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2012 CONSOLIDATED FINANCIAL STATEMENTS

2.1.1 2012 ACTIVITIES AND OPERATIONS

Dear Shareholders:

The Shareholders' Meeting of Veritas spa of 27 June 2008 has recommended that the Veritas Group applies, on a voluntary basis, as provided for by Italian laws, Legislative Decree n. 38 of 28 February 2005, opting for the publication of the consolidated financial statements in compliance with IAS/IFRS standards.

The financial statements must be approved within one hundred and eighty days from the end of the period, as per the Articles of Association and art. 2364 of the Italian Civil Code, since the Company is required to prepare the consolidated financial statements pursuant to art. 25 of Legislative Decree n. 127/91.

The financial statements of the Veritas Group, as at 31 December 2012, show a net profit of EUR 5,006 thousand compared with EUR 4,008 thousand of the consolidated financial statements as at 31 December 2011.

The consolidated financial statements include the financial statements of the Parent Company Veritas spa and the financial statements of the companies over which Veritas spa exercises controlling rights, either directly or indirectly (through its subsidiaries), determines their financial and operating choices, and benefits from them.

Following are the companies, which, in compliance with the IAS 27 provisions, are included in the scope of consolidation as at 31 December 2012:

consolidated companies	head office	share capital	31.12.2012 group's equity investment	31.12.2011 group's equity investment
Veritas spa (Parent Company)	Venice	110,973,850	–	–
Ecoprogetto Venezia srl	Venice	42,120,000	85.28%	96.62%
Veneziana di Navigazione spa	Venice	1,424,000	100.00%	100.00%
Data Rec srl	Venice	100,000	99.60%	99.00%
Vier srl	Venice	100,000	100.00%	100.00%
Spim srl	Mogliano Veneto (Tv)	100,000	100.00%	100.00%
Mive srl	Mirano (Ve)	110,000	100.00%	100.00%
Eco-Ricicli Veritas srl	Venice	4,970,000	78.48%	79.00%
Sifagest scarl	Venice	100,000	62.00%	65.00%
Alisea spa	Jesolo (Ve)	415,000	60.00%	60.00%
consolidated companies in compliance with IFRS 5				
Ecopiave srl	Musile di Piave (Ve)	100,000	79.55%	80.05%

It must be noted that Alisea spa was already consolidated, on a line-by-line basis, in the financial statements of 31 December 2011. The agreement with the partner Municipalities set forth the acquisition of the equity investment in two tranches, 45% in December 2011, with a commitment to purchase, already defined at that time, an additional 15% by April 2012. For this reason, the transaction was treated as a single purchase of 60% of the equity investment, with consequent control of the Company starting from the initial date of the transaction and with a deferred payment for the remaining 15%.

In July 2012, the Parent Company transferred the 3% portion of Sifagest scarl to the company Depuracque Servizi srl.

In December 2012, Eco-Ricicli Veritas srl approved a share capital increase from EUR 1,500,000 to EUR 4,970,000, as at 31 December. An additional share capital increase of EUR 2,030,000 is expected to occur in 2013, to be subscribed by the current shareholders by 30 June, and by third parties, for the non-subscribed portion, in the second half of 2013.

The equity investment in Ecoprogetto and Eco-Ricicli Veritas was changed in July 2012 following the acquisition of the equity investment in Asvo, as detailed on the following page.

The share capital of the parent company Veritas amounted to EUR 110,974 thousand, unchanged from 2011. The 890 own shares, held by Veritas as at the end of the financial year (n. 10,390 as at 31 December 2011) for a total of EUR 71,200 (EUR 831,200 as at 31 December 2011), were deducted from the shareholders' equity. During the first few months of 2012, 9,500 own shares were used as a partial payment of the purchase price of 15% of the Alisea shares.

The Group provides services (local public, environmental and integrated water services) to more than 30 municipalities that belong to the "optimal subdivisions" of the Venice and Treviso provinces.

The inhabitants receiving the services total more than 740,000, 80% in the Venice province and 15% in the Veneto region, to which another 23 million tourists, visiting Venice, the coast and the surrounding areas as well as 5 million tourists visiting Jesolo and Eraclea, must be added for a total of 820,000 units.

The following associates and jointly controlled companies are carried at equity:

companies carried at equity	head office	share capital	31.12.2012	31.12.2011
			equity investment	
associates				
Insula spa	Venice	3,706,000	26.73%	26.73%
Elios srl	Spinea (Ve)	50,000	50.00%	50.00%
Amest srl	Dolo (Ve)	2,832,908	43.46%	34.00%
Sifa scpa	Mestre (Ve)	30,000,000	30.00%	31.00%
Consorzio bonifica e riconversione produttiva - Fusina	Venice	100,000	49.05%	49.05%
Steriladria srl	Adria (Ro)	100,000	35.00%	35.00%
Ecopaté srl	Venice	100,000	40.00%	40.00%
jointly controlled companies				
Veritas Energia srl	Venice	1,000,000	49.00%	49.00%
Asvo spa	Portogruaro	18,969,650	50.50%	

Veritas and Asvo, within the scope of business combination and synergies, as regards integrated environmental hygiene services, have carried out a transaction involving the subscription, by Veritas, of 50.50% share capital increase approved and reserved by Asvo.

The transaction was formalised in July 2012 and settled through the payment in cash of EUR 2,500 thousand, the contribution of 22.915% of the equity investment in Ecoprogetto and 4.000% of the equity investment in Eco-Ricili Veritas. The Asvo's shareholders are Veritas with 50.5% and the twelve municipalities of Eastern Veneto, including the Portogruaro Municipality, with 49.5%.

Based on corporate governance provisions, Veritas holds a joint control over Asvo. As regards the IFRS standards, used for the preparation of the consolidated financial statements of the Group, the equity investment in question is deemed as a joint venture and carried at equity.

The main financial items are:

consolidated income statement	2012	%	2011	%
total net income	**336,509**	**100.0%**	**311,541**	**100.0%**
personnel costs	-123,567	-36.7%	-111,489	-35.8%
other operating charges	-163,657	-48.6%	-149,741	-48.1%
EBITDA	**49,285**	**14.6%**	**50,311**	**16.1%**
amortisation, depreciation and write-downs	-29,786	-8.9%	-26,793	-8.6%
operating income	**19,498**	**5.8%**	**23,520**	**7.5%**
portion pertaining to investments carried at equity	-3,247	-1.0%	-546	-0.2%
financial (income) charges	-5,363	-1.6%	-7,499	-2.4%
income before taxation	**10,888**	**3.2%**	**15,475**	**5.0%**
income taxes for the year	-4,992	-1.5%	-11,196	-3.6%
profit (loss) for the year from continuing operations	**5,896**	**1.8%**	**4,279**	**1.4%**
net profit (loss) from assets held-for-sale	-484	-0.1%	159	0.1%
profit (loss) pertaining to minority interest	406	0.1%	429	0.1%
profit (loss) for the Group	**5,006**	**1.5%**	**4,008**	**1.3%**

The increase in **total net income**, from EUR 311.5 million in 2011 to EUR 336.5 million in 2012, was 8%.

This increase, which benefited from the consolidation of Alisea spa for the entire period, is substantially to be ascribed to the rate increases in both the environmental hygiene services, in relation to the indexation approved by each partner municipality, and in the integrated water services, following an average 6.5% increase for the entire sub-divisions territory, as decided upon by the competent authorities.

Personnel costs (EUR 123.6 million) showed a 10.8% increase compared with 2011 (EUR 111.5 million). Personnel is composed of 2,448 units, a 249 unit increase (2,200 in 2011), equal to 11.31%.

The increase in both personnel costs and number of units, is substantially due to the consolidation, for the entire financial period, of the subsidiary Alisea (EUR 6.30 million, n. 155 personnel units) whereas the activities carried out by Sifagest in the Uac/Sa9 branch showed for the entire year, compared with the five months of 2011, an average increase of 28 units. As for the Parent Company, since 1 November, the Municipal Waste Management services of Chioggia have been carried in-house with the addition of 14 personnel units. Personnel costs showed an increase due to normal contractual changes.

employees	31.12.2012	31.12.2011	change
senior managers	17	18	-1
middle managers	68	67	1
white-collar	768	717	51
blue-collar	1,595	1,397	198
total number of employees	**2,448**	**2,200**	**249**

The ratio of labour costs to net revenues rose to 36.7% (35.8% in 2011). This figure remains, on average, above the one of the Groups operating in the local public services sector of comparable sizes. However, it should be noted that the characteristics of the services provided by the Veritas Group, because of their complexity and multidisciplinarity as well as the peculiarities of the delicate territory in which it operates (in particular the historical area of Venice), are not easily comparable to any other organisation operating in similar sectors or markets.

Gross operating margin (Ebitda) stood at EUR 49.3 million, compared with EUR 50.3 million in 2011. The margins are still affected by the incomplete absorption, into the rates applied to the integrated water services, of the operating and investment costs incurred during the period, which the "Optimal Territorial Ambit Authority (ATO) Lagoon of Venice" has committed to cover entirely according to the 2010-2015 rate plan. The year 2012 has showed a further contraction in waste disposal activities (plants underused in terms of authorised potential) due to the difficult national economic trend. It must be noted that this figure refers to a prudent Ebitda configuration since it is not marked up with provisions for risks which are stated, as per normal accounting practices, under operating costs.

Operating income (Ebit) stood at EUR 19.5 million compared with EUR 23.5 million in 2011.

Net financial charges, standing at EUR 5.4 million (EUR 7.5 million in 2011), showed a decline due to the lower average cost of debt and the improved net financial position.

Income before taxation amounted to EUR 10.9 million, a decline compared with EUR 15.5 million in 2011.

