Envipco Holding N.V.

Annual Report 2003

Contents

Chairman's Statement

The group continues to be adversely affected by delays in the implementation of bottle bills, higher market penetration and development costs, and aggressive pricing of our main products and services.

We saw revenues plunging by 22%, resulting in losses of Euro 1.5m during 2003, despite continuous implementation of efficiency and productivity measures.

Despite these continued losses, we see these losses are consistently reduced. While still not profitable overall, our strategy of cost containment, efficiencies and constant re-evaluation of our strategic implementation programme is already setting the foundation to achieve sustainable profitability.

Some highlights are as follows:

- Positive EBITDA of Euro 3.1m for the year
- Award of a major contract by Stop & Shop to our US subsidiary.
- Successful debt restructuring by a US subsidiary, which now provides financial stability or growth.
- Return to profitability of the US pickup and processing business.
- Sorepla, the French subsidiary is now operating at almost full capacity of nearly 40,000 metric tons per annum and is expected to return to profitability by the end 2004 due to anticipated shift in the market prices of PET flakes.
- The operation of the Brazilian PET plant has been suspended due to a shortage of raw materials i.e. Post consumer PET bottles. We are installing RVM's to collect PET bottles. The volume is growing steadily though at a slower pace. The operation is expected to recommence in late 2005 and the costs of maintaining this plant are charged to operations.
- The Canadian operation is gaining ground slowly though at a steady pace. With aggressive pricing, we now have about 25% of the Canadian RVM market, which will provide a sound base for profitability.
- Posada Group concluded an acquisition of a small but very specialized engine repair and maintenance company to target other engine repair business, together with our existing operations is expected to enhance profitability.
- The Joint Venture with Fuji Electronic Co. Ltd. of Tokyo, Japan is progressing well with a further significant investment in research and market development having been made during the year.

We continue to work hard to reduce the losses for the 2004 financial year and expect to show positive results by the end of 2005.

Report of the Board of Directors

Financial results

Whilst the revenues decreased by about 22% to €46.3m (2002 €59.4m), the Group posted a significantly higher EBITDA of €3.1m for the year 2003 compared with - €0.3m (net of exceptional and extraordinary items) in 2002. The losses were contained at significantly lower levels in 2003 due mainly to adverse factors that affected our operations in the Group results. Research and development costs in Japan also contributed significantly to the losses. However, the results include an exchange gain of €2.1m to offset much of the losses to €1.5m (2002 – Loss €6.2m).

Many cost initiatives having been implemented at all levels of the Group that resulted in a significantly lower operating loss of €1.9m (2001 – Loss €4.9m). There were reduced losses of nearly €0.6m in France where all the reorganization of the new PET washing line was completed. In the USA, the pickup and processing business has been turned around to be a profitable entity with some strategic alliances in 2003. In Brazil, further losses and write down of the net assets of nearly €0.5m were charged to revenues. The Canadian operation also posted a lower loss with a turnaround being expected by early 2005.

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 reduced significantly to €17m (2002 revenues €25m). The major causes were the outsourcing of the pickup and processing business where changes in the method of recognizing revenues accounted for about €4.5m and a stronger Euro against the USD made an impact of nearly €3.5m. The customer base is getting stronger with the renewal of the Stop and Shop contract, which will provide much of the impetus for the year 2004 and beyond.

Operational efficiencies and reduction in costs achieved through a continuous re-organisation process has resulted in a significantly lower overall loss of €1.9m, a decrease of €1.5m over 2002. Subcontracted pickup and processing operation has helped this business to return to profitability now.

The US operation is anticipating lower losses for 2004 and this business is expected to turnaround by the end 2005.

Canada

Tek-O-Matic Enterprises Inc. (Tek-O-Matic) has made some real impact on its competition and had increased its sales substantially during 2003 over the previous year. Given the market opportunities for the sale of the RVMs in Canada, the potential to capture more of the Canadian market share is well within the capabilities of the local management. The lower losses in 2003 €0.07m (2002 – Loss €0.1m) were due mainly to increased RVM base for service revenues. This company now has about 25% of this market.

