Envipco Holding N.V.
Annual Report 2009

Financial Highlights

	2009	2008
Revenues from continued operation	€33.09m	€41.72m
Gross Profit Margin	19.79%	20.57%
Net profit (loss) before taxes on continued operations	(€3.62m)	(€0.09m)
Net profit (loss) after taxes and discontinued operations	(€2.82m)	(€0.54m)
EBITDA		
From continuing operations	(€0.42m)	€3.21m
From all operations	(€0.42m)	€2.98m
Shareholder's equity	€15.56m	€18.00m
Earnings per share	(€0.023)	(€0.005)
Liquidity ratio (current assets / current liabilities)	1.5	1.7
Total assets	€31.08m	€36.90m

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

51% of the 2009 total revenues are generated from the Reverse Vending Machine and related materials handling business (RVM), and 49% from the plastic recycling unit. The RVM segment increased its revenue in Euro terms by 4%, but in dollar terms had a marginal decrease of 1%, whereas plastic recycling business revenues dropped by 36% in 2009 when compared to 2008 figures.

Net group loss before taxes arising from continued operations was €3,622,000 during 2009 versus a loss of €92,000 in 2008. Gross margin on the RVM segment increased by 10%, whereas the plastic business margin was reduced by 21% due to continuing adverse impact on selling prices and the collapse of the recycled PET market during 2009. Overall, the net loss after taxes and discontinued operations stands at €2,824,000, after expensing €1,293,000 of research and development costs and €378,000 for stock option charge, compared to a loss of €542,000 (research and development costs - €344,000 and stock option charge - €142,000) during 2008.

The group has a net equity of €15,552,000 at 31 December 2009 (2008 - €18,000,000) with debt to equity ratio of 3.6 for the current year and 3.5 for 2008. Group has adequate working capital with current ratio of 1.5 as at balance sheet date (2008 - 1.7).

The RVM segment activities are mainly based in USA and show a net profit of $365,000 versus a profit of $2,000 for the previous year. We expect to show further growth during 2010 both in net income and increased revenues. The consolidated net equity of the US operations at the balance sheet date was $9,021,000 (2008 - $8,559,000) with current ratio of 1.5 for 2009 and 1.4 for 2008.

The plastic recycling business in France showed a decline of 36% in revenues to €16,097,000. The collapse of the recycled PET market resulted in our plant not operating at its capacity. Operating loss for 2009 was €2,299,000 compared to a profit of €941,000 in 2008. The net loss has been reduced to €1,214,000 by a tax credit of €690,000 and a litigation claim awarded to Sorepla of €395,000. We expect this segment to return to profitability in 2010.

No dividend is recommended and the results of 2009 are to be charged to the retained earnings, subject to the approval and adoption of the 2009 Annual Report by the shareholders at the annual general shareholder meeting to be held on 27 April 2010.

Future Outlook

The Group is pursuing several initiatives in non-deposit markets where there are encouraging signs of a major breakthrough by creating a profitable business model based on advertising, couponing, sponsorship, promotions and sale of scrap value of materials collected.

These opportunities are expected to generate significant growth in 2010 and beyond. Pilot programs have been tested in Greece, UK, Australia, and Ireland.

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

While the plastic recycling business has been severely impacted by the collapse in prices of recycled PET, this is expected to recover in 2010. In addition, Sorepla is making an investment of about €6.3 million to create added value products with more stable prices to a growing market. This investment is mainly funded by way of long term loans and from internally generated cash flow. Technology has been acquired to enable Sorepla to produce approved food grade recycled PET for different applications including bottle to bottle. This upgrade is expected to be completed by December 2010 and will also allow Sorepla to tap into wider markets for its products.

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. Success of the pilot program using innovative proprietary technology will trigger roll outs, in potentially a huge almost unlimited and untapped market.

With the development and launch of new technology in existing and new markets, we have a very optimistic view of our profitability.

Research and Development

The Group has a Research and Development company in Germany for the development of new generation machines for both the deposit and non-deposit markets. Currently the German company is concentrating on the RVM business segment products only. Several qualified engineers with proven industry experience have been recruited to minimise the development and learning curve. Modern and innovative technologies at a competitive price are expected to give the group an edge to enter most markets. €1.3 million (2008 - €0.9 million) was invested during 2009 and as a result the group now has new products both for deposit and non-deposit markets with bulk and low volume recycling solutions. These new products are expected to be launched during 2010. Development of 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 1.5 in 2009 against 1.7 in 2008 and is fully geared to meet all it's short and long term working capital need. Net cash flow from operation during 2009 was €348,000 negative versus €618,000 positive for 2008.

The proceeds of the new shares issued in 2008 of which €1.0 million was paid during 2009 and the balance of €4.4 million payable during 2010 will be sufficient to fund several initiatives including capital expenditures, research and development, and market development costs of the Group.

Managing Risks

About 43% 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.

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 instalments. This instalment plan is payable as follows: €1.5 million due by 15 March 2010, another €1.5 million due by 30 September 2010 and the balance of €1.46 million by 31 December 2010.

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

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

- Mr. B. Santchurn
- Mr. Neil Turpie

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

Summary as of 31 December 2009 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 2009 and 2008.

	31 December			
	2009		2008	
	Number of Shares	Percentage	Number of Shares	Percentage
A.F.Bouri/Megatrade International SA	96,428,383	78.00%	100,428,383	81.24%
G.S. Garvey/EV Knot LLC	20,101,367	16.26%	18,101,367	14.64%

On 8 December 2008, the controlling shareholder Mr Alexandre Bouri sold 18,101,367 shares in Envipco to Mr Gregory Garvey representing 14.64% of the total outstanding shares of the Company for a consideration of €4.5 million (at €0.2486 per share). During the year 2009 Mr Bouri sold another 2 million shares to Mr Garvey for €0.5 million and 2 million shares to Mr Bhajun Santchurn for €0.5 million.

