



Envipco

Innovative Recycling Systems

Annual Report 2002

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Chairman's Statement

2002 has been yet another challenging year. The Group did not perform as expected with a decrease in revenues of about 2%. The losses for the year were 15% higher at Euro 6.2m than that of the previous year.

The delay in the implementation of deposit law, which came into effect on 1st January 2003, has resulted in lower revenues than anticipated for the German operation.

Additional restructuring costs within the Group to increase efficiency and productivity contributed to the losses for the year 2002. Other reasons included, changes in recycling practices of used plastic containers in the city of New York, which significantly reduced the volumes across the industry for the second half of the year and the higher costs of integration of the two new acquisitions made in 2001. In France, the start-up costs of a new PET washing line and in Brazil taking a full provision for the net assets of nearly Euro 1.2m were also significant factors.

The Posada Group showed marginally lower profits than expected, however the synergies of the 2001 acquisition will contribute to the results of the future years.

We continue to overcome the challenges of restructuring and changes, which are now almost behind us. We anticipate smaller losses in 2003.

Some highlights:

- Sorepla, the French subsidiary has fully completed the installation of its second wash line, bringing its capacity to 40,000 metric tons per annum and is expected to return to profitability by 2004.
- The operation of the Brazilian PET plant has been temporarily stopped due to a shortage of raw materials i.e. Post consumer PET bottles. We are installing RVM's to collect PET bottles. Costs of maintaining this plant is charged to operations.
- Restructured operations and the integration into the Group of the acquisition of a commodity pick-up and processing business based in New York in 2001, is now well in place and results are encouraging despite earlier losses.
- The Joint Venture with Fuji Electronic Co. Ltd. of Tokyo, Japan was implemented commencing March 2002 with a significant investment in research and development to modernize and market our reverse vending machines (RVM's) in the Far East and elsewhere, with lower production costs.

Despite these continued losses, I am very optimistic about the medium to long-term prospects of the Group. I thank all our employees and shareholders for their continued confidence and patience in these times of challenges, which will lead to growth and prosperity.

Report of the Board of Directors

Financial results

Despite a decrease in revenues by about 2% to €59.4m (2001 €60.5m), the Group posted a significantly lower EBITDA of - € 0.3m for the year 2002 compared with €2.1m (net of exceptional and extraordinary items) in 2001. The higher than expected losses in 2002 were due mainly to adverse factors affecting our operations in the USA, France and Germany, write offs in Brazil, research and development costs in Japan coupled with transition costs of two new acquisitions in the North Americas.

Additional provisions for receivables and inventories of parts relating to older generation machines contributed to a significantly higher operating loss of €4.9m (2001 – Loss €3.5m). There were increased losses of nearly €0.4m in Germany due to companies being placed in administration and the write off of inventory and old equipment. In France, losses were mainly due to start up costs of a new PET washing line. In Brazil, full provision has been taken to reflect writing down of the net assets of nearly €1.2m. Furthermore, costs of integrating and re-organising the two new acquisitions and a strategic alliance, impacted negatively during the year.

Principal activities

The Group's principal activities during the year were:

- 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 retail stores, bottlers and distributors for containers redeemed through the company's machines.
- The processing of used PET and HDPE plastics for recycling.
- Operating authorised helicopter maintenance centres for Rolls Royce Allison, Bell Helicopters Textron, HR Textron, Agusta, and Honeywell in the United Kingdom, Malta and the USA.

Review of operations

North Americas

USA

The US operations' revenues remained at €25m despite a reduction in the number of RVMs sold during the year, the reduction in fees from Redemption Program Services attributable to the bankruptcy of one of its a major customers, and the currency losses due to a weaker US Dollar.

Operational efficiencies and reduction in costs have been achieved through re-organisation, which led to a lower loss of €3.4m, a decrease of €1.0m over 2001. A substantial part of the loss was due to the higher cost of integrating the US pickup and processing business. This operation has now been re-organised and is profitable.

The US operation is anticipating reduced losses for 2003.

In the longer term, US operations will benefit from sales of RVMs in emerging markets developing throughout the World, some of which are referred to elsewhere in this report. The management is confident that US operations will return to profitability by the end of 2005.

Canada

A new company Tek-O-Matic Enterprises Inc. was acquired in September 2002, given the market opportunities for the sale of the RVMs in Canada. The strategic acquisition gave us a foothold in this emerging market to exploit the significant potential in the only two Provinces where Bottle Bills have been legislated. With some initial organisational losses in 2002, the company has been making good progress to market our RVMs and the related services. Break-even is anticipated in 2004 after a strong marketing campaign.

Europe

Germany

The existing German companies had been placed in administration with a provision for €135k towards discontinuing costs. The delay and uncertainty in the implementation of the one-way deposit container legislation were the main reasons for winding up the business. A new company has been formed for the purpose of maintaining our presence in this market.

France

Sorepla, the French plastic recycler did not perform as expected in 2002, due mainly to changes in the management and delay and start up costs of the new PET washing line. The downturn of the virgin resin market resulted in lower pricing and profitability in 2002.

Despite revenue increases of about 13% to €8.8m (2001 €7.8m), higher re-organisation and start up costs contributed significantly towards the losses of €0.6m (2001 – Profit €0.4m).

Although the installation of the €7.8m new line was completed in December 2001, operations were delayed until June 2002, causing higher losses.

The market for recycled PET and HDPE continues to develop in the major industrialised countries. Despite the problems faced during the year, Sorepla still maintains its leadership in this market with a higher capacity and innovative technology. Management is confident that Sorepla will return to profitability by 2004.

South Americas

Brazil

Early integration costs of a new business in an emerging market have seen the business develop slowly. The company continues to exploit its strategic acquisition of 2001. The number of Envipco RVMs increased at a slower pace than expected, despite the enactment of the deposit law during 2002. In 2003, however, there has been a steady but slow expansion. On a conservative note, a full provision for the value of the investment and any receivable of 2002 has been made for approximately €1.2m.

Challenges faced by higher than expected start up costs, technical problems of delayed implementation of the new state of the art PET processing and washing line and currency losses were the major causes for the losses in the Brazilian market. The RVM operation has now been restructured.

Mexico

The company continues its successful pilot programmes for RVMs, which have been proven to be successful. The results have been very encouraging and these tests are being expanded and carried out on a larger scale. The management is confident of significant results in the coming years.