Europe

Germany

The new German company incurred further costs of continuing to be in the market place despite the uncertainty of a much-delayed implementation of the One-Way Deposit legislation. Losses were €0.6m (2002 – Loss €0.3m). It has been decided to significantly reduce the German operations until clear signs are present for the market opportunities and a full range of RVM's is available.

France

Sorepla, the French plastic recycler performed much better than expected in 2003, having re-organized its PET washing line. The downturn of the virgin resin market, however, contributed to lower pricing and profitability in 2003.

Revenue increased by 29% to €11.4m (2002 €8.8m), and with better control over costs, the losses were significantly lower at €0.2m (2002 – Loss €0.6m).

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. It is expected that Sorepla will return to profitability by the end of 2004.

South Americas

Brazil

PET plant in Brazil continues to be shutdown under the current market conditions. Losses and provision against investments of nearly €0.5m (2002 – losses and provision €2.7m) in Brazil has been reflected in the results. The market is developing slowly, although management feels that a steady pace of growth can be expected in the future.

Mexico

The company continues with its successful pilot programmes for RVM’s in Mexico. The results have been very encouraging. We are ready to exploit the potential opportunities, which exist in this market.

Far East

Japan

The Joint venture has been progressing satisfactorily albeit at a slow pace due mainly to the resources required for a successful research and development programme. The Group's commitment to our Japanese partners continues to be stronger with cash infusion during the year of nearly €0.75m to continue to provide the emerging markets in the Far East with total innovative recycling systems in the years ahead. This operation is expected to become profitable only in the medium to long-term horizon.

Helicopter Maintenance Activities

The Helicopter Maintenance Group (Posada Group) did not perform as expected due mainly to reduced sales (a one-off contract in 2002 contributed to higher sales and profits) and currency exchange losses that significantly impacted its results and contribution to Envipco Group's profitability. The Posada Group incurred a post tax loss of €0.4m, compared to a profit of €0.9m 2002. There were also costs of acquisition and integration of a new subsidiary Component Process and Repair (CPR) Ltd., which is now part of the UK operations. It is expected that the Group will return to profitability in 2004.

The group intends to continue with its policy of growth by acquisition.

Directors and their interests

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

	Ordinary shares represented by Depository Receipts	
	December 31	
	2003	**2002**
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 €198,837 and €294,729 during 2003 and 2002 respectively.

Substantial shareholding

The Group has been notified of, or is aware of the following interests at 31st of December 2003 and 2002, representing 3 per cent or more of the Group's issued share capital.

	December 31			
	2003		2002	
	Number of Shares	Percentage	Number of Shares	Percentage
Mediterranée Investment Bank	970,000	3.97%	970,000	3.97%
Banque Saradar	1,702,022	6.97%	1,702,022	6.97%
A.F.Bouri (beneficially owned for Seament Holding S.A.L.)	14,056,182	57.59%	13,566,743	55.58%

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.

A bank debt restructuring agreement was signed by a US subsidiary with its principal lender as of 30 June 2004 to renew its facilities for a further period of 4 years, in the Group's effort to be become profitable in the near future.

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	31 December 2003		31 December 2002	
ASSETS					
Fixed assets					
Intangible fixed assets, net of amortisation	2	1,274		1,322	
Tangible fixed assets, net of depreciation	3	13,091		16,739	
Financial fixed assets		36		1	
			14,401		18,062
Current assets					
Inventories	4	10,373		11,896	
Trade receivables, net of allowances for doubtful debts		7,734		4,298	
Other receivables and prepayments	5	2,041		3,907	
Cash	6	1,477		2,980	
			21,625		23,081
Total assets			36,026		41,143
EQUITY AND LIABILITIES					
Capital and reserves	7				
Share capital		244		244	
Share premium		25,145		25,145	
Translation reserve		214		451	
Accumulated deficit		(26,256)		(24,688)	
			(653)		1,152
Minority interest	8		253		400
Non-current liabilities					
Debts, net of current portion	9	24,424		26,333	
Deferred income	10	964		824	
			25,388		27,157
Provisions	11		522		1,420
Current liabilities					
Trade and other payables	12	10,426		8,467	
Bank overdraft and loans	6	6		99	
Current portion of long term debts	9	84		2,448	
			10,516		11,014
Total equity and liabilities			36,026		41,143

