Envipco Holding N.V.
Annual Report 2014

Financial Highlights

	2014	2013
Continuing operations		
Revenues	€21.79m	€23.15m
Gross profit margin	31.48%	31.28%
Net profit (loss) before taxes	€8.24m	€(3.47m)
Net profit (loss) after taxes after minority	€8.03m	€(3.33m)
EBITDA	€10.78m	€2.24m
Earnings (loss) per share	€2.233	€(1.170)
Discontinued operations		
Net profit (loss) before taxes	€(3.49m)	€(3.50m)
Net profit (loss) after taxes after minority	€(3.41m)	€(3.31m)
EBITDA	€(1.58m)	€(1.96m)
Earnings (loss) per share	€(0.947)	€(1.162)
Equity		
Shareholder's equity	€14.99m	€8.95m
Liquidity ratio (current assets / current liabilities)	2.17	1.18
Total assets (including Held for Sale)	€24.88m	€34.96m

General

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands. Envipco Holding N.V. and its subsidiaries listed on page 23 consist of the Group (hereafter the Group).

Mission statement
Our mission is to become the most respected global company that develops and operates automated solutions to recover used beverage containers, while creating high value for our shareholders, customers, partners and employees. We believe these objectives can be achieved by our strategy to grow and win market share by delivering innovative technologies, while providing superior service at competitive prices.

The Group's principal activity is the design, development and operation of automated solutions to recover used beverage containers which includes:

- The design, development, manufacture and sale or lease of Reverse Vending Machines (RVM) as the foundation of recycling systems for the collection and processing of used beverage containers.
- The provision of technical support, RVM maintenance and accounting services to the retail stores, bottlers and distributors for containers redeemed through these machines.
- Provision of materials handling services, primarily in the Northeastern part of the United States of America (USA), for containers that are subject to deposits mandated by law.

During 2013, the Company's Board of Directors made the decision to exit the plastics recycling business in France (Sorepla). Accordingly, this business has been reported as Discontinued operations for 2013 and 2014. On 30 December 2014 this business was sold.

Overview

The Group's key developments during 2014 were as follows:

a) As a result of a multi-year Intellectual Property action in Germany, the Company successfully concluded this matter in April 2014 by the sale of one of its Patents that resulted in a net gain of €10,583,000.
b) The Company also made substantial progress during the year with our research and development initiatives to develop bulk feed RVM technology that holds the promise of changing the long held paradigm of single feed RVMs. The Company formally announced this revolutionary product (Quantum) in March 2015.
c) The Company exited the plastics recycling business, reported as Discontinued operations on 30 December 2014.
d) The Company had strong execution on its sales and marketing initiatives during the year that resulted in a major RVM supply agreement announced in early 2015.

Results

Continuing operations

The 2014 RVM business revenue declined 5.8% to €21,792,000 from €23,145,000 in 2013. RVM service and leasing revenue declined 4.3% to €19,063,000 in 2014 from €19,918,000 in 2013. The decline was attributable to lease renewals on depreciated equipment, reduction of commodity handling revenues and some overall reduction in RVM container volumes. Machine and compactor sales in Europe declined 56.3% in 2014 to €375,000 from €859,000 in 2013. This decline resulted from reduced RVM sales in non-deposit markets along with continued delays in re-establishing the compactor OEM market in Germany. North America machine sales were essentially flat in 2014 with €2,354,000 compared to €2,368,000 in 2013. Expected 2014 growth in North American machine sales did not materialise due to customer delays in construction spending.

The overall net profit/(loss) before tax improved considerably in 2014 to €8,237,000 from a loss of €(3,467,000) in 2013. The major impact was from the realised gain on the patent sale of €10,583,000 in Germany. EBITDA improved to €10,779,000 in 2014 from €2,242,000 in 2013 mainly as a result of the patent sale. The RVM operations generated a loss after tax of €(431,000) in 2014 compared to a loss after tax of €(711,000) in 2013. Significant increases in sales and marketing activities resulted in an SG&A increase of 9.4% in 2014 to 8,294,000.

On 10 April 2014, Envipco Holding N.V. sold one of its IP rights to DPG Deutsche Pfandsystem GmbH, the organisation responsible for overseeing the containers deposit system in Germany for an amount of €11,500,000. A net gain of €10,583,000 was recorded as other operating income in the income statement. This patent pertains to a device for sorting and/or collecting of material such as reusable and/or non reusable beverage packaging, when used in reverse vending machines. The Company does not currently operate RVMs in Germany and determined that a patent sale was the best course to conclude legal action and to monetise its' IP. Should Envipco operate RVMs in the German market in the future, the company will be able to operate under similar arrangements as other RVM suppliers.

Discontinued operations

The plastic recycling business in France (Sorepla) was sold on 30 December 2014 to an affiliate of the Company's majority shareholder, Mr. Alex Bouri for the nominal sum of 1 EURO. The decision to sell the company to Mr. Bouri came after an unsuccessful process to identify a suitable alternative to take over the financing and operations of Sorepla. The net profit/(loss) for Sorepla for 2014 amounted to a loss of €(3,836,000) compared to a loss of €(3,407,000) in 2013. The total net profit/(loss) after taxes for Discontinued operations was €(3,406,000) compared to a net loss of €(3.407,000) in 2013. The 2014 Discontinued loss was positively impacted by a €430,000 gain on the settlement of a legal action related to an earlier sale of the Posada subsidiary.

Equity

No dividend is proposed. The results of 2014 shall be carried forward to the retained earnings, subject to the approval and adoption of the 2014 Annual Report by the shareholders at the next annual general meeting of the shareholders.

The Group has a net equity of €15,005,000 as of 31 December 2014 (2013: €8,988,000) with debt to equity ratio of 0.23 for the current year and 0.77 for 2013. The Group has adequate working capital with current ratio of 2.17 (2013:1.18) as at the balance sheet date. The Group has a cash balance of €1,779,000 from the patent sale in 2014 and expects to adequately generate positive cashflow from its operating activities. The Group also has committed credit lines to meet its financing needs.

On 22 December 2014, Environmental Products Corporation, our USA subsidiary, renewed the term of its credit facilities with TD Bank N.A., which continues to assist our expansion plan, in the United States.

Outlook

RVM Segment

In the established USA deposit markets, Envipco is well positioned to achieve significant market share gains. Currently, the Company has approximately a 25% market share. The March 2015 announcement of a major RVM supply agreement covering 600 machines, when combined with anticipated machine sales to the USA's largest retailer over the next 18 months will result in market share gains to over 40%. The Company expects to be able to build on this momentum over the next several years with expectations of achieving a majority market share. The key drivers of our growth are the impact of innovative technology combined with an organisation that is dedicated to providing superior customer service.

Since we launched our new Ultra48 (U48) product line in early 2013, we have made significant progress in demonstrating its performance and competitive superiority. The U48 line now includes an HDS configuration targeted to the Michigan market which has been gaining acceptance. We are continuing our development of the new Flex targeted for small stores and non-deposit markets. While placements of older Flex RVMs to date have been modest, the new product should lead to meaningful future installations. The recent announcement of our revolutionary breakthrough technology in bulk feed deposit RVMs (Quantum) will add another major capability to the industry's most comprehensive and innovative technology portfolio.

Michigan/Iowa: A number of customers have adopted Envipco's new U48 product line. For the most part, Michigan and Iowa retailers have elected to purchase their RVM technology. The Michigan/Iowa machine population of 5,000 RVMs will undergo a significant replacement cycle over the coming years. Envipco is well positioned to compete for market share gains. Michigan has a number of high volume, high deposit container redemption retailers. The recently announced bulk feed Quantum platform could represent a significant competitive advantage as this market is especially well suited and demanding of a bulk feed solution.

Northeast: The Company has been awarded several new contracts for machine placements during the period 2015 through 2018. We now have the largest number of customers in the New York Metro area, while we continue to make incremental gains in the New York, Connecticut and Massachusetts markets. RVM throughput container volumes have experienced a general decline over the past several years tied to reduced consumption, unusual weather and containers being diverted to manual redemption centers, especially in the New York market. Envipco's Sort-After program is an attractive service offering to retail accounts outside the traditional RVM. The Sort-After program continues to experience year-on-year growth.

California: California represents the largest single deposit container redemption market. The economics of the market are tied to financial support mechanisms under the current California deposit system to support retail redemption sites. Changes to the California system may increase the potential for RVM deployments. Envipco is monitoring market developments and is well positioned should a shift to more RVM services result.

US Non-Deposit Markets: The Company made significant investments in development of bulk feed technology specifically targeted to the US non-deposit markets. Envipco's Reimagine platform was piloted in Dallas, Texas with Coca-Cola Recycling over the past several years. The pilot demonstrated overwhelming consumer acceptance with 2,000 unique recyclers, transacting 4,200 times a month and the five centers averaging over 400,000 containers per month. The 400,000 containers exceeded our original ambitions of an average of 300,000 containers per month. While a successful pilot from a consumer perspective, the economics were challenged by the high percentage of PET containers recovered. The program demonstrated the highest possible recovery at the overall lowest possible cost; such cost represented a fraction of the cost of a traditional deposit system. Successful launch of non-deposit programs will require sustainable financial support from industry participants.

Nordic Markets: With our learning experience from the Reimagine pilot tests in Dallas, TX, we engaged with Returpak, the Swedish organisation responsible for all deposit recycling, to determine the feasibility of adopting the Reimagine bulk feed concept to the requirements of the Swedish deposit system. Returpak was especially keen to meet a clear consumer demand for bulk handling of deposit containers. The deposit accounting requirements have always been seen as too demanding to allow for bulk feed processing. After extensive development and testing, Envipco has entered into an agreement with Returpak for the placement of several outdoor units in Q3 2015 to demonstrate the bulk feed technology. In addition, Envipco plans to establish a subsidiary in Sweden to develop the market for Quantum and to also compete for traditional RVM business. Envipco's new Flex, for the first time will provide the market with a high function, high reliability, low cost RVM platform. The combination of the high-end Quantum and low cost New Flex provides for a credible alternative to the current market leader. Our entry into the Swedish market is well timed as over 2,000 RVMs will have to be replaced by end of 2016 due to new technology requirements. Success in Sweden, will lead to expansion to other Nordic markets as well as position the Company for entry to the largest European deposit market of Germany.

Rest of World Non-Deposit markets: We continue to pursue several non-deposit initiatives in France, Greece and the Middle East, the progress of which has been slow but is now growing. We entered the Australian market over the past several years with placement of 100 RVMs under a non-deposit scenario. The Government of New South Wales (NSW) in Australia recently favoured a container deposit law which is being negotiated and expected to be in introduced by 1 January 2017. The market opportunity for this new legislative change is expected to be around 800 RVMs. We are well positioned to compete and gain several hundred placements in this market.

Overall outlook

We are extremely positive towards the prospects for our RVM business. Contractual gains, when fully executed will bring significant market share gains in the USA. The breath of our technology lineup, from the U48, to new Flex, to the revolutionary Quantum well positions the Company to sustain and build market share while at the same time creating opportunities to enter new markets. Envipco is well positioned to clearly establish the Company as the global number two supplier of RVM systems.

Research and Development

Our Research and Development (R&D) activities continue to make great advances in product development and innovation for both deposit and non-deposit markets. Both of the Group's R&D facilities, in Germany and the USA, have been developing breakthrough technology to enhance our product portfolio. Quantum, our bulk feed recycling solution was recently launched in Swedish market. The upcoming new Flex RVM will be a very competitive machine in our product range. In view of the newly developed products, the Management Board will review the possible discontinuation of new production of the existing models. Once finalised, the relevant inventory will be reduced except for parts required to maintain the RVM's in the field. Management continuously reviews the capitalised development cost for any impairment of potential revenues or cost savings and if necessary, the associated costs are charged to profit and loss account.

Liquidity

The Patent sale in 2014 greatly improved the Group's liquidity position with a much improved current ratio of 2.29 in 2014 (2013: 1.18). The Group also has committed credit facilities with various lenders and is adequately prepared to meet its short and long term working capital needs. In December 2014, in the USA, we have renewed our USA credit facility with TD Bank NA. Net cash inflow from operations during 2014 was €8,130,000 (€11,281,000 from continuing operations and €(3,151,000) from discontinued operations) versus net outflow of €(4,312,000) for 2013 (€(1,280,000) from continuing operations and €(3,032,000) from discontinued operations).