Income taxes for the year stood at EUR 5.0 million, compared with EUR 11.2 million in 2011, and benefited from the income deriving from the IRES refund application submitted, in February 2013, by the Parent Company and by the other companies involved regarding the 2007/2011 IRAP deduction from labour costs, for IRES purposes, pursuant to art. 4, paragraph 16 of Legislative Decree 16/2012, amounting to EUR 5.5 million.

Profit (loss) pertaining to minority interest amounted to EUR 406 thousand (EUR 429 thousand in 2011) and is to be attributed to the positive results obtained by the subsidiaries Ecoprogetto, Eco-Ricicli Veritas and Alisea.

The main equity figures of the Veritas Group are the following (in thousand Euro):

	31.12.2012	31.12.2011
assets		
total non-current assets	489,515	478,531
current assets	181,487	185,643
net assets (liabilities) held-for-sale	4,658	5,112
total assets	**675,660**	**669,286**
liabilities and shareholders' equity		
group's total shareholders' equity	148,871	142,699
shareholders' equity pertaining to minority interest	9,645	4,109
non-current liabilities	96,177	89,700
current liabilities	200,442	196,605
net financial position	220,525	236,173
total liabilities and shareholders' equity	**675,660**	**669,286**

In **non-current assets**, the activities of the integrated water cycle which, net of the disbursed public contribution, amounting to EUR 152.9 million (EUR 152.4 million in 2011), were classified under the item "Concession services", based on the adoption, starting from 1 January 2010, of IFRIC 12. The increase in non-current assets is attributable to equity investment transactions, in particular to the acquisition of Asvo, and to the receivables related to the IRES refund for the years 2007/2011.

The decline in **current assets** stood at EUR 4.2 million (EUR 181.5 million against EUR 185.6 million as at 31 December 2011) and is ascribable, in particular, to the decreased trade receivables of the Parent Company, following a write-off of receivables below EUR 5 thousand prior to the year 2009, for a total amount of approximately EUR 11.4 thousand.

Current liabilities (EUR 200.4 million against EUR 196.6 million as at 31 December 2011) were up by EUR 3.8 million. More specifically, an increase in trade receivables was stated.

Net working capital remained negative at EUR 19 million versus EUR 11 million in 2011.

Non-current liabilities stood at EUR 96.2 million (EUR 89.7 million as at 31 December2011), up by EUR 6.5 million due primarily to higher provisions for risks and charges and to an increase in medium term payables.

Shareholders' equity showed an increase due to the net profit of the period; the portion of the year's profit attributable to the Group amounted to EUR 5,006 thousand. Shareholders' equity, as at 31 December 2012, stood at EUR 148.9 million compared with EUR 142.7 million at the end of 2011. No dividends were distributed.

Net financial position of the Group at the end of the period, including EUR 11.2 million (EUR 10.5 million in 2011) relative to the portions of the principal due on current financial leasing agreements, was negative in the amount of EUR 220.5 million (EUR 236.2 million in the previous year).

The significant improvement of about EUR 15.7 million is to be attributed to lower operating investments carried out during the year, thanks to the following: a containment action performed during the period, versus previous years; equity investments concerning territorial aggregation processes that were deemed necessary for the completion of the governance project of the optimal sub-divisions of reference; and industrial developments under way.

Therefore, the Group shows a level of indebtedness that is still high but also characterised by a sustainable ratio of Nfp to Ebitda, equal to 4.5, thus an improvement compared with 4.7 of the previous year.

It must be noted that this figure refers to a prudent configuration of Ebitda since it is not marked up with provisions for risks which, according to accounting practices, are recognised under operating costs.

Reconciliation of Ita Gaap profit (loss) and shareholders' equity of the Parent Company to IFRS consolidated profit (loss) and shareholders' equity

The table reconciles profit (loss) and shareholders' equity of the Parent Company according to Ita Gaap to the IFRS consolidated amounts.

in thousand Euro	profit (loss) of 2012	share-holders' equity 2012	profit (loss) of 2011	share-holders' equity 2011
profit (loss) of the year and shareholders' equity of the Parent Company in compliance with Ita Gaap	**5,358**	**146,149**	**3,950**	**140,791**
changes in the profit (loss) for the year and shareholders' equity of the Parent Company in compliance with IFRS	-1,155	3,623	-4,527	4,028
profit (loss) of the year and shareholders' equity of the Parent Company in compliance with IFRS	**4,203**	**149,772**	**-577**	**144,819**
difference between carrying amount and pro-quota amount of the shareholders' equity of the companies consolidated on a line-by-line basis	1,583	12,780	5,049	2,449
reversal of write-downs of equity investments	1,467	1,200	1,852	–
reversal of dividends	0	0	-2,000	-2,000
goodwill	–	4,857	–	4,589
allocation of the higher price paid for Spim, net of the related tax effects	-250	1,605	-665	-1,855
allocation of the higher price paid for Mogliano Ambiente, net of the related tax effects	-67	467	-67	533
allocation of the higher price paid for Cavarzere Ambiente, net of the related tax effects	-40	241	-40	281
allocation of the higher price paid for Alisea, net of the related tax effects	-359	5,969	–	6,248
Veritas Energia carried at equity	-740	951	638	1,692
Asvo carried at equity	649	-5,817	–	–
purchase of 20% of the equity investment in Ecoprogetto	–	-1,472	–	-1,472
transfer of minority shareholdings through the Asvo transaction	–	1,172	–	–
reversal of capital gains for the Asvo transaction	-1,518	-1,518	–	–
reversal of capital gains from transfer of business unit SII Mogliano Veneto, net of tax effects	220	-1,321	220	-1,541
reversal of the effects of the merger of Cavarzere Ambiente	18	513	18	495
reversal of the effects of the merger of Mogliano Ambiente	51	473	51	423
reversal of the effects from the intergroup contribution of the business unit Ecoprogetto	–	-10,544	–	-10,544
reversal of the effects of the Mive contribution	224	-364	–	-588
reversal revaluation of the equity investment in Ecoprogetto	–	-214	–	-214
reversal of the intergroup capital gains from the transfer of assets, net of the tax effects	-28	-170	-23	-142
other minor	-1	-64	-19	-75
Profit (loss) and minority interest	-406	-9,645	-429	-4,109
total shareholders' equity and profit (loss) pertaining to the Group	**5,006**	**148,871**	**4,008**	**142,699**

The higher figure of the shareholders' equity of the Parent Company, determined in compliance with international accounting standards and compared with the figure determined in compliance with Ita Gaap (EUR 3,623 thousand) is substantially due to the effects of the different calculations and recognition of the financial leasing agreements (EUR 2,195 thousand) and to the time-discount of the employee severance indemnity (EUR 1,142 thousand).

Financial management policies and objectives

The main financial instruments of the Group, other than the derivatives, include bank loans and credit lines, financial leasing and trade payables. The main purpose of these financial instruments is to generate financial resources for the operational activities of the Group. The Group accounts for several active financial instruments, such as trade receivables, liquidity and comparable elements, that derive directly from its operational activities.

The Group has also completed, in past financial periods, limited transactions regarding interest rates derivatives, i.e. non-speculative swaps (only for hedging). The purpose is to manage the interest rate risk against medium-long term exposure of the Group.

The policy of the Group has been to manage financial costs using a combination of fixed and variable debt rates. The financial crisis, which has impacted the entire continent, has made the difference between fixed and variable debt rates less significant.

Vice versa, the "spreads" required by the Credit Institutions (which only a very few years ago, were below 1.00%) are much higher despite the increasing consolidation of the Group, both in territorial and revenue terms as well as in financial results terms (the Ebitda of the Veritas Group in 2007 amounted to EUR 37.7 million versus the current EUR 49.3 million).

The net financial position of the Group, in 2012, showed a negative amount of approximately EUR -229 million (EUR -218 million in 2011), thus generating financial charges of approximately EUR 6.2 million (EUR 7.5 million in 2011) with an average interest rate of 2.70% (3.10% in 2011).

As for the credit risk, the Group benefits from the fact that billing receivables are, by nature, fragmented over a very high number of users, with individual modest amounts on average. Therefore, as previously mentioned, the general financial crisis makes the timely recovery of credit more difficult.

The procedures adopted for quite some time (telephone and written reminders, specialised agencies for credit collection, legal actions, coerced recovery also through the public company Equitalia) bring this insolvency percentage related to the receivables from municipal waste management services to barely above 3%, a percentage deemed as reasonable (and average within the sector) given the undeniable difficulties created by the impossibility of interrupting the service in case of insolvency.

In the water sector, since it is possible to interrupt the supply, the percentage of insolvency is 1.20%.

The receivables for services provided to public entities are still subject to significant delays due substantially to the well known financial difficulties faced by such entities.

Risk related to high financial indebtedness

The Veritas Group showed a level of indebtedness amounting to approximately 4.5 times the Ebitda, a decline compared with 4.7 of the previous year.

On the other hand, the indebtedness is directly related to the significant impact of the water and energy management under the Parent Company, related to concession services which, based on the adoption of IFRIC 12 (International Financial Reporting Interpretations Committee), have been reclassified among intangible assets under the item "concession services". The carrying amount is above EUR 152 million and represents 69% of the overall indebtedness of the Group.

Conversely, this indebtedness (basically sustained in place of the entity owners) is secured by financial guarantees represented by rate adjustments (approved in 2010 by the competent administrative body and in effect until 2015, before the introduction of the new interim rate system). It is believed that even the application of the new interim rate system will provide a substantial financial guarantee in terms of adequate future rate adjustments.

Based on all of this, and on a stable water consumption, it can be stated that the Group, in its capacity as manager and/or implementer of the de-pollution policies applied to the drainage basin of the Venetian lagoon, is capable to "sustain", with the "normal" support of Banking Institutions, the current indebtedness.

