation, USA entered into a Revolving line of credit of up to US$ 12,500 on 18th of May 2001, bearing interest at a certain margin over prevailing prime rate of interest announced by the US Federal Reserve. This facility is secured by a fixed and floating charge over the assets of Environmental Products Corporation, USA. This facility is also secured by a first mortgage on the real estate owned by the company. The balance is net of the debt issuance costs.	7,406	6, 133
Sorepla Industrie S.A. entered into various secured and unsecured borrowing agreements with various parties totaling €3,954 (2004 - €5,275) with interest ranging from 0% to 4.25% and maturity dates ranging from 2005 to 2012.	3,954	5,275
Envipco Holding N.V. entered into a secured loan agreement of US$18,482 with its main shareholder with interest of 1% over the 12 month Euribor, repayable at the demand of the Lender after 31st December 2006. This loan is secured by the pledge of shares of Posada Holding B.V., Sorepla Technologie S.A. and Sorepla Industrie S.A. The denominated currency of the loan was changed from US Dollars to Euros at 1st January 2005 and the amount of loan was fixed as €13,549 without changing any other terms and conditions.	15,180	13,549
Other loans	2,180	2,033
Total	28,720	26,990

Future payments under long term borrowings	2005	2004
Current	2,163	1,996
Due between 2 to 5 years	25,916	24,045
> 5 years	641	949
Total borrowings	28,720	26,990

Schedule of movement	2005	2004
At beginning of period	26,990	24,408
IFRS reclassification		5,250
Increase/(decrease)	687	(1,235)
Debt issuance costs	34	(168)
Translation effect	1,009	(1,265)
At end of period	28,720	26,990

Effective 18th May 2001 the USA subsidiary entered into a financing agreement (the Agreement) to refinance its outstanding revolving line of credit and term loan. The new revolving line of credit has a maximum limit of $12,500 subject to availability under the "borrowing base" as defined within the agreement, and matures in May 2004. Borrowings under the Agreement bear interest at the prime rate plus a certain margin. The US subsidiary and its holding company are each required to meet certain covenants under the Agreement. Subsequently the US subsidiary has restructured its financing agreement and obtained waivers for the breach of certain financial covenants, on 30th June 2004 and again on 9th March 2006. Details of the renewal agreement are given in Note 18.

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.

	2005	2004
Un-amortised balance	659	811

(23) Other current liabilities

	2005	2004
Other liabilities	88	50
Provisions	52	-
Tax and social security contributions	1,392	559
	1,532	609

(24) 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, the benefits generally being based on the employee's remuneration and years of service. Such benefits are provided under defined contribution.

For the year ended 31 December 2005, expenses related to defined contribution plans amounted to €163 (2004: €24).

(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 31st of December 2005 and 2004 were as follows:

	2005	2004
Current	182	185
Between 1 to 5 years	262	386
	444	571

(25) Commitments and contingencies (continued)

Operating lease commitments-where a Group company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases as of 31st of December 2005 and 2004 were as follows:

	2005	2004
Current	3,282	1,907
Between 1 to 5 years	6,853	3,382
	10,135	5,289

Lease revenues for the year ended 31st of December 2005 were approximately €3,141 (2004 €2,875).

Legal proceedings

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

In a certain litigation, a plaintiff alleges breach of contract, unjust enrichment, etc against a US subsidiary (the Company) making a claim of about €121. The Company's sister company has made a counter claim for nearly €223. As of the date of this report, the outcome of these proceedings is undeterminable.

In a separate litigation against the Company, a plaintiff alleges breach of contract making a claim of about €288. The Company plans to counterclaim for breach of the same contract and for fraud and negligence that damaged the Company's business and has made a counterclaim for nearly €323. As of the date of this report, the outcome of these proceedings is undeterminable.

In yet another independent litigation, a plaintiff commenced an action seeking unpaid rent alleged to be due and owing for the lease at certain premises of a US subsidiary company (the Subsidiary) making a claim of about €308. The Subsidiary opposed the motion, pursuant to certain agreements executed at the same time and in connection with the lease and has made a counterclaim for nearly €456. Subsequent to year-end this has been settled for a sum of €21.

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

Others

Aeromaritime (UK) Limited has given a guarantee in favour of HM Customs and Excise as at 31st December 2005 of €87 (2004 was €85 the equivalent of £60).

Posada Group, the helicopter maintenance operation has a liability for the renewal of its Authorised Maintenance Centres (AMC's) of nearly €1,478, of which €845 has been paid in 2005, and the remainder of €633 has been fully accrued in the above financials

Loans

Please refer to Note 22.