Managing Risks

A majority of our current RVM business is dependent upon legislation. The Company may be at risk if such legislation was cancelled, although we have seen no such cancellations in the area where we have operated over the last 20 years. Theoretically this can happen, but we see that even in such an unlikely scenario there will be a notice period which will help the Company plan for any transition. Equally the reverse can also happen as new legislation is implemented in more states and countries. The Group strategy is to grow and win market share by delivering innovative market solutions at competitive prices along with superior service. The Company may be at risk from competition and new market uncertainties. These risks can be managed by adequate market research to ensure customer acceptance of its products. It also invests consistently in R&D to continually innovate and stay ahead of the competition. Customers with whom we have long term contracts can go out of business which would have an impact on our costs due to lower volumes. Sharp fluctuation in foreign exchange risk can impact the cash situation of the Company but is mitigated by proper cash management. Non availability of lines of credit or cash to continue to fund projects under a development stage may impact the long term viability of the Company.

For details on financial risk management, refer to note 5 in the notes to the consolidated financial statements.

Stichting Employees Envipco Holding ('the New Foundation')

A new foundation, Stichting Employees Envipco Holding was formed in 2011 with following Board members:

- Mr Dick Stalenhoef
- Mr Guy Lefebvre

Summary as of 31 December 2014 of Issued Share Capital	2014	2013
Common stock of €0.50 nominal value per share:		
Opening balance	3,837,607	2,712,607
Shares issued during the year	-	1,125,000
Closing balance	3,837,607	3,837,607

In 2013 a total of 1,125,000 new ordinary shares were issued for the capital increase.

The new foundation holds 240,000 treasury shares of the Company as of 31 December 2014 and 2013.

For more details please refer to note 21 of the notes to the consolidated financial statements.

Substantial Shareholding

The Group has been notified of, or is aware of the following 3% or more interests at 31 December 2014 and 2013.

	31 December			
	2014		2013	
	Number of Shares	Percentage	Number of Shares	Percentage
A Bouri/Megatrade International SA	2,558,568	66.67%	*2,558,568	66.67%
G Garvey/EV Knot LLC	234,013	6.10%	259,013	6.75%
B Santchurn/Univest Portfolio Inc	140,480	3.66%	140,480	3.66%
Douglas Poling/GD Env LLC	200,000	5.21%	*200,000	5.21%
Stichting Employees Envipco Holding	240,000	6.25%	240,000	6.25%

*Mr Alexandre Bouri exercised his right to buy back 600,000 of Mr Douglas Poling's shares on 8 January 2013.

Directors and their Interests

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

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

Executive:
Mr Bhajun Santchurn
Mr Christian Crépet

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

	31 December			
	2014		2013	
	Number of Shares	Percentage	Number of Shares	Percentage
A Bouri/Megatrade International SA	2,558,568	66.67%	2,558,568	66.67%
G Garvey/EV Knot LLC	234,013	6.10%	259,013	6.75%
B Santchurn/Univest Portfolio Inc	140,480	3.66%	140,480	3.66%
C Crepet	6,456	0.17%	6,456	0.17%
D D'Addario	80,451	2.10%	80,451	2.10%
TJM Stalenhoef	600	0.02%	600	0.02%

Remuneration of the Members of the Management Board

The Board of Directors is comprised of five non-executive and two executive directors. The total remuneration was €929,000 in 2014, as compared to 2013 of €900,000 for the prior year (see note 9).

There are employment contracts in place for Mr. Bhajun Santchurn and Mr. Christian Crepet. A loan was granted to a director in 2012 for €20,000 and is repayable by 31 December 2016 (see note 28).

Remuneration Policy of the Board of Directors and Senior Executives:

According to the Dutch Civil Code, our General Meeting of Shareholders has adopted a remuneration policy in respect of the remuneration of our Board of Directors, which is published on our website. Our non-executive directors propose the remuneration of the individual executive members of our Board of Directors to the General Meeting of Shareholders.

Senior executives apply to the CEO and other senior management executives for their respective performance appraisals as part of the remuneration policy. Salary and other employment terms for the senior executives shall be competitive with local markets to retain the best talents. Salary includes both fixed and variable factors which are dependent upon the area of individual responsibility, expertise, position experience, conduct and performance. The variable component is dependent upon specific performance criteria. The Chairman of the Board appointed the CEO whose goals and remuneration package and any changes are proposed to the Board for approval. The remuneration of other senior executives including any changes is agreed by the CEO and the respective executive.

Capital Increase

In 2013, the shareholders approved a plan for Executives and the Management Board to subscribe 1,125,000 common shares @ €4.00 per share as part of a new capital increase of €4,500,000. The majority shareholder who is a member of the Management Board subscribed for 750,000 of these shares in August 2013 by settling his long term debt receivable (on 26 June 2013) to equity.

Corporate Governance

Dutch Corporate Governance Code

On 9 December 2003, the Dutch Corporate Governance Committee released the Dutch Corporate Governance Code which was subsequently updated effective as per 1 January 2009 (the “Code”). The Code contains 21 principles and 128 best practice provisions for a managing board, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditing, disclosure, compliance with and enforcement of the Code.

The corporate governance code can be accessed at http://commissiecorporategovernance.nl/information-in-english

Dutch companies admitted to trading on a registered stock exchange or, under certain circumstances, registered on a multilateral trading facility, whether in the Netherlands or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Code and, if and to the extent they do not apply, to explain the reasons why.

The Company acknowledges the importance of good corporate governance. Since 2011 the Company supports the Code (www.envipco.com) and has started to implement the relevant provisions of the Code subject to the exceptions set out below:

The Company does not comply with the following provisions of the Dutch corporate governance code:

II.2 The Company does not have in place a formal risk management system. In the view of the Board of Directors, the Company has adequate measures in place to monitor risks considering the size of the Company.

II.2.14 The Company has not published on its website the main elements of the service agreements with the executive directors. In view of the size of the Company, the Board of Directors, is of the opinion that publishing elements of the salary of executive directors in the financial statements is sufficient.

III.3.1 The Company has not prepared a profile for the non-executive members of the Board of Directors. In view of the size of the Board of Directors, the Board of Directors is of the opinion that this is not necessary.

III.3.6 The Board of Directors has not made a schedule of retirement by rotation. In view of the size of the Company, the Board of Directors is of the opinion that this is not necessary.

III.4.3 The Company has no secretary. Due to the size of the Company, the Company believes this is not necessary.

III.5 The Company does not have a remuneration committee or a selection and nomination committee. The tasks to be performed by these committees are performed by the non-executive members of the Board of Directors. In view of the size of the Company, there is no need to have a separate remuneration committee and a nomination and selection committee.

V.3 The Company has no internal audit function. In view of the size of the Company, the Company believes this is not necessary. The internal risks are in the view of the Board of Directors adequately monitored.

General Meetings of Shareholders and Voting Rights

The Annual General Meeting of Shareholders must be held within six months after the end of each financial year. The notice convening any General Meeting of Shareholders shall contain an agenda indicating the items for discussion included therein. The notice for convening the General Meeting of Shareholders shall mention the registration date and the manner in which the persons with meeting rights at the General Meeting of Shareholders may procure their registration and the way they may exercise their rights. The registration date is the twenty-eighth day prior to the date of the General Meeting of Shareholders.

Decisions of the General Meeting of Shareholders are taken by a majority of three/fourths of the votes validly cast, except where Dutch law or the Company’s Articles of Association provide for a special or greater majority.

Explanatory notes on article 10 of the takeover directive

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

As at 31 December 2014 Envipco had issued 3,837,607 ordinary shares. In 2013, the Company had issued 1,125,000 common shares at €4.00 per share as part of a capital increase. Stichting Employees Envipco Holding holds 240,000 shares of the Company at a nominal value of €0.50, which are treated as treasury shares in consolidation. There are no physical share certificates issued, except for entries in the shareholders register. The Articles of Association do not provide for any limitation on the transferability of the ordinary shares.

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

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

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

Unless otherwise specified by the Articles, all resolutions at the General Meeting of Shareholders shall be passed by a majority of three/fourths of the votes cast.

The appointment, suspension and discharge of the members of the Board of Managing Directors and their remuneration are decided at the General Meeting of Shareholders as per Article 8 of the Articles of Association.

The issue of new shares shall be by a resolution of the General Meeting of Shareholders and subject to the provisions of Article 5 of the Articles of Association. The General Meeting of Shareholders on 26 June 2013 approved the Management Board to issue 1,125,000 common shares to directors and executives.

The Enterprise Chamber may at the request of the Company, any shareholder of the Company, for shares issued with the cooperation of the Company or a foundation or association with full legal capacity which articles promote the interests of such company, shareholder, order a shareholder who has obtained 30% or more of the Company's voting rights or more to make a public offer in respect of all shares.

The above mentioned obligation for a person acting solely or together with others to make a public offer does not apply according to the Exemption Decree on Public Offers (*Vrijstellingbesluit overnamebiedingen Wft*) in cases where prior to, but no more than three months prior to, the acquisition of 30% or more of the Company's shares or voting rights, the General Meeting of the Shareholders has approved such acquisition with 95% of the votes cast by others than the acquirer and the person(s) acting with him/her.

Dutch Squeeze-out Proceedings

After a public offer, pursuant to Section 2:359c of the Dutch Civil Code, a holder of at least 95% of the outstanding shares and voting rights, which has been acquired as a result of a public offer, has the right to require the minority shareholders to sell their shares to him/her.

Corporate Social Responsibility

As a Company dedicated to improving the rates at which the world recycles, Envipco works closely to help all of our clients reach their environmental goals. By helping beverage companies recover significant percentages of their bottles and cans, we have developed customised programs that promote sustainability. Envipco also proactively promotes its comprehensive recycling program and constantly explores new opportunities for greener operations.

Within the communities in which we operate, Envipco is an active and engaged citizen. We recognise our potential role as educators, regularly inviting school groups to tour our manufacturing facility to learn more about the process of recycling. We offer scholarships and internship programs to students interested in pursuing environmentally focused careers.

As a relatively small Company we have begun by setting up the foundation of good corporate social responsibility principles which we intend to adopt as the Company grows. We plan to implement various initiatives to achieve a high level of employee satisfaction, optimising the use of both internal and external resources to have the most efficient carbon foot print while ensuring the adoption of a high code of conduct and ethics relating to all aspects of our business.

Internal Controls

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

The Management Board

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

Following the provisions of the Code BPB, the Board member who was also a board member of Sorepla did not take part in the decision to dispose of the discontinued operations.

Currently the Company does not have any women members in the Management Board, as the existing Board was appointed in July 2013 for a term of 3 years. At expiration of term when the Board is due for re-election, the Company intends to consider women members in its Board.

Audit Committee

The Company has established an audit committee which operates pursuant to the terms of reference adopted by the Board of Directors, which are published on the Company's website. The audit committee was established by the Board of Directors on 27 June 2011 and is comprised of three non-executive directors appointed by the Board of Directors. The terms of reference of the audit committee are included in the Board Regulations. The audit committee is chaired by the person appointed thereto by the Board of Directors, provided that this person: i) shall be independent (in the manner prescribed by the Dutch Corporate Governance Code, and set out in the Board regulations), ii) shall not be the chairman of the Board of Directors, nor a former executive director, and iii) shall have the necessary qualifications. The audit committee shall meet at least four times per year, or more frequently according to need. Currently, the audit committee consists of Mr. Stalenhoef as chairperson and financial expert, Mr. Garvey and Mr. Lefebvre.

Due to the frequent discussions of the audit committee with senior management within the Group and discussions with our external auditors, the committee is satisfied with its oversight on financial reporting, risk management and audit functions of the Group activities, even though no formal procedure is currently in place due to the size of the Company. It has therefore not fully adopted this part of the governance code due to its size.

Nomination

The Articles of Association of the Company provide for the number of directors to be determined by the Management Board. The remuneration and the terms and conditions of employment for each director are determined at the General Meeting of Shareholders.

Representation

The Company is represented by the Management Board or by one executive director.

Meeting

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

Articles of Association

Per Article 9 Clause 9.8 of the Articles of Association, the Management Board shall require the approval of the General Meeting of the Shareholders for resolutions concerning a major change such as the amendment of the Articles of Association of the Company.

Auditors

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

Post Balance Sheet Events

Details of the post balance sheet events are given in note 31 of the notes to the consolidated financial statements.