Finally, in a broader sense, the continuous improvement of Ebitda associated with adjustments against higher financial charges due to the fluctuation of debt rates, are the elements that would lead one to assume, also for the next periods, the sustainability of the indebtedness risk.

The average life of the existing loans at the end of the financial year, is approximately 7 years and the repayment plans, keeping into account the loss of the benefit of the term regarding some loans, are structured as follows:

medium term loans	2013	2014	2015	2016	2017	above
162,071	43,856	27,613	23,057	16,754	10,288	40,503

The objective of the Group is to keep a balance between preserving the funding and levereging on the flexibility given by credit lines, loans and leases. The policy of the Group is that not more than 20% of the loans must be due within one year.

As at 31 December 2012, about 27% of the medium-long term financial debts of the Group will accrue within one year, based on the budget balance and excluding the assets held-for-sale.

This percentage is affected by the reclassification of the medium/long term portion (EUR 6.6 million) of some financial loans stated by the Parent Company among short-term liabilities, following non-compliance, based on the results of the consolidated financial statements, with some financial parameters set forth in the related loans and mortgage agreements.

For prudent reasons, since a non-compliance was determined with at least one financial parameter contemplated in these agreements, the Parent Company has decided to classify, as at 31 December 2012, the entire residual debt, with maturity date beyond one year, referring to such loans and amounting to EUR 6,646 thousand, under short term loans.

However, the Directors believe that on the basis of the indications received in previous years (when the amount reclassified under short term was higher), the financial institutions will continue to financially support the Group, keeping the original repayment plan.

Net of this reclassification, the percentage of medium/long term loans with maturity date within one year, is about 22.9%.

Risk of insufficient liquidity and increase of financial resources

Liquidity risk is the risk that the available financial resources may not be sufficient to fulfil all the obligations with a short term maturity date, amounting to EUR 47.8 million, including debts for financial leases.

As discussed above, this portion of short term borrowings is affected by the reclassification of the medium/long term portion of some of the loans stated by the Parent Company among the short-term liabilities for EUR 6.6 million, following non-compliance, based on the results of the consolidated financial statements, with some financial parameters set forth in the related loans and mortgage agreements.

However, the Directors believe that the financial institutions will continue to financially support the Group maintaining the original repayment schedule.

The Group, thanks to its business being characterised by a contained volatility and a solid cash generation, believes to have the available financial resources required to fulfil its obligations.

During the 2012 period, as already mentioned before, the financial crisis has caused a generalised and growing risk aversion among the investors which resulted in a higher spread.

Consequently, despite the significant interest rate decrease, the final rates paid to the financial institutions is higher.

However, the Veritas Group has obtained, even after the financial crisis, additional medium and short-term credit lines.

The persistence of this scenario may generate some difficulties in raising new financial resources in order to be able to continue investing and/or absorb the pressures on the working capital.

Although its business is characterised by a contained volatility and solid cash generation, the Group is actively engaged in identifying the financial resources that are necessary to fulfil its obligations, through short and medium/long term financial instruments, and has developed and directed specific actions to the financial variables of the operating flow and working capital by entering into new factoring agreements, both direct and indirect (reverse factoring), in addition to leasing and direct financing agreements with the suppliers.

The future scenario must also address consequences of a financial nature deriving from a new Tares (municipal tax on waste) legislation which affects several companies of the Group.

As for the new regulations regarding water rates, in the first six months of 2013, in compliance with the Aeeg provisions, numerous consultations continued based on the necessity, for the National Authority, to acquire further information on the sector and the companies, to refine the method for the interim calculation of the rates, to conclude the process for the definition of the 2013 rates, but also to redetermine the 2012 rates.

In this respect, it must be noted that, to date, based on the preliminary activity for rates definition carried out by the "*Consiglio di Bacino Laguna di Venezia*" Council for the basin of the Venetian lagoon (former Aato [local authority] for the Venetian lagoon), there are no elements to suggest a negative adjustment of the 2012 rates, approved among other things by the basin authorities (former Aato, at that time the competent authority) before the entry into effect of the new regulations.

As for the 2013 rates, it is expected that there will be an increase which will keep into account also the previous resolutions issued by Aato.

As for the size of the rate changes to be set forth, the company reserves the right to pursue legal action to redefine their exactness in order to preserve its previous and future rights and to obtain the resources necessary to carry out the investments that are required by the territory, as well as the recognition of all the costs actually incurred, even if, in view of the new provisions introduced by the new Aeeg rate method, the schedules and amount of future investments will have to be carefully reassessed.

Relations with related parties

The relation with related parties are broadly described in note n. 45 to the financial statements, to which reference should be made.

Personal Data Protection Code

It should be noted that the obligations stated in the Security Policy Document have been fulfilled in compliance with the provisions of annex B to Legislative Decree 196/03 "Personal Data Protection Code" containing provisions on the technical methods to be adopted in the event of the processing of sensitive data by electronic means.

Assignments duration

There have been several provisions and rulings issued by the competent authorities about Public Local Services over the last few years, which have made the reconstruction and interpretation of the applicable laws more difficult. After the referendum repeal of art. 23 bis of Law Decree 112 of 2008, converted into Law 133/2008 and subsequent changes, with consequent repeal of the related regulations approved with the President of the Republic Decree of 7 September 2011, n. 168, new provisions were issued with:

- art. 4 of Law Decree n. 138 of 13 August 2011 converted into Law n. 148 of 14/09/2011;
- amended by the Law of 12/11/2011 n. 183;
- amended by Law Decree n. 1 of 24/01/2012, converted into Law n. 27 of 24/03/2012.

The regulations contained in article 4, as described above, were declared unconstitutional by ruling n. 199 issued by the Constitutional Court on 20 July 2012, since it substantially reproduced the regulations contained in art. 23 bis, mentioned above, which was repealed by referendum.

The Constitutional Court also stated that the regulations of art. 4 drastically limited the option of direct assignment of local public services to be managed in-house, which the referendum had instead intended to preserve.

Following the ruling issued by the Constitutional Court, the legislature intervened again in order to regulate the subject matter with art. n. 34 of Law Decree 179/2012, converted into Law 221/2012, paragraphs from 20 to 27, by substantially permitting, in compliance with the above mentioned ruling issued by the Constitutional Court, the in-house management of local public services.

The provisions contained in art. 3 bis of Law Decree 138/2011, converted into Law 148/2011, state that "For competition and environmental protection, the regions and independent provinces of Trento and Bolzano shall organise the activities related to relevant networked local public services:

- by defining the scope of optimal and homogeneous territorial sub-divisions or basins so as to allow for economies of scale and differentiation suitable to maximise service efficiency;
- by instituting or designating the pertinent government bodies by 30 June 2012".

The Veneto Region, in compliance with the provisions of art. 2, paragraph 186 bis, of the Law 191/2009 which provided for the suppression of the optimal territorial subdivisions authorities, has approved:

- with Law n. 17 of 27 April 2012, the establishment of the Consiglio di Bacino for integrated water service management, for the optimal territorial sub-division of the Venetian lagoon;
- with Law n. 53 of 31 December 2012, the new optimal territorial sub-divisions for the organisation of the integrated management service of municipal waste, coinciding with the regional territory, while granting to the regional Council, upon proposal by the involved local authorities, the right to recognise territorial interprovince basins of different size; it is also established that the local authorities competent for these basins shall jointly carry out functions of organisation and direct control over the management integrated service for municipal waste through the basin councils

Within the integrated water sector, the service is assigned until 31 December 2018, with the option of renewal and/or adjustment of its duration, according to the subdivisions plan and/or its revision.

As for the waste integrated management service, it must be noted that, among the partner local authorities, the municipality of Venice, with resolution n. 121 of 1999, has set forth 20 years for the duration of the assignment of the service (i.e. until the end of 2019). The municipal resolutions issued by the partner local authorities regarding the 2007 merger of Acm spa, Vesta spa and Asp spa, while confirming the continuation of the services previously assigned to the merging companies, to the new company Veritas spa, did not set forth any deadline for the expiration of such assignments.

In view of the reorders and reorganisation carried out by the partner municipalities of Veritas, over the last few years, i.e. since the establishment of Veritas and subsequently with the adoption of the Veritas Group organisational model by the partner municipalities which have assigned the municipal waste service to the subsidiaries Asvo and Alisea, it is possible to conclude that, despite the several changes due to the development of the legal system, the expiration of the assignment to Veritas, as of today, of the municipal waste management service, is set for 2029.

This derives from the effect of the application to the initial date of the assignment, according to resolution n. 121 of 28-29 July 1999 issued by the Municipal Council, of the maximum thirty years duration set forth in art. 19, paragraph 2-bis of the Law n. 109 of 11 February 1994 (this paragraph was introduced by art. 3, paragraph 7 of Law n. 415 of 18 November 1998), a law in effect at the time of identification of the above-mentioned form of direct management («the duration of the assignment may not exceed thirty years»), since it is included in the broader duration set forth in the Articles of Association for Veritas spa (31 December 2050).

Noting that the law is not clear in this respect, the Directors deem as appropriate to maintain the previously established time frame, set at 31 December 2019, as regards the assignment of the municipal waste management service to Veritas.

As for the following services:

- cemeteries;
- street markets;
- high tide footbridges;
- public areas cleaning;
- cleaning of municipal offices, sport structures and court houses;

related only to the Venice municipality, the duration of the assignment is extended, to date, to 31 December 2013.

2.1.2 SIGNIFICANT EVENTS SUBSEQUENT TO THE YEAR-END

In February 2013, the Parent Company completed the purchase of the business unit in charge of the water transport of sorted municipal waste from the subsidiary Veneziana di Navigazione, effective as at 1 March 2013. This acquisition occurred within the internationalisation process of the municipal waste management service in order to optimise its costs.