Far East

Japan

Envipco Holding N.V. and Fuji Electric Company Limited (our former distributor) successfully concluded a strategic alliance in the form of a fifty-fifty Joint Venture Agreement in March 2002. The newly formed Joint Venture Company, Fuji Envipco Company Limited with an initial capital of 200m Japanese Yen commenced operations on 1st April 2002. A major research and development program was undertaken to modernise and revolutionise the reverse vending machines with innovative technology with our Japanese partners. To this end, a significant long-term investment program is in place. The Group's share of investment was €0.85m during the year and the company intends to build upon yet another emerging market for innovative recycling systems in the years ahead. This operation is expected to become profitable only in the medium to long-term.

Helicopter maintenance activities

The helicopter maintenance group continues to make a significant contribution to Envipco's group profitability. The group achieved a post tax profit of €0.9m, which was lower than in 2001 (€1.0m) due mainly to additional restructuring costs of the 2001 acquisition. However, the acquisition of Aeromaritime America Inc (AAI) has provided more synergy during 2002 for the group's position in the USA, the largest market in the world for the Rolls Royce Allison 250 series engines.

The general order situation remains steady with a modest decrease in sales of 6.6% to €24m during the year (2001 was €25.7m). Results are expected to improve in the future years especially with a new strategic acquisition in the United Kingdom in July 2003. It is anticipated that this group will continue to be profitable.

Directors and their interests

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

Ordinary shares represented by Depository Receipts				
<u>December 31</u>				
	<u>2002</u>		<u>2001</u>	
Dr. Theodor Leipold	441,671		441,671	
Mr. Jean-Jacques Nardin(*)	99,730		99,730	
Mr. Christian Crépet	-		-	
Mr. Bhajun Santchurn	-		-	
Mr. Guy Lefebvre	-		-	
Mr. Dick Stalenhoef (**)	-		-	
Mr. Neil Turpie	-		-	

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

(*) Mr Jean-Jacques Nardin resigned from the Board as a director on 22nd April 2002.

(**) Mr Dick Stalenhoef resigned from the Board as a director on 1st April 2003.

Salaries and remuneration

The Board of Directors received remuneration totalling €294,729 and €407,065 during 2002 and 2001 respectively.

Substantial shareholding

The Group has been notified of, or is aware of the following interests at 31st of December 2002 and 2001, representing 3 per cent or more of the Group's issued share capital.

December 31				
	2002		2001	
	Number of Shares	Percentage	Number of Shares	Percentage
Mediterranée Investment Bank	970,000	3.97%	970,000	4.07%
Banque Saradar	1,702,022	6.97%	1,702,022	7.15%
A.F.Bouri (beneficially owned for Seament Holding S.A.L.)	13,566,743	55.58%	13,342,943	56.04%

Post balance sheet events

Details of the post balance sheet events are given in Note 17 of the Notes to the consolidated financial statements. The long-term liabilities to shareholders have been denominated in United States Dollars as of 31 December 2003 secured by pledge of shares of Posada Holding B.V. and Sorepla Technologie S.A. and Sorepla Industrie S.A.

The management is exploring the options of the appointment of a Supervisory Board to implement the Corporate Governance guidelines set out by the Brussels Stock Exchange.

Secretary of the Board
28 September 2004

Consolidated balance sheet

after appropriation of net loss

(all amounts in thousands of Euro)	Notes	<u>31 December 2002</u>	<u>31 December 2001</u>
ASSETS			
Fixed assets			
Intangible fixed assets, net of amortisation	2	1,322	1,243
Tangible fixed assets, net of depreciation	3	16,739	21,994
Financial fixed assets		1	1
		<u>18,062</u>	<u>23,238</u>
Current assets			
Inventories	4	11,896	12,758
Trade receivables, net of allowances for doubtful debts		4,298	5,495
Other receivables and prepayments	5	3,907	10,062
Cash	6	2,980	2,443
		<u>23,081</u>	<u>30,758</u>
Total assets		<u><u>41,143</u></u>	<u><u>53,996</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	244	108
Share premium		25,145	25,170
Translation reserve		451	3,412
Accumulated deficit		(24,688)	(18,511)
		<u>1,152</u>	<u>10,179</u>
Minority interest	8	400	632
Non-current liabilities			
Debts, net of current portion	9	26,333	21,363
Deferred income	10	824	320
		<u>27,157</u>	<u>21,683</u>
Provisions	11	1,420	362
Current liabilities			
Trade and other payables	12	8,467	14,873
Bank overdraft and loans	6	99	436
Current portion of long term debts	9	2,448	5,831
		<u>11,014</u>	<u>21,140</u>
Total equity and liabilities		<u><u>41,143</u></u>	<u><u>53,996</u></u>

Consolidated income statement

(all amounts in thousands of Euro)	Notes	Year ended 31 December 2002	Year ended 31 December 2001
Revenues	18	59,366	60,455
Cost of sales		(44,185)	(46,116)
Leasing depreciation	3	(3,358)	(3,696)
Gross profit		11,823	10,643
General and administrative expenses		(13,354)	(11,061)
Selling expenses		(1,294)	(1,134)
Depreciation other	2/3	(2,058)	(1,997)
Operating loss		(4,883)	(3,549)
Valuation adjustment for financial fixed assets		(849)	-
Exchange gains and losses		334	160
Other income and expenses		(746)	-
Interest expenses		(1,556)	(2,377)
Interest income		375	780
Loss before tax		(7,325)	(4,986)
Tax	13	688	(378)
Loss from ordinary activities		(6,637)	(5,364)
Minority interest	8	460	(3)
Net loss for the year		(6,177)	(5,367)
Earnings/(loss) per share in Euros		(0.25)	(0.23)
Fully diluted earnings/(loss) per share in Euros		(0.25)	(0.23)

**Consolidated cash flow statement
for the year ended 31 December 2002**

	Notes	Year ended 31 December 2002	Year ended 31 December 2001
(all amounts in thousands of Euro)			
Net cash provided by / (used in) operational activities			
Operating income		(4,883)	(3,549)
Adjustments for:			
Depreciation and amortisation	2/3	5,416	5,692
Realisation of deferred income		503	(93)
Change in trade and other receivables		7,353	(1,498)
Change in assets of discontinued operations		-	3,269
Change in inventories		862	(1,673)
Changes in provisions		1,059	-
Changes in trade and other payables		<u>(6,407)</u>	<u>1,819</u>
Changes in working capital items, net		2,867	1,917
Cash provided by / (used in) operations		<u>3,903</u>	<u>3,967</u>
Interest received		375	941
Interest paid		(1,556)	(2,377)
Income taxes paid		<u>688</u>	<u>(378)</u>
		(493)	(1,814)
Net cash provided by operational activities		<u>3,410</u>	<u>2,153</u>
Net cash used in investment activities			
Acquisition of consolidated subsidiary		79	1,673
Net investment in tangible fixed assets		<u>(5,255)</u>	<u>(7,129)</u>
Net cash used in investment activities		(5,176)	(5,456)
Net cash provided by financing activities			
Cancellation of share of stock, net		111	-
Increase / (Decrease) in long term borrowings and capital lease obligations		4,970	2,402
Net cash provided by financing activities		<u>5,081</u>	<u>2,402</u>
Net cash flow for the period		<u>3,315</u>	<u>(901)</u>
Foreign currency differences and other changes		(3,193)	(238)
Cash flow from newly consolidated subsidiaries		752	-
Changes in cash and cash equivalents, net of bank overdrafts for the period		<u>874</u>	<u>(1,139)</u>

Envipco Holding N.V.

1. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

General

1.1 Basis of preparation

The consolidated financial statements are prepared in accordance with generally accepted accounting standards in The Netherlands (Dutch GAAP) as set out in the Provisions of Book 2 of the Dutch Civil Code. The consolidated financial statements are prepared under the historical cost convention.

1.2 Description of business

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands, with its registered address at Rokin 55, 1012 KK Amsterdam, Postbus 990, 1000 AZ Amsterdam, The Netherlands. Envipco Holding N.V. and Subsidiaries ("the Company" or "Envipco") is engaged principally in two sectors; Recycling and Helicopter Engine Maintenance.

Recycling remains the core business of the Company in which it

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

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

Going concern note

Whilst the equity is small, management believes that due to the recently signed bank debt restructuring agreement and the Group's 2004 and 2005 forecasts that show positive net cash flows, the going concern of the Group is unaffected. The main shareholder, Seament Holding S.A.L., confirmed in writing to financially support the Group for at least the next 12 months from the date of issuance of this annual report.

Deposit redemption programmes

Under deposit redemption programmes, the Company is responsible for the operation of systems to redeem, collect, account for and dispose of used beverage containers. In connection with these programmes, 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 or included within receivables and payables in the consolidated financial statements. The Company earns its revenues through leasing and selling machines to retailers and other participants, and through various services provided to distributors and retailers, including container collection, disposition, and accounting services.

Plastics processing programme

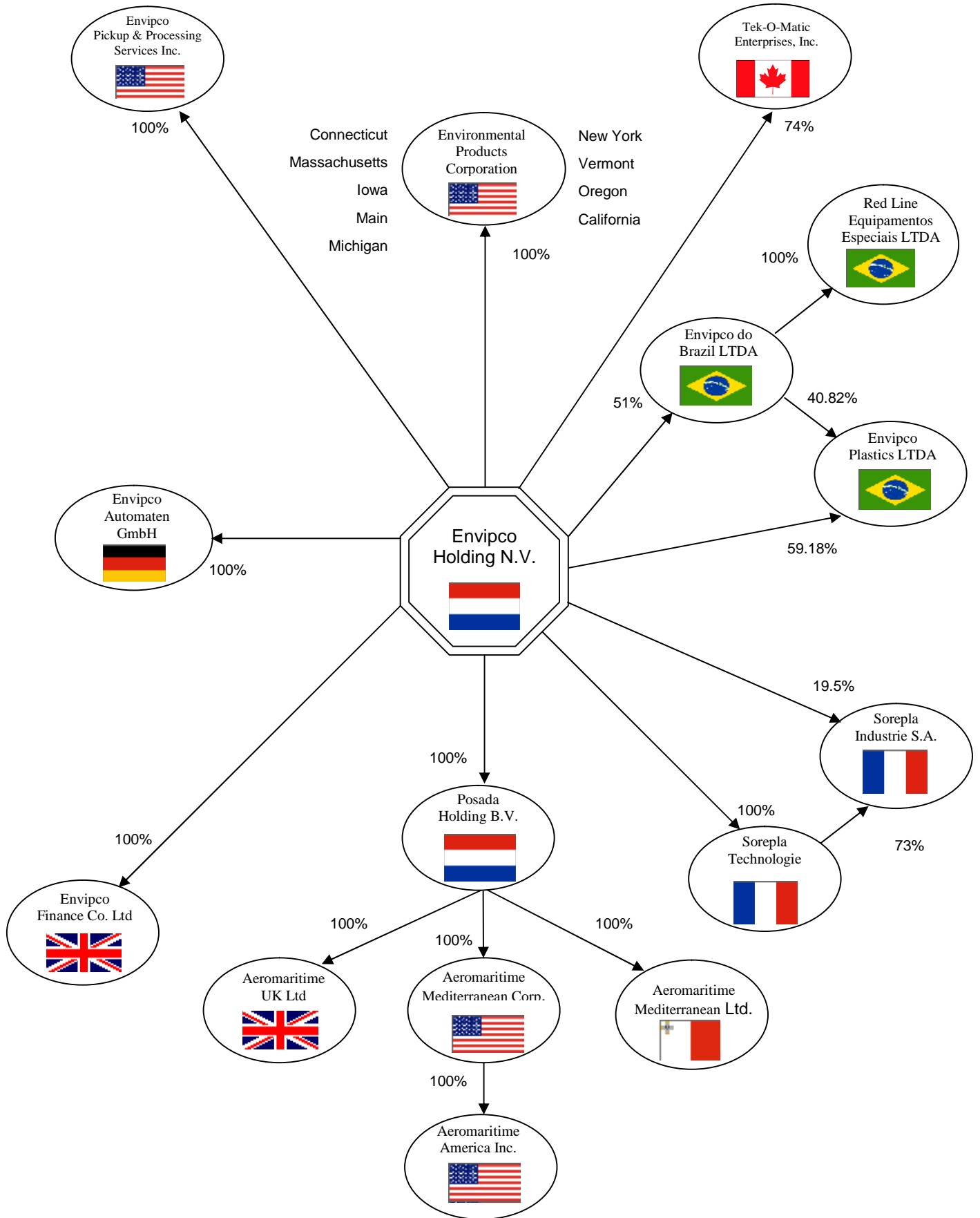
The Company operates plastic processing facilities in France and Brazil, which produces plastic "flake" a product derived from post-consumer plastic beverage containers. The plastic product is sold to various customers for packaging and fibre applications.