(26) Related party transactions

Affiliates

EM Geratebau Rucknahmesysteme GmbH & Co KG and Envipco GmbH were placed in Administration before 2003. Provision exists for anticipated winding up costs of approximately €135. A final settlement has now been reached at €200, payable in equal installments of €50 in the first year and €37.5 over 4 years that has been fully provided for in the above financials. The first installment was paid during the year 2005.

(27) Acquisitions

In 2005 at the termination of the joint venture with Fuji Electrical Limited (FEL) the company acquired the remaining 50% shares from FEL at no cost. The name of the joint venture company was changed to Envipco Japan Limited with 100% ownership. Under the termination agreement FEL has forgiven about €2,100 of its claim against the joint venture entity.

Assets and liabilities of the joint venture at acquisition were as follows:

Fixed assets	
Tangibles assets	33
Other non-current assets	68
	101
Current assets	
Cash and cash equivalents	84
Receivables	37
Inventory	505
Other current assets	20
	646
Total assets	**747**

Liabilities and equity	
Current liabilities	
Trade and other creditors	885
Long term liabilities	
Loans	1,734
Capital and reserves	
Share capital	1,433
Retained earnings	(3,305)
	(1,872)
Total liabilities and capital	**747**

(28) Discontinued operations

The assets and liabilities related to the Company's helicopter maintenance company have been presented as held for sale following the approval in November 2005 of the Group's management Board to sell it. The Company is actively searching for a buyer and expects to complete a sale in 2007/08.
An analysis of the result of discontinued operations, and the carrying value of the assets and liabilities of the operating company held for sale are as follows:

	2005	2004
Revenue	19,572	17,047
Cost of sales	(15,905)	(14,072)
Gross profit	3,667	2,975
Selling expenses	(258)	(251)
General and administrative expenses	(3,514)	(3,651)
Operating result	(105)	(928)
Interest expense	(374)	(301)
Interest income	10	3
Exchange gain/(loss)	580	(453)
Other income	432	255
Other costs	-	-
Result before taxes	543	(1,424)
Income taxes	(87)	166
Result after taxes of discontinued operations	**456**	**(1,258)**

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

	2005
Intangible assets	1,180
Property, plant and equipment	1,227
Other non-current assets	50
Cash and cash equivalents	742
Trade receivables	3,987
Inventory	6,553
Other current assets	503
Assets of discontinued operations held for sale	**14,242**

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

	2005
Borrowings (current and non-current)	194
Trade creditors	2,598
Accrued expenses	2,091
Other current liabilities	163
Liabilities directly associated with discontinued operations held for sale	**5,046**

The equity of the operating company held for sale at 31 December 2005 amounted to €2,485.

(29) Post balance events

Envipco US borrowings

A US subsidiary has signed a debt restructuring agreement with its major lender on 30th June 2004 for a period of 4 years. Terms of the bank debt restructuring agreement, requires the US subsidiary (hereinafter the Company) and/or Envipco Holding N.V. to inject capital of US$2 million (the "Equity Infusion"), which shall be payable in accordance with the following schedule: (a) US$1 million on September 30, 2004, (b) an additional US$500k on March 31, 2005 and (c) the remaining US$500k on March 31, 2006. In addition, the Company shall retain a broker to sell the real estate owned by the Company. If the real estate is not sold on or prior to December 31, 2004, the lender has the right to sell the property using a broker or agent at a price not less than the amount necessary to repay the outstanding term loan, the Company will be required to accept such qualified offer; provided that Envipco Holding N.V. or the group of investors entering into the subscription agreement shall be granted the first right of refusal to purchase this real estate at such price and on such terms no less favourable to the Company. The real estate was subsequently sold to a Group company at US$2.5 million on March 9, 2006 and the proceeds used to offset the US Subsidiary's loan to the lender.

The loan contract required the US subsidiary to meet certain financial covenants. Since the US subsidiary company did not meet the covenants, as part of the restructuring agreement signed on March 8, 2006, the company obtained a waiver. The loan is secured by pledge of shares of the US subsidiary.

Divestment program

In September 2006 the Company decided that a divestment program had been initiated, identifying a limited number of operating companies in continental Europe and USA to be divested, in line with the strategic decision taken by the Board of Management in 2006. The reason for divesting these business activities is that they no longer fit in the strategic framework of the Company, based on its core operating activities. These non-core operating companies are earmarked to be divested in 2007 and in aggregate, represent approximately €19 million in revenue and 113 employees. It was not yet possible to estimate the financial effects of these initiated divestment actions.

Conversion of debt to equity

On 10 March 2006 the shareholders approved a resolution to amend the Articles of Association of the Company to increase the authorized share capital from €500 to €4,000. It was further resolved to issue 69,200 Class A shares, each of nominal value of €0.01 to Mr. A. Bouri at a price of €0.25 each. The total payment on the said share issue was €17,300. The total payment of the A Shares was by settlement of the claim which Mr. A. Bouri has on the company for an equal amount.