As for the new regulations regarding water rates, which affect the Parent Company, numerous consultations with AEGG continued, based on the necessity, for the National Authority, to acquire further information on the sector and on the companies, to refine the method for the interim calculation of the rates, to conclude the process for the definition of the 2013 rates, but also to redetermine the 2012 rates.

The new regulations regarding TARES (disposal of municipal solid waste tax), as per Law Decree 35 of 2013, art. 10, paragraphs 2 and 3 (amendments to art. 14 of Law Decree 201/11), issued upon requests by management municipalities and companies, will allow (with the municipalities compliance with the time frame set forth by the law) for only two instalments in 2013, for the issuance of notices according to previous methods of collection, such as TIA (environmental hygiene rate), but it will not actually change the laws already in effect or to become effective.

The Group's companies involved have been working with the banking system to address the additional need for working capital, through the execution of advances on, or disinvestment of receivables agreements with the municipalities.

2.1.3 BUSINESS OUTLOOK

The Group continues its cost containment policy through an on-going re-engineering of its processes, in addition to the implementation of operational activities in compliance with law provisions regarding public spending review.

The transfer of some equity investments in Eco-Ricicli to Sesa spa and some equity investments in Ecoprogetto to Bioman spa are under way, aiming at a territorial integration in the waste plants sector in order to optimise the cost profile of waste treatment.

In February 2013, a transaction agreement was executed by the parties in preparation for the acquisition, by the Parent Company, of the remaining 50% of Elios srl, the subsidiary that manages the Spinea crematorium. The transaction will be finalised in the next few months.

The Shareholders' Meeting of Sifagest scarl has been convened for the end of the month to issue a resolution about a share capital increase of EUR 400 thousand.

The Parent Company is assessing, from a technical point of view, the opportunity of a bond issue, both in the light of the recent legislation, which has made the access to this financial instrument easier, and because this financial instrument is particularly suitable, in terms of duration, to the requirement of carrying out investments for the territory, with an expected return in the medium-long term. This opportunity is also supported by the possibility of maintaining the company within the scope of a similar control and of the obligations associated with a stability covenant.

It must be noted that by the end of 2013, prior to authorisation expiry dates, the shut down of the waste-to-energy plant of Fusina, managed by the subsidiary Ecoprogetto, is being planned thanks to the high percentage of sorted waste reached by the entire province and to the redefinition of the industrial profile of the plants in support of municipal waste management services. The effects of this earlier shut down have already been recognised in the financial statements.

2.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

assets (in thousand Euro)	notes	31.12.2012	31.12.2011
non-current assets			
intangible assets	6	21,850	24,717
concession services	6	152,940	152,362
goodwill	7	16,496	16,700
property, plant and equipment	8	231,968	234,300
investment property	9	11,179	11,181
equity investments in associates and jointly controlled companies	10	27,472	13,893
available-for-sale financial assets	11	224	272
due from associates and jointly controlled companies	17	2,625	4,164
other financial assets	12	5,620	5,635
due from subsidiaries held-for-sale	5	2,365	1,500
due from income taxes	19	5,544	
deferred tax assets	43	11,232	13,808
total non-current assets		**489,515**	**478,531**
current assets			
inventories	13	3,801	3,975
contract work in progress	14	5,053	4,826
trade receivables	15	109,626	112,341
due from shareholders	16	29,829	38,755
due from subsidiaries held-for-sale	5	1,168	3,544
due from associates and jointly controlled companies	17	9,294	3,887
other receivables	18	17,419	18,062
due from current income taxes	19	5,297	254
cash and cash equivalents	20	15,482	18,465
assets held-for-sale	5	15,826	21,963
total current assets		**212,794**	**226,070**
total assets		**702,309**	**704,602**

liabilities and shareholders' equity (in thousand Euro)	notes	31.12.2012	31.12.2011
shareholders' equity			
share capital	21	110,974	110,974
reserves	21	32,891	27,717
net profit (loss) pertaining to the Group	21	5,006	4,008
shareholders' equity pertaining to the Group		**148,871**	**142,699**
share capital and reserves pertaining to minority interest	21	9,239	3,680
net profit (loss) pertaining to minority interest	21	406	429
shareholders' equity pertaining to minority interest		**9,645**	**4,109**
total shareholders' equity		**158,515**	**146,807**
non-current liabilities			
medium-long-term loans	22	118,215	140,116
loans from other financiers	23	10,673	9,677
provisions for risks and charges	24	21,951	18,793
employee severance indemnity	25	26,628	26,298
due to shareholders	26	27,418	20,672
due to associates and jointly controlled companies	27	3	–
other non-current liabilities	28	9,114	11,691
deferred tax liabilities	43	11,062	12,247
total non-current liabilities		**225,065**	**239,493**
current liabilities			
trade payables	29	102,382	87,263
due to shareholders	26	30,357	31,787
due to subsidiaries held-for-sale	5	556	2,962
due to associates and jointly controlled companies	27	23,930	18,827
due to banks and current portion of long term loans	22	102,107	102,356
other financial liabilities	23	4,761	2,150
derivative financial instruments	30	251	339
other current liabilities	31	42,934	50,191
tax payables	32	283	5,575
total current liabilities		**307,561**	**301,450**
liabilities held-for-sale	**5**	**11,168**	**16,851**
total liabilities		**543,794**	**557,794**
total liabilities and shareholders' equity		**702,309**	**704,602**

2.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

consolidated statement of comprehensive income (in thousand Euro)	notes	2012	2011
continuing operations			
revenue from sales and services	33	328,607	298,027
other income	34	7,902	13,514
total revenue		**336,509**	**311,541**
raw materials and consumables	35	-27,123	-22,490
costs for services	36	-113,980	-112,615
costs for use of third party assets	37	-8,913	-5,008
personnel costs	38	-123,567	-111,489
other operating charges	39	-13,641	-9,626
amortisation, depreciation and write-downs	40	-29,786	-26,793
operating income		**19,498**	**23,520**
share of profit (loss) from investments carried at equity	41	-3,247	-546
financial charges	42	-8,104	-9,379
financial income	42	2,741	1,880
income before taxes		**10,888**	**15,475**
income taxes for the year	43	-4,992	-11,196
net profit (loss) for the year from continuing operations		**5,896**	**4,279**
assets held-for-sale			
net profit (loss) from assets held-for-sale		**-484**	**159**
net profit (loss) for the year		**5,412**	**4,437**
net profit (loss) pertaining to minority interest		**406**	**429**
net profit (loss) pertaining to the Group		**5,006**	**4,008**
net profit (loss) for the year		**5,412**	**4,437**
attributable to:			
parent company shareholders		5,006	4,008
minority interests		406	429
net profit (loss) for the year		**5,412**	**4,437**

2.4 CONSOLIDATED STATEEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

consolidated statement of changes in shareholders' equity (in thousand Euro)	share capital	legal reserve	own shares	other reserves	associates carried at equity	net profit (loss) for the period pertaining to the Group	total shareholders' equity pertaining to the Group	share capital and reserves pertaining to minority interest	net profit (loss) for the period pertaining to minority interest	total shareholders' equity pertaining to minority interest	total shareholders' equity
31 December 2010	**110,974**	**1,086**	**(1,169)**	**25,872**	**154**	**2,130**	**139,047**	**10,492**	**467**	**10,959**	**150,006**
share capital increase											
allocation of previous year's profit (loss)	–	76		2,054		(2,130)	–	467	(467)	–	–
profit (loss) for the year ended 31 December 2011 4						4,008	4,008		429	429	,4,437
time-discounting of non-interest bearing loan											
own shares in portfolio			1,098				1,098				1,098
associates carried at equity			–				–				–
other changes											
Dividends											
increase in minority interest				(1,455)			(1,455)	(7,280)		(7,280)	(8,735)
31 December 2011	**110,974**	**1,162**	**(71)**	**26,471**	**154**	**4,008**	**142,699**	**3,679**	**429**	**4,108**	**146,807**
share capital increase											
allocation of previous year's profit (loss)		198		3,810		(4,008)		429	(429)		
profit (loss) for the year ended 31 December 2012						5,006	5,006		406	406	5,412
time-discounting of non-interest bearing loan											
own shares in portfolio											
associates carried at equity											
other changes				(5)			(5)				(5)
Dividends											
transfer of minority interest				1,172			1,172				1,172
increase in minority interest				0			0	5,131		5,131	5,131
31 December 2012	**110,974**	**1,360**	**(71)**	**31,448**	**154**	**5,006**	**148,871**	**9,239**	**406**	**9,645**	**158,515**