1.3 Principles of Consolidation

Consolidated and affiliated companies

The consolidated financial statements include the accounts of the parent company Envipco Holding N.V. and those companies in which the parent company owns more than 50% of the issued share capital and/or has management control. Subsidiaries acquired or sold during the year are included in the profit and loss account as of the date of acquisition, or up to the date of sale. The relative part of total group equity and net income/(loss) attributable to third parties is included as minority interest in the consolidated balance sheet and statement of income respectively.

Envipco and its consolidated subsidiaries are structured as set out in the chart below:



1.3 Principles of Consolidation (continued)

Elimination of inter-company transactions

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

Envipco Pickup and Processing Services Inc. – Delaware, U.S.A
Tek-O-Matic Enterprises Inc. – Quebec, Canada
Envipco do Brazil Ltda – Maua, Sao Paulo, Brazil
Envipco Plastics Ltda – Maua, Sao Paulo, Brazil
Red Line Equipamentos Especiais Ltda – Maua, Sao Paulo, Brazil
Envipco Finance Company Limited – London, United Kingdom
Sorepla Industrie S.A. – Paris, France
Sorepla Technologie S.A. – Paris, France
Posada Holding B.V. – Amsterdam, Netherlands
Environmental Products Corporation – Delaware, U.S.A.
Envipco Automaten GmbH – Neufahrn, Germany

1.4 Use of estimates

The preparation of the consolidated financial statements in conformity with Dutch accounting standards requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual figures may eventually differ from those estimates.

1.5 Valuation of assets and liabilities

Unless stated otherwise, assets and liabilities are carried at face value, net of allowances, where necessary.

1.6 Foreign currencies and financial instruments

Foreign currency transactions within Envipco are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates.

Currency translation of foreign subsidiaries' financial statements

Balance sheet items are translated using year-end exchange rates. Income and expense items are translated using an average exchange rate for the period. The Company's share of translation gains or losses is deferred under translation reserves as part of shareholders' equity.

1.7 Reclassifications

Certain prior year amounts have been reclassified for comparative purposes.

Balance sheet

1.8 Goodwill and other intangible fixed assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net assets of the acquired entity at the date of acquisition. Due to a change in Dutch GAAP accounting rules, as of January 2001, goodwill is capitalised and amortised, based on the estimated life of the goodwill, over a period not exceeding 20 years. The carrying amount for each intangible fixed asset is reviewed annually and adjusted for permanent impairment where necessary.

The shares in subsidiary companies are eliminated on consolidation. The difference between the purchase price of consolidated subsidiaries and the underlying net assets of such companies at the date of acquisition is allocated to the appropriate captions of the consolidated balance sheet based on fair values. The difference is recognised in the balance sheet as Goodwill, which is capitalised and amortised over a period not exceeding 20 years.

1.9 Research and development

Research and development costs are recognised as an expense except for costs incurred on developing separately identifiable specific projects, which are recognised as development assets (intangible assets) to the extent that such expenditures are expected to have future benefits. However, development costs initially recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that are capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight-line basis over the period of its expected benefit not to exceed 5 years.

1.10 Debt issuance cost

Debt issuance costs represents the costs incurred in structuring loan agreements with lending institutions on acquisitions. Debt issuance costs are capitalised and amortised over the term of the loan.

1.11 Tangible fixed assets

Tangible fixed assets are included at cost, net of depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Buildings	25-40 years
Plant and machinery	3-10 years
Equipment and motor vehicles	3-8 years

Land is not depreciated as it is deemed to have an indefinite life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of tangible fixed assets are determined based on the difference between the sales price and the carrying amount and are taken into account in determining operating profit.

Interest costs on borrowings to finance the construction of tangible fixed assets are capitalised, during the period of time that is required to complete and prepare the tangible fixed asset for its intended use, as part of the cost of the asset. No interest was capitalised during the year.

Maintenance and repair costs of a major nature are treated as expenses, unless management deems the benefit to accrue in more than one accounting period.

1.12 Accounting for leases

Assets leased out under operating leases are included in tangible fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis not exceeding seven years, consistent with similar fixed assets. Rental income is recognised on a straight-line basis over the lease term.

1.13 Government grants

Government grants relating to the purchase of tangible fixed assets are included in non-current liabilities as deferred income and are credited to the income statement based on grant conditions over the expected lives of the related assets.

1.14 Financial fixed assets

Investments in subsidiaries and associated companies are stated at net asset value if the company effectively exercises influence of significance over the operational and financial activities of these investments. The net asset value is determined on the basis of the accounting principles applied by the company.

1.15 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventory of recycled material to be processed or for sale is stated at estimated market value.

1.16 Receivables

Receivables as presented under current assets mature within one year.

1.17 Cash

For the purposes of the cash flow statement, cash comprises cash in hand, deposits held at call with banks, and investments in money market instruments and other short-term investments with a maturity of less than three months, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

1.18 Liabilities

Liabilities with a remaining period up to one year, including the short-term portion of the long-term liabilities, are presented under short-term liabilities.

Income statement

1.19 Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, of performance of services, net of sales taxes and discounts, and after eliminating sales within the Group. Revenues generated from leasing arrangements are recognised over the periods of the leases.

Other revenues earned by the Company are recognised on the following bases:

Royalty income – on an accruals basis in accordance with the substance of the relevant agreement.

Interest income – as it accrues (taking into account the effective yield on the related asset) unless collectibility is in doubt.

1.20 Corporate income taxes

Corporate income tax payable is calculated on the results disclosed in the income statement, using various tax rates in effect in different countries, allowing for current tax relief facilities.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Under this method the Company is required to make provision for deferred income taxes on the revaluation of certain non-current assets and, in relation to an acquisition, on the difference between the fair values of the net assets acquired and their tax base. Provision for taxes, mainly withholding taxes, which could arise on the remittance of retained earnings, principally relating to subsidiaries, is only made where there is a current intention to remit such earnings.

The principal temporary differences arise from depreciation on tangible fixed assets, revaluation of non-current assets, provisions for pensions and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses is recognised to the extent probable that future taxable profit will be available against which the unused tax losses can be utilised.