Directors and their Interests

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

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

Executive:
Mr. Bhajun Santchurn
Mr. Christian Crépet

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

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

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

	31 December			
	2009		2008	
	Number of Shares	Percentage	Number of Shares	Percentage
A. Bouri/Megatrade International SA	96,428,383	78.00%	100,428,383	81.24%
G. Garvey/EV Knot LLC	20,101,367	16.26%	18,101,367	14.64%
B. Santchurn/Univest Portfolio Inc.	2,304,006	1. 86%	-	-
C. Crepet	42,800	0.03%	-	-

Salaries and Remuneration

The Board of Directors received remuneration totaling €839,000 including €378,000 as stock option costs and €635,000 (€142,000 stock option charges) during 2009 and 2008 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 31 December 2009.

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 (2008 - €142,000). Option is recognised as an employee cost with corresponding amount as other comprehensive income in equity.

In the new capital structure, once all the share issues are completed and if all the share options would have been granted and vested and exercised, the total number of shares shall become 149,130,336 and include 4,295,378 depositary receipts. The total shares and depositary receipts owned by the parties shall be as follows:

Mr. Alexandre Bouri 64.66%

Mr. Gregory Garvey 21.52%

and the employees and public 13.82%

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 2009. On 8 December 2008, at the General Meeting of the Shareholders it was resolved that the Articles of Association of the Company be amended to reflect the implementation of a 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 5 April 2006 relating to Article 10 of Directive 2004/25/EC on takeover bids of 21 April 2004 of the European Parliament and the Council of the European Union, Envipco includes the following explanatory notes:

As at 31 December 2009 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 boards decisions and strategy, and are also accountable to the the management board for their respective organisations. Envipco's internal control system is designed to provide reasonable assurance to the Company's management board regarding the preparation and fair presentation of published financial statements in accordance with International Financial Reporting Standards. All internal control systems, no matter how well designed, have inherent limitations, and therefore can provide only reasonable assurance with respect to financial statement preparation and presentation. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorisation, assets are safeguarded, and financial records are reliable. Management periodically assesses the effectiveness of the Company's internal controls and believes these to be effective and reliable.

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 29 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 2009 give a true and fair view of the assets, liabilities, financial position and the loss of the Company and its consolidated entities;

-the directors' report gives a true and fair view of the position of the Company and its related entities whose financial information has been consolidated in the annual financial statements as at the balance sheet date 31 December 2009 and of their state of affairs during the financial year 2009;

-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

7 April 2010

(all amounts in thousands of euros)

	Note	2009		2008	
Revenue	(6)	33,092		41,717	
Cost of revenue		(25,335)		(31,905)	
Leasing depreciation		(1,207)		(1,229)	
Gross profit			**6,550**		**8,583**
Selling expenses	(7&9)	(472)		(354)	
General and administrative expenses	(7&9)	(9,577)		(8,025)	
Other income	(8)	203		103	
Operating result			**(3,296)**		**307**
Financial expense	(10)	(370)		(482)	
Financial income	(10)	26		29	
Exchange gains		18		54	
Result before taxes			**(3,622)**		**(92)**
Income taxes	(11&16)	(27)		25	
Deferred taxes	(11&16)	825		(240)	
			798		(215)
Net result from continuing operations			**(2,824)**		**(307)**
Net result from discontinued operations	(26)		-		(235)
Net results			**(2,824)**		**(542)**
Other comprehensive income					
Exchange differences on translating foreign operations		(93)		(589)	
Share options: value of employee services		378		142	
Other movements/treasury shares		(12)		73	
Cash flow hedges:					
Gains/(losses) recognised on hedging instrument		67		(217)	
Total other comprehensive income			340		(591)
Total comprehensive income			(2,484)		(1,133)

(all amounts in thousands of euros)

	Note	2009	2008
Profit attributable to :			
Owners of the parent		(2,788)	(541)
Non-controlling interest		(36)	(1)
		(2,824)	(542)
Total comprehensive income attributable to :			
Owners of the parent		(2,448)	(1,132)
Non-controlling interest		(36)	(1)
		(2,484)	(1,133)
Earnings/(loss) per share for profit attributable To the ordinary equity holders of the parent during the year	(12)		
► Basic (euro)			
Continuing operations		(0.023)	(0.003)
Discontinued operations		-	(0.002)
Total operations		(0.023)	(0.005)
► Fully diluted (euro)			
Continuing operations		(0.023)	(0.003)
Discontinued operations		-	(0.002)
Total operations		(0.023)	(0.005)

(in thousands of euros)

	Note	2009		2008	
Assets					
Non-current assets					
Intangible assets	(13)	1,957		1,266	
Property, plant and equipment	(14)	10,744		12,311	
Long term deposits	(15)	326		581	
Deferred tax asset	(16)	135		44	
Total non-current assets			13,162		14,202
Current assets					
Inventory	(17)	4,972		8,945	
Trade and other receivables	(18)	11,850		12,311	
Cash and cash equivalents	(19)	1,096		1,444	
Total current assets			17,918		22,700
Total assets			**31,080**		**36,902**

(in thousands of euros)

	Note	2009		2008	
Equity	(20)				
Share capital		1,236		1,236	
Share premium		48,916		48,916	
Retained earnings		(36,390)		(34,035)	
Translation reserves		1,790		1,883	
Equity attributable to owners of the parent			15,552		18,000
Non-controlling interest			104		140
Total equity			15,656		18,140
Liabilities					
Non-current liabilities					
Borrowings	(21)	3,247		4,017	
Other liabilities	(21)	109		158	
Deferred tax liability	(16)	38		787	
Derivative financial instruments	(24)	146		217	
Total non-current liabilities			3,540		5,179
Current liabilities					
Borrowings	(21)	1,005		1,100	
Bank overdraft		1,307		1,811	
Trade creditors		7,291		8,682	
Accrued expenses		1,623		1,565	
Tax and social security	(22)	633		108	
Other current liabilities	(22)	25		317	
Total current liabilities			11,884		13,583
Total liabilities			15,424		18,762
Total equity and liabilities			**31,080**		**36,902**