Board Responsibility Statement

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

-the annual financial statements for the year 2014 give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Company and its consolidated entities;

-the directors' report gives a true and fair view of the position of the Company and its related entities whose financial information has been consolidated in the annual financial statements as at the balance sheet date 31 December 2014 and of their state of affairs during the financial year 2014;

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

w.s. Gregory Garvey
Chairman

w.s. Alexandre Bouri

w.s. Dick Stalenhoef

w.s. Guy Lefebvre

w.s. Bhajun Santchurn

w.s. Christian Crepet

w.s. David D'Addario

27 April 2015

(in thousands of euros)

	Note	2014		2013	
Revenue	(6)	21,792		23,145	
Cost of revenue		(13,651)		(14,641)	
Leasing depreciation		(1,280)		(1,264)	
Gross profit			**6,861**		**7,240**
Selling expenses	(7&9)	(873)		(525)	
General and administrative expenses	(7&9)	(7,421)		(7,054)	
Other income/(expenses):					
- Development costs impaired	(13)	-		(2,121)	
- Impaired joint venture investment	(8)	-		(827)	
- Miscellaneous income/(expenses)	(8)	31		65	
- Patent sale – net income	(10)	10,583		-	
Operating result			**9,181**		**(3,222)**
Financial expense	(11)	(290)		(403)	
Financial income	(11)	16		8	
Exchange gains/(losses)		(670)		150	
Result before taxes			**8,237**		**(3,467)**
Income taxes	(12&17)	(205)		(71)	
Deferred taxes	(12&17)	-		205	
			(205)		134
Net results from continuing operations			**8,032**		**(3,333)**
Net results from discontinued operations	(30)		(3,406)		(3,407)
Net results from total operations			**4,626**		**(6,740)**
Other comprehensive income					
Items that will be reclassified subsequently to profit and loss					
Exchange differences on translating foreign operations		1,412		(397)	
Other movements		(21)		(18)	
Cash flow hedges:	(26)				
Gains/(losses) recognised on hedging instrument		-		25	
Total other comprehensive income			1,391		(390)
Total comprehensive income			**6,017**		**(7,130)**

(in thousands of euros)	Note	2014	2013
Profit attributable to :			
Owners of the parent			
Profit/(loss) for the period from continuing operation		8,033	(3,332)
Profit/(loss) for the period from discontinued operations		(3,406)	(3,308)
		4,627	(6,640)
Non-controlling interest			
Profit/(loss) for the period from continuing operation		(1)	(1)
Profit/(loss) for the period from discontinued operations		-	(99)
		(1)	(100)
Total			
Profit/(loss) for the period from continuing operation		8,032	(3,333)
Profit/(loss) for the period from discontinued operations		(3,406)	(3,407)
		4,626	(6,740)
Total comprehensive income attributable to :			
Owners of the parent		6,018	(7,030)
Non-controlling interest		(1)	(100)
		6,017	(7,130)
Number of weighted average shares used for calculation of EPS (exclude treasury shares)			
- Basic	(13)	3,597,607	2,847,607
- Diluted	(13)	3,597,607	2,847,607
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year	(13)		
Basic (euro) – Continuing operations		2.233	(1.170)
Basic (euro) –Discontinued operations		(0.947)	(1.162)
Fully diluted (euro) –Continuing operations		2.233	(1.170)
Fully diluted (euro) –Discontinued operations		(0.947)	(1.162)

(in thousands of euros)

	Note	2014		2013	
Assets					
Non-current assets					
Intangible assets	(14)	3,635		3,146	
Property, plant and equipment	(15)	6,056		6,791	
Long term deposits	(16)	-		142	
Deferred tax assets	(17)	839		741	
Total non-current assets			10,530		10,820
Current assets					
Inventory	(18)	6,232		5,753	
Trade and other receivables	(19)	6,337		5,865	
Cash and cash equivalents	(20)	1,779		1,089	
Total current assets			14,348		12,707
Assets Held for Sale	(30)		-		11,435
Total assets			**24,878**		**34,962**

(in thousands of euros)

	Note	2014		2013	
Equity	(21)				
Share capital		1,919		1,919	
Share premium		52,853		52,853	
Retained earnings		(43,154)		(47,779)	
Translation reserves		3,369		1,957	
Equity attributable to owners of the parent			14,987		8,950
Non-controlling interest			18		38
Total equity			15,005		8,988
Liabilities					
Non-current liabilities					
Borrowings	(22)	3,046		5,242	
Other liabilities	(22)	209		205	
Total non-current liabilities			3,255		5,447
Current liabilities					
Borrowings	(22)	466		1,654	
Bank overdraft		-		1,156	
Trade creditors		4,036		3,933	
Accrued expenses	(25)	1,609		2,108	
Derivative financial instruments	(26)	-		25	
Provisions	(23)	123		181	
Tax and social security		384		35	
Total current liabilities			6,618		9,092
Liabilities Held for Sale	(30)		-		11,435
Total liabilities			9,873		25,974
Total equity and liabilities			**24,878**		**34,962**

(in thousands of euros)

	Note	2014		2013	
Cash flow (used in) / provided by operating activities					
Operating result		9,181		(3,222)	
Interest received		15		8	
Interest paid		(290)		(239)	
Income taxes (payment)/refund		(10)		(205)	
Depreciation and amortisation	(14/15)	2,265		2,404	
Joint operation investment impaired	(29)	-		827	
Development costs impaired	(14)	-		2,121	
			11,161		1,694
Changes in trade and other receivables		392		(594)	
Changes in inventories		234		(944)	
Changes in provisions		(44)		115	
Changes in trade and other payables		(462)		(1,551)	
Discontinued operations	(30)	(3,151)		(3,032)	
			(3,031)		(6,006)
Cash flow (used in)/ provided by operating activities			**8,130**		**(4,312)**
Cash flow (used in)/provided by investing activities					
Investment in intangible fixed assets	(14)	(1,158)		(1,094)	
Investment in tangible fixed assets	(15)	(1,003)		(1,252)	
Proceeds from sale of assets		-		95	
Discontinued operations		430		(237)	
Cash flow (used in)/ provided by investing activities			**(1,731)**		**(2,488)**
Cash flow (used in)/provided by financing Activities					
Proceeds from share issue		-		3,745	
Changes in borrowings and capital lease obligations – proceeds		7,430		3,548	
Changes in borrowings and capital lease obligations – repayments		(11,340)		(427)	
Discontinued operations		(685)		260	
Cash flow (used in)/ provided by financing activities			**(4,595)**		**7,126**
Net cash flow for the period			**1,804**		**326**
Foreign currency differences and other changes		42		19	
			42		19
Changes in cash and cash equivalents, including bank overdrafts for the period			**1,846**		**345**
Opening position as at 1 January			(67)		(412)
Closing position as at 31 December			1,779		(67)
The closing position consists of:					
Cash and cash equivalents	(20)		1,779		1,089
Bank overdraft			-		1,156
			1,779		(67)

(in thousands of euros)

	Share capital	Share premium	Retained Earnings	Translation Reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	**1,356**	**48,916**	**(41,164)**	**2,354**	**11,462**	**156**	**11,618**
Changes in equity for 2013							
Capital Increase	563	3,937	-	-	4,500	-	4,500
Net profit/(loss) for the year	-	-	(6,640)	-	(6,640)	(100)	(6,740)
Other comprehensive income for the year							
-Currency translation adjustments	-	-	-	(397)	(397)	-	(397)
-Cash flow hedge – fair value (Note 26)	-	-	25	-	25	-	25
-Other movements	-	-	-	-	-	(18)	(18)
Total comprehensive income for the year	-	-	(6,615)	(397)	(7,012)	(118)	(7,130)
Balance at 31 December 2013	**1,919**	**52,853**	**(47,779)**	**1,957**	**8,950**	**38**	**8,988**
Changes in equity for 2014							
Net profit/(loss) for the year	-	-	4,627	-	4,627	(1)	4,626
Other comprehensive income for the year							
-Currency translation adjustments	-	-	-	1,412	1,412	-	1,412
-Cash flow hedge – fair value (Note 26)	-	-	-	-	-	-	-
-Other movements	-	-	(2)	-	(2)	(19)	(21)
Total comprehensive income for the year	-	-	4,625	1,412	6,037	(20)	6,017
Balance at 31 December 2014	**1,919**	**52,853**	**(43,154)**	**3,369**	**14,987**	**18**	**15,005**

Please refer to note 21 for changes in share capital and reserves.

(1) General information

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands, with its registered address at Utrechtseweg 102, 3818 EP Amersfoort, The Netherlands.
Envipco Holding N.V. and Subsidiaries ("the Company" or "Envipco") are engaged principally in Recycling in which it develops, manufactures, assembles, leases, sells, markets and services a line of "reverse vending machines" (RVMs) in the USA, Europe, Australia and the Far East

Recycled plastic and derivative products business was sold in 2014. Posada Holding B.V., a subsidiary of Envicpo Holding N.V. received a final settlement on its pending litigation in 2014 and was dissolved in 2014.
These Financial Statements have been approved for issue by the Board of Management on 27 April 2015 and are subject to approval by the shareholders at the Annual General Meeting of Shareholders. All amounts are in thousands of euros unless stated otherwise.

Deposit redemption programs

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

Discontinued operations (see note 30)

The Company operated a plastic processing facility in France, which was classified as a discontinued operation in 2013, and this business was sold on 30 December 2014.

Posada Holding B.V. was liquidated in 2014.

(2) Summary of significant accounting policies

Basis of preparation

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

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

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

Adoption of new Standards

Amendments and Interpretations effective in 2014

Changes in accounting policies and disclosures

The International Accounting Standards Board (IASB) has issued certain International Financial Reporting Standards or amendments thereof, and the IFRIC has issued certain interpretations. The impact of changes, when adopted by the EU, on the Envipco's consolidated financial statements, has been assessed.

a) New and amended standards adopted by the Group:

IFRS 10 'Consolidated Financial Statements'
IFRS 10 standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. As the standard did not change the entities that are consolidated, this change did not have any impact on the group's financial statements.

IFRS 11 'Joint Arrangements'
IFRS 11 puts more focus on the rights and obligations of the arrangement than on its legal form. There will only remain two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenues and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures will no longer be allowed. IAS 28 includes the requirements for associates and joint ventures that have to be equity-accounted following the adoption of IFRS 11. The new standard had no material impact on the group's financial statements as the Group only had one joint arrangement in 2013 and most of 2014, of which the accounting treatment under the old standard was comparable to that under IFRS 11.

IFRS 12 'Disclosure of Involvement with Other Entities',
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This new standard has no impact on group's financial position or performance as the amendments relate to disclosure requirements.

IAS 32 'Offsetting Financial Assets and Financial Liabilities'
Provides requirements relating to the offset of financial assets and financial liabilities. Specially, amendments to clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The application of the amendments have had no material impact on the amounts recognised in the Group's financial statements.

Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'
The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is

measured against fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques which are in line with the disclosure required by IFRS 13 'Fair Value Measurement'. The amendment to IAS 36 has had no impact on the Group's financial position or performance as the amendments relate to disclosure requirements.

Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'
Provide relief from the requirements to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. As the company has no novated hedging instruments, the application of the amendments has had no impact on the Group's financial statements.

IFRIC 21 'Levies'
Addresses the issue to when to recognise a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. IFRIC 21 has had no material impact on the amounts recognised in the Group's financial statements.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not adopted early by the Group:

- IFRS 9, 'Financial Instruments: Classification and Measurement', applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard represents the first phase in the work of the IASB to replace IAS 39. Since the standard has not yet been endorsed by the European Union, it is uncertain when it needs to be applied. The uncertainty with respect to the subsequent phases of the project makes it impossible to quantify the impact of the new standard on the Group's financial position or performance.

- IFRS 15, 'Revenue from Contracts with Customers', which supersede the current revenue recognition guidance including IAS 18 'Revenue', IAS 11 'Construction Contracts' and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group still has to investigate the impact of the standard on its financial statements.

- Amendments to IAS 19, 'Defined Benefit Plans: Employee Contributions', the amendments clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. directors of the Company anticipate that the application of the amendment to IAS 19 will have no impact on the Group's financial statements as it has no defined benefit plans.

Some other amendments, interpretations and improvements were made that are not relevant to the group and are expected to have no significant consequences on its financial statements.

Consolidated cash flow statement

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

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

Consolidation

Basis of consolidation

Based on IFRS 10, the Company prepares consolidated financial statements where it controls an entity or entities and following the principles of control, it will consolidate an entity irrespective of the nature of the entity. Also if the Company has the power by way of actual or potentail voting rights over an entity, then such entity's results will be consolidated. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single economic entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

The consolidated balance sheets comprise the financial statements of the Group and its subsidiaries as at 31 December 2014.