Consolidated income statement

(all amounts in thousands of Euro)	Notes	Year ended 31 December 2003	Year ended 31 December 2002
Revenues	18	46,308	59,366
Cost of sales		(34,675)	(44,185)
Leasing depreciation	3	(2,265)	(3,358)
Gross profit		9,368	11,823
General and administrative expenses		(8,317)	(13,354)
Selling expenses		(1,106)	(1,294)
Depreciation other	2/3	(1,820)	(2,058)
Operating loss		(1,875)	(4,883)
Valuation adjustment for financial fixed assets		(799)	(849)
Exchange gains and losses	19	2,081	334
Other income and expenses		(372)	(746)
Interest expenses	19	(691)	(1,556)
Interest income	19	80	375
Loss before tax		(1,576)	(7,325)
Tax	13	18	688
Loss from ordinary activities		(1,558)	(6,637)
Minority interest	8	25	460
Net loss for the year		(1,533)	(6,177)
Earnings/(loss) per share in Euros		(0.06)	(0.25)
Fully diluted earnings/(loss) per share in Euros		(0.06)	(0.25)

Consolidated cash flow statement
for the year ended 31 December 2003

	Notes		Year ended 31 December 2003		Year ended 31 December 2002
(all amounts in thousands of Euro)					
Net cash provided by / (used in) operational activities					
Operating income			(1,875)		(4,883)
Adjustments for:					
Depreciation and amortisation	2/3		4,085		5,416
Realisation of deferred income			141		503
Change in trade and other receivables		(1,570)		7,353	
Change in assets of discontinued operations		-		-	
Change in inventories		1,523		862	
Changes in provisions		(899)		1,059	
Changes in trade and other payables		1,960		(6,407)	
Changes in working capital items, net			1,014		2,867
Cash provided by / (used in) operations			3,365		3,903
Interest received		80		375	
Interest paid		(691)		(1,556)	
Income taxes paid		18		688	
			(593)		(493)
Net cash provided by operational activities			2,772		3,410
Net cash used in investment activities					
Acquisition of consolidated subsidiary		(35)		79	
Net investment in tangible fixed assets		3,695		(5,255)	
Net cash used in investment activities			3,660		(5,176)
Net cash provided by financing activities					
Cancellation of share of stock, net		-		111	
Increase / (Decrease) in long term borrowings and capital lease obligations		(4,272)		4,970	
Net cash provided by financing activities			(4,272)		5,081
Net cash flow for the period			**2,160**		**3,315**
Foreign currency differences and other changes			(384)		(3,193)
Cash flow from newly consolidated subsidiaries			(3,186)		752
Changes in cash and cash equivalents, net of bank overdrafts for the period			**(1,410)**		**874**

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 negative, 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