(in thousands of euros)

	Note	2009		2008	
Cash flow (used in) / provided by operating activities					
Operating result		(3,296)		307	
Interest received		147		11	
Interest paid		(491)		(154)	
Income taxes (paid)/repaid		(12)		395	
Depreciation and amortisation	(2/3)	2,858		2,851	
Employee share options		378		142	
			(416)		3,552
Changes in trade and other receivables		(631)		2,247	
Changes in inventories		3,928		(2,385)	
Changes in deferred income		(49)		(49)	
Changes in provisions		(292)		590	
Changes in trade and other payables		(1,120)		(3,883)	
			1,836		(3,480)
			1,420		72
Cash flow of discontinued operations			-		(235)
Cash flow (used in)/provided by operating activities			1,420		**(163)**
Cash flow (used in)/provided by investing activities					
Net investment in intangible fixed assets		(511)		(587)	
Net investment in tangible fixed assets		(2,212)		(3,823)	
Proceeds from sale of assets		600		1,229	
Proceeds from sale of assets – discontinued operations		-		7, 527	
Cash flow (used in)/provided by investing activities			**(2,123)**		**4,346**
Cash flow (used in)/provided by financing activities					
Proceeds from share issue		1,000		2,000	
Changes in borrowings and capital lease obligations		(628)		(5,720)	
Cash flow (used in)/provided by financing activities			**372**		**(3,720)**
Net cash flow for the period			**(331)**		**463**
Foreign currency differences and other changes		(17)		155	
			(17)		155
Changes in cash and cash equivalents, net of bank overdrafts for the period	(19)		**(348)**		**618**
Opening balance cash and cash equivalents			1,444		826
Closing balance cash and cash equivalents			1,096		1,444

(in thousands of euros)

	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2008 before adjustment	936	41,753	(31,229)	209	11,669	141	11,810
Reclass	-	-	(2,263)	2,263	-	-	-
Balance at 1 January 2008 after adjustment	**936**	**41,753**	**(33,492)**	**2,472**	**11,669**	**141**	**11,810**
Changes in equity for 2008							
Proceeds from shares issued	300	7,163	-	-	7,463	-	7,463
Net profit/(loss) for the year	-	-	(541)	-	(541)	(1)	(542)
Other comprehensive income for the year							
-Currency translation adjustments	-	-	-	(589)	(589)	-	(589)
-Share options: value of employee benefits	-	-	142	-	142	-	142
-Cash flow hedge – fair value	-	-	(217)	-	(217)	-	(217)
-Other movements/treasury shares	-	-	73	-	73	-	73
Total comprehensive income for the year	-	-	(543)	(589)	(1,132)	(1)	(1,133)
Balance at 31 December 2008	**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	-	-	378	-	378	-	378
-Cash flow hedge – fair value	-	-	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**

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

The opening retained earnings and the translation reserves at 1 January 2008 have been adjusted by €2,263,000 in respect of translation reserve impact on the disposal of investments in subsidiaries of the Helicopter business segment. These cumulative translation differences which were recognised in other comprehensive income, were not reclassified to profit and loss. This was an omission in 2006. It has no impact on the results for 2008 and 2009.

(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 authorised for issue by the Board of Management on 7 April 2010 and are subject to approval by the shareholders at the Annual General Meeting of Shareholders. All amounts are in thousands of euros unless stated otherwise.

Deposit redemption programmes

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

Plastics processing programme

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

(2) Summary of significant accounting policies

Basis of preparation

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

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

Adoption of new Standards

(a) Amendments and *Interpretations effective in 2009*

The following amendments and interpretations to published standards is mandatory for accounting periods beginning on or after 1 January 2009.

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). The group has adopted IFRS 8 with effect from 1 January 2009. This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. 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. It replaces IAS 14, Segmental Reporting. The adoption of the standard has not resulted in change of the number and composition of the segments reported by the group.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The group has prospectively applied IAS 23 (Amendment) from 1 January 2009 in respect of development expenditure which has no financial impact on group's financials.

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The group has applied IAS 1 (Revised) from 1 January 2009 as a consequence the group income statement has been replaced by the statement of comprehensive income.

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share based payment are not vesting conditions. These features would need to be included in the grant date of fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group has applied IFRS 2 (Amendment) from 1 January 2009. As certain vesting conditions had not been met there was no impact on the group's financials.

IAS 32 (Amendment), 'Financial Instruments: Presentation,' and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The group has applied the IAS 32 and IAS 1 (Amendment) from 1 January 2009. This amendment has no impact on the group's financial statements.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The IAS 28 (Amendment) is not relevant as the group does not have any investments in associates.

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group has applied IAS 36 (Amendment) from 1 January 2009. There was no impact on the group's financial statements.

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

- IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The group has applied the IAS 19 (Amendment) from 1 January 2009 and had no impact on its equity and income.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

- The definition of financial asset and financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment, removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments,' which requires disclosure for segments to be based on information reported to the chief operating decision-maker.

- When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The group has applied the IAS 39 (Amendment) from 1 January 2009. There was no impact on the group's financial statements.

IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The group has applied the IAS 39 (Amendment) from 1 January 2009. There was no impact on the group's financial statements.

IFRS 7 'Financial instruments – Disclosures' (amendment effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no other impact.

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates,' do apply to the hedged item. The group has applied IFRIC 16 from 1 January 2009 and there was no impact on the group's financial statements.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment does not have an impact on the group's operations because none of the group's companies' ordinary activities comprises renting and subsequently selling assets.

IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment is a subsidiary that is accounted for under IAS 39, 'Financial instruments: Recognition and measurement,' is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations,' IAS 39 would continue to be applied. The group has assessed and found no impact of this amendment on its financials.

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment does not have an impact on the group's operations, as none of the group's subsidiaries operate in hyperinflationary economies.

IAS 31, (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation,' and IFRS 7 'Financial instruments: Disclosures.' In the current year the amendment does not have any impact on the group's financials.