Subsidiaries

Subsidiaries are all entities (including single economic entities) over which the Group has control to govern the financial and operating policies with or without majority voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Non-controlling interest:

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

The consolidated balance sheets comprise the financial data of Envipco Holding N.V., Amersfoort, The Netherlands, and the legal seats of the following Group companies:

Envipco Finance Company Limited – London, United Kingdom – 100%
Sorepla Industrie S.A. – Neufchateau, France – 100% Sold in 2014
Sorepla Technologie S.A. – Rebeuville, France – 100% Sold in 2014
Envipco Automaten GmbH, Westerkappeln, Germany – 100%
Envipco Pickup & Processing Services Inc., Delaware, U.S.A. – 99.85%
Environmental Products Corporation, Delaware, U.S.A. – 99.85%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Posada Holding B.V. – Amersfoort, The Netherlands – 100% Dissolved in 2014
Aeromaritime Mediterranean Corporation, Delaware, U.S.A. – 100% Dissolved in 2014
Envipco A.S., Oslo, Norway – 100%
Envipco N.D. Inc., Delaware, U.S.A. – 99.85%

Stichting Employees Envipco Holding owns 240,000 shares of Envipco Holding N.V. (EHNV) and is controlled by EHNV. The Board of Stichting Employees Envipco Holding consists of 2 members of the Management Board of Envipco Holding N.V. It is a foundation and its function is to administer an Employee Share Option scheme, which has not been finalised.

The Company is entitled to the benefits from selling these shares and shall compensate all costs and expenses of Stichting Employees Envipco Holding.

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

Segment reporting

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

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency. The subsidiaries that are included in the consolidation have the Euro, US Dollars, UK Sterling Pounds and Norwegian Kroner as their functional currency. Transactions and cash flows in foreign currencies are translated into the functional currency at the rate prevailing when the transaction took place. Related exchange rate differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income.

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

Revenue

General

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

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

Service revenue

The Group's primary service offerings include repairs and maintenance, and pickup and processing. These services are provided on a time and material basis or as a fixed-price contract with contract terms generally ranging from less than one year to three years.

Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered. Revenue from fixed-price contracts involving managed services is generally recognised in the period the services are provided using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs, or extent of progress toward completion, then revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which management becomes aware of the circumstances that give rise to the revision.

Sale of goods

Revenue from product sales is generally recognised when the product is delivered to the client and when there are no unfulfilled obligations that affect the client's final acceptance of the arrangement. Delivery does not occur until products have been shipped, risk of loss has transferred to the client and client acceptance has been obtained, client acceptance provisions have lapsed, or the Group has objective evidence that the criteria specified in the client acceptance provisions are either perfunctory or have been satisfied.

Leasing revenue

Revenues from product lease are recognised over the term of the lease, which are classified as operational leases.

Cost of revenue

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

Leases

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

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

Deferred tax

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

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

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

Intangible assets

All intangible assets have finite lives based on their economic use except for Goodwill. The intangible assets with finite lives are amortised using the straight line method. The useful life is estimated at 7 years.

(a) Goodwill

Goodwillis an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is tested annually for impairment. An impairment loss is recognised for the amount by which the goodwill of a cash generating unit exceeds its recoverable amount.

The recoverable amount is the higher of the cash generating unit's fair value less costs to sell and value in use. Impairment testing of goodwill is performed at the level of the cash generating units, which is the smallest identifiable group of assets to independently generate cash flows. For the group, the smallest cash generating units comprise the activities of one single country. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(b) Patents, licenses and concessions (see page 14 for amortisation included in general and administrative expenses)

Patents are acquired intangible assets and are measured initially at cost on the acquisition date. They are amortised using the straight-line method based on the estimated useful lives of 5-7 years.

Concessions relate to RVM distribution rights in the USA Midwest market for three years.

(c) Research and development (see page 14 for research and development expenses included in general and administrative expenses).

Research costs are recognised as an expense as incurred.

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

The capitalised development cost is amortised when the asset becomes available for use. Once the asset is completely developed, it is amortised over the estimated useful life, which is 7 years.

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

Property, plant and equipment

Property, plant and equipment are valued at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures that extend the asset's useful life are capitalised. Expenditures for repairs and maintenance are expensed when incurred.

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

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

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

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

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

Buildings	40 years
Plant and machinery	4-7 years
Vehicles and equipment	3-5 years

Cash and cash equivalents

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

Trade receivables

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

Inventory

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

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

Derivative financial instruments and hedging activities

IFRS 13 fair value measurement hierarchy

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives ashedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

The fair values of derivative instruments used for hedging purposes are disclosed in note 26. Movements on the hedging reserve in shareholders' equity are shown in consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised as other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss account.

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

Equity

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

The Company records purchases of its own ordinary shares (treasury shares) under the cost method whereby the entire cost of the acquired shares is deducted from equity until the shares are cancelled, reissued or disposed of.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

Provisions

The group recognises provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

Borrowings

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

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

Transaction costs have been shown as a deduction from the long term debt (see note 22).

Trade creditors and other current liabilities

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

Employee benefit plans

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

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

Deferred income

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

(3) Critical accounting estimates and judgments

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

Legal proceedings

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Income taxes

The Group is subject to income tax in several jurisdictions and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Other contingencies

The French recycling business emerged from court protection on 4 December 2013 and has received significant additional funding from the parent to cover part of the losses in the period after the employee strike. Subsequently, the management board had implemented its decision to divest this segment and as such the French recycling business was classified as a discontinued operation and was included as “Held for sale” as of 31 December 2013. The assets and liabilities in 2013 were stated at the lower of their carrying amount and expected fair values less costs to sell. The business was sold in 2014 (see note 30).

Deferred tax valuation

The Group recognises deferred tax assets for loss carry-forwards and deductible temporary differences, estimating the amount of future taxable profit that will be probable, against which the loss carry-forwards and deductible temporary difference can be utilised (see note 17).

Goodwill impairment testing

The Group is required to test, on an annual basis whether goodwill has suffered any impairment. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 14.

Allowance for inventory obsolescence

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

Intangible assets

The Group amortises its intangible assets, except for Goodwill, over the contracted term or their expected useful lives which are as follows:

Patents, licenses and concessions	7 years with the exception of a concession, whose useful life is 3 years and as such it is being amortised over the contracted term.
Capitalised development costs	7 years

The capitalisation and potential impairments of self generated research and development is amongst others based on estimates of future recovery.

Property, plant and equipment

The Group estimates useful lives of its assets as follows:

Buildings	40 years
Plant and machinery	4-7 years
Vehicles and equipment	3-5 years

(4) Capital management

The Group's capital consists of its net equity and long term loans. Management monitors and assesses the capital requirements for the Group and ensures that enough funding is available to meet the working capital requirements and also for the future business development. To raise funding, the Group considers both committed credit lines and equity contributions.

One of the Group's subsidiaries has to comply with certain financial covenants under its loan agreement, details of which are given in note 22. The Group's current funding requirements have been met from operations, the capital increase received during 2013 (refer to note 21 for details) and from the committed credit lines.

(5) Financial Risk Management

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

Credit risk

Credit risk arises from the possibility of asset impairment occurring because counterparties are not able to meet their obligations in transactions mainly involving trade receivables. While the Group's trade receivables are mostly exposed to credit risk, the exposure to concentrations of credit risk is limited due to the diverse geographic areas and industries covered by its operations. One of the Group's subsidiaries in the USA has an exposure to credit risk and is dependent on two major customers (see table below) for its sales and receivables in 2014 for 40% of its revenues and 24% of its receivables and in 2013, 39% of its revenues and 18% of receivables. In the normal course of business, the Group provides credit to clients, provides credit evaluations of these clients, and maintains an impairment provision for credit losses. Cash and cash equivalents are held with reliable counterparties.

	2014		2013	
	Revenue	Accounts receivable	Revenue	Accounts receivable
Concentration of credit risk				
Customer 1	18%	10%	21%	9%
Customer 2	22%	14%	18%	9%
Others	60%	76%	61%	82%
Total	100%	100%	100%	100%

USA operations manage receivables though a system of deposit accounting where Envipco acts as a clearing house for services provided and not on RVM sales, but disburses funds to customers only after collections have been made from its receivables. European and USA operations have receivables from RVM sales, which are managed closely for collections.

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

		€'000 Current	€'000 31-60 Days	€'000 61-90 Days	€'000 >90 Days	€'000 TOTAL
2014	Europe	190	-	-	104	294
	United States	4,227	1,359	194	263	6,043
		4,417	**1,359**	**194**	**367**	**6,337**
2013	Europe	217	-	-	-	217
	United States	4,376	1,055	148	69	5,648
		4,593	**1,055**	**148**	**69**	**5,865**

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in meeting its obligations as they fall due. The Group's policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations in a timely manner. The executive directors follow prudent liquidity risk management by maintaining

sufficient cash, enforcing strict credit policy and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.
Liquidity is managed closely by pursuing receivable collections in the USA and also by keeping the committed credit lines in place. The following are the Group's contractual maturities of financial liabilities:

		€'000 In 1 Year	€'000 1-2 Years	€'000 2-5 Years	€'000 > 5 Years	€'000 TOTAL
2014	**Europe**					
	Operational leases & payables	1,233	-	-	-	1,233
	United States					
	Operational leases & payables	5,532	288	444	-	6,264
	Bank debt & finance leases	466	2,983	-	-	3,449
	Total liabilities and future non-cancellable leases (rents)	**7,231**	**3,271**	**444**	**-**	**10,946**
	Future non-cancellable leases (rents)	(341)	(288)	(444)	-	(1,073)
		6,890	**2,983**	**-**	**-**	**9,873**
2013	**Europe**					
	Operational leases & payables	946	-	-	-	946
	United States					
	Operational leases & payables	7,069	272	327	-	7,668
	Bank debt & finance leases	552	6,281	-	-	6,833
	Total liabilities and future non-cancellable leases (rents)	**8,567**	**6,553**	**327**	**-**	**15,447**
	Future non-cancellable leases (rents)	(309)	(272)	(327)	-	(908)
		8,258	**6,281**	**-**	**-**	**14,539**

Market risk

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

- Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to exchange rate fluctuations. Exposure to currency risks arises primarily when receivables and payables are denominated in a currency other than the operating company's local currency. In addition, the Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. The Group manages its currency risk by closely monitoring the currency fluctuations and does not hedge its currency risk.

- Sensitivity analysis

A 5% strengthening of US Dollar against the Euro would have increased the profit after tax by €40,000 (2013: loss after tax would have reduced by €165,000) and would result in net increase in equity of €40,000 (2013: €165,000) and a 5% decline in US Dollar against the Euro would have had an equal but opposite effect on the basis that all other variables remain constant.

- Interest rate risk

The Group's interest rate risk arises from selected long term borrowings. Such borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group tries to minimize its interest rate risk on these borrowings by negotiating a fixed interest rate for the borrowings and by applying hedging on interest rate swaps. €1,143,000 of the total borrowings in current liabilities of €1,654,000 was hedged against an interest rate swap. This loan was settled in January 2014. A reduction of 0.25% in interest rates would have increased the profit after tax by €6,000 (2013: decreased the loss by €58,000) and increased the equity by €6,000 (2013: increased equity by €58,000) and an increase of 0.25% in interest rate would result in an equal but opposite effect with other factors remaining constant.

- Price risk

The Group does not have an exposure to price risk.

(6) Segment information

Envipco considers geography and products as its main segments. Management measures geographical segment performance based on the segment's operating result. Similarly the respective assets and liabilities are allocated to the geographical segments. The segments are identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. The Group's main continuing operations relate to its core activity of Recycling. This activity has a single main operating segment – RVMs. The RVMs business segment includes operations in the USA due to RVM sales, and services and in Germany due to compactor sales. The non-operating segments include the Holding company and rest of the non-active Group entities. Segment information for continuing operations is presented by geographical areas where a segment is based. Following the implementation of the board's decision to divest the plastics recycilng operation, it had been classified as "Held for Sale" in 2013 and was sold in 2014. Segment information of the main operating segments is detailed below:

(6) Segment information(continued)

(in thousands of euros)			2014			2013
	Europe	North America	Total	Europe	North America	Total
Revenues						
Continuing operations – Recycling - RVM						
Sale of goods	375	2,354	2,729	859	2,368	3,227
Service revenue	-	12,564	12,564	-	13,040	13,040
Leasing revenue	-	6,499	6,499	-	6,878	6,878
Total	**375**	**21,417**	**21,792**	**859**	**22,286**	**23,145**

			2014			2013
	Europe	North America	Total	Europe	North America	Total
Gross assets						
Continuing operations – Recycling - RVM	293	19,827	20,120	282	19,777	20,059
Non-operating segments	4,758	-	4,758	3,468	-	3,468
Discontinued operations	-	-	-	11,435	-	11,435
Total	**5,051**	**19,827**	**24,878**	**15,185**	**19,777**	**34,962**

			2014			2013
	Europe	North America	Total	Europe	North America	Total
Segment Results						
Continuing operations – Recycling - RVM	(93)	(338)	(431)	130	(841)	(711)
Non-operating segments	8,464	-	8,464	(2,522)	-	(2,522)
Discontinued Operations	(3,406)	-	(3,406)	(3,407)	-	(3,407)
Total	**4,965**	**(338)**	**4,627**	**(5,799)**	**(841)**	**(6,640)**

RVM segment results in North America include €158,000 of charges (2013: €395,000) for joint operation costs.