2.5 CONSOLIDATED STATEMENT OF CASH FLOWS

consolidated statement of cash flows (in thousand Euro)	2012	2011
cash flow from operating activities		
profit (loss) pertaining to the Group	5,006	4,008
profit (loss) pertaining to minority interest	406	429
adjustments to reconcile net profit with cash provided by (used in) operations		
amortisation, depreciation and write-downs	29,786	26,793
financial income (charges) from time-discounting	1,238	2,658
receivables write-down	6,701	5,239
change in fair value of interest rate derivatives	(88)	(228)
portion pertaining to investments carried at equity	3,247	546
capital gains/losses		
from disposal of property, plant and equipment and investment property	322	(2,418)
from disposal of equity investments	(2)	16
provision (use)		
employee severance indemnity	(432)	(1,465)
provisions for risks and charges	2,942	(1,217)
(provision)/use of assets for pre-paid taxes / provision/(use) of liabilities for deferred taxes	1,392	(2,696)
sub total	**50,517**	**31,665**
changes in current assets and liabilities		
inventories	174	(667)
contract work in progress	(227)	1,059
trade receivables	(3,988)	(17,457)
other receivables	(7,286)	(5,978)
trade payables	15,119	(2,110)
other current and non-current payables	9,502	25,129
total changes in current assets and liabilities	**13,294**	**(24)**
cash flow provided by (used in) operating activities	**63,811**	**31,641**

consolidated statement of cash flows (in thousand Euro)	2012	2011
cash flows from investing activities		
disposal of intangible assets	0	17
disposal of property, plant and equipment	2,592	2,658
deconsolidation of equity investments held-for-sale	453	(185)
transfer (acquisition) of minority interest	(573)	(7,970)
dividends from associates and jointly controlled companies	490	980
investments in business combinations	(8,080)	(434)
purchases of intangible assets	(1,388)	(1,749)
investments in concession services	(12,049)	(17,111)
purchase of property, plant and equipment	(17,257)	(14,951)
purchase of equity investments in associates and joint venture companies	(9,113)	(715)
public funding	4,040	4,809
disinvestments (investments) in available-for-sale financial assets	48	0
other financial assets	688	(865)
cash flow provided by (used in) investing activities	**(40,149)**	**(35,517)**
cash flows from financing activities		
transfer (acquisition) of own shares	0	(502)
long-term		
loans	13,000	21,500
other long-term loans and factoring	6,093	0
(repayment) of loans		
to associates and jointly controlled companies	(5,422)	0
long-term loans	(41,380)	(34,358)
other long term loans	(5,420)	(2,945)
long-term due to shareholders	(488)	(12,031)
other changes in shareholders' equity	740	19
cash flow provided by (used in) financing activities	**(32,877)**	**(28,316)**
net increase/(decrease) in cash and cash equivalents	**(9,215)**	**(32,193)**
cash and cash equivalents at the beginning of the year	**(33,555)**	**(1,362)**
cash and cash equivalents at the end of the year	**(42,770)**	**(33,555)**
interest paid	6,232	6,281
income tax paid	19,888	9,293

ACCOUNTING PRINCIPLES AND EXPLANATORY NOTES

1. Corporate information

Veritas spa is a joint-stock company (società per azioni) with registered office in Italy.

The main activities of the Veritas Group are:

– Municipal waste management services provided to all the partner municipalities of Veritas. The services include street sweeping, collection and disposal of waste through waste treatment plants, including wet and dry fractions. The service of construction of footbridges, which enables people to walk in the Venetian historical area in the event of high tides, is also provided. The inhabitants receiving the services number more than 740,000, to which another 23 million tourists, visiting Venice, the coast and the surrounding areas and 5 million tourists in Jesolo and Eraclea, must be added, for a total of 820,000 units.

– Integrated water management services provided to all the partner municipalities of Veritas. The Group manages the Integrated water service and purifies waste water in the territories of the partner municipalities, with a population of 660,000 inhabitants (740,000 if the "floating" inhabitants are included).

During 2012, the Group has dispensed almost 68 million cubic meters of water. Veritas manages, on behalf of the Municipality of Venice, also the 15 kilometres of the industrial water supply of Porto Marghera where about 7.3 million cubic meters of water is dispensed; this amount is progressively declining.

The aqueduct network is approximately 3,891 Km long and, for the purifying cycle, a sewarage network of 2,653 km, routing about 67.8 million cubic meters of waste water to 9 purification plants is being used. In addition, the Group is involved, through its Engineering division, in the development of investments in aqueduct and sewarage networks as well as purification plants, both for the necessary upgrades to the existing plants and the construction of new ones.

– The management of some local public services for the municipality of Venice, in particular the management of public green areas, cemeteries, cleaning, farmers and fish markets and waste management services.

– The sale of gas and electricity through Veritas Energia srl (under joint control with another shareholder, carried at equity) within the territorial area of the province of Venice, and the construction and management of photovoltaic plants through the Vier srl subsidiary.

The current consolidated financial statements of the Veritas Group have been approved with a resolution issued by the Board of Directors on 27 May 2013.

2.1 Basis of presentation

These consolidated financial statements have been drafted by Veritas spa in compliance with the *International Financial Reporting Standards* (IFRS), adopted by the EU according to the procedures set forth in art. 6 of regulation (EC) n. 1606/2002 issued by the European Parliament and by the European Council on 19 July 2002, concerning the application of international accounting standards by 31 December 2012. IFRS standards include also all the revised international accounting standards (IAS) and all the interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC), previously called *Standing Interpretations Committee* (SIC).

The consolidated financial statements have been prepared in compliance with the historical cost convention, except for the derivative instruments which have been carried at fair value, as well as on a going-concern assumption.

The accounting standards adopted are consistent with those used as at 31 December 2011, except for the adoption of the following IFRS or IFRIC, both new and revised, which have been applied for the first time by the Group on 1 January 2012. The adoption of these revised standards and interpretations did not have any financial and equity impact on the financial statements of the Group, also because they regulate situations and cases not applicable to the Group, but it only affected the presentation of and the explanatory notes to the financial statements:

- *IFRS 7 Disclosure – Transfer of financial assets* – This amendment requires supplemental explanatory notes concerning the transferred assets which have not been completely written-off in the financial statements; the company is required to provide information that allows the users of the financial statements to include the ratio of the non-written-off assets to the associated liabilities. If the assets are entirely written-off, but the company maintains a residual involvement, explanatory notes must be provided in order to allow the users of the financial statements to assess the nature of the residual involvement of the entity in the written-off assets as well as the associated risks. This amendment becomes effective for the periods starting from or subsequently to 1 July 2011. The Group does not have assets of this type and therefore there was no impact on the presentation of the Group's financial statements.

It should also be noted that IASB has issued the following standards or interpretations that have already been adopted by the EU and that the Group has not adopted in advance, but the adoption of which will be mandatory for the accounting periods starting from 1 January 2013. The Group intends to adopt these standards when they become effective:

- *IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income* – This amendment to IAS 1 changes the grouping of the items presented under other components of the comprehensive income statement. The items that, in the future, may be reclassified (or recycled) in the income statement (for example, the net profit on the hedging of net investments, the translation differences of foreign financial statements, the net profit on cash flow hedge and net profit/loss from available-for-sale financial assets) should be presented separately with respect to the items that will never be reclassified (for example, the actuarial profit/loss from defined benefit plans and revaluation of land and buildings). This amendment refers only to the presentation method and does not have any impact on the financial position and results of operations of the Group. This amendment becomes effective for the periods starting from or subsequently to 1 July 2012;
- *IAS 19 (2011) Employees benefits* – IASB has issued several amendments to IAS 19.

These amendments range from radical amendments, such as the elimination of the so-called "corridor mechanism" and the concept of expected returns from the plan's assets, to simple clarifications and changes in the terminology. The Group does not apply the corridor mechanism but it recognises the actuarial profits and losses directly in the income statement for the relevant period, therefore no changes to the equity and financial position and results of operations of the Group are expected. The Group is currently assessing the impact of other amendments which it deems, in any case, as non-significant. These amendments become effective for the periods starting from or subsequently to 1 January 2013;

- *IAS 12 Deferred tax: recovery of underlying assets* – This amendment clarifies the determination of deferred taxes on investment property stated at fair value. This amendment is based on the rebuttable assumption that the carrying amount of an investment property, valued according to the fair value model, as set forth in IAS 40, will be recovered through its sale and that, consequently, the related deferred taxation should be valued on a sale basis. This assumption is rebutted if the investment property is depreciated and held for the purpose of using substantially, over time, all the benefits deriving from that investment property, instead of achieving these benefits with a sale. This amendment becomes effective for the periods starting from or subsequently to 1 January 2013. This amendment did not have any impact on the financial position, results of operations or reporting of the Group;
- *IFRS 1 Severe hyperinflation and removal of fixed dates for first-time adopters* – IASB has provided guidelines on how an entity should resume the presentation of the IFRS financial statements when its functional currency ceases to be subject to a severe hyperinflation. This amendment becomes effective for the periods starting from or subsequently to 1 January 2013. This amendment did not have any impact on the Group;
- *IAS 28 (2011) Investments in associates and joint ventures (revised in 2011)* – Following the new IFRS 11 *Joint agreements* and IFRS 12 *Disclosure of interests in other entities*, IAS 28 has been renamed Investments in associates and joint ventures, and describes the application of the net equity method for investments in jointly controlled companies, in addition to associated companies. These amendments become effective for the periods starting from or subsequently to 1 January 2013;
- *IAS 32 Offsetting financial assets and financial liabilities – Amendment to IAS 32* – This amendment clarifies the meaning of "has currently the legal right to offsetting". This amendment clarifies also the application of the clearing criterion set forth in IAS 32 in the case of settlement systems (as in the case of centralised clearing houses) which apply gross and not simultaneous settlement mechanisms. This amendment should not produce any impact on the financial position or on results of operations of the Group and will become effective for the periods starting on or subsequently to 1 January 2014;

- *IFRS 1 Government Loans – Amendments to IFRS 1* - These amendments require that the entities that adopt the IFRS for the first time, apply prospectively the provisions of IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" to the government loans that are existing as at the transition date to IFRS. The entity may chose to apply the provisions of IAS 39 and IAS 20 to the government loans retrospectively if the required information had been obtained at the time of the initial recording of the loan. The exemption will give to the new-user the advantage of not having to retrospectively value the government loans with an interest rate below market. The change becomes effective for the periods starting from or subsequently to 1 January 2013. This amendment did not have any impact on the Group;

- *IFRS 7 Disclosure - Offsetting financial assets and financial liabilities – Amendments to IFRS 7* - These amendments require that the entity provides disclosures on the clearing rights and related agreements (for example guarantees). These disclosures will provide the readers of the financial statements with some information that will help them to evaluate the effects of the clearing agreements on the financial position of the entity. The new disclosures are required for all financial instruments that are subject to clearing according to IAS 32 *Financial instruments: Presentation*. Disclosures are required also for financial instruments that are subject to clearing framework contracts or similar agreements, independently from the fact that they may be offset according to IAS 32. These amendments will not produce any impact on the financial position or results of operations of the Group and will become effective for the periods starting on or subsequently to 1 January 2013;

- *IFRS 10 Consolidated Financial Statements, IAS 27 (2011) Separate financial statements* - IFRS 10 replaces the section of IAS 27 *Consolidated and separate financial statements* which regulates the posting of items in the consolidated financial statements. It also addresses the issues raised in Sic-12 Consolidation – *Special purpose vehicle*.