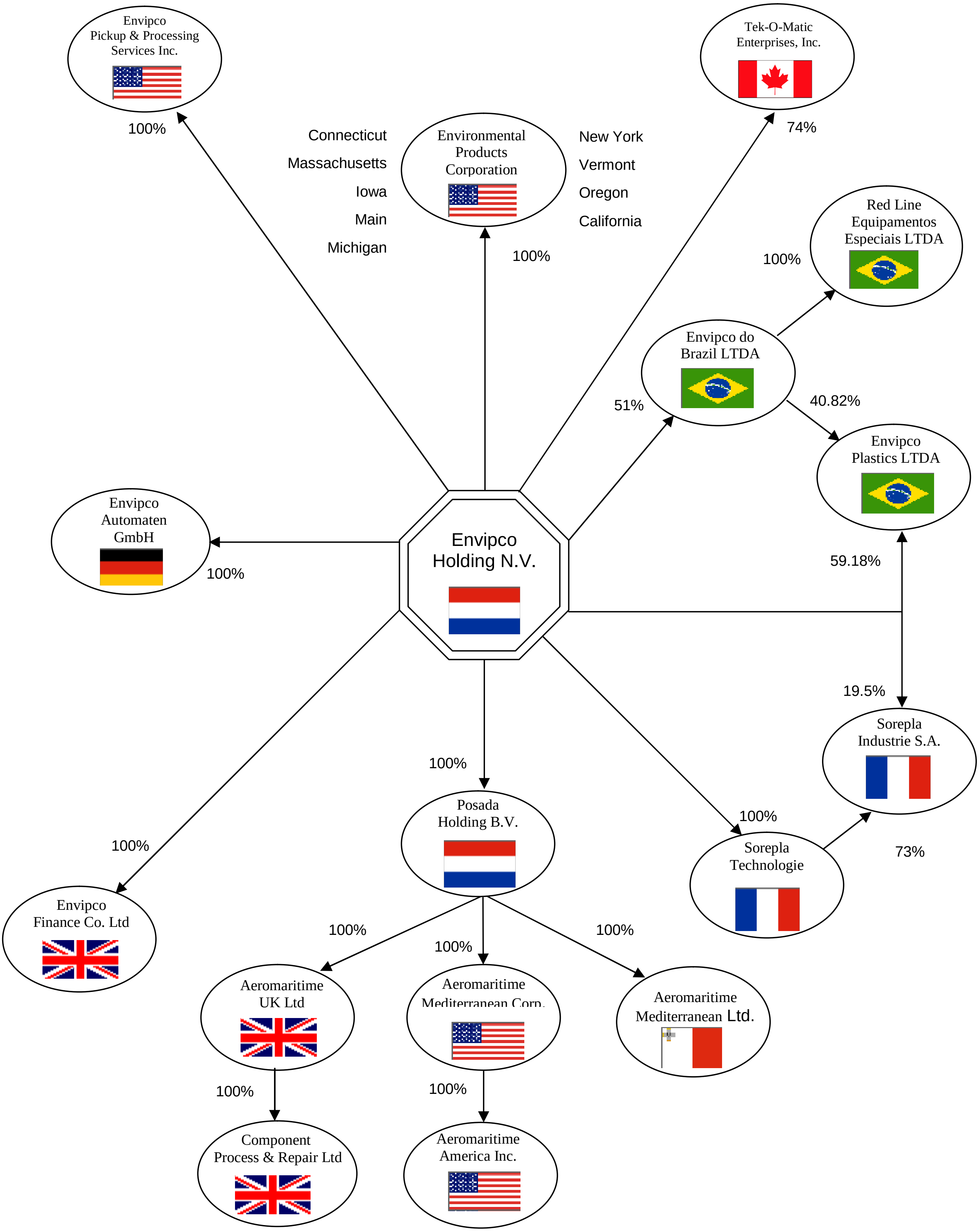
The Company operates plastic processing facilities in France and Brazil, which produces plastic "flake" a product derived from post-consumer plastic beverage containers. The plastic product is sold to various customers for packaging and fibre applications.

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:

As of 2003, the Brazilian subsidiaries are not consolidated, but are equity accounted due to business uncertainties and shortages of raw materials. A full provision for the net asset value of Brazil was made in 2002.


Envipco Holding N.V.
Envipco Pickup & Processing Services Inc.
100%
Environmental Products Corporation
100%
Connecticut
Massachusetts
Iowa
Main
Michigan
New York
Vermont
Oregon
California
Tek-O-Matic Enterprises, Inc.
74%
Red Line Equipamentos Especiais LTDA
100%
Envipco do Brazil LTDA
51%
40.82%
Envipco Plastics LTDA
59.18%
Envipco Automaten GmbH
100%
19.5%
Sorepla Industrie S.A.
73%
Sorepla Technologie
100%
Posada Holding B.V.
100%
Envipco Finance Co. Ltd
100%
Aeromaritime UK Ltd
100%
Aeromaritime Mediterranean Corp.
100%
Aeromaritime Mediterranean Ltd.
100%
Component Process & Repair Ltd
100%
Aeromaritime America Inc.
100%

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 Finance Company Limited – London, United Kingdom
Sorepla Industrie S.A. – Paris, France
Sorepla Technologie S.A. – Paris, France
Posada Holding B.V. – Amsterdam, Netherlands
Component Process & Repair Limited – London, United Kingdom
Environmental Products Corporation – Delaware, U.S.A.
Envipco Automaten GmbH

The following companies were not consolidated, but equity accounted for.