			2014			2013
	Europe	North America	Total	Europe	North America	Total
Gross Liabilities						
Continuing operations – Recycling – RVM	150	8,640	8,790	179	13,047	13,226
Non-operating segments	1,083	-	1,083	1,313	-	1,313
Discontinued operation	-	-	-	11,435	-	11,435
Total	**1,233**	**8,640**	**9,873**	**12,927**	**13,047**	**25,974**

6) Segment information (continued)

	2014			2013		
	Europe	North America	Total	Europe	North America	Total
Property, Plant & Equipment and Intangibles Additions						
Continuing operations – Recycling - RVM	4	1,057	1,061	4	1,703	1,707
Non-operating segments	1,100	-	1,100	1,094	-	1,094
Total	1,104	1,057	2,161	1,098	1,703	2,801

	2014			2013		
	Europe	North America	Total	Europe	North America	Total
Depreciation & Amortisation Expense						
Continuing operations – Recycling – RVM	1	1,723	1,724	23	1,798	1,821
Non-operating segments	541	-	541	583	-	583
Development costs impaired	-	-	-	2,121	-	2,121
Total	542	1,723	2,265	2,727	1,798	4,525

RVM segment leasing depreciation of €1,280,000 (2013: €1,264,000) in North America is included in cost of revenue.

There were no non-cash expenses other than depreciation and amortisation such as provisions.

There were no associates or joint ventures where equity accounting was required.

(7) Expenses

Selling expenses

Selling expenses consist of costs associated with market development, marketing and promotions and trade shows.

General and administrative expenses

General and administrative expenses include depreciation expenses for an amount of €783,000 (2013: €948,000), research and development costs of €692,000 incurred by the US subsidiary (2013: €492,000), payments made under operating leases of €328,000 (2013: €279,000), and bad debt expense of €49,000 (2013: credit of €361,000). Management reviewed the capitalised development costs as of 31 December 2014 and decided to write off €0 (2013: €2,121,000) where it appeared these projects will not generate adequate future revenues (see note 14).

The fee paid to the Group's auditor for the following services is included in general expenses and can be specified as follows:

BDO, Netherlands

	2014	2013
	€'000	€'000
Audit fee	89	103
	89	**103**

(8) Other income/(expenses)

Other expenses included losses due mainly to provisions made by a subsidiary against an investment in joint operation of €0 (2013: €827,000). Other income consists of sundry income of €31,000 from the US RVM operation (2013: US expense of €65,000) during the year. See note 29. Also refer to note 10 for information on the patent sale.

(9) Employee benefit expense

	2014	**2013**
	€'000	€'000
Salaries	6,718	6,740
Social security expenses	491	443
Pension expenses	36	33
	7,245	**7,216**

	2014	**2013**
Average number of employees		
Continuing operations		
North America	128	123
Europe	9	9
Total	**137**	**132**

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2014 was €929,000 (2013: €900,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Total
2014				
B. Santchurn	443	14	3	460
C. Crepet	185	101	11	297
G. Garvey	128	-	-	128
T.J.M. Stalenhoef	32	2	-	34
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	798	117	14	929
2013				
B. Santchurn	454	9	3	466
C. Crepet	162	81	11	254
G. Garvey	137	-	-	137
T.J.M. Stalenhoef	32	1	-	33
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	795	91	14	900

(10) Patent sale

On 10 April 2014, the Company sold one of its IP rights to DPG Deutsche Pfandsystem GmbH, the organisation responsible for overseeing the containers deposit system in Germany for an amount of €11,500,000. The expenses incurred in relation to this sale were €917,000 (sales commission: €525,000, legal expenses: €304,000 and net book value: €88,000) resulting in net income of €10,583,000 which has been recorded as other operating income in the income statement.

(11) Financial expense and income

The financial expense and income are fully in respect of loans and receivables. No differences in interest expense were recognised using the effective interest rate method and the actual interest recorded.

(12) Income taxes

Effective tax rate

Envipco operates in several jurisdictions with varied local statutory income tax rates. This causes a difference between the average statutory income tax rate and The Netherlands tax rate of 25%. The following table reconciles income taxes based on the Group's weighted average statutory income tax rate and the Group's income tax benefit from continuing operations:

Reconciliation between the company's effective tax rate and the statutory income tax rate in The Netherlands, which currently is 25%, can be specified as follows:

		2014		2013
		€'000		€'000
Profit/(loss) before tax		8,237		(3,467)
Taxation (charge)/credit @ statutory rate	25%	(2,059)	25%	867
Tax (charge) credit for different statutory tax rates on foreign subsidiaries		-		8
Effect of unused losses for which no deferred tax asset has been recognised		1,854		(536)
Effect of recognising deferred tax asset for which previously no tax has been recognised (USA) less reversal Germany		-		(205)
Effective income tax		**(205)**		**134**

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

Current and deferred tax income/ (expense)

	2014	2014	2013	2013
	€'000 This Period	€'000 **Total**	€'000 This period	**€'000 Total**
Current				
- Germany	(6)	**(6)**	-	**-**
- USA	(70)	**(70)**	(71)	**(71)**
- Netherlands	(129)	**(129)**	-	**-**
	(205)	**(205)**	(71)	**(71)**
Deferred				
- USA	-	**-**	205	**205**
	-	**-**	205	**205**
Total	(205)	**(205)**	134	**134**

(12) Income taxes (continued)

Tax losses, where no deferred tax has been recognised totaling €20,413,000 (2013: €28,614,000), expire as follows: €3,096,000 in 2019, €4,259,000 in the year 2020, €2,624,000 in the year 2021, €1,042,000 in the year 2022, and €5,386,000 in the years 2023 through 2025, €584,000 in the year 2027, €404,000 in the year 2028, €69,000 in the year 2031 and €2,949,000 in the year 2034.

(13) Earnings per share

The numerator for both basic and fully diluted net result per ordinary share (earnings per share or EPS) is net result attributable to holders of ordinary shares. The denominator for basic EPS is the number of ordinary shares outstanding during the year, excluding ordinary shares held as treasury shares. The fully diluted EPS is same as the basic EPS.

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

	2014	2014	2014	2013	2013	2013
	€'000	€'000	€'000	€'000	€'000	€'000
	Continuing Operations	Discontinued Operation	Total Operations	Continuing Operations	Discontinued Operation	Total Operations
Numerator						
Profit/(loss) for the year and earnings used in basic EPS	8,033	(3,406)	4,627	(3,332)	(3,308)	(6,640)
Earnings/(loss) used in basic and diluted EPS	**8,033**	**(3,406)**	**4,627**	**(3,332)**	**(3,308)**	**(6,640)**
Denominator						
	'000		'000	'000		'000
Weighted average number of shares used in basic EPS	3,597		3,597	2,848		2,848
Weighted average number of shares used in diluted EPS	3,597		3,597	2,848		2,848

Basic and diluted earnings (loss) per share for 2014 and 2013 have been calculated using the weighted-average number of current ordinary shares of 3,597,607 and 2,847,607 (exclusive of 240,000 treasury shares) respectively. A total of 1,125,000 shares were issued in 2013. Treasury shares have been deducted to calculate the outstanding shares.

(14) Intangible assets

(in thousands of euros)	Goodwill	Patents, licenses & concessions	Development costs	Total
At 1 January 2013				
Cost	134	1,165	4,631	5,930
Accumulated amortisation	-	(694)	(407)	(1,101)
Net carrying amount	**134**	**471**	**4,224**	**4,829**
Changes to net carrying amount in 2013				
Additions	-	32	1,062	1,094
Disposals	-	(48)	-	(48)
Amortisation	-	(185)	(471)	(656)
Development costs impaired	-	(135)	(1,986)	(2,121)
Currency translation differences	(5)	(5)	-	(10)
Reclassification cost to held for sale	-	(46)	-	(46)
Reclassification depreciation to held for sale	-	37	-	37
Reclassification – borrowing costs 2012 reversed	-	67	-	67
Total changes in 2013	**(5)**	**(283)**	**(1,395)**	**(1,683)**
At 31 December 2013				
Cost	129	1,098	5,693	6,920
Accumulated amortisation and impairment	-	(910)	(2,864)	(3,774)
Net carrying amount	**129**	**188**	**2,829**	**3,146**
Changes to net carrying amount in 2014				
Additions	-	116	1,042	1,158
Disposals	-	(138)	-	(138)
Amortisation	-	(81)	(511)	(592)
Currency translation differences	17	44	-	61
Reclassification cost-fully depreciated	-	-	(1,986)	(1,986)
Reclassification depreciation-fully depreciated	-	-	1,986	1,986
Total changes in 2014	**17**	**(59)**	**531**	**489**
At 31 December 2014				
Cost	146	1,120	4,749	6,015
Accumulated amortisation and impairment	-	(991)	(1,389)	(2,380)
Net carrying amount	**146**	**129**	**3,360**	**3,635**

Goodwill

No impairment charges were recognised on any goodwill during the period. All goodwill as per 31 December 2014 and 2013 relates to goodwill of one Cash Generating Unit in the RVM segment, which was tested for any impairment, based on its value in use, by using present value of discrete cash flows for next three years and the present value of the terminal cash flow with the following assumptions: cost of capital 10.41%, working capital requirement 10% of revenue and terminal cash flow growth rate of 2.5%.

(14) Intangible assets (continued)

Concessions

A concession with a net book value €0 (2013: €32,000) related to a three year exclusive RVM Distributor Agreement in Michigan, USA, including assignment of certain chain account relationships and contracts. The amount is being amortised over the term of the contract. All other concessions are being amortised with a useful life of 7 years.

Development costs

All capitalised development costs relate to internally developed assets in respect of new product range namely Quantum, U48, new Flex, Ultra HDS and new compactors for the existing and new markets. All materials, labour and overhead costs directly attributable to these projects have been capitalised. €1,042,000 (2013: €1,062,000) of the development costs was capitalised in 2014. Fully developed assets are amortised over their expected useful lives, which are between 7 years. The largest individual asset included in the development cost has a book value of €1,651,000 (2013: €1,951,000). Management reviewed the capitalised development costs as of 31 December 2014 and decided to write off €0 (2013: €2,121,000) where it appeared these projects will not generate adequate future revenues.

Key projects under development during 2014 included Quantum and new Flex.

(15) Property, plant and equipment

(in thousands of euros)	Reverse vending machines	Land & buildings	Plant & machinery	Vehicles & equipment	Total
At 1 January 2013					
Cost	11,063	7,757	20,035	1,485	40,340
Accumulated depreciation	(6,418)	(4,126)	(10,595)	(1,189)	(22,328)
Net carrying amount	**4,645**	**3,631**	**9,440**	**296**	**18,012**
Changes to net carrying amount in 2013					
Additions	1,410	9	435	86	1,940
Disposals/transfers to inventory	(449)	-	(144)	(22)	(615)
Depreciation	(1,264)	(431)	(1,450)	(158)	(3,303)
Currency translation	(173)	(36)	(45)	(6)	(260)
Reclassification cost to held for sale	-	(6,370)	(16,864)	(84)	(23,318)
Reclassification depreciation to held for sale	-	4,074	10,205	56	14,335
Total changes in 2013	**(476)**	**(2,754)**	**(7,863)**	**(128)**	**(11,221)**
At 31 December 2013					
Cost	11,851	1,360	3,417	1,459	18,087
Accumulated depreciation	(7,682)	(483)	(1,840)	(1,291)	(11,296)
Net carrying amount	**4,169**	**877**	**1,577**	**168**	**6,791**
Changes to net carrying amount in 2014					
Additions	714	90	114	85	1,003
Disposals/transfers to inventory	-	(513)	(193)	-	(706)
Depreciation	(1,280)	(47)	(267)	(79)	(1,673)
Currency translation	500	163	35	20	718
Reclassification cost	-	337	(2,208)	(10)	(1,881)
Reclassification depreciation	-	348	1,423	33	1,804
Total changes in 2014	**(66)**	**378**	**(1,096)**	**49**	**(735)**
At 31 December 2014					
Cost	13,065	1,437	1,165	1,554	17,221
Accumulated depreciation	(8,962)	(182)	(684)	(1,337)	(11,165)
Net carrying amount	**4,103**	**1,255**	**481**	**217**	**6,056**

Plant and machinery includes €0 (2013: €75,000) for assets which were under construction.