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment is not relevant as the group did not use any methods that result in lower amortisation rates.

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement,' and the proceeds received with the benefit accounted for in accordance with IAS 20. There was no impact on the group's financial statements.

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

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the group's operations, as no investment properties are held by the group.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the group's operations as no agricultural activities are undertaken.

IFRIC 13, 'Customer loyalty programs' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the group's operations because none of the group's companies currently operate any loyalty programs.

IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). 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 group does not have any construction activities.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them:

IAS 27 (Revised), 'Consolidated and separate financial statements,' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010. It is not expected to have a material impact on group's financial statements.

IAS 38 (Amendment), 'Intangible Assets', (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in April 2009 and the group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of the intangible assts as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on group's financial statements.

IFRS 2 (Amendment), 'Group cash-settled and share-based payment transactions,' (effective from 1 July 2009). In addition to incorporating IFRIV 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on group's financials.

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010, but is currently not able to assess its impact on the financial statements.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010. The group is currently not able to assess the impact of this amendment on equity and income.

IFRIC 17 'Distribution of non-cash assets to owners'. The interpretation is part of the IASB's annual improvements project published in April 2009. 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 group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the group's financial statements.

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

Consolidated cash flow statement

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

The funds in the cash flow statement consist of cash and cash equivalents. Cash flows in foreign currencies are translated at an average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Consolidation

Subsidiaries

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

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

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

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

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

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

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

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

Discontinued operations

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

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

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

Segment reporting

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. Transactions and cash flows in foreign currencies are translated into the functional currency at the rate prevailing when the transaction took place. Related exchange rate differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

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

Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, collectability is reasonably assured and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies related to the sale have been resolved. When revenue recognition involves the use of estimates, the Group bases its estimates on historical results taking into consideration the type of client, the type of transaction and the specifics of each arrangement. 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 is 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 statement on a straight-line basis over the period of the lease.

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

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

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

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

Intangible assets

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 expenditure attributable to the product during its development can be reliably measured.

The capitalised development expenditure is amortised when asset becomes available for use. The developed assets are expected to be available for use in 2010. Once the assets are completely developed these are amortised over ten 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 remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

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

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

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

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

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

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

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

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

Government grants

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

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).

Discontinued operations valuation

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

Allowance for inventory obsolescence

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

Property, plant and equipment

The Group estimates useful lives of its assets as follows:

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

(4) Capital management

The group's capital consists of its net equity. Management monitors and assesses the capital requirements for the Group and ensures that enough funding is available to meet the working capital requirements and also for the future business development. To raise funding, the Group considers both committed credit lines and equity contributions. One of group's subsidiary has to comply with certain financial covenants under it's 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 by the end of next year (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 subsidiary has an exposure to credit risk resulting in about 10% of a 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
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**
2008	Europe	6,251	730	973	822	8,776
	United States	3,256	64	137	-	3,457
	Others	43	35	-	-	78
		9,550	**829**	**1,110**	**822**	**12,311**

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
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
2008	**Europe**					
	Leases & Payables	7,921	930	-	-	8,851
	Bank Debt	1,068	2,769	-	-	3,837
	United States					
	Leases & Payables	4,244	499	150	-	4,893
	Bank Debt	32	67	1,181	-	1,280
	Others					
	Leases & Payables	482	-	-	-	482
	Total	**13,747**	**4,265**	**1,331**	**-**	**19,343**
	Off-balance sheet	(164)	(267)	(150)	-	(581)
		13,583	3,998	1,181	-	18,762

The Group's current assets at 31 December 2009 amounted to €21,656,000 (2008 – €27,894,000) including off balance sheet deferred lease revenue of €3,738,000 in 2009 and €5,194,000 in 2008.

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

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

Sensitivity analysis

A 5% strengthening of US Dollar against the Euro would have increased the profit after tax and equity by €3,000 (2008 – €20,000) and €8,000 (2008 – €40,000) respectively and a 5% decline in US Dollar against the Euro would have had equal but opposite effect on the basis that all other variables remain constant.

Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. The Group tries to minimise its interest rate risk by negotiating a fixed interest rate for the borrowings.

Cash flow sensitivity analysis

A reduction of 0.25 basis points in interest rates would have increased the profit after tax and equity by €6,000 (2008 – €7,000) 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 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)				2009				2008
	Europe	North America	Rest of the World	Total	Europe	North America	Rest of the World	Total
Revenues								
Continuing operations – Recycling								
RVM								
Sale of goods	-	2,314	661	2,975	-	1,217	694	1,911
Service revenue	-	8,438	-	8,438	-	11,397	-	11,397
Leasing revenue	-	5,582	-	5,582	-	3,059	-	3,059
Plastics								
Sale of goods	10,463	-	-	10,463	16,477	-	-	16,477
Service revenue	5,634	-	-	5,634	8,873	-	-	8,873
Non-operating segments	-	-	-	-	-	-	-	-
Total	**16,097**	**16,334**	**661**	**33,092**	**25, 350**	**15,673**	**694**	**41,717**
Discontinued operations – Helicopter Maintenance								
Engine overhaul	-	-	-	-	567	-	-	567
Sale of parts	-	-	-	-	655	-	-	655
Total	**-**	**-**	**-**	**-**	**1,222**	**-**	**-**	**1,222**

(6) Segment information (continued)

	2009 Europe	2009 North America	2009 Rest of the World	2009 Total	2008 Europe	2008 North America	2008 Rest of the World	2008 Total
Gross assets								
Continuing operations – Recycling								
RVM	-	12,503	328	12,831	-	11,937	380	12,317
Plastics	10,538	-	-	10,538	16,165	-	-	16,165
Non-operating segments	7,711	-	-	7,711	8,420	-	-	8,420
Discontinued operations – Helicopter Maintenance	-	-	-	-	-	-	-	-
Total	**18,249**	**12,503**	**328**	**31,080**	**24,585**	**11,937**	**380**	**36,902**