Notes to the consolidated financial statements

(in the notes all amounts are shown in thousands of Euros unless otherwise stated)

2. Intangible fixed assets

	Goodwill	Debt Issuance Costs	Other Intangible Assets	Total
Year ended 31 December 2002				
Opening net book amount	514	315	414	1,243
Translation effect	(131)	(36)	(25)	(192)
Additions	65	702	709	1,476
Disposals	(104)	(720)	(267)	(1,091)
Amortization charge	(9)	(104)	(1)	(114)
Net book amount	<u>335</u>	<u>157</u>	<u>830</u>	<u>1,322</u>
Net book value				
Cost	344	1,080	1,753	3,177
Accumulated amortisation	(9)	(923)	(923)	(1,855)
At 31 December 2002	<u>335</u>	<u>157</u>	<u>830</u>	<u>1,322</u>
Cost	514	1,134	1,336	2,984
Accumulated amortisation	-	(819)	(922)	(1,741)
At 31 December 2001	<u>514</u>	<u>315</u>	<u>414</u>	<u>1,243</u>

Certain lenders have a fixed and floating charge over these assets (see Note 9)

3. Tangible fixed assets

	Reverse Vending Machines	Land & Buildings	Plant & Machinery	Vehicles & Equipment	Total
Year ended 31 December 2002					
Opening net book amount	12,850	2,527	6,149	468	21,994
Reclassification	-	571	(1,112)	483	(58)
Translation effect	(1,871)	(437)	(797)	(85)	(3,190)
Additions	943	1,469	2,030	674	5,116
Disposals	(773)	(430)	(603)	(15)	(1,821)
Depreciation charge	(3,358)	(284)	(1,162)	(498)	(5,302)
Net book amount	<u>7,791</u>	<u>3,416</u>	<u>4,505</u>	<u>1,027</u>	<u>16,739</u>
Net book value					
Cost	40,264	4,756	15,414	2,369	62,803
Accumulated depreciation	(32,473)	(1,340)	(10,909)	(1,342)	(46,064)
At 31 December 2002	<u>7,791</u>	<u>3,416</u>	<u>4,505</u>	<u>1,027</u>	<u>16,739</u>
Cost	41,965	3,583	15,896	1,312	62,756
Accumulated depreciation	(29,115)	(1,056)	(9,747)	(844)	(40,762)
At 31 December 2001	<u>12,850</u>	<u>2,527</u>	<u>6,149</u>	<u>468</u>	<u>21,994</u>

Certain lenders have a fixed and floating charge over these assets (see Note 9)

4. Inventories

	2002	2001
Machine parts and components at cost	10,378	11,303
Finished goods	519	198
Work in progress	999	1,257
	<u>11,896</u>	<u>12,758</u>

Details of charges over inventory are given in note 9. The current value of inventory does not significantly differ from its stated value.

5. Other receivables and prepayments

	2002	2001
Other receivables	2,389	2,926
Prepayments	1,518	7,119
Deferred tax	-	17
	<u>3,907</u>	<u>10,062</u>

Sorepla, the French subsidiary, capitalised assets on completion of a plant of nearly € 5,618, which were held as prepayments, at the end of 2001. Other receivables mainly consist of loans receivable from a related party in respect of Posada Holding B.V. for € 1,124 and amounts prepaid by Sorepla of € 934.

6. Cash

	2002	2001
Consolidated bank balances and overdrafts	<u>2,881</u>	<u>2,007</u>

An amount of € 44 is blocked and therefore not freely available.

7. Share capital and reserves

Reference is made to the note 4 in the Company balance sheet for the changes in equity for the years ended 31st of December 2001 and 2002.

8. Minority interest

Changes in minority interest during the year ended 31st of December 2002 were as follows:

	2002	2001
At beginning of period	632	321
Acquisitions	675	243
Result for the period	(460)	3
Translation reserve	(447)	65
At end of period	<u>400</u>	<u>632</u>

9. Debt and capital lease obligations

(in the notes all amounts are shown in thousands of Euros unless otherwise stated)

	2002	2001
Environmental Products Corporation, USA entered into a Revolving line of credit of up to US\$ 12,500 on 18 th of May 2001, bearing interest at 2.5% over prime. This facility is secured by a fixed and floating charge over the assets of Environmental Products Corporation, USA.	8,247	7,591
Environmental Products Corporation, USA entered into a term loan of US\$ 4,118 on 18 th of May 2001, bearing interest at 2.5% over prime; this loan has been reduced by a one-time payment of US\$ 2,915 and was repayable in consecutive equal monthly instalments of US\$ 63 which have been reduced to US\$ 50 after the one-time payment was made, plus interest with a balloon payment for the balance in April 2003. This facility is secured by a fixed and floating charge over the assets of Environmental Products Corporation, USA.	170	874
Sorepla Industrie S.A. entered into an unsecured loan agreement of €1,256 bearing no interest, repayable on demand not earlier than 31 December 2004.	1,119	-
Sorepla Industrie S.A. entered into an unsecured loan agreement of € 381 with no interest, repayable in equal annual instalments of € 76 as from year 2004.	381	305
Posada Holding B.V. entered into an unsecured loan agreement of €1,025 with interest at 2% over the 12month \$ Libor, repayable at 31, December 2004.	1,102	1,071
EM Geratebau Rucknahmesysteme GmbH & Co KG entered into a variable balance unsecured loan agreement with no interest.	-	385
Envipco GmbH entered into an unsecured loan agreement of DM 300 with no interest.	-	153
Environmental Products Corporation entered into an unsecured loan agreement of US\$ 1,249 with interest at 2.5% over the \$ Libor, repayable at the demand of the lender.	107	868
Envipco Holding N.V. entered into a secured loan agreement of € 15,331 with its main shareholder with interest of 1% over the 12 month Euribor, repayable at the demand of the Lender after 31 st December 2006. This loan is secured by the pledge of shares of Posada Holding B.V., Sorepla Technologie S.A. and Sorepla Industrie S.A. The loans have been denominated in United States Dollars as of 31 December 2003.	15,331	8,880
Other loans	2,324	7,067
Total	28,781	27,194

9. Debt and capital lease obligations (continued)

Future payments under long term debt	2002	2001
Current	2,448	5,831
Due between 1 to 5 years	26,333	21,363
Total debt	28,781	27,194

Schedule of movement	2002	2001
At beginning of period	27,194	23,541
Increase	3,441	2,402
Translation effect	(1,854)	1,251
At end of period	28,781	27,194

Effective 18th May 2001 the USA subsidiary entered into a financing agreement (the Agreement) to refinance its outstanding revolving line of credit and term loan. The new revolving line of credit has a maximum limit of US\$12,500 subject to availability under the "borrowing base" as defined within the agreement, and matures in May 2004. Borrowings under the Agreement bear interest at the prime rate plus a certain margin. The US subsidiary and its holding company are each required to meet certain covenants under the Agreement. As at 31st December 2002 Environmental Products Corporation, USA breached some of its financial covenants for which it subsequently received waivers, details of which are given in Note 17.