(16) Long term deposits

	2014	2013
	€'000	€'000
Schedule of movement		
At beginning of year	142	697
Releases	(142)	(555)
At end of year	**-**	**142**

Other non-current assets

	2014	2013
	€'000	€'000
Deposits with suppliers and vendors	-	142
	-	**142**

(17) Deferred tax

	2014	2014	2014	2014	2014
	€'000	€'000	€'000	€'000	€'000
	Asset	Liability	Net	(Charge)/credit profit & loss	(Charge)/credit Equity
Recognised tax asset for unused losses	839	-	839	-	-
At 31 December 2014	**839**	**-**	**839**	**-**	**-**

	2013	2013	2013	2013	2013
	€'000	€'000	€'000	€'000	€'000
	Asset	Liability	Net	(Charge)/credit profit & loss	(Charge)/credit Equity
Recognised tax assets for unused losses	741	-	741	205	-
At 31 December 2013	**741**	**-**	**741**	**205**	**-**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

Tax losses, where no deferred tax has been recognised totaling €20,413,000 (2013: €28,614,000), expire as follows: €3,096,000 in 2019, €4,259,000 in the year 2020, €2,624,000 in the year 2021, €1,042,000 in the year 2022, and €5,386,000 in the years 2023 through 2025, €584,000 in the year 2027, €404,000 in the year 2028, €69,000 in the year 2031 and €2,949,000 in the year 2034.

(18) Inventory

	2014	2013
	€'000	€'000
Finished goods	2,350	1,641
Raw material and parts	5,312	5,030
Work in progress	11	22
Provision for obsolescence	(1,441)	(940)
Inventory	**6,232**	**5,753**

In 2014 inventory usage amounting to €8,025,000 (2013: €8,408,000) has been included in the cost of revenue.

Finished goods are valued at lower of cost and net realisable value. Cost includes material cost, direct labour and overheads. Raw material and parts are valued at lower of cost and net realisable value. Cost includes purchase cost and cost of bringing the part to its present location. Work in progress is valued including direct material cost and a proportion of direct labour and overheads.

Estimates of net realisable value of inventory are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. As such estimates are continuously evaluated and it is common that in the normal course of business, circumstances that previously caused inventories to be written down below cost no longer exist resulting in reversals of write-downs.

Schedule of movement of provision for obsolescence

	2014	2013
	€'000	€'000
At beginning of period	940	946
Additions	563	36
Exchange gains/(losses)	(62)	244
Release of provision	-	(286)
At end of period	**1,441**	**940**

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

(19) Trade and other receivables

	2014	2013
	€'000	€'000
Trade receivables	5,437	4,728
Other receivables	522	501
Prepaid expenses	378	636
Trade and other receivables	**6,337**	**5,865**

(19) Trade and other receivables (continued)

Estimates of the recoverability of trade receivables are based on the most reliable evidence available at the time the estimates are made. As these estimates are continuously evaluated, it is common that in the normal course of business, circumstances that previously caused trade receivables to be impaired no longer exist resulting in reversals of impairment charges. Trade receivables are shown net of bad debt provisions of €330,000 and €2,893,000 at the end of years 2014 and 2013 respectively.

Schedule of movement of provision for bad debts	2014	2013
	€'000	€'000
At beginning of period	2,893	3,679
Additions	49	91
Write-off	(2,595)	(386)
Translation adjustment	(17)	(491)
At end of period	**330**	**2,893**

(20) Cash and cash equivalents

	2014	2013
	€'000	€'000
Cash at bank and in hand	1,779	1,089
Cash and cash equivalents	**1,779**	**1,089**

The cash balances are at the free disposal of the Company except for €11,000 (2013: €2,000) relating to the investment in joint operation (note 29).

(21) Shareholders' equity

Share Capital

Authorised and Issued Share Capital

	2014 Ordinary Shares	2013 Ordinary Shares
Number of authorised shares	8,000,000	8,000,000
Authorised share capital	€ 4,000,000	€ 4,000,000
Number of outstanding shares on 1 Jan	3,837,607	2,712,607
Shares issued during the year	-	1,125,000
Number of shares on 31 Dec	3,837,607	3,837,607
Issued share capital	€ 1,918,803.50	€ 1,918,803.50
Nominal value	€ 0.50	€ 0.50

(21) Shareholders' equity (continued)

New shares of 1,125,000 were issued during 2013 at €4.00 per share increasing the nominal capital by €562,500 and share premium by €3,937,500. €3,000,000 of the majority shareholder's debt was converted to equity (see note 28) as part of the subscription and the remainder of €1,500,000 was subscribed for by the management board and senior executives towards the capital increase.

Stichting Employees Envipco Holding holds 240,000 treasury shares of the Company at a nominal value of €0.50, which are treated as treasury shares.

There is one vote for each ordinary share.

Share premium reserve

For full detailed movements in share premium reserve please refer to the consolidated statement of changes in equity on Page 19.

Retained earnings

At the Company's Annual General Meeting of the Shareholders it will be proposed to include the 2014 net result to retained earnings.

Translation reserve

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

(22) Non-current liabilities

	2014	2013
	€'000	€'000
Borrowings	**3,046**	**5,242**

	2014	2013
	€'000	€'000
Other liabilities	209	205
	209	**205**

Other liabilities include shareholder loan to the majority shareholder of €89,000 (2013: €85,000) inclusive of interest payable at euribor plus 2% on the outstanding balance with no stipulated repayment period. Majority shareholder advanced $3,000,000 during 2013 to fund the Group's activities and agreed to convert €3,000,000 out of the then outstanding balance including interest of the long term debt on 26 June 2013 to equity when the shareholders approved to increase the Company's capital.

(22) Non-current liabilities (continued)

Borrowings

	2014	2013
	€'000	€'000
Environmental Products Corporation (EPC) has borrowing facility from a third party lender for $11,740,000 of which a maximum of $7,000,000 as a line of credit (LOC) is capped based on eligible inventiory and accounts receivables and is repayable after 2 years with interest and $2,500,000 as a Term Loan, repayable over 5 years with interest @ 3.85% and $1,300,000 as Second Term Loan, repayable over 5 years with interest @ 4.08% (this loan was repaid in 2014) and $2,240,000 as a new Mortgage facility, repayable (based on a 20 year amortisation) over 10 years including interest @ 5.5% with a balloon payment in year 2024. The LOC is renewable annually for a term of another 2 years. These loans are collateralised by a fixed and floating charge on all assets of EPC and guaranteed by the Company. Net borrowing costs deducted is €51,000 (2013: €42,000).	2,983	5,179
Others	63	63
Total	**3,046**	**5,242**

The debt covenants for the USA subsidiaries have been met during the year.

Envipco Pickup & Processing Services Inc., (EPPSI) entered into a seven year loan agreement on 30 May 2007 for $1,875,000 with a floating interest rate. This loan was secured by the real estate and improvements. In addition to the interest, the monthly payments also included a portion of principal calculated based on a 25 year amortisation period with a balloon payment at end of year 7 in 2014. To hedge the risk of floating interest rate, the subsidiary entered into a fixed interest rate swap agreement for the duration of the loan. Net borrowing costs deducted were €0 (2013: €2,000). This loan with a fair value of €1,143,000 had been reclassified to current liabilities in 2013 and was repaid in full in 2014.

Though the borrowing costs of €51,000 (2013: €42,000) have been deducted, the debt inclusive of the transaction cost €3,563,000 (2013: €6,938,000) is payable in full inclusive of the borrowing costs**.**

Future payments under long term borrowings	2014	2013
	€'000	€'000
Current	466	1,654
Due between 2 to 5 years	1.548	5,242
> 5 years	1,498	-
Total borrowings	**3,512**	**6,896**

Schedule of movement	2014	2013
	€'000	€'000
At beginning of period	6,896	9,464
Increase	8,904	14,284
(Decrease)	(12,827)	(3,983)
Reclass to held for sale	-	(12,574)
Translation effect	539	(295)
At end of period	**3,512**	**6,896**

(23) Provisions

	2014	2013
	€'000	€'000
Warranty provisions	123	172
General provisions	-	9
	123	**181**

Movement of warranty provisions

These are required by our German subsidiary for warranty for the repair and maintenance of compactor sales and are adequate for expected usage.

	2014	2013
	€'000	€'000
Beginning of period	172	143
Additions	-	70
Releases	(49)	(41)
End of period	**123**	**172**

Movement of general provisions

	2014	2013
	€'000	€'000
Beginning of period	9	9
Releases	(9)	**-**
End of period	**-**	**9**

(24) Employee benefit plans

Group companies provide pension benefits for their employees. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country. Such benefits are provided under defined contribution plans.

For the year ended 31 December 2014, expenses relating to defined contribution plans amounted to €35,000 (2013: €33,000).

(25) Accrued expenses

	2014	2013
	€'000	€'000
Payroll and vacation accruals	921	975
Other accrued expenses	688	1,133
	1,609	**2,108**

(26) Derivative financial instruments

Interest Rate Management
A derivative financial instrument is used to reduce exposure to changes in interest rates. The instrument, designated as a cash flow hedge, is an interest rate swap agreement, which has effectively fixed the interest rate on a term loan (note 22). The Company manages its risk related to the instrument by matching the notional amounts and expiration dates of the derivative instrument with the Company's associated debt instrument. The hedge was terminated with the term loan on 21 January 2014 by refinancing with another lender. It had been reclassified to current liabilities as at 31 December 2013. The increase/(decrease) in the value of interest rate swap agreement is recognised as an adjustment generally to accumulated other comprehensive income/(loss). In the year of termination the fair value of the interest rate swap was €0 and €25 was charged to profit and loss in 2014. In 2013, €25,000 had been included in the current liabilities and as part of other comprehensive income/(loss). The Company does not issue or hold derivative contracts for speculative purposes.

The movement does not relate to any changes in the credit risk.

	2014	2013
Interest rate swap – cash flow hedge	Liabilities €'000	Liabilities €'000
Opening balance	25	88
Fair value adjustment	-	(62)
Settlement of interest rate swap	(25)	-
Translation adjustment	-	(1)
Closing balance	**-**	**25**

There is only one class of derivative and the valuation is based on a calculation of which the inputs are not based on observable market data on the interest rate swap, which makes it a Level 2 description of valuation technique and inputs used in the fair value measurements. The lender's methodology of valuation includes the use of the "Daily Marks" which is defined as the mid-market mark of the swap as at the termination date and 31 December 2013. The Daily Mark for a swap is usually prepared by using proprietary pricing or valuation models, which may include various assumptions and rely on inputs of trader information and market data.

(27) Commitments and contingencies

Operating lease commitments where a Group Company is the lessee

The future minimum lease payments under non-cancellable operating leases as of 31 December 2014 and 2013 were as follows:

	2014	2013
	€'000	€'000
Current	341	309
Between 2 to 5 years	732	599
	1,073	**908**

The leases relate to buildings, plant and equipment, office machines and vehicles. Rent expenses for the year ended 31 December 2014 were approximately €328,000 (2013: €279,000).

(27) Commitments and contingencies (continued)

Operating lease commitments where a Group Company is the lessor:

The future minimum lease payments receivable under non-cancellable RVM operating leases as of 31 December 2014 and 2013 were as follows:

	2014	2013
	€'000	€'000
Current	1,712	1,556
Between 2 to 5 years	2,635	2,707
	4,347	**4,263**

Lease revenues from RVMs for the year ended 31 December 2014 were approximately €2,130,000 (2013: €2,250,000).