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

Class A ordinary shares	69,800,000
Class B Shares	23,807,811

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

(in thousands of euros)

	Note	2005		2004	
Assets					
Fixed assets					
Financial fixed assets	(B)	6,324		4,096	
Loans to group companies	(C)	8,681		7,959	
			15,005		12,055
Current assets					
Receivables		195		-	
Cash		150		40	
			345		40
Total assets			**15,350**		**12,095**
Equity and liabilities					
Shareholders' equity	(D)				
Issued and paid-up capital		244		244	
Share premium reserve		25,145		25,145	
Currency translation adjustment		515		(53)	
Other reserves		(30,233)		(30,634)	
			(4,329)		(5,298)
Provisions					
Provisions for Consolidated Group Companies			1,514		1,059
Non-current liabilities			17,123		15,392
Current liabilities					
Creditors and other liabilities		1,042		942	
				-	
			1,042		942
Total equity and liabilities			**15,350**		**12,095**

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

ENVIPCO

(in thousands of euros)

	2005	2004
Result from Group companies after income taxes	3,211	(4,375)
Other results after income taxes	(2,585)	(16)
Net result	**626**	**(4,391)**

(A) General information

Accounting principles used to prepare separate Company financial statements

In accordance with Article 2:362 subsection 8 of the civil Code, the Company has elected to apply 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 stated in millions of euros unless stated otherwise.

In addition, Consolidated Group companies are valued based on their net equity, determined using the Group accounting policies. In case the net equity of a Group company is negative, the
Company records a provision for the negative equity value. The IFRS 1 Adjustments have been applied in establishing the net equity value of the Consolidated Group companies.

Change in accounting principles

Choice of accounting principles

As of 1 January 2005, the Company has prepared its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The initial application of these accounting principles has resulted in changes to the existing accounting principles used to determine the values of assets, liabilities and profit and loss (IFRS 1 Adjustments). Such IFRS 1 Adjustments are generally applied retroactively in the comparative figures as of 1 January 2004.

The Company has elected to apply the accounting principles used to determine the values of assets, liabilities and profit and loss used in the consolidated financial statements to the separate Company financial statements as of 1 January 2005. The Company has elected this change as it results in an improved reporting of the separate Company financial statements. As a result, shareholders' equity and net result in the separate Company financial statements are consistent with the amounts presented in the consolidated financial statements.

The impact on the 2004 financial statements is:

- a change in shareholders' equity as 1 January 2004 and 31 December 2004 as a result of the IFRS 1 Adjustments;
- a change in the 2004 net result as a result of the IFRS 1 Adjustments;

The impact of the change in accounting principles on equity and profit and loss is discussed in Note 4 Transition to IFRS in the Company's consolidated financial statements.

Composition of shareholders' equity

As of 1 January 2005, the applicable rules for establishing and maintaining legal and revaluation reserves changed. As a result of these legal changes, and as a result of the aforementioned changes in accounting principles, the classification of shareholders' equity is also changed. Refer to Note D Shareholders' equity of the separate Company financial statements.

(B) Financial fixed assets	2005	2004
At beginning of the year	4,096	7,967
IFRS adjustment	52	117
Investments	(1,598)	662
Treasury shares	(6)	(8)
Results of the group companies for the year	3,211	(4,375)
Exchange differences	569	(267)
	6,324	**4,096**

(C) Loans to group companies	2005	2004
At beginning of the year	7,959	8,812
IFRS adjustment	-	-
Loans/reclassifications	722	(801)
Loans of discontinued operations	-	(52)
	8,681	**7,959**

(D) Shareholders' equity

At the 2006 Annual General Shareholders' Meeting, the Company's shareholders approved that the 2004 net results (based on Dutch GAAP) of the Company be transferred to the retained earnings.

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

(E) Subsidiaries and affiliates of Envipco

All inter-company transaction balances have been eliminated on consolidation. Legal seat of the consolidated subsidiaries are as follows:

Tek-O-Matic Enterprises Inc.- Quebec, Canada
Recypac Inc. – Quebec, Canada
Envipco Finance Company Limited – London, United Kingdom
Sorepla Industrie S.A. – Paris, France
Sorepla Technologie S.A. – Paris, France
Posada Holding B.V. – Amsterdam, The Netherlands
Aeromaritime Mediterranean Limited, Hal-Far, Malta
Aeromaritime U.K. Limited, London, United Kingdom
Component Process & Repair Limited – London, United Kingdom
Aeromaritime Mediterranean Corporation, Delaware, U.S.A.
Aeromaritime America Inc., Delaware, U.S.A.
Envipco Automaten GmbH, Germany
Envipco Japan limited, Japan
Envipco Pickup & Processing Services Inc., Delaware, U.S.A.
Environmental Products Corporation – Delaware, U.S.A.
Envipco Sweden AB, Denmark, Sweden

(F) Non-current liabilities

Refer to Note 22 Borrowings of the Company's consolidated financial statements for further information regarding the Company's borrowings.