  IFRS 10 establishes one single control model to be applied to all companies, including special purpose entities. Compared with the provisions stated in IAS 27, the amendments introduced with IAS 10 will require that management carries out relevant discretional assessments in order to determine which companies are controlled, and therefore must be consolidated by the Parent Company. Based on a preliminary analysis that was carried out, it is not expected that IFRS 10 will have an impact on the equity investments that are currently held by the Group.

  This principle applies to the periods starting on or subsequently to 1 January 2014;

- *IFRS 11 Joint arrangements* – IFRS 11 replaces IAS 31 Interests in joint ventures and Sic-13 Jointly controlled entities - Non-monetary contributions by venturers. IFRS 11 eliminates the option of recognising the jointly controlled companies using the method of proportional consolidation. Jointly controlled companies that comply with the definition of a joint venture must be carried at equity. This principle is applicable to the periods starting on or subsequently to 1 January 2013 and it must be applied retrospectively to the joint arrangements held at the date of first-time application. It is expected that its application will not have an impact on the financial position, results of operations or reporting of the Group.

- *IFRS 12 Disclosure of interests in other entities* – IFRS12 includes all the provisions regarding the disclosure previously included in IAS 27, related to the consolidated financial statements, as well as all disclosure requirements of IAS 31 and IAS 28. This disclosure refers to the equity investments by a company in subsidiaries, joint ventures, associates and structured vehicles. New disclosure examples are also included. This standard will not have any impact on the financial position or results of operations of the Group. This principle applies to the periods starting on or subsequently to 1 January 2014;
- *IFRS 13 Fair value measurement* - IFRS 13 sets forth only one guideline within the IFRS for all measurements at *fair value*. IFRS 13 does not change those cases where it is required to use the fair value, but it rather provides a guide on how to measure at fair value pursuant to IFRS standards, when the application of the fair value is required or permitted. The Group is currently evaluating the impact that this standard will have on its financial position and results of operations, but based on a preliminary analysis, no relevant impact is expected. This standard becomes effective for the periods starting from or subsequently to 1 January 2013;
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* - This interpretation applies to the stripping costs incurred in surface mine activities during the production phase of mining operations. This interpretation addresses the recognition of benefits deriving from the stripping activity. This interpretation becomes effective for the periods starting from or subsequently to 1 January 2013. The new interpretation will not have any impact on the Group.

Annual improvements as of May 2012

These improvements did not have any impact on the Group and include:

IFRS 1 First time adoption of International Financial Reporting Standards

This improvement clarifies that the entity that has ceased to apply the IFRS standards in the past and decides, or is required, to apply the IFRS standards, has the option to apply again IFRS 1. If IFRS 1 is not applied again, the entity must restate retrospectively its financial statements as if it had never ceased to apply the IFRS standards.

IAS 1 Presentation of financial statements

This improvement clarifies the difference between voluntary additional comparative information and minimum comparative information requirements. Generally the required minimum comparative information is the previous period.

IAS 16 Property, Plant and Equipment

This improvement clarifies that the significant spare parts and the equipment dedicated to maintenance, which meet the definition of property, plant and equipment, are not inventory.

IAS 32 Financial instruments: Presentation

This improvement clarifies that taxes applied to distributions to shareholders are recognised in compliance with IAS 12 Income taxes.

These improvements become effective for the periods starting from or subsequently to 1 January 2013.

The consolidated financial statements are presented in Euros, which is the currency adopted by the Group and by all its subsidiaries, and all the figures are rounded up to thousand Euro if not otherwise indicated. The consolidated financial statements are composed of the consolidated balance sheet, consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity, consolidated cash-flow statements and the following explanatory notes.

Presentation in compliance with IFRS

The consolidated financial statements of Veritas spa have been drafted in compliance with the International *Financial Reporting Standards* (IFRS).

Consolidation principles

The consolidated financial statements include the financial statements of Veritas spa and of its subsidiaries, prepared on 31 December of every year.

The subsidiaries are fully consolidated, starting from the date of their acquisition, i.e. from the date when the Group acquires control, and cease to be consolidated at the date when the control is transferred outside of the Group.

The financial statements of the subsidiaries are prepared, for each closing of the books, in accordance with the same accounting principles adopted by the Parent Company.

All the balances and the inter company transactions, including unrealised profits and losses deriving from operations carried out among the companies of the Group are completely written-off.

Minority interest represents the part of profits or losses and of the net assets not held by the Group and is recorded in a separate item of the Income statement, and in the Balance Sheet under Shareholders' Equity components, separate from the Group's shareholders' equity.

The losses are attributed to minority interest even if this implies that the minority interest has a negative balance.

The changes in the profit-sharing of the Parent Company in a subsidiary, which do not involve loss of control, are recognised as share capital transactions. In particular, as regards the acquisition of a minority interest, the difference between the price paid and the carrying amount of the portion that is part of the acquired net assets is recorded directly in shareholders' equity.

If the Parent Company loses the control of a subsidiary, it:

- writes-off the assets (including any goodwill) as well as the liabilities of the subsidiary;
- writes-off the carrying amounts of any percentage of minority interest held in the former subsidiary;
- writes-off the accumulated exchange differences stated through equity;
- recognises the fair value of the corresponding amount received;
- recognises the fair value of any equity investment held in the former subsidiary;
- recognises any profit or loss in the income statement;
- reclassifies the relevant portion of components held by the Parent Company that were previously recognised in the comprehensive income statements, in the income statement or under retained profits, as appropriate.

2.2 Use of estimates, judgment and assumptions

In the preparation of the financial statements of the Group, the Directors are required to carry out judgments, estimates and assumptions that may affect the figures referring to revenue, costs, assets and liabilities, as well as contingent liabilities at the date of the financial statements. However, the uncertainties about these assumptions and estimates may determine outcomes that may require, in the future, significant adjustments to the carrying value of such assets and liabilities.

Judgments

In applying the accounting principles adopted by the Group, the Directors have made decisions based on the following judgments (except for those involving estimates) with a significant effect on the items recognised in the financial statements.

Terms of services managed by us

There have been several provisions and rulings issued by the competent authorities about Public Local Services over the last few years, which have made the reconstruction and interpretation of the applicable laws more difficult. After the referendum repeal of art. 23 bis of Law Decree 112 of 2008, converted into Law 133/2008, as amended, with consequent repeal of the related regulations approved with the President of the Republic Decree n. 168 of 7 September 2011, the legislature issued a new regulation contained in

- art. 4 of Law Decree n. 138 of 13 August 2011 converted into Law n. 148 of 14/09/2011;
- subsequently amended by Law n. 183 of 12/11/2011;
- subsequently amended by Law Decree n. 1 of 24/01/2012 converted into Law n. 27 on 24/03/2012.

The regulation contained in article 4, as described above, has been declared unconstitutional with ruling n. 199 issued by the Constitutional Court on 20 July 2012, since it was substantially duplicating the regulations contained in art. 23 bis mentioned above that was repealed by the referendum.

The Constitutional Court also stated that the regulations of art. 4 drastically limited the option of direct assignment of local public services to be managed in-house, which the referendum had instead intended to preserve.

Following the ruling issued by the Constitutional Court, the legislature intervened again in order to regulate the subject matter with art. n. 34 of Law Decree 179/2012, converted into Law 221/2012, paragraphs from 20 to 27, by substantially permitting, in compliance with the above mentioned ruling issued by the Constitutional Court, the in-house management of local public services.

The provisions contained in art. 3 bis of Law Decree 138/2011, converted into Law 148/2011, state that "For competition and environmental protection, the regions and independent provinces of Trento and Bolzano shall organise the activities related to relevant networked local public services:

- by defining the scope of optimal and homogeneous territorial sub-divisions or basins so as to allow for economies of scale and differentiation suitable to maximise service efficiency;
- by instituting or designating the pertinent government bodies by 30 June 2012”.

The Veneto Region, in compliance with the provisions of art. 2, paragraph 186 bis, of the Law 191/2009 which provided for the suppression of the optimal territorial sub-divisions authorities, has approved:

– with Law n. 17 of 27 April 2012 the establishment, for the optimal territorial sub-division of the Venetian lagoon, of the Basin Council for the integrated water service management;
– with Law n. 53 of 31 December 2012, the new optimal territorial sub-division for the organisation of the integrated management service of municipal waste, coinciding with the regional territory, while granting to the regional Council, upon proposal from the involved local authorities, the right to recognise the territorial inter-provincial basins of different size; it is also established that the local authorities competent for these basins shall jointly carry out functions of organisation and direct control over the management integrated service for municipal waste through the basin councils.

Veritas spa, a company providing local public services, within the territory, to partner municipalities whose share capital is entirely being held by forty-eight local entities, following several processes of business combination from their inception to date, derives primarily from the merger into, and the division from, by acquisition, Vesta spa of Acm spa, as well as from the demerged compendium of Asp spa.