Legal proceedings

Several Group companies are parties to various legal activities which are incidental to the conduct of their businesses.

a. On 7 March 2008, Posada B.V., a wholly owned subsidiary of Envipco Holding N.V. sold all of its investments in its helicopter overhaul and maintenance business to Industria De Turbo Propulsores (ITP). Part of the purchase price was subject to an earn-out provision on certain sale activities. Posada initiated legal action against ITP for breach of the share purchase agreement, and ITP filed a complaint against Posada for alleged misrepresentation. These legal matters were heard at the London Court of International Arbitration and final pleadings given in December 2012. During the year the sole arbitrator appointed by the tribunal, awarded Posada a sum of €482,000 including interest as full and final settlement.

b. HSM GmbH & Co KG filed a patent infringement claim against Envipco Automaten GmbH (EAG) on 4 October 2012. After hearing the case at the regional district court in Dusseldorf, the judge awarded the judgment in favour of the plaintiff. Immediately thereafter, EAG filed an appeal with the Federal court as it strongly believed that its own patents granted by the German Patents office do not violate the HSM IP. The appeal hearing took place in October of 2013 and the earlier decision was overturned in Envipco's favour. EAG has also filed a claim to have HSM patents on its compactor cancelled due to prior art discovery. During the year this litigation was settled in favour of the Company without any monetary damages.

c. A bank guarantee of €575,000 was provided to one of EAG's clients in Germany to cover repair warranty obligations of our German affiliate on its sale of compactors. On 29 January 2013, the customer requested the bank guarantee to be cashed without proper support. The customer refunded the cash in January 2014, against the issuance of new bank guarantees for the same amount. Subsequently during the year this bank guarantee was replaced by a guarantee from the Company.

d. Envipco Holding N.V. filed a claim against Deutsche Pfandsystem (DPG) several years ago for several of its IP infringements. DPG contested this allegation and filed for a cancellation of that IP. As of 31 December 2013 the matter was still pending with the German Courts. On 10 April 2014 one of the IP was sold for a sum of €11,500,000 to DPG, resulting in cancellation of our claim from DPG on this specific IP. The claim for other IP infringements is still ongoing and is in the court process.

Loans

Please refer to note 22.

(28) Related party transactions

Transactions and relations with the shareholders are explained in note 21. €3,000 of interest was charged to the income statement on the average outstanding loans payable in 2014 (2013: €164,000) to Mr. Alexandre Bouri, the majority shareholder. Due to the conversion of part of the long term debt of €3,000,000 to equity in August 2013, the balance payable at year end was €89,000 with interest at euribor plus 2% (2013: €85,000) and no definite repayment terms.

The key management personnel comprised of the Management Board (refer to Note 9 for further details regarding transactions with related parties as well). A loan was granted to a director in 2012 for €20,000 and is repayable with interest at euribor plus 1% by 31 December 2016.

Executives and the Management Board subscribed for 1,125,000 shares @ €4.00 per share as part of a new capital increase of €4,500,000 in 2013.

Minority share of 3.37% held by Astra Holding sarl (controlled by a board member of the plastics recycling activities), in the plastics recycling operations was acquired by Envipco Holding N.V. for a sum of €685,000. The whole investment in the discontinued operations of the plastics recycling activities was sold for €1.00 to a company controlled by the majority shareholder of the Group. The Chief Executive Officer (CEO) of the Group is also a director of the company which acquired the discontinued plastics recycling operations. See note 30 for more details.

Group companies enter into transactions with each other in the normal course of business. These transactions are eliminated in consolidation. Net research and development costs invoiced by Germany and USA were R&D capitalized of €1,042,000 (2013: €1,062,000) by the Holding company and R&D expensed by the US subsidiary were €692,000 (2013: €492,000). The Group companies charge interest on intercompany loans. No interest is charged on the intercompany current account balances. The Holding Company also charges a management fee to its subsidiaries. For Sorepla, there was no charge in 2014 and 2013. The Company entered into a consulting agreement for the year 2015 with Aeromaritime Systems Group B.V. (ASGBV) for €300,000 in respect of its market development and sales activities for the European markets.

One of the USA subsidiaries had provided a €575,000 guarantee for the warranty obligations of its German affiliate. During the year this guarantee was replaced by a guarantee from the Holding company. The Holding company also provided a guarantee of $11,740,000 to the USA subsidiary's lender, TD Bank N.A., for the credit facilities.

On 31 December 2014, the Company entered into an agreement to borrow $2,500,000 from one its US subsidiaries for three years with interest payable half yearly, at 3.5% per annum, subject to the US lender approval.

The Group companies had the following intra-group transactions:

	2014	2013
	€'000	€'000
Goods and services	3,478	3,888
Other charges and services	491	224
Research and development	692	492
	4,661	**4,604**

(29) Joint operation

Environmental Products Corporation (EPC), a US subsidiary, executed an agreement on 22 December 2009 for the evaluation and pilot of innovative recycling concepts in selected US non-deposit markets. The pilot employs new proprietary technology developed by Envipco for large scale collection of PET and aluminum beverage containers. According to IFRS 11, the investment has been treated as a joint operation. The agreement was amended on 13 December 2011 and the Group funded its share of the losses on a 50:50 ownership for this pilot operation. A further agreement was reached on 6 August 2013 whereby it was agreed to share in the cost overruns on a 50:50 basis until 30 June 2014 when a final decision will be made to either move forward or terminate. A pilot closure agreement was since signed on 20 October 2014. The Group's share of expenses in 2014 amounted to €158,000 (2013: €395,000). A full provision of €827,000 for the loss of the investment was made in 2013 and required no additional provision in 2014 (see note 32).The Group's share of results and assets has been included in these financial statements. The Group's share of equity at the balance sheet date amounted to €23,000 (2013: €0) to recognise the 50% share of the remaining intangibles (reimagine trademark).

(30) Discontinued operations

The Group's net loss from discontinued operations for 2014 amounted to €3,406,000 (2013: €3,407,000). This loss was made up of a loss €3,836,000 from the plastics business operations and a profit of €430,000 from Posada's litigation payment.

The Group's principal activities changed significantly with the Board's decision to exit the plastics recycling business in France (Sorepla). The Sorepla business was put under "procedure de sauveguarde" in October 2012. The court accepted a restructuring plan on 4 December 2013 and the company had been operating accordingly. The Sorepla business was sold to an entity controlled by the majority shareholder of Envipco Holding N.V. for €1.00 on 30 December 2014 (see note 28). An intercompany receivable in the Company's books of €187,000 had been impaired in 2014 and there were no commitments that were outstanding nor were any guarantees provided as part of the consideration for the sale. Additional funding of €1,500,000 was provided by the entity (the new owner) controlled by the majority shareholder of the Group into the sold plastics operations.

The results of discontinued operations has been summarised as follows:

	2014	2013
	€'000	€'000
Net results of discontinued operations - Sorepla	(3,836)	(3,407)
Net results of discontinued operations – Posada	430	-
Net results of discontinued operations	**(3,406)**	**(3,407)**

Posada received a sum of €482,000 as final settlement of its litigation realising a gain of €430,000 after charging expenses of €52,000. Sale of the subsidiaries of Posada was originally recorded in a prior period.

(30) Discontinued operations (continued)

Sorepla Group
Profit and loss account
For the year ended 31 December
All figures in euro thousands

	2014	2013
Revenues	8,036	19,642
Cost of revenues	(9,161)	(20,430)
Gross margin	**(1,125)**	**(788)**
Selling & General Administration	(2,173)	(3,070)
Depreciation	(1,484)	(1,562)
Operating profit / (loss)	**(4,782)**	**(5,420)**
Financial items		
Interest payable	(430)	(426)
Interest receivable	-	269
Re-measurement of financial liabilities	-	3,642
Other income	-	450
Other expenses	(31)	-
Net profit / (loss) before tax	**(5,243)**	**(1,485)**
Taxation	87	91
Net income/(loss)	**(5,156)**	**(1,394)**
Valuation at fair value less costs to sell and results on sale	**1,320**	**(2,013)**
Net results from discontinued operations	**(3,836)**	**(3,407)**
Net results from discontinued operations		
- Owners of the parent	(3,836)	(3,506)
- Non-controlling interests	-	99

(30) Discontinued operations (continued)

Sorepla Group

The following balance sheet is the balance sheet from the disposed company, excluding held-for-sale adjustments:

	As At Date of Sale
(in thousands of euro)	**2014**
Assets of the discontinued operation	
Intangible assets	-
Tangible assets	7,509
Non-current assets	329
Deferred tax	87
Inventory	1,162
Trade and other receivables	1,463
Cash and cash equivalents	190
Total Assets	**10,740**
Equity and liabilities of the discontinued operation	
Equity	477
Other liabilities	334
Long-term debt	6,846
Long-term debt - current portion	1,273
Creditors – Group companies	187
Trade and other creditors	1,607
Bank overdraft	16
Total Equity & Liabilities	**10,740**

On 4 December 2013 the French recycling business emerged from court protection. Subsequently, the French recycling business has been classified as a discontinued operation as of 4 December 2013, and the assets and liabilities “Held for Sale” were valued at the lower of its carrying amount and fair values less costs to sell. The Company sold this business on 30 December 2014 to an entity controlled by its majority shareholder for €1.00.

Included in the interest receivables for 2013, per IFRS 5 requirement was a €3,642,000 gain resulting from having re-measured the financial liabilities (valuing the debt) of the discontinued operation at €6,900,000 at fair value.

At end of 2013 the net assets of the business “Held for Sale” as shown above had a fair value measurement based on management’s best estimate at a nominal value of €1.00.

(31) Post balance sheet events

There are no post balance sheet events.

(32) Significant non-cash transactions

Provision in the US subsidiary’s books against the joint operation of €0 (2013: €827,000) was a significant non-cash transaction that took place in 2013. As explained in note 30, €3,642,000 was another non-cash item that arose in 2013 as a result of the re-measurement of the financial liabilities relating to the valuation of the discontinued operation’s debt at fair value.

SEPARATE COMPANY BALANCE SHEET AS AT 31 DECEMBER

BEFORE PROPOSED APPROPRIATION OF RESULT

(in thousands of euros)

	Note	2014		2013	
Assets					
Fixed assets					
Intangible assets	(D)	3,463		2,990	
Investment in subsidiaries	(E)/(J)	12,179		10,404	
Loans to group companies	(F)	36		2	
			15,678		13,396
Current assets					
Receivables	(G)	219		116	
Cash and cash equivalents	(H)	1,060		228	
			1,279		344
Total assets			**16,957**		**13,740**
Equity and liabilities					
Shareholders' equity	(I)				
Share capital		1,919		1,919	
Share premium		49,493		50,024	
Legal reserve		3,360		2,829	
Retained earnings		(43,154)		(47,779)	
Translation reserve		3,369		1,957	
			14,987		8,950
Non-current liabilities					
Loans from group companies	(K)		1,013		4,287
Other non-current liabilities	(L)		152		148
Current liabilities					
Creditors and other liabilities			676		355
Tax and social security			129		-
Total equity and liabilities			**16,957**		**13,740**

SEPARATE COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

ENVIPCO

BEFORE PROPOSED APPROPRIATION OF RESULT

	2014	2013
Result from Group companies after income taxes		
Results of subsidiaries	(4,040)	(2,262)
Other results after income taxes	8,667	(4,378)
Net result	**4,627**	**(6,640)**

(A) General information

Accounting principles used to prepare separate Company financial statements

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

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

Composition of shareholders' equity

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

(B) Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2014 was €929,000 (2013: €900,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Total
2014				
B. Santchurn	443	14	3	460
C. Crepet	185	101	11	297
G. Garvey	128	-	-	128
T.J.M. Stalenhoef	32	2	-	34
G. Lefebvre	10	-	-	10
A.Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	798	117	14	929
2013				
B. Santchurn	454	9	3	466
C. Crepet	162	81	11	254
G. Garvey	137	-	-	137
T.J.M. Stalenhoef	32	1	-	33
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	795	91	14	900

The Company has no formal bonus arrangements in place; granting bonuses for Board members is at the discretion of the Board of Directors on an ad hoc basis.

(C) Research and developments costs

During the year research and development costs of €692,000 (2013: €492,000) incurred by the Company's US subsidiary have been expensed.

(D) Intangible assets

(in thousands of euros)	Patents & licenses	Development costs	Total
At 1 January 2013			
Cost	593	4,631	5,224
Accumulated amortisation and impairment	(206)	(407)	(613)
Net carrying amount	**387**	**4,224**	**4,611**
Changes to net carrying amount in 2013			
Additions	28	1.062	1,090
Disposals	(7)	-	(7)
Amortisation	(112)	(471)	(583)
Development costs impaired	(135)	(1,986)	(2,121)
Reclassifications – cost	34	-	34
Reclassifications – depreciation	(34)	-	(34)
Total changes in 2013	(226)	(1,395)	(1,621)
At 31 December 2013			
Cost	648	5,693	6,341
Accumulated amortisation and impairment	(487)	(2,864)	(3,351)
Net carrying amount	**161**	**2,829**	**2,990**
Changes to net carrying amount in 2014			
Additions	59	1,042	1,101
Disposals	(87)	-	(87)
Amortisation	(30)	(511)	(541)
Reclassifications cost	55	(1,986)	(1,931)
Reclassifications depreciation	(55)	1,986	1,931
Total changes in 2014	(58)	531	473
At 31 December 2014			
Cost	675	4,749	5,424
Accumulated amortisation and impairment	(572)	(1,389)	(1,961)
Net carrying amount	**103**	**3,360**	**3,463**

Major projects capitalised during the year included Quantum €678,000 (2013: €0) and new Flex €414,000 (2013: €13,000). The U48 and HDS projects were completed in 2013. See also note 14 for capitalised development costs of the Company. Management reviewed the capitalised development costs as of 31 December 2014 and decided to write off €0 (2013: €2,121,000) where it appeared these projects will not generate adequate future revenues.