10. Deferred income

These represent grant assistance received during the years 1999 through 2002 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.

	2002	2001
Un-amortised balance	824	320

11. Provisions

	2002	2001
Provision against investments	1,313	261
Deferred taxation	107	101
	1,420	362

Provision against investments is mainly due to Brazil and a small sum for Germany in 2002.

Schedule of movement of provision against investments	2002	2001
At beginning of period	261	-
Additions	1,313	261
Withdrawals/Releases	(261)	-
At end of period	1,313	261

11. Provisions (continued)

Schedule of movement of provision for deferred taxation	2002	2001
At beginning of period	101	79
Additions	6	22
At end of period	<u>107</u>	<u>101</u>

12. Trade and other payables

	2002	2001
Trade payables	5,421	9,325
Other payables	-	975
Accrued liabilities	2,240	4,045
Tax and social security contributions	803	524
Pension contributions	3	4
	<u>8,467</u>	<u>14,873</u>

Trade payables were lower because of a subsidiary's lower commitments at year-end compared to 2001.

13. Income Tax

Reconciliation between the company's effective tax rate and the statutory income tax rate in The Netherlands, which currently is 34.5%, can be specified as follows:

All figures in thousands of Euro

		2002		2001
Loss before tax		(7,325)		(4,986)
Taxation at statutory rate	34.5%	2,527	34.5%	1,720
Lower statutory tax rates foreign subsidiaries		(1,326)		(1,633)
Losses under participation exemption		(513)		(465)
Effective income tax	9.4%	<u>688</u>	7.6%	<u>(378)</u>

The effective tax is 9.4% (2001 – 7.6%). The nominal tax rate is 34.5% (2001 - 34.5%). The taxable loss for which no deferred tax asset was recorded is € 13,017.

14. Commitments and contingencies

Operating lease commitments - where a Group company is the lessee

The future minimum lease payments under non-cancellable operating leases as of 31st of December 2002 and 2001 were as follows:

	2002	2001
Current	224	449
Between 1 to 5 years	173	407
	<u>397</u>	<u>856</u>

14. Commitments and contingencies (continued)

Operating lease commitments - where a Group company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases as of 31st of December 2002 and 2001 were as follows:

	2002	2001
Current	3,531	4,328
Between 1 to 5 years	3,491	5,371
	<u>7,022</u>	<u>9,699</u>

Lease revenues for the year ended 31st of December 2002 were approximately € 5,008 (2001 € 5,780).

Legal proceedings

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

In a certain litigation, a plaintiff alleges breach of contract, unjust enrichment, etc against a US subsidiary (the Company) making a claim of about € 105. The Company's sister company has counterclaimed for conversion of bank account funds by the plaintiff and has made a counterclaim for nearly € 194. As of the date of this report, the outcome of these proceedings is undeterminable.

In a separate litigation against the Company, a plaintiff alleges breach of contract making a claim of about € 250. The Company has made a counterclaim of nearly € 280 for breach of the same contract and for fraud and negligence that damaged the Company's business. As of the date of this report, the outcome of these proceedings is undeterminable.

In yet another independent litigation, a plaintiff commenced an action seeking unpaid rent alleged to be due and owing for the lease at certain premises of a US subsidiary company (the Subsidiary) making a claim of about € 226. The Subsidiary opposed the motion, pursuant to certain agreements executed at the same time and in connection with the lease and has made a counterclaim of nearly € 396. As of the date of this report, the outcome of these proceedings is undeterminable.

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

Contingent liabilities

Aeromaritime (UK) Limited has given a guarantee in favour of HM Customs and Excise as at 31st December 2002 of €92 (2001 was € 98 the equivalent of £60).

Posada Group, the helicopter maintenance operation has a liability for the renewal of its Authorised Maintenance Centres (AMC's) of nearly €1,400 due on 13th December 2004.

15. Related party transactions

Affiliates

EM Geratebau Rucknahmesysteme GmbH & Co KG and Envipco GmbH were placed in administration during the year. Provision has been made for anticipated winding up costs of approximately € 135.

Patent sale and royalty agreements

In November 1982, Envipco USA acquired substantially all rights to certain patents for aluminium recycling equipment and processes from the Company's founder. In consideration thereof, he is entitled to receive 7.5% of the annual net profits of the company, which are attributable to reverse vending processes arising out of the use of the products incorporating such patents or technical knowledge, and before allowance for or deduction of income taxes, for a period of 20 years, commencing 1982. No royalty expense has been due in 2002 and 2001. The company's founder has assigned 45.33% of the royalty to an affiliate of the majority shareholder and 9.33% to another shareholder.

15. Related party transactions (continued)

Others

A former director and executive vice president of Envipco USA, is a director and shareholder of a law firm that serves as general counsel to the US subsidiary. During the year ended 31st of December 2002 the legal fee of € 2 (2001- € 80) was incurred from this law firm.

Loans

Please refer to Note 9.

16. Acquisitions

During 2002 Envipco Holding N.V. incorporated a wholly owned subsidiary Envipco Automaten GmbH with an initial capitalisation of €25. The German operation, with the introduction of the new legislation effective 1st January 2003, has had initial market penetration and considerable research and development costs.

In early March 2002, a strategic alliance was formed via a 50% owned Joint Venture Agreement with Fuji Electric Co. Ltd of Tokyo, Japan. An investment of nearly € 850 had been made to facilitate the research & development of modern RVMs to exploit the untapped Japanese market for innovative recycling systems.

In mid September 2002 Envipco Holding N.V. acquired 74% of a private Canadian business by a newly formed subsidiary Tek-O-Matic Enterprises Inc. A cash payment of C\$ 70 was made towards the purchase. This operation run by two successful entrepreneurs has been involved in supplying parts and servicing RVMs of our competitor placed in small and medium sized stores. This strategic acquisition will give the group the edge to expand our market into Canada, whilst competing aggressively by placing our own modernised RVMs that are suitable for the Canadian market.

17. Post balance sheet events

New markets

On 23rd July 2003, Aeromaritime UK Ltd, a subsidiary of Posada Holding B.V. (a wholly owned subsidiary of Envipco Holding N.V.), acquired all of the issued share capital of Component Process and Repair Limited (CPR), a company based in the United Kingdom specialising in the repair of components related to the aviation industry. CPR will enhance the services that the Helicopter Maintenance Operations, and the Group as a whole, will be able to offer its customers.