The company has taken over the management of local public services already assigned to the companies participating in the merger, as well as all assets and liabilities ratios and related contracts or agreements of the above-mentioned companies, as set forth in the resolutions issued by the partners municipalities of the above companies.

The merger was implemented by the partner local authorities, upon uniform resolutions issued by the respective Councils and aiming at guaranteeing the continuation of the assignment of the existing local public services to the companies participating in the merger, within the territory of the municipalities themselves, as well as at confirming the choice of the management organisational model for the services to be provided through joint-stock companies, which had already previously involved the transformation of special vehicles into joint-stock companies.

The Parent Company manages, within the municipal territories of the partner local authorities, several public local services, some of them with a supra-municipal relevance at the level of sub-division, now an optimal and homogeneous territorial basin, pursuant to explicit legal provisions, such as the integrated water service and the management service for municipal and other similar waste.

As for the integrated water service, the Shareholders' Meeting of the relevant authority for the Venetian lagoon sub-division (now Basin Council), through additional provisions, has recognised that Veritas spa is a company compliant with the in-house management model, according to the characteristics identified by EU laws, a recognition confirmed also by the authority of Venezia Ambiente for the waste integrated management service, with resolution n. 2 of 30 June 2008.

The authority of the Venetian lagoon sub-division, with resolution of 30 July 2008, n. 806, stated "a confirmation that the duration of the assignment of the integrated water service to Veritas spa is set at 31 December 2018".

Conversely, as regards the waste integrated management service, it must be noted that, among the partner local authorities, the Municipality of Venice, with resolution n. 121 of 1999, indicated the duration of the assignment of the service to be 20 years (to the end of 2019).

It should be noted that the municipalities resolutions issued by the partner local authorities regarding the 2007 merger of Acm spa, Vesta spa and Asp spa, while confirming the continuation of the services already assigned to the merged companies, to the new company Veritas spa, did not set forth any expiry date for the assignments.

Further more, Veritas carries out for the partner municipalities, additional services already assigned by each local entity, such as cemeteries, street markets, cleaning, public health services and others; in these cases, the expiry dates derive from specific resolutions and provisions, given the multiplicity of the existing situations.

In summary, it must be noted that the management organisational model of Veritas spa:

– is in line with the EU regulations, as already noted by the other competent regulatory entities;
– continues the management of the assigned services, as described above, even in the absence of a unique identification of the expiry dates of the currently assigned services and in consideration of the several resolutions issued throughout the period, as well as the company's development, pending adoption of the resolution issued by the partner local authorities and regulatory authorities within the scope of their competence, pursuant to art. 34 of the above-mentioned Law Decree 179/2012.

Within the integrated water sector, the service is assigned until 31 December 2018 with the option of renewal and/or adjustment of its duration according to the water sub-division plan and/or its revision.

In view of the reorders and reorganisation carried out by the partner municipalities of Veritas, over the last few years, i.e. since the establishment of Veritas and subsequently with the adoption of the Veritas Group organisational model by the partner municipalities which have assigned the municipal waste service to the subsidiaries Asvo and Alisea, it is possible to conclude that, despite the several changes due to the development of the legal system, the expiration of the assignment to Veritas, as of today, of the municipal waste management service, is set for 2029. This derives from the effect of the application to the initial date of the assignment, according to resolution n. 121 of 28-29 July 1999 issued by the Municipal Council, of the maximum thirty years duration set forth in art. 19, paragraph 2-bis of the Law n. 109 of 11 February 1994 (this paragraph was introduced by art. 3, paragraph 7 of Law n. 415 of 18 November 1998), a law in effect at the time of identification of the above-mentioned form of direct management («the duration of the assignment may not exceed thirty years»), since it is included in the broader duration set forth in the Articles of Association for Veritas spa (31 December 2050).

Noting that the law is not clear in this respect, the Directors deem as appropriate to maintain the previously established time frame, set at 31 December 2019, as regards the assignment of the municipal waste management service to Veritas.

As for the following services:

– cemeteries;
– street markets;
– high tide footbridges;
– public areas cleaning;
– cleaning of municipal offices, sport structures and court houses;

related only to the Venice Municipality, the duration of the assignment is extended, to date, to 31 December 2013.

Estimates and assumptions

Following are key assumptions concerning the future and other important sources of uncertainty in the estimates, at the financial statements date, which could produce significant adjustments in the balance sheet assets and liabilities within the next financial year.

Non-financial impaired assets

The Group assesses, at each financial statement date, if there are any indicators of impairment in all the non-financial assets. The goodwill is measured annually for impairment losses. Other non-financial assets are measured annually for any impairment losses when there are indications that the carrying amount may not be recovered.

Once the calculations of the value in use have been determined, the Directors must estimate the cash flows expected from the assets or from the cash generating units and choose a discount rate that enables the calculation of the current value of these cash flows. Additional details and a sensitivity analysis of the key assumpitons are included in Note 7.

Provision for doubtful debts

The Group has recognised some accruals due to the risk that trade receivables may have an estimated realizable value significantly below their nominal value. To this end, some hypotheses are formulated regarding losses that occurred in the past, while considering the recovery activities being carried out. Further details are provided in Note 15.

Deferred tax assets

Deferred tax assets are recognised on all temporary differences and tax losses carried forward, to the extent of the likely existence of adequate future tax credits against which these temporary differences may be reabsorbed and these losses may be used.

The Directors are required to carry out a significant judgment to determine the amount of deferred tax assets that can be recognised. They must estimate the likely time frame of their occurrence and the amount of future taxable income as well as a strategy for planning future taxes. Further details are provided in Note 43.

Employee benefits – Employee severance indemnity

The cost of defined pension schemes, in particular the Employee severance indemnity (TFR) accrued as at 31 December 2012, is determined by using actuarial valuations. The actuarial valuation requires the formulation of assumptions on discount, turnover and mortality rates. Because of the long-term nature of these schemes, these estimates are subject to significant degrees of uncertainty. Further details are provided in Note 25.

Provisions for asset retirement obligations

The Group has recognised provisions for charges related to the asset retriment obligations. In determining the amount of these provisions, some estimates and assmptions have been deemed necessary, as regards discount rates and estimated charges for the recovery and clean-up of the sites, as well as the volumes to be conferred. Further details are provided in Note 24.

2.3 Scope of Consolidation

The consolidated financial statements include the financial statements of the Parent Company Veritas spa and the financial statements of the companies over which Veritas spa exercises controlling rights, either directly or indirectly (through its subsidiaries), determines their financial and operating choices, and benefits from them.

Following are the companies, which, in compliance with the provisions of IAS 27, are included, on a line-by-line basis, in the consolidation scope as at 31 December 2012:

consolidated companies	head office	share capital	31.12.2012 equity investment	31.12.2011 equity investment
Veritas spa (Parent Company)	Venice	110,973,850	–	–
companies consolidated on a line-by-line basis:				
Ecoprogetto Venezia srl	Venice	42,120,000	85.28%	96.62%
Veneziana di Navigazione spa	Venice	1,424,000	100.00%	100.00%
Data Rec srl	Venice	100,000	99.60%	99.00%
Vier srl	Venice	100,000	100.00%	100.00%
Spim srl	Mogliano Veneto (Tv)	100,000	100.00%	100.00%
Mive srl	Mirano (Ve)	110,000	100.00%	100.00%
Eco-Ricicli Veritas srl	Venice	4,970,000	78.48%	79.00%
Sifagest scarl	Marghera (Ve)	100,000	62.00%	65.00%
Alisea spa	Jesolo (Ve)	415,000	60.00%	60.00%
consolidated companies in compliance with IFRS 5				
Ecopiave srl	Musile di Piave (Ve)	100,000	79.55%	80.05%

The following associates and jointly controlled companies are carried at equity:

companies carried at equity	head office	share capital	31.12.2012 equity investment	31.12.2011 equity investment
associates				
Insula spa	Venice	3,706,000	26.73%	26.73%
Elios srl	Spinea (Ve)	50,000	50.00%	50.00%
Amest srl	Dolo (Ve)	2,832,908	43.46%	34.00%
Sifa scpa	Mestre (Ve)	30,000,000	30.00%	31.00%
Consorzio bonifica e riconversione produttiva Fusina	Venice	100,000	49.05%	49.05%
Steriladria srl	Adria (Ro)	100,000	35.00%	35.00%
Ecopaté srl	Venice	100,000	40.00%	40.00%
jointly controlled companies				
Veritas Energia srl	Venice	1,000,000	49.00%	49.00%
Asvo spa	Portogruaro	18,969,650	50.50%	

2.4 Significant accounting policies

Intangible assets

Intangible assets that are acquired separately are initially capitalised at cost, whereas those acquired through business combination transactions are capitalised at fair value as at the acquisition date. After the initial recognition, intangible assets are stated at cost, net of amortisation/depreciation provisions and any accumulated impairment loss. Internally produced intangible assets, except for development costs, are not capitalised and are recognised through the income statement of the period in which they occurred.

The useful life of each intangible asset is assessed as definite or indefinite.

Intangible assets with finite life are amortised over their useful life and subject to an appropriateness test each time there are indications of a possible impairment loss. The period and amortisation method applied is reassessed at the end of each financial year or more frequently, if necessary. Changes in the useful life or methods with which future financial benefits, related to the intangible asset, are accrued by the Group, are stated by appropriately changing the period or the depreciation method and are treated as changes to the accounting estimates.

The amortisation of the intangible assets with finite life is recognised in the income statements under the cost category corresponding to the function of the intangible asset.

Intangible assets with indefinite useful life are subject to an annual assessment of impairment loss, at an individual or cash generating unit level. For these assets, no amortisation is recognised. The useful life of an intangible asset with indefinite life is reassessed on an annual basis in order to ensure the continued existence of the conditions on which this classification was based. Otherwise the change in the useful life from indefinite to definite is done on a prospective basis.