	2009 Europe	2009 North America	2009 Rest of the World	2009 Total	2008 Europe	2008 North America	2008 Rest of the World	2008 Total
Segment Results								
Continuing operations – Recycling								
RVM	-	261	(183)	78	-	1	(111)	(110)
Plastics	(1,439)	-	-	(1,439)	190	-	-	190
Non-operating segments	(1,463)	-	-	(1,463)	(387)	-	-	(387)
Discontinued operations – Helicopter Maintenance	-	-	-	-	(167)	(68)	-	(235)
Total	**(2,902)**	**261**	**(183)**	**(2,824)**	**(364)**	**(67)**	**(111)**	**(542)**

	2009 Europe	2009 North America	2009 Rest of the World	2009 Total	2008 Europe	2008 North America	2008 Rest of the World	2008 Total
Gross Liabilities								
Continuing operations – Recycling								
RVM	-	6,384	606	6,990	-	5,595	482	6,077
Plastics	7,452	-	-	7,452	11,864	-	-	11,864
Non-operating segments	982	-	-	982	821	-	-	821
Discontinued operations – Helicopter Maintenance	-	-	-	-	-	-	-	-
Total	**8,434**	**6,384**	**606**	**15,424**	**12,685**	**5,595**	**482**	**18,762**

(6) Segment information (continued)

	2009 Europe	2009 North America	2009 Rest of the World	2009 Total	2008 Europe	2008 North America	2008 Rest of the World	2008 Total
Cost of Property, Plant & Equipment and Intangibles Additions								
Continuing operations – Recycling								
RVM	-	1,562	-	1,562	-	1,796	14	1,810
Plastics	608	-	-	608	1,994	-	-	1,994
Non-operating segments	751	-	-	751	606	-	-	606
Discontinued operations – Helicopter Maintenance	-	-	-	-	-	-	-	-
Total	**1,359**	**1,562**	**-**	**2,921**	**2,600**	**1,796**	**14**	**4,410**

	2009 Europe	2009 North America	2009 Rest of the World	2009 Total	2008 Europe	2008 North America	2008 Rest of the World	2008 Total
Depreciation & Amortisation Expense								
Continuing operations – Recycling								
RVM	-	1,429	20	1,449	-	1,420	22	1,442
Plastics	1,346	-	-	1,346	1,400	-	-	1,400
Non-operating segments	63	-	-	63	9	-	-	9
Discontinued operations – Helicopter Maintenance	-	-	-	-	-	-	-	-
Total	**1,409**	**1,429**	**20**	**2,858**	**1,409**	**1,420**	**22**	**2,851**

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 €1,651,000 (2008 - €1,622,000), research and development costs of €1,293,000 (2008 - €344,000), payments made under operating leases of €404,000 (2008 - €375,000), and bad debt provision charge of €359,000 (2008 - €291,000). 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

	2009	2008
	€'000	€'000
Advisory services	12	-
Audit fee	86	90
	98	**90**

(8) Other income

Other income relates to government grant received by the group companies of €95,000 (2008 - €52,000) and €20,000 (2008 - €51,000) in respect of sundry income during the year. The government grant is an yearly incentive offered to businesses in recycling industry and is not repayable.

(9) Employee benefit expense

	2009	2008
	€'000	€'000
Salaries	7,298	6,424
Social security expenses	1,658	2,152
Pension expenses	27	37
Equity share based payments	378	142
	9,361	**8,755**

	2009	2008
Average number of employees		
Continuing operations		
North America	122	111
Europe	90	95
Total	212	206

(9) Employee benefit expense (continued)

Remuneration of the Management Board
The remuneration of the Management Board charged to the result in 2009 was €839,000 (2008 - €635,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Share based payments	Total
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
Total	383	75	3	378	839
2008					
B. Santchurn	126	14	2	-	142
C. Crepet	118	53	10	-	181
H. Letellier	103	52	-	-	155
G. Garvey	15	-	-	142	157
Total	362	119	12	142	635

(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:

		2009		2008
		€'000		€'000
Profit/(loss) before tax		(3,622)		(92)
Taxation at statutory rate	25.5%	924	25.5%	23
Different statutory tax rates on foreign subsidiaries		180		(192)
Losses under participation exemption		(306)		(46)
Effective income tax		**798**		**(215)**

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

Current and deferred tax income/(expense)

	2009	2009	2009	2008	2008	2008
	€'000	€'000	**€'000**	€'000	€'000	**€'000**
	This period	Prior period	**Total**	This period	Prior period	**Total**
Current						
- Netherlands	9	-	**9**	-	-	**-**
- USA	(25)	(11)	**(36)**	25	-	**25**
	(16)	(11)	**(27)**	25	-	**25**
Deferred						
- USA	-	-	**-**	(46)	-	**(46)**
- France	690	-	**690**	(194)	-	**(194)**
- Germany	135	-	**135**	-	-	**-**
	825	-	**825**	**(240)**	**-**	**(240)**
Total	**809**	**(11)**	**798**	**(215)**	**-**	**(215)**

(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:

	2009	2009	2009	2008	2008	2008
	€'000	€'000	€'000	€'000	€'000	€'000
	Continued operations	Discontinued operations	Total operations	Continued operations	Discontinued operations	Total operations
Numerator						
Profit/(loss) for the year and earnings used in basic EPS	(2,788)	-	(2,788)	(307)	(235)	(542)
Earning/(loss) used in basic and diluted EPS	**(2,788)**	**-**	**(2,788)**	**(307)**	**(235)**	**(542)**
Denominator						
	'000	**'000**	**'000**	**'000**	**'000**	**'000**
Weighted average number of shares used in basic EPS	123,562	123,562	123,562	96,052	96,052	96,052
Weighted average number of shares used in diluted EPS	123,562	123,562	123,562	96,052	96,052	96,052

Basic and diluted earnings/(loss) per share for 2009 have been calculated using the weighted-average number of current ordinary shares of 123,562,000 (2008 - 96,052,000). Treasury shares have been deducted to calculate the outstanding shares.