Envipco US debt

A US subsidiary has signed a debt restructuring agreement with its major lender on 30th June 2004 for a period of 4 years. Terms of the bank debt restructuring agreement, requires the US subsidiary (hereinafter the Company) and/or Envipco Holding N.V. to inject capital of US\$ 2,000 (the "Equity Infusion"), which shall be payable in accordance with the following schedule: (a) US\$ 1,000 on or before September 30, 2004, (b) an additional US\$ 500 on or before April 30, 2005 and (c) the remaining US\$ 500 on or before April 30, 2006. In addition, the Company shall retain a broker to sell the real estate owned by the Company. If the real estate is not sold on or prior to December 31, 2004, the lender has the right to sell the property using a broker or agent at a price not less than the amount necessary to repay the outstanding term B loan, the Company will be required to accept such qualified offer; provided that Envipco Holding N.V. or the group of investors entering into the subscription agreement shall be granted the first right of refusal to purchase this real estate at such price and on such terms no less favourable to the Company.

The loan contract required the US subsidiary to meet certain financial covenants. These covenants are maintaining a minimum adjusted tangible net worth, maintaining a minimum current ratio, maintaining a minimum ratio between debt and EBITDA, a cap on capital expenditures, maintaining a minimum ratio between cash and certain accounts payable, maintaining a minimum EBITDA, maintaining a minimum fixed charge coverage ratio. The loan is secured by a guarantee of Envipco Holding N.V. and pledge of shares of the US subsidiary.

Loans to shareholders

Loans from shareholders have been denominated in United States Dollars as of December 31, 2003. These loans to shareholders have been secured by the pledge of shares of Posada Holding B.V., Sorepla Technology S.A. and Sorepla Industrie S.A.

18. Segment information

Geographical segments

Recycling

Although the Group's business segments represent two separate lines of businesses; reverse vending and plastics processing, they operate in several different geographical areas, as follows:

The Netherlands is the home country of the parent company, which operates as a holding company.

Germany and France are the home countries of Envipco Automaten and Sorepla, respectively, and their main areas of operation are, respectively, the sale of RVMs (primarily for refillable containers), and the processing and sale of plastic products.

The United States operates reverse vending systems (primarily for one-way containers) and a pickup and processing facility.

Other regions include the Far East, primarily Japan, and Latin America. Activity in these areas has to date been minimal, and involves research and modernisation of RVMs suitable for the market places, and sale of these machines.

Helicopter maintenance

The Netherlands is the home country of Posada Holding B.V. that owns the three subsidiaries operating in this sector.

Worldwide market is covered from the three bases in the USA, the UK and Malta.

	Year ended 31 December 2002		Year ended 31 December 2001	
	Revenue	Assets	Revenue	Assets
Recycling				
The Netherlands	-	98	-	1,136
France	8,858	9,345	7,857	9,972
Germany including Austria	630	-	770	438
United States	24,671	15,421	25,747	22,502
Brazil	1,139	-	324	2,964
Other Countries	54	2,299	31	24
	<u>35,352</u>	<u>27,163</u>	<u>34,729</u>	<u>37,036</u>
Helicopter maintenance				
The Netherlands	-	1,139	-	1,083
Malta	6	3,489	3	3,795
United Kingdom	4,419	3,537	3,606	3,524
United States	16,968	5,815	16,358	8,558
Other Countries	2,621	-	5,759	-
	<u>24,014</u>	<u>13,980</u>	<u>25,726</u>	<u>16,960</u>
Total	<u>59,366</u>	<u>41,143</u>	<u>60,455</u>	<u>53,996</u>

Sales revenue as depicted above is based on the country in which the customer is located. The total assets are shown by the geographical areas in which the assets are located.

18. Segment information (continued)

Analysis of sales	2002	2001
Recycling		
Sales of goods	10,981	10,885
Service revenue	18,225	17,902
Plastics	1,139	162
Leasing fees	5,007	5,780
	<u>35,352</u>	<u>34,729</u>
Helicopter maintenance		
Sale of parts	10,709	9,052
Engine overhaul and maintenance	13,305	16,674
	<u>24,014</u>	<u>25,726</u>
Total	<u>59,366</u>	<u>60,455</u>

19. Interest payable to and receivable from related parties

The interest payable on loans to related parties amounted to € 474 (2001- € 356) and interest receivable from related parties was € 34 (2001 - € 104) during the year.

20. Staff costs

	2002	2001
Wages and Salaries	9,258	11,633
Social Security Costs	1,957	2,577
Pension Costs	88	83
	<u>11,303</u>	<u>14,293</u>

The directors' remuneration aggregating € 295 (2001- € 407) was paid during the year.

Average number of employees

The average number of employees during the year 2002 on a full-time equivalent basis was 368.
The breakdown by country is as follows:

	2002	2001
Brazil	58	-
France	80	67
Germany	3	13
Malta	38	40
United Kingdom	33	34
United States – Recycling	149	142
United States – Helicopter Maintenance	7	18
	<u>368</u>	<u>314</u>

21. Details of other income and expenses

Other expenses and income consist mainly of Brazilian provision of € 1,242 offset by non-operating income from the French and German subsidiaries totalling nearly € 496.

22. Earnings/(loss) per share

The calculation of basic earnings per share is based on the net loss for the year of € 6,177 (2001 € 5,367) and on 24,407,811 (2001 - 23, 807,811) common shares in issue and ranking for dividend during the year. The calculation of the diluted earnings per share is the same as there are no share purchase options available nor has there been any conversion of debt. Hence the adjusted net loss is € 6,177 (2001 € 5,367). The loss per share was € 0.25 (2001 loss per share € 0.23).

Company balance sheet
after appropriation of net loss

(all amounts in thousands of Euro)	Notes	<u>31 December 2002</u>	<u>31 December 2001</u>
ASSETS			
Financial fixed assets	3		
Group companies		9,533	15,703
Loans to group companies		8,829	6,859
Current assets			
Receivables, net of allowances for doubtful debts		59	940
Cash and cash equivalents		107	196
		<u>166</u>	<u>1,136</u>
Total assets		<u>18,528</u>	<u>23,698</u>
EQUITY AND LIABILITIES			
Capital and reserves	4		
Ordinary shares		244	108
Share premium		25,145	25,170
Translation reserve		451	3,412
Accumulated loss		(24,688)	(18,511)
		<u>1,152</u>	<u>10,179</u>
Long term loans		16,769	10,936
Current liabilities			
Payables and accruals		607	2,583
		<u>607</u>	<u>2,583</u>
Total equity and liabilities		<u>18,528</u>	<u>23,698</u>

Company income statement

(all amounts in thousands of Euro)	<u>Year ended 31 December 2002</u>	<u>Year ended 31 December 2001</u>
Net loss from participating interests	(5,057)	(4,587)
Other income and expenses	(1,120)	(780)
Net loss for the year	<u>(6,177)</u>	<u>(5,367)</u>

Notes to the Company Balance Sheet

1. Accounting policies

For the accounting policies applied reference is made to the notes to the consolidated financial statements. Group companies are carried at their net asset value.