Envipco do Brazil Ltda – Maua, Sao Paulo, Brazil
Envipco Plastics Ltda – Maua, Sao Paulo, Brazil
Red Line Equipamentos Especiais Ltda – Maua, Sao Paulo, Brazil

Fuji Envipco Company Limited, Japan is a 50% Joint Venture company that is equity accounted for.

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

Year ended 31 December 2003	**Goodwill**	**Debt Issuance Costs**	**Other Intangible Assets**	**Total**
Opening net book amount	335	157	830	1,322
Translation effect	(87)	(18)	19	(86)
Additions	1,194	-	-	1,194
Disposals	(113)	(76)	(797)	(986)
Amortization charge	(122)	-	(48)	(170)
Net book amount	**1,207**	**63**	**4**	**1,274**
Net book value				
Cost	1,338	986	975	3,299
Accumulated amortisation	(131)	(923)	(971)	(2,025)
At 31 December 2003	**1,207**	**63**	**4**	**1,274**
Cost	344	1,080	1,753	3,177
Accumulated amortisation	(9)	(923)	(923)	(1,855)
At 31 December 2002	**335**	**157**	**830**	**1,322**

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 2003					
Opening net book amount	7,791	3,416	4,505	1,027	16,739
Reclassification	-	(1)	1	3	3
Translation effect	(1,078)	(264)	81	(46)	(1,307)
Additions	2,256	125	1,369	330	4,080
Disposals	(1,650)	(190)	(614)	(55)	(2,509)
Depreciation charge	(2,265)	(285)	(1,067)	(298)	(3,915)
Net book amount	5,054	2,801	4,275	961	13,091
Net book value					
Cost	39,792	4,426	16,251	2,601	63,070
Accumulated depreciation	(34,738)	(1,625)	(11,976)	(1,640)	(49,979)
At 31 December 2003	**5,054**	**2,801**	**4,275**	**961**	**13,091**
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	**7,791**	**3,416**	**4,505**	**1,027**	**16,739**

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

4. Inventories

	2003	2002
Machine parts and components at cost	8,974	10,378
Finished goods	568	519
Work in progress	831	999
	10,373	11,896

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

	2003	2002
Other receivables	564	2,389
Prepayments	1,320	1,518
Deferred tax	157	-
	2,041	3,907

6. Cash

	2003	2002
Consolidated bank balances and overdrafts	1,471	2,881

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 2002 and 2003.

8. Minority interest

Changes in minority interest during the year ended 31st of December 2003 were as follows:

	2003	2002
At beginning of period	400	632
Acquisitions/(de-consolidations)	(115)	675
Result for the period	(25)	(460)
Translation reserve	(7)	(447)
At end of period	253	400

9. Debt and capital lease obligations

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

	2003	2002
Environmental Products Corporation, USA entered into a Revolving line of credit of up to US$ 12,500 on 18th of May 2001, bearing interest at 2.5% over prime. This facility is secured by a fixed and floating charge over the assets of Environmental Products Corporation, USA.	7,451	8,247
Environmental Products Corporation, USA entered into a term loan of US$ 4,118 on 18th 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.	62	170
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.	1,021	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 the year 2004.	305	381
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
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
Envipco Holding N.V. entered into a secured loan agreement of US$17,836 with its main shareholder with interest of 1% over the 12 month Euribor, repayable at the demand of the Lender after 31st December 2006. This loan is secured by the pledge of shares of Posada Holding B.V., Sorepla Technologie S.A. and Sorepla Industrie S.A. The loan has been denominated in United States Dollars as of 31 December 2003 with interest of 1% over the 12 month US$ Libor. Reference is made to note 19 of these financial statements.	14,210	15,331
Other loans	1,459	2,324
Total	24,508	28,781

Future payments under long term debt	**2003**	**2002**
Current	84	2,448
Due between 1 to 5 years	24,424	26,333
Due after 5 years	-	-
Total debt	24,508	28,781

9. Debt and capital lease obligations (continued)

Schedule of movement	2003	2002
At beginning of period	28,781	27,194
Increase/(decrease)	(1,195)	3,441
Translation effect	(3078)	(1,854)
At end of period	24,508	28,781

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 2003 Environmental Products Corporation, USA breached some of its financial covenants for which it subsequently received waivers. However, details of the renewal agreement are given in Note 17.