(G) Remuneration of the Board of Management (in thousands of euros)

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2005 was €390 (2004: €363) and can be specified as follows:

	2005	2004
B. Santchurn	152	142
N. Turpie	-	-
C. Crepet	120	107
H. Letellier	118	105
G. Lefebvre	-	-
T.Leipold	-	9
Total	390	363

(H) 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 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 determines the amount that shall be reserved from the profits as disclosed in the adopted annual accounts.

At the Company's Annual General Meeting of shareholders it will be proposed to add all the net result of 2005 amounting to €0.6 million to retained earnings. No distribution of dividends is proposed.

(I) Events after the balance sheet date

Credit Facility

At 31 December 2004 and 2005, the US subsidiary was in breach of certain financial covenants. On 8th March 2006, the Company obtained an amendment to the credit facility which cured the covenant violations. Under the terms of the amendment agreement, certain financial covenants have been amended through 31 December 2007, providing the Company with additional leeway to meet its financial covenants. The new terms of the loan agreement includes 8 consecutive quarterly repayment installments of $250,000 each beginning March 31, 2006 and a balloon payment by December 31, 2007. This loan is secured by the pledge of the share of the US subsidiary. As a background, the US subsidiary had signed a debt restructuring agreement with its senior Lender on June 30, 2004 for a period of 4 years.

This amendment required capital infusions of $1.0 million on March 31, 2004; $0.5 million on March 31, 2005 and $0.5 million on March 31, 2006; in addition to the sale of a real estate owned by the subsidiary by December 31, 2004. On March 9, 2006 this real estate was sold to another subsidiary of the Group for $2.5 million, the proceeds of which went to reduce the amount due to the senior lender under the terms of the restructuring.

Disinvestment program

On September 2006 the Company decided on a disinvestment program of its helicopter maintenance business as they do not fit in the strategic framework of the Group. These non-core operating companies are expected to be disinvested in 2007/ 2008. At this stage it is not possible to estimate the financial impact of this disinvestment. In aggregate, they represent approximately €17 million in revenue and 113 employees.

Board of Management
The Board of Management is responsible for the management of the Company and for establishing the Group strategy. In addition the Board of Management manages the operational activities of the Group, sets performance targets and approves Group budgets.

Nomination
The number of members of the board of Management, and their remuneration is adopted by the General Meeting of Shareholders. The members of the Board of Management are appointed at the Shareholders meeting.

Appointment/Suspension
The general meeting of the shareholders appoints one of the members of the Board of Management as chairman of the Board of Management. The General Meeting of Shareholders may at all time suspend or dismiss a member of the Board of Management. The General Meeting of Shareholders may only pass a resolution to suspend or dismiss a member of the Board of Management, with a majority of at least two-thirds of the votes cast, if that majority represents more than one-third of the issued capital.

Representation
The Company is represented by the Board of Management or by any two members of the Board of Management.

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.

Supervisory Board
The company currently being relatively small and due to the costs of maintaining such Boards has no Supervisory Board.

Stichting Administratiekantoor van aandelen in Envipco Holding N.V. ('the Stichtiing Envipco Trust/the Foundation')
The Company and the Foundation have entered into an agreement pursuant to which the Foundation acquired all the ordinary shares from the Company up to a total par value that is equal to the total par value of all issued and outstanding ordinary shares.

The Foundation is a non-membership organization incorporated under the laws of The Netherlands. Its statutory objectives are to safeguard the interests of the Company and its enterprise, Group companies and all other parties involved with the Group. The board of the Foundation comprises two board members.
The members of the board of the foundation are:

- 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 General Meeting of Shareholders may, in accordance with the Articles of Association, in each instance for a period not exceeding five years, grant the authority to issue ordinary and or cumulative preference shares to another corporate body, which may resolve upon the issue of such shares after approval of the shareholders.

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

BDO CampsObers
Audit & Assurance B.V.

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To the shareholders and Board of Directors of
Envipco Holding NV

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2005 of Envipco Holding NV, Amsterdam, which comprise the consolidated and company balance sheet as at 31 December 2005, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Envipco Holding NV as at 31 December 2005, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Registered office: Eindhoven
Chamber of Commerce: 17171186
Internet: www.bdo.nl

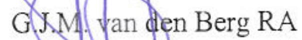
Our proposals and engagements are exclusively governed by our General Terms & Conditions, which have been filed with the Oost-Brabant Chamber of Commerce.

Report on other legal and regulatory requirements

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

Amstelveen, 27 April 2007

BDO CampsObers Audit & Assurance BV
for and on behalf of it,



G.J.M. van den Berg RA