(13) Intangible assets

(in thousands of euros)	Goodwill	Patents & licenses	Development expenditure	Total
At 1 January 2008				
Cost	901	1,536	-	2,437
Accumulated amortisation	(780)	(979)	-	(1,759)
Net carrying amount	**121**	**557**	**-**	**678**
Changes to net carrying amount in 2008				
Additions	-	2	585	587
Disposals	-	-	-	-
Reclassifications – cost	(780)	(979)	-	(1,759)
Reclassifications - depreciation	780	979	-	1,759
Amortisation	-	(6)	-	(6)
Currency translation differences	5	2	-	7
Total changes in 2008	**5**	**(2)**	**585**	**588**
At 31 December 2008				
Cost	126	561	585	1,272
Accumulated amortisation and impairment	-	(6)	-	(6)
Net carrying amount	**126**	**555**	**585**	**1,266**
Changes to net carrying amount in 2009				
Additions	-	-	487	487
Reclassification - fixed assets	-	-	264	264
Disposals	-	-	-	-
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**

Goodwill

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

(13) Intangible assets (continued)

No impairment charges were recognised on any other goodwill during the period. All goodwill as per 31 December 2009 and 2008 relates to goodwill in the RVM segment, which was tested for any impairment using present value of discrete cash flows for next three years and the present value of the terminal cash flow with the following assumptions: cost of capital 10.58%, effective tax rate 34% working capital requirement 10% of revenue and terminal cash flow growth rate of 2.5%.

Development expenditure

All capitalised development expenditure 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 expenditure directly attributable to these projects have been capitalised.
€387,000 (2008 - €585,000) of the development expenditure was capitalised in 2009. €264,000 of the development expenditure was reclassified from fixed assets. The developed assets are expected to be available for use in 2010. Once these assets are completely developed they are amortised over ten years.

(14) Property, plant and equipment

(in thousands of euros)	Reverse vending machines	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2008					
Cost	34,769	7,391	9,448	5,118	56,726
Accumulated depreciation	(30,918)	(2,342)	(6,686)	(4,384)	(44,330)
Net carrying amount	**3,851**	**5,049**	**2,762**	**734**	**12,396**
Changes to net carrying amount in 2008					
Additions	1,075	96	1,768	884	3,823
Disposals	(210)	(2)	(1,821)	(47)	(2,080)
Depreciation	(1,229)	(418)	(845)	(353)	(2,845)
Elimination of depreciation on disposal	-	-	850	-	850
Currency translation	179	(55)	20	23	167
Reclassifications – cost	(2,523)	(2)	(173)	(328)	(3,026)
Reclassifications - depreciation	2,523	2	173	328	3,026
Total changes in 2008	**(185)**	**(379)**	**(28)**	**507**	**(85)**
At 31 December 2008					
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**

Plant and machinery includes €328,000 (2008 - €94,000) for an asset which is under construction.

(15) Long term deposits

	2009	2008
	€'000	€'000
Schedule of movement		
At beginning of year	**581**	**937**
Addition	-	31
Withdrawal	(255)	(387)
At end of year	**326**	**581**

Other non-current assets

	2009	2008
	€'000	€'000
Deposits with Suppliers and Vendors	326	581
	326	**581**

(16) Deferred tax

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

	2008	2008	2008	2008	2008
	€'000	€'000	€'000	€'000	€'000
	Asset	Liability	Net	(Charge)/credit profit & loss	(Charge)/credit equity
Inventory	-	788	(788)	(194)	-
Available profits/(losses)	44	(208)	252	(2)	-
Accelerated capital allowances	-	207	(207)	(19)	-
At 31 December 2008	44	787	(743)	(215)	-

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 €20,887,000 (2008 - €22,325,000) which will expire through 2029. During the year €135,000 (2008 - €Nil) of deferred taxes were recognised relating to previous year unused tax losses.

(17) Inventory

	2009	2008
	€'000	€'000
Finished goods	600	2,263
Raw material and parts	4,657	6,788
Work in progress	272	284
Provision for obsolescence	(557)	(390)
Inventory	**4,972**	**8,945**

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	2009	2008
	€'000	€'000
At beginning of period	390	289
Additions	557	414
Release of provision	(390)	(313)
At end of period	**557**	**390**

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

(18) Trade and other receivables

	2009	2008
	€'000	€'000
Trade receivables	5,856	5,764
Receivable from shareholders	5,129	6,105
Other receivables	662	177
Prepaid expenses	203	265
Trade and other receivables	**11,850**	**12,311**

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 provision of €359,000 for the current year and €291,000 for 2008.

(19) Cash and cash equivalents

	2009	2008
	€'000	€'000
Cash at bank and in hand	1,096	1,444
Cash and cash equivalents	**1, 096**	**1,444**

The cash balances are at free disposal of the Company.

(20) Shareholders' equity

Share Capital
(in thousands of euros)

	Ordinary shares		
	Nominal value A Shares	**Nominal value B Shares**	**Total**
At 1 January 2008	883	53	936
Issued and fully paid	-	300	300
At 31 December 2008	**883**	**353**	**1,236**
At 1 January 2009	**883**	**353**	**1,236**
Coversion from Class A to Class B	(191)	191	-
At 31 December 2009	**692**	**544**	**1,236**

Number of ordinary shares (in thousands)	**2009**	**2008**
Class A Shares		
At 1 January	88,288	88,288
Converted to Class B shares	(19,088)	-
Issued and not paid	-	-
At 31 December	**69,200**	**88,288**
Class B Shares		
At 1 January	**35,342**	**5,319**
Coversion from Class A shares	19,088	**-**
Issued and fully paid	-	**30,023**
At 31 December	**54,430**	**35,342**
Total shares at 1 January	**123,630**	**93,607**
Total shares at 31 December	**123,630**	**123,630**

Authorised share capital (in thousands of euros)	**2009**	**2008**
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**

(20) Shareholders' equity (continued)

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 Depositary Receipts do not have any voting rights.