10. 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.

	2003	2002
Un-amortised balance	964	824

11. Provisions

	2003	2002
Provision against investments	481	1,313
Deferred taxation	41	107
	522	1,420

Schedule of movement of provision against investments	2003	2002
At beginning of period	1,313	261
Additions	346	1313
Withdrawals/Releases	(1,178)	(261)
At end of period	481	1,313

Schedule of movement of deferred taxation	2003	2002
At beginning of period	107	101
Additions	-	6
Withdrawals/Releases	(66)	-
At end of period	41	107

12. Trade and other payables

	2003	2002
Trade payables	7,328	5,421
Accrued liabilities	1,966	2.240
Tax and social security contributions	754	803
Other payables	378	-
Pension contributions	-	3
	10,426	8,467

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

		2003		2002
Loss before tax		(1,576)		(7,325)
Taxation at statutory rate	34.5%	544	34.5%	2,527
Lower statutory tax rates foreign subsidiaries		(1,040)		(1,326)
Losses under participation exemption		514		(513)
Effective income tax	1.1%	**18**	9.4%	**688**

The effective tax is 1.1% (2002 – 9.4%). The nominal tax rate is 34.5% (2002 34.5%). The taxable loss for which no deferred tax asset was recorded is € 10,499 (2002 € 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 2003 and 2002 were as follows:

	2003	2002
Current	145	224
Between 1 to 5 years	160	173
Greater than 5 years	-	-
	305	397

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 2003 and 2002 were as follows:

	2003	2002
Current	2,565	3,531
Between 1 to 5 years	3,515	3,491
Greater than 5 years	-	-
	6,080	7,022

Lease revenues for the year ended 31st of December 2003 were approximately € 3,566 (2002 € 5,008).

14. Commitments and contingencies (continued)

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 made a counter claim 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 plans to counterclaim for breach of the same contract and for fraud and negligence that damaged the Company's business and has made a counterclaim for nearly € 280. 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 for 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 2003 of €85 (2002 was € 92 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 before 2003. Provision exists for anticipated winding up costs of approximately € 135.

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 2003 the legal fee of € Nil (2002- € 2) was incurred from this law firm.

Loans

Please refer to Note 9.

16. Acquisitions

On 23rd July 2003, Aeromaritime UK Ltd, the 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.

17. Post balance sheet events

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.

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.

18. Segment information (continued)

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 2003		Year ended 31 December 2002	
Recycling	Revenue	Assets	Revenue	Assets
The Netherlands	-	51	-	98
France	11,362	11,133	8,858	9,345
Germany including Austria	204	-	630	-
United States	16,626	12,326	24,671	15,421
Brazil	-	-	1,139	-
Other Countries	696	416	54	2,299
	28,888	23,926	35,352	27,163
Helicopter maintenance				
The Netherlands	-	16	-	1,139
Malta	1	3,140	6	3,489
United Kingdom	3,854	4,199	4,419	3,537
United States	9,287	4,745	16,968	5,815
Other Countries	4,278	-	2,621	-
	17,420	12,100	24,014	13,980
Total	46,308	36,026	59,366	41,143

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.

Analysis of sales

	2003	2002
Recycling		
Sales of goods	9,919	10,981
Service revenue	14,899	18,225
Plastics	116	1,139
Leasing fees	3,954	5,007
	28,888	35,352
Helicopter maintenance		
Sale of parts	6,065	10,709
Engine overhaul and maintenance	11,355	13,305
	17,420	24,014
Total	46,308	59,366

19. Interest payable to and receivable from related parties

The interest payable on loans to related parties amounted to € Nil (2002- € 474) and interest receivable from related parties was € 24 (2002 - € 34) during the year.