2. General

The income statement has been included in abridged form, since the group financial statements are included in the company financial statements (in accordance with Section 402, Title 9, Book 2, of the Netherlands Civil Code).

3. Financial fixed assets

Group companies

This item relates to majority-owned subsidiaries as referred to in the notes to the consolidated financial statements.

Movements in this item during the years ended 31st of December 2002 and 2001 were as follows:

All figures in Euro thousands

	2002	2001
Opening balance	15,703	9,878
Acquisitions	-	1,673
Exchange differences	(2,961)	1,134
Dividends	-	(1,446)
Investments	1,860	9,208
Treasury stock	(12)	(157)
Loss of group companies	(5,057)	(4,587)
Balance at 31 December	<u>9,533</u>	<u>15,703</u>

Movements in the loans to group companies during the years ended 31st of December 2002 and 2001 were as follows:

All figures in Euro thousands

	2002	2001
Opening balance	6,859	7,119
Loans issued	3,283	-
Loans provided	(1,313)	(260)
Balance at 31 December	<u>8,829</u>	<u>6,859</u>

Loans to group companies

These are long-term subordinated loans to the subsidiary companies.

4. Capital and reserves

Share capital and reserves

At 31st December 2002 the company has an authorised share capital of EUR 500,000 divided into;

21,500,000 Class A shares each with a nominal value of EUR 0.01

28,500,000 Class B shares each with a nominal value of EUR 0.01

50,000,000

of which 600,000, Class A shares and 23,807,811 of Class B shares have been issued and fully paid. On August 27, 2002 the shares were converted from NLG to EUR. All issued shares were converted to B shares. On November 22, 2002, 600,000 class A shares were issued.

Changes in shareholders' equity for the years ended 31st of December 2001 and 2002 were as follows:

All figures in thousands of Euro	Share	Share	Share	Translation	Accumulated	Total
	Capital	Capital	Premium	Reserve	Deficit	
	A Shares	B Shares				Equity
Opening balance	84	24	25,305	2,278	(13,144)	14,547
Net loss for the period					(5,367)	(5,367)
Translation differences				1,134		1,134
Other movements			(135)			(135)
Balance at 31 December 2001	84	24	25,170	3,412	(18,511)	10,179

All figures in thousands of Euro	Share Capital A Shares	Share Capital B Shares	Share Premium	Translation Reserve	Accumulated Deficit	Total Equity
Opening balance	84	24	25,170	3,412	(18,511)	10,179
Conversion of shares	(84)	214	(130)			-
Issuance	6		114			120
Net loss for the period					(6,177)	(6,177)
Translation differences				(2,961)		(2,961)
Other movements			(9)			(9)
Balance at 31 December 2002	6	238	25,145	451	(24,688)	1,152

On 26th of June 1998 Stichting Administratiekantoor Envipco Holding N.V., (“the Trust Office”), with its registered address at Rokin 55, 1012KK Amsterdam, Postbus 990, NL 1000 AZ Amsterdam, issued bearer Depository Receipts in exchange for Class A shares in Envipco Holding N.V.

5,000,000 Depository Receipts in representation of an equal number of Class B Shares were issued at EUR 4.54 each under an Initial Public Offering on 29th of June 1998. In July 1998 the capital was increased by issue of another 319,189 Class B Shares at EUR 4.54 each.

The Trust Office manages and administers the shares received in exchange for Depository 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 Depository 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 Depository Receipts and the Trust Office. One of the conditions stipulates that holders of Depository Receipts do not have any voting rights.

The majority Shareholders holding in aggregate 12,410,596 Depository Receipts have entered into a lock-up agreement not to dispose of their holding except for 25% at each anniversary date after 5th of September 1998. Clocking International B.V. (“Clocking”), a duly registered company in The Netherlands originally subscribed 21,500,000 of the shares in Envipco Holding N.V. that it immediately converted into Depository Receipts. Clocking undertook towards all the existing shareholders of Environmental Products Corporation, USA (“Envipco USA”) to transfer one Depository Receipt against payments of a free issue premium of one share in Envipco USA to Envipco Holding N.V.

600,000 Depository Receipts were issued on November 22, 2002 to fund the purchase of shares of the US Pickup and Processing Services business.

Translation reserve

This account represents the cumulative foreign exchange differences over the Company's net investment in foreign subsidiaries. Also the differences arising from the translation of the results of subsidiaries at average rates were included in this account.

Signing of the financial statements

28 September 2004

Members of the board of management

B. Santchurn

C. Crepet

Dr T. Leipold

G. Lefebvre

N. Turpie

Supplementary Information

1. Appropriation

Article 19 of the Articles of Association contains 'inter-alia' the following provisions for profit appropriation.

The company may make distributions to its shareholders and other persons entitled to the distributable profits only to the extent that the company's shareholders' equity exceeds the paid-up and called-up part of the company's capital, plus the reserves, which must be maintained under the law.

Any profit remaining after reservation referred to in the preceding paragraph shall be at the disposal of the General Meeting of the shareholders.

To the extent that the General Meeting of Shareholders does not resolve to distribute the profit for any financial year, such profit shall be added to the reserves.

Any losses suffered by the company shall in the first place be debited from the general reserve and thereafter from the dividend reserves in proportion to the nominal sums of the shares of the class concerned.

2. Appropriation of the net result for the year

In accordance with paragraph 5 of Article 19 of the Articles of Association, net loss for the year ended 31st December 2002 of € 6,177 has been charged to equity.

3. Post balance sheet events

Reference is made to note 17 in the Notes to the Consolidated Financial Statements for details of the post balance sheet events.

Loans to shareholders have been denominated in United States Dollars as of December 31, 2003.

The Group made a loss of € 1,553 during the year ended December 31, 2003.

Envipeo Holding N.V.
Amsterdam

Date
September 28, 2003

From
drs. P.J. Bommei RA CPA

Reference
1050677/OP9998/jw

Auditors' report

Introduction

We have audited the financial statements of Envipeo Holding N.V., Amsterdam, for the year ended December 31, 2002. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Deloitte Accountants B.V.