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

Change in capital structure

On 8 December 2008, the controlling shareholders Mr Alexandre Bouri and Megatrade International S.A., transferred to Mr Gregory Garvey 18,101,367 shares 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).

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 has also been appointed as the chairman of the management board with full operational responsibility for the reverse vending, related products and services segment of the business.

Mr Alexandre Bouri, the current majority shareholder, has subscribed to 30,022,525 new shares at €0.2486 each in the Company, representing about €7.46 million ($10.1m) in cash which would be available to the Company to fund its initiatives and business plan. This subscription is payable in instalments. This instalment plan was restructured on 30 December 2009 as follows: €1.5 million due by 15 March 2010, another €1.5 million due by 30 September 2010 and the balance of €1.46 million by 31 December 2010. Interest will be due on the outstanding amount from 1 January 2010, however, no interest was charged for 2009.

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

In the new capital structure, once all the share issues are completed and if all share options would have been granted and vested and exercised, the total number of shares shall become 149,130,336 and include 4,295,378 depositary receipts. The total shares and depositary receipts owned by the parties shall be as follows: Mr Alexandre Bouri 64.66%, Mr Gregory Garvey 21.52% and the employees and public 13.82%.

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.

(20) Shareholders' equity (continued)

Share options

12,000,000 share options were granted on 8 December 2008 to one of the directors at a strike price of €0.32. The underlying share price on that day was €0.2486 based on an earlier private transaction. Options are conditional on the employee remaining with the Company till 31 December 2011 (the vesting period) and can vest sooner if the Company meets targets regarding EBITDA or stock market value. Up to 4,000,000 options are exercisable in each of the years 2009, 2010 and 2011 if certain targets are met. The options expire on 31 March 2012. The options will be settled in equity. As of 31 December 2009 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.

	2009	2008
Outstanding at 1 January	12,000	-
Granted during the period	-	12,000
Exercised during the period	-	-
Outstanding at 31 December	**12,000**	**12,000**

The share option charge for the year amounted to €378,000 (2008 - €142,000).

Share premium reserve

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

Retained earnings

At the Company's Annual General Shareholders' Meeting it will be proposed to deduct the 2009 net result from retained earnings.

Translation reserve

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

(21) Non-current liabilities

	2009	2008
	€'000	€'000
Borrowings	**3,247**	**4,017**

	2009	2008
	€'000	€'000
Other liabilities	109	158
	109	**158**

Borrowings

	2009	2008
	€'000	€'000
Sorepla Industrie S.A. entered into various secured and unsecured borrowing agreements with various parties totaling €3,023,000 (2008 - €3,837,000) with maturity dates ranging from 2009 to 2013. €1,531,000 of the debt is secured by the assets under finance leases (see note 25) and €1,384,000 is secured by fixed and floating charges on other assets.	3,023	3,837
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. Under this loan agreement the subsidiary has to comply with certain financial covenants. At the year end, the company was in breach of one of its financial covenants for which it had obtained a waiver as of 31 December 2009.	1,229	1,280
Total	**4,252**	**5,117**

Future payments under long term borrowings	2009	2008
	€'000	€'000
Current	1,005	1,100
Due between 2 to 5 years	3,247	3,809
> 5 years	-	208
Total borrowings	**4,252**	**5,117**

Schedule of movement	2009	2008
	€'000	€'000
At beginning of period	5,117	10,194
Reclassification	-	593
Increase	209	172
(Decrease)	(1,054)	(5,892)
Translation effect	(20)	50
At end of period	**4,252**	**5,117**

(21) Non-current liabilities (continued)

Deferred income

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

	2009	2008
	€'000	€'000
Un-amortised balance	**109**	**158**

(22) Other current liabilities

	2009	2008
	€'000	€'000
Provisions	25	317
Tax and social security contributions	633	108
	658	**425**

(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 2009, expenses related to defined contribution plans amounted to €27,000 (2008 - €37,000).

(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 2009 the fair value of the interest rate swap was a liability of approximately €146,000 (2008 - €217,000) and is included in long-term liabilities and as part of accumulated other comprehensive income/(loss). The Company does not issue or hold derivative contracts for speculative purposes. The movement does not relate to any changes in the credit risk.

Interest rate swap – cash flow hedge	2009		2008	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Opening balance	-	217	-	-
Change in value	-	(67)	-	217
Translation adjustment	-	(4)	-	-
Closing balance	**-**	**146**	**-**	**217**

(25) Commitments and contingencies

Operating lease commitments-where a Group company is the lessee

The future minimum lease payments under non-cancellable operating leases as of 31 December 2009 and 2008 were as follows:

	2009	2008
	€'000	€'000
Current	359	164
Between 2 to 5 years	510	417
	869	**581**

The leases relate to buildings, plant and equipment, office machines and vehicles. Rent expenses for the year ended 31 December 2009 were approximately €393,000 (2008 - €154,000).

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 2009 and 2008 were as follows:

	2009	2008
	€'000	€'000
Current	1,861	2,089
Between 2 to 5 years	1,965	2,887
	3,826	**4,976**

Lease revenues from RVMs for the year ended 31 December 2009 were approximately €3,237,000 (2008 - €3,058,000).

Finance lease commitments-where a Group company is the lessee

	2009		2008	
	Buildings €'000	Plant €'000	Buildings €'000	Plant €'000
Current	270	228	258	309
Between 2 to 5 years	450	449	691	677
Over 5 years	135	-	86	-
	855	**677**	**1,035**	**986**
Carrying value at 31 December	1,507	1,382	1,655	1,607

(25) Commitments and contingencies (continued)

Other commitments

The group has a capital commitment of €872,000 under an agreement signed on 22 December 2009 (refer to Note 28 for details).

Sorepla, the plastic recycler has contracted for an initial investment of €3,500,000 in bottle to bottle plant and equipment as at 31 December 2009 out of total estimated cost of about €6,300,000 depending on the final configuration of the line.