Exchange gains and losses include an exchange gain of € 2,569 related to the conversion from Euro to USD of the loan due to its main shareholder, Seament Holding S.A.L., effective December 31, 2003. Reference is made to Note 9 of these financial statements.

20. Staff costs

	2003	2002
Wages and Salaries	8,247	9,258
Social Security Costs	1,415	1,957
Pension Costs	153	88
	9,815	11,303

The directors' remuneration aggregating € 199 (2002- € 295) was paid during the year.

Average number of employees

The average number of employees during the year 2003 on a full-time equivalent basis was 324.
The breakdown by country is as follows:

	2003	2002
Brazil	-	58
Canada	5	-
France	79	80
Germany	5	3
Malta	42	38
United Kingdom	48	33
United States – Recycling	127	149
United States – Helicopter Maintenance	18	7
	324	368

21. Details of other income and expenses

Other expenses and income consist mainly of the provisions made for Brazilian operations of € 466 offset by sundry income of € 94.

22. Earnings/(loss) per share

The calculation of basic earnings per share is based on the net loss for the year of €1,533 (2002 loss € 6,177) and on 24,407,811 (2002 - 24, 407,811) 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 € 1,533 (2002 loss €6,177). The loss per share was € 0.06 (2002 loss per share € 0.25).

Company balance sheet

after appropriation of net loss

(all amounts in thousands of Euro)	Notes	31 December 2003		31 December 2002	
ASSETS					
Financial fixed assets	3				
Group companies			7,041		9,533
Loans to group companies			8,812		8,829
Current assets					
Receivables, net of allowances for doubtful debts		-		59	
Cash and cash equivalents		51		107	
			51		166
Total assets			15,904		18,528
EQUITY AND LIABILITIES					
Capital and reserves	4				
Ordinary shares		244		244	
Share premium		25,145		25,145	
Translation reserve		214		451	
Accumulated loss		(26,256)		(24,688)	
			(653)		1,152
Long term loans			15,556		16,769
Current liabilities					
Payables and accruals		1,001		607	
			1,001		607
Total equity and liabilities			15,904		18,528

Company income statement

(all amounts in thousands of Euro)	Year ended 31 December 2003	Year ended 31 December 2002
Net loss from participating interests	(3,104)	(5,057)
Other income and expenses	1,571	(1,120)
Net loss for the year	(1,533)	(6,177)

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 2003 and 2002 were as follows:

All figures in Euro thousands

	2003	**2002**
Opening balance	9,533	15,703
Exchange differences	(237)	(2,961)
Investments	869	1,860
Treasury stock	(20)	(12)
Loss of group companies	(3,104)	(5,057)
Balance at 31 December	7,041	9,533

Movements in the loans to group companies during the years ended 31st of December 2003 and 2002 were as follows:

All figures in Euro thousands

	2003	**2002**
Opening balance	8,829	6,859
Loans issued	464	3,283
Loan provided	(481)	(1,313)
Balance at 31 December	8,812	8,829

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.

Changes in shareholders' equity for the years ended 31st of December 2002 and 2003 were as follows:

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

All figures in thousands of Euro	Share Capital A Shares	Share Capital B Shares	Share Premium	Translation Reserve	Accumulated Deficit	Total Equity
Opening balance	6	238	25,145	451	(24,688)	1,152
Net loss for the period					(1,533)	(1,533)
Translation differences				(237)		(237)
Other movements					(35)	(35)
Balance at 31 December 2003	6	238	25,145	214	(26,256)	(653)

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.

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 2003 of € 1,533 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.

Deloitte.

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Envipco Holding N.V.
Amsterdam

Date	From	Reference
September 28, 2004	drs. P.J. Bommel RA CPA	1050677/OP9999/jw

Auditors' report

Introduction

We have audited the financial statements of Envipco Holding N.V., Amsterdam, for the year ended December 31, 2003. 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, 2003 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.