(E) Investment in subsidiaries

	2014	2013
	€'000	€'000
At beginning of the year	10,404	11,614
Investments	4,647	6
Results of the group companies for the year	(4,040)	(2,262)
Exchange differences	1,412	(397)
Movement of provision	-	(178)
Impairment of loans in subsidiaries	(186)	1,621
Liquidation of subsidiaries	(58)	-
	12,179	**10,404**

The above assets relate to the investments in Group companies.

(F) Loans to group companies

	2014	2013
	€'000	€'000
At beginning of the year	2	52
Additions	34	-
Redemptions	-	(50)
	36	**2**

(G) Receivables

	2014	2013
	€'000	€'000
At beginning of year	116	61
Additions	103	80
Repayments	-	(25)
	219	**116**

The receivables include a loan to a director of €20,000 given in 2012 and is repayable with interest at euribor plus 1% by 31 December 2016. Also during 2013 a loan was granted to a director of a subsidiary for €80,000 which is repayable with interest at euribor plus 1% on demand. €16,000 is in respect of VAT receivable (2013: €16,000) and the balance is a loan to an employee of a US subsidiary.

(H) Cash and cash equivalents

	2014	2013
	€'000	€'000
Cash at bank and in hand	1,060	228
Cash and cash equivalents	**1,060**	**228**

The cash balances were restricted by €11,000 (2013: €2,000) in respect of the cash held for the joint operation.

(I) Shareholders' equity

At the General Meeting of the Shareholders, the Company's shareholders approved that the 2013 net results of the Company be transferred to the retained earnings.

Refer to Consolidated statement of changes in equity (page 19) and note 21 Shareholders' equity of the Company's consolidated financial statements for further information regarding the Company's shareholders' equity. Transactions and relations with the shareholders included €3,000 of interest charged to the income statement on the average outstanding loans payable in 2014 (2013: €164,000) to Mr. Alexandre Bouri, the majority shareholder. Due to the conversion of part of the long term debt of €3,000,000 to equity in August 2013, the balance payable at year end is €89,000 with interest at euribor plus 2% (2013: €85,000) and no definite repayment terms.

According to Book 2 of the Netherlands Civil Code, the Company is required to restrict part of its equity from distribution to shareholders, by forming a legal reserve equal to the amount it has capitalised for development costs. The equity enclosed in this legal reserve is not at the disposal of the General Meeting of Shareholders. Therefore, this amount cannot be distributed to shareholders until the capitalised development costs have been recognised in the profit and loss account. The capitalised development costs as at 31 December 2014 amounted to €3,360,000 (2013: €2,829,000). A legal reserve equaling these amounts have been created in both the years by decreasing the share premium reserve with these respective amounts. In the consolidated statement of changes in equity and note 21 of the IFRS consolidated financial statements the legal reserve is included in the share premium reserve. The comparative information has been adjusted to reflect this change.

(J) Subsidiaries and affiliates of Envipco

The company has the following subsidiaries:

Envipco Finance Company Limited – London, United Kingdom – 100%
Sorepla Industrie S.A. – Neufchateau, France – 100% Sold in 2014
Sorepla Technologie S.A. – Rebeuville, France – 100% Sold in 2014
Envipco Automaten GmbH, Westerkappeln, Germany – 100%
Envipco Pickup & Processing Services Inc., Delaware, U.S.A. – 99.85%
Environmental Products Corporation, Delaware, U.S.A. – 99.85%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Posada Holding B.V. – Amersfoort, The Netherlands – 100% Dissolved in 2014
Aeromaritime Mediterranean Corporation, Delaware, U.S.A. – 100% Dissolved in 2014
Envipco A.S., Oslo, Norway – 100%
Envipco N.D. Inc., Delaware, U.S.A. – 99.85%

(K) Loans from group companies

	2014	2013
	€'000	€'000
At beginning of the year	4,287	3,508
Additions	-	779
Repayments	(3,274)	-
	1,013	**4,287**

There are no intercompany loan agreements and hence no interest is charged on outstanding balances for the years 2014 and 2013 nor is there a definite repayment period for them.

(L) Non-current liabilities

Borrowings

	2014	2013
	€'000	€'000
Shareholder loans	89	85
Other liabilities	63	63
	152	**148**

Refer to note 28 of the consolidated financial statements for transactions with related parties regarding the Company's borrowings, a loan to a member of the Management Board and the sale of the plastics recycling subsidiaries.

(M) Commitments and contingencies

The Company provided a guarantee of $11,740,000 to the USA subsidiary's lender TD Bank N.A.

Amersfoort, 27 April 2015

w.s. Mr Gregory Garvey (Chairman)

w.s. Mr Alexandre Bouri

w.s. Mr Bhajun Santchurn

w.s. Mr Dick Stalenhoef

w.s. Mr David D'Addario

w.s. Mr Guy Lefebvre

w.s. Mr Christian Crépet

Events after the balance sheet date

For events after the balance sheet date please refer to note 31 Post balance sheet events of the Company's consolidated financial statements.

Statutory rules concerning appropriation of results

In Article 15 of the Company statutory regulations the following has been presented concerning the appropriation of result:

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

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

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

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

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

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

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

8 The General Meeting of Shareholders is authorised to apply the dividend reserves for a different purpose after having obtained the prior approval of the all holders of shares of a particular class, on the understanding that the distribution shall be charged to the various reserves pro rata to the nominal amount of the shares of the relevant classes.

9 The Company may only make interim additions to the dividend reserves if the requirement in paragraph 2 has been met and provided that the prior approval of the General Meeting of Shareholders has been obtained.

10 No distribution shall be made in favour of the Company on shares acquired by the Company in its own capital for such shares.

11 Shares for shares on which, pursuant to the provisions of paragraph 7, no distribution is made in favour of the Company do not count for the purpose of calculating the profit appropriation.

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

Appropriation of result for the financial year 2013

The annual report 2013 was determined in the General Meeting of Shareholders held on 26 June 2014. The General Meeting of Shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Dividend distributions

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

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

Proposed appropriation of profit for the financial year 2014

The Board of Directors proposes that the profit for the financial year 2014 amounting to €4,627,000 will be taken to the retained earnings. The financial statements do reflect this proposal.

Auditor's report

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

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The Netherlands

Independent auditor's report

To: The shareholders and Board of Directors of Envipco Holding N.V.

Report on the audit of the financial statements 2014

Our opinion
We have audited the financial statements 2014 of Envipco Holding N.V. (the Company), based in Amsterdam. The financial statements include the consolidated financial statements and the Company financial statements.

In our opinion:
- The consolidated financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at 31 December 2014 and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.
- The Company financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at 31 December 2014 and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. The consolidated balance sheet as at 31 December 2014.
2. The following consolidated statements for 2014: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The Company financial statements comprise:
1. The Company balance sheet as at 31 December 2014.
2. The Company income statement for 2014.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Envipco Holding N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Materiality
Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 440,000. The materiality is based on 2% of revenue. We believe that basing our materiality on revenue best reflects what is important for the users of the financial statements, considering the nature of the Group's business and industry as well as the Group's current operations. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Board of Directors that misstatements in excess of € 22,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
Envipco Holding N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Envipco Holding N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities. We consider a component significant when:
- it is of individual financial significance to the group; or
- the component, due to its specific nature or circumstances, is likely to include significant risks of material misstatements, whether due to fraud or error, for the group financial statements.

To this extent we:
- Performed audit procedures ourselves at group entity Envipco Holding N.V.
- Used the work of other auditors when auditing group entities Sorepla Industrie S.A., Sorepla Technologie S.A., Environmental Products Corporation, Environmental Products Recycling Inc. and Envipco Pickup & Processing Services Inc. which audits were performed by auditors that are local BDO representatives.
- Performed specific procedures ourselves related to the testing of income at group entity Posada Holding B.V.

The remaining group entities are out-of-scope reporting components, none of which individually represents more than 2% of group revenue and/or group profit. We performed analysis at the aggregated group level to re-examine our assessment that there are no significant risks of material misstatement within these components.

The group audit team visited the component location and component auditor in the United States (Environmental Products Corporation, Environmental Products Recycling Inc. and Envipco Pickup & Processing Services Inc). Furthermore, we assessed the reports about the execution and results of the component audit from all component auditors.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sale of Subsidiary Sorepla
The Group's principal activities changed significantly with the Board of Director's decision to exit the plastic recycling business in France. As a result, the Company reported its subsidiaries in the plastic recycling business, Sorepla Technologie S.A. and its subsidiary (together "Sorepla"), as held-for-sale and discontinued operation since 2013. In December 2014 the Group sold all of its shares of Sorepla for € 1 to Aeromaritime Systems Group B.V. which is a related party of the Group. The sale of a subsidiary to a related party presents the risk of incomplete disclosure of this transaction in the financial statements; which is why we have considered this transaction to be a key audit matter.

Component auditors have performed audit procedures on Sorepla's consolidated balance sheet as at 31 December 2014 and statements of income, cash flow, and changes in equity for the year ending 31 December 2014. In addition, we reviewed the share purchase agreement and documents relating to the sale of Sorepla. Furthermore, based on the share purchase agreement we performed procedures on the disclosure of this transaction in the financial statements. The Company discloses about related party transactions in note 28 and about discontinued operations in note 30.

Valuation of Research and Development Costs
The Company capitalizes research and development costs as disclosed in note 14 of the financial statements. A large part of the research and development costs relate to the development of innovative products for which market acceptance may differ from company's expectations, making management's assessment highly judgmental, specifically regarding the expected future sales of developed products. Therefore there is a significant risk that capitalized research and development costs for certain projects may not be recovered and hence need to be impaired. Due to the estimates involved in the determination of the valuation we consider this to be a key audit matter.

We challenged management's sales projections to assess the reasonableness of management's estimation of recoverability. Therefore we discussed the estimated product sales and related margins with management, assessed actual recovery for machines that are already available for sale, checked the arithmetic accuracy of the subledger, including the amortization, and considered whether the estimated useful economic lives remained appropriate.

Inventory Valuation
Inventory is valued at the lower of cost or the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The group assessed parts of the inventory position that were no longer selling and determined if its carrying value was still acceptable as of 31 December 2014. For the valuation of inventory specific consideration is given to obsolete inventory levels in the RVM business, as the inventory for the RVM business comprises the majority of the Groups inventory. Due to the estimates involved in the determination of the inventory reserve we consider this to be a key audit matter.

The component auditor performed substantive analytical procedures on the inventory reserve by comparing year over year inventory reserve movement and inspecting physical inventory for obsolescence. In addition the component auditor performed specific testing on the amount of parts that management identified as no longer selling. The disclosure note relating to the inventory valuation is included in note 18 of the financial statements.

Tax Position
The Group has international operations and in the normal course of business management makes judgements and estimates in relation to tax issues and exposures. This is a key audit matter due to the Group operating in a number of tax jurisdictions and related complexities of transfer pricing exposure. In addition the Dutch Tax Authorities are highly critical of losses arising from write-off on loans to related parties. In tax year 2013 and 2014 the Company wrote off loan receivables from Sorepla which the Company believes qualify as taxable losses.

The Company retained a tax advisor to assist with the computation of the tax position and offer tax advice. BDO obtained a tax comfort letter from this tax advisor. Additionally, BDO tax advisors reviewed the tax comfort letter and discussed the tax comfort letter with the Company's tax advisor to assist us in auditing the tax position and assess the tax advisor's competence, capacities and objectivity. The disclosure note relating to the tax position is included in note 12 of the financial statements.

Responsibilities of management and the Board of Directors for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements
Report on the management board report and the other information
Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- we report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement
We were appointed in 2004 as auditor of Envipco Holding N.V. and have operated as auditor ever since then. We were re-appointed by the annual general meeting of shareholders as auditor of Envipco Holding N.V. on 26 June 2014 for the audit of 2014.

Amstelveen, 30 April 2015

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
J.A. de Rooij RA