Legal proceedings

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

One of the group company received a claim from the buyer of the helicopter activities of €750,000. The group has taken the position that this claim is not valid and strongly believes that it does not have to pay. This company is entitled to an earn-out proceeds on the sale of these activities. No earn-out proceeds have been recognised as at 31 December 2009.

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

Loans

Please refer to Note 21.

(26) Discontinued operations

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

	2008
	€'000
Revenue	1,222
Cost of sales	(1,016)
Gross profit	206
Selling expenses	-
General and administrative expenses	(221)
Operating result	(15)
Interest expense	-
Exchange gain/(loss)	15
Loss on disposal of assets	(235)
Result before taxes	(235)
Income taxes	-
Result after taxes of discontinued operations	(235)

There was no operating company held for sale as at 31 December 2009 or 2008.

(27) Related party transactions

A director had a unsecured loan of €35,000 at the end of year 2008, from a subsidiary, which was repaid during the current year.

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). No interest was charged in respect of this loan in 2009.

Group companies enter into transactions with each other in the normal course of business. These transactions are eliminated on consolidation. Net research and development expenditure of €1,293,000 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 German or US subsidiaries for the years 2008-09.

The Group companies had following transaction:

	2009	**2008**
	€'000	€'000
Goods and services	2,074	1,984
Other charges and services	475	698
Research and development	1,293	628
	3,842	**3,310**

(28) 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. The group's share of capital commitment based on 50:50 ownership for this pilot operation is €872,000. The group's share of expenses in 2009 amounted to €60,000. There were no assets at the year end in respect of this investment.

(29) Post balance sheet events

There were no post balance sheet events.

SEPARATE COMPANY BALANCE SHEET AS AT 31 DECEMBER

BEFORE PROPOSED APPROPRIATION OF RESULT

ENVIPCO

(in thousands of euros)

	Note	2009		2008	
Assets					
Fixed assets					
Intangible assets		1,814		1,116	
Financial fixed assets	(B)	7,145		8,456	
Loans to group companies	(C)	2,839		2,079	
			11,798		11,651
Current assets					
Receivables		5,271		6,141	
Cash		104		845	
			5,375		6,986
Total assets			**17,173**		**18,637**
Equity and liabilities					
Shareholders' equity	(D)				
Share capital		1,236		1,236	
Share premium		48,916		48,916	
Retained earnings		(36,390)		(34,035)	
Translation reserve		1,790		1,883	
			15,552		18,000
Provisions					
Provisions for Consolidated Group Companies			1,025		-
Non-current liabilities	(F)		-		-
Current liabilities					
Creditors and other liabilities		596		637	
			596		637
Total equity and liabilities			**17, 173**		**18,637**

SEPARATE COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

BEFORE PROPOSED APPROPRIATION OF RESULT

ENVIPCO

(in thousands of euros)

	2009	2008
Result from Group companies after income taxes	(1,199)	(280)
Other results after income taxes	(1,589)	(262)
Net result	**(2,788)**	**(542)**

(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 D Shareholders' equity of the separate Company financial statements.

(B) Financial fixed assets

	2009	2008
	€'000	€'000
At beginning of the year	8,456	7,410
Investments	(13)	1,916
Treasury shares	(6)	(1)
Results of the group companies for the year	(1,199)	(280)
Exchange differences	(93)	(589)
	7, 145	**8,456**

(C) Loans to group companies

	2009	2008
	€'000	€'000
At beginning of the year	2,079	9,070
Additions/(redemptions) of loans	760	(6,991)
	2,839	**2,079**

(D) Shareholders' equity

At the General Meeting of the Shareholders of 13 July 2009, the Company's shareholders approved that the 2008 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). No interest was charged in respect of this loan in 2009.

(E) Subsidiaries and affiliates of Envipco

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

(F) Non-current liabilities

Borrowings

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

(G) Remuneration of the Board of Management

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2009 was €839,000 (2008 - €635,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Share based payments	Total
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
Total	**383**	**75**	**3**	**378**	**839**
2008					
B. Santchurn	126	14	2	-	142
C. Crepet	118	53	10	-	181
H. Letellier	103	52	-	-	155
G. Garvey	15	-	-	142	157
Total	**362**	**119**	**12**	**142**	**635**

Amsterdam, 7 April 2010

w.s. Gregory Garvey (Chairman)

w.s. Alexandre Bouri

w.s. Bhajun Santchurn

w.s. Dick Stalenhoef

w.s. David D'Addario

w.s. Guy Lefebvre

w.s. Christian Crépet

(H) Events after the balance sheet date

There were no events after the balance sheet date.

(I) Statutory rules concerning appropriation of results

In Article 16 of the company statutory regulations the following has been presented concerning the appropriation of result:

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

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

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

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

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

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

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

8 The general meeting is authorised to apply the dividend reserves for a different purpose after having obtained the prior approval of all the 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 favour of the company do not count for the purpose of calculating the profit appropriation.

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

(J) Appropriation of result for the financial year 2008

The annual report 2008 was determined in the General Meeting of Shareholders held on 13 July 2009. The General Meeting of Shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

(K) Dividend distributions

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

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

(L) Proposed appropriation of loss for the financial year 2009

The Board of Directors proposes that the loss for the financial year 2009 amounting to €2,788,000 will be deducted from the retained earnings. The financial statements do reflect this proposal.

(M) Special statutory voting rights

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

(N) Auditor's report

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

BDO

Tel: +31 (0)20 543 21 00
Fax: +31 (0)20 543 21 66
info@bdo.nl
www.bdo.nl

BDO Audit & Assurance B.V.
Postbus 71730, 1008 DE Amsterdam
Krijgsman 9, 1186 DM Amstelveen
Nederland

To: the shareholders and the board of directors Envipco Holding N.V.

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2009 of Envipco Holding N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2009, the company profit and loss account for the year then ended and the notes.

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

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

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

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Amstelveen, 9 April 2010

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

w.s. O. van Agthoven RA