Profit or losses deriving from the sale of an intangible asset are measured as the difference between the net gain from the sale and the carrying amount of the intangible asset and are recognised in the income statement when the intangible asset is sold.

Following is a summary of the principles applied by the Group to intangible assets:

intangible assets	public services concessions	software licenses
useful life	definite	definite
amortisation method used	amortised on a straight line basis for the entire duration of the concession: until 2018 and until 2019	amortised on a straight line basis over a period from three to five years
internally produced or acquired	acquired	acquired

Property, plant and equipment

Property, plant and equipment are recognised at historical cost – including all accessory costs that are directly attributable and necessary to bring the asset up to the working condition for which it was acquired – to be increased, when relevant and pursuant to current obligations, by the current amount of the estimated cost for the dismantling and removal of the asset. In particular, concerning the item plant and equipment, this cost includes the costs for parts replacement, when they are incurred, if compliant with valuation criteria. If significant parts of these tangible assets have different useful lives, these components are stated separately.

At the same time, when important revisions are carried out, the cost is included in the carrying amount of the plant or the equipment as a replacement, if the recognition criterion is met. Other repair and maintenance costs are recognised in the income statements at the time of their occurrence.

Financial charges, incurred for investments in assets that normally require a certain period of time to be ready for use or sale (qualifying asset pursuant to IAS 23 - Financial charges), are capitalised and depreciated over the useful life of the class of assets to which they refer. All the other financial charges are recognised in the income statement at the time of their occurrence.

Land, free of construction or annexed to buildings, is not depreciated since it has an unlimited useful life.

Property, plant and equipment are stated net of accumulated depreciation and any impairment losses, determined according to the methods hereinafter described.

The depreciation is calculated on a straight-line-basis according to the estimated useful life of the asset for the company, which is reassessed on an annual basis, and any necessary change is made and prospectively applied.

Depreciation rates have been reviewed, at Group level, starting from 2007, based on a specific appraisal estimate that was carried out by an independent appraiser and that has redefined these rates according to the estimated residual useful life of the assets.

The main depreciation rates used by the Group during 2012, unchanged from the previous year, are the following:

property, plant and equipment	category	depreciation rates % 2012 and 2011
land	land and buildings	indefinite life
buildings	land and buildings	2.50% - 3%
lightweight constructions	land and buildings	4% - 6.50% - 10%
fixed water systems	land and buildings	2.50%
tanks	land and buildings	3% - 4%
production-filtering systems	plant and equipment	3% - 5%
water conduits	plant and equipment	2.50%
sewage pipelines	plant and equipment	2.50%
water lifting system	plant and equipment	5%
potable water processing systems	plant and equipment	3% - 4%
connections	plant and equipment	4%
potable water purification systems	plant and equipment	3% - 7%
lifting sewage systems	plant and equipment	6%
machinery	plant and equipment	6.50% - 9% - 10%
waste disposal systems	plant and equipment	5% - 6% - 7.5% - 8.50% - 15%
waste disposal systems - waste from landfills	plant and equipment	according to the waste (in cubic meters) going to landfills
electrical, electronic and thermo-technical systems	plant and equipment	7% - 10%
wells	plant and equipment	10%
remote-controlled systems	plant and equipment	7%
equipment	industrial and commercial equipment	7.5% - 15%
containers	industrial and commercial equipment	9% - 12.50% - 15%
meter reading	industrial and commercial equipment	7%
metal boats	other assets	3% - 5.50% - 10%
boat equipment	other assets	7% - 9%
vehicles	other assets	15% - 16.50% - 20% - 25%
industrial vehicles	other assets	8% - 10% - 20%
handling machines and internal transportation means	other assets	6.50% - 9% - 20%
motor vehicles	other assets	10%
fixtures and furnishings	other assets	7% - 8.50% - 12%
computer and office equipment	other assets	16.50% - 20%
communication equipment	other assets	9%
cell phones	other assets	20%
leasehold improvements	leasehold improvements	based on the duration of the underlying agreement
assets subject to reversion free of charge	assets subject to reversion free of charge	based on the duration of the concession

For the fixed assets acquired in the course of the period, the depreciation starts when the asset is ready to be used. For capitalised improvement interventions, carried out on pre-existing equipment, the full rate was applied.

A property, plant or equipment item is written-off in the financial statements at the time of its sale or when there are no financial benefits expected from its use or disposal. Any loss or gain (calculated as the difference between net income from the sale and carrying amount) are recognised in the income statement of the period when such write-off occurred.

Financial leases

Financial lease agreements, which substantially transfer to the Group all the risks and benefits deriving from the property of the leased asset, are capitalised under property, plant and equipment from the start date of the leasing, stated at the fair value of the leased asset, or if lower, at the current amount of the leasing instalments.

A debt of equal amount is stated under liabilities and is progressively reduced based on the redemption of the principal units as per the leasing instalments agreed upon. The leasing instalments are divided between principal and interest so as to obtain the application of a constant interest rate on the residual balance of the debt (principal). The financial charges are recognised in the income statements. The capitalised leased assets are depreciated based on the estimated useful life of the asset.

The leasing agreements where the lessor maintains substantially all the risks and benefits of the property are classified as operating leases. The operating leases are recognised in the income statement on a straight line basis and divided according to the duration of the agreement.

Investment property

Investment properties are initially recognised at purchase cost, including trading costs. The carrying amount includes the costs for the parts replacement of an investment property at the time when this cost is incurred, provided that the recognition criteria are met and excluding ordinary maintenance costs. Subsequently to the initial recognition at cost, investment properties, except for land, are systematically depreciated during each period, on a straight line basis, and according to rates deemed as representative of the residual possibility of using them.

Investment properties are written-off in the financial statements when they are sold or when the investment is unusable over time and there are no other future expected financial benefits from its sale. Any gains or losses deriving from the collection or disposal of an investment property are recognised in the income statements of the period where such collection or disposal is carried out.

The reclassifications from or to investment property occur when, and only when its use changes. If a real estate intended for direct use becomes an investment property, the Group recognises these assets in compliance with the criteria set forth in the paragraph of Property, plant and equipment, until the date when the use in question changes.

No property owned on the basis of operating leasing agreements has been classified as an investment property.

Business combinations and goodwill

Business combinations are recognised according to the acquisition method.

The cost of an acquisition is measured as the sum of the amount paid, stated at fair value as at the acquisition date, and the amount of any minority interest held in the acquired asset. For each business combination, the purchaser must measure any minority interest held in the acquired property at fair value, or proportionate to the minority interests held in the net identifiable assets of the acquired property. Acquisition costs are stated and classified under administrative expenses

When the Group acquires a business, it must classify or designate the acquired financial assets and liabilities in compliance with the contractual terms, financial conditions and any other existing conditions in effect as at the acquisition date. This includes an assessment aimed at establishing if the embedded derivative should be separate from the primary agreement.

If the business combination is carried out in several phases, the purchaser must recalculate the fair value of the equity investment previously held and valued according to the equity method, and recognise in the income statement any profit or loss resulting therefrom.

Any potential consideration must be stated by the purchaser at fair value as at the acquisition date. Any change to the fair value of the potential consideration classified as asset or liability, must be stated according to the provisions of the IAS 39 standards, in the income statement or under other components of the comprehensive income statement. If the potential consideration is classified under shareholders' equity, its value should not be recalculated until its extinction is recognised against the shareholders' equity.

The goodwill is initially valued at the cost measured as a surplus between the sum of the paid consideration and the recognised amount of minority interests versus the acquired identifiable assets and liabilities taken over by the Group. If the consideration is below the fair value of the net assets of the acquired subsidiary, the difference is recognised in the income statement.

After the initial recognition, the goodwill is valued at cost, net of any accumulated impairment losses. At the end of the assessment for impairment loss, the goodwill acquired in a business combination must be allocated, from the date of its acquisition, to each cash flow generating unit of the Group which is expected to benefit from the combination, regardless of the fact that other assets or liabilities of the acquired entity are assigned to such units.

If the goodwill has been allocated to a cash-generating unit and the entity disposes of the assets of this unit, the goodwill associated with the disposed asset must be included in the carrying amount of the asset when the gain or loss resulting from the disposal is determined. The goodwill associated with the disposed asset must be determined on the basis of the relative values of the disposed asset and of the portion of the cash-generating unit that is retained.

Discontinuing or discontinued operations

A discontinuing or discontinued operation is a component of the Group that is about to be discontinued or that has already been discontinued and that represents an important independent business unit or a geographical area of operations. An activity is classified as discontinued at the time of its discontinuation: when an activity is classified as discontinued, the income statement is redetermined as if the operation was discontinued as at the beginning of the comparable period.

Equity investments in associates

The equity investments of the Group in associates are carried at equity. An associate is a company over which the Group exercises a significant influence and that is not classifiable as a controlled or joint venture company.

Pursuant to the equity method, the investment in an associate is recognised in the balance sheet at cost, increased by any change subsequent to the acquisition, under the portion of the net assets of the associate pertaining to the Group. The goodwill referring to the associate is included in the carrying amount of the equity investment and is not subject to amortisation. The income statement reflects the portion of the profit (loss) of the associate which pertains to the Group.

If an associate recognises adjustments directly in the shareholders' equity, the Group recognises its portion and records it, where applicable, in the statement of changes in shareholders' equity. Profits and losses resulting from transactions between the Group and the associate, are written-off proportionally to the equity investment in the associate.

The accounts closing date of the associates is aligned to that of the Group, except for Amest srl which closes its financial statements as at 30 June; if the accounting standards used by the associates are not aligned with those used by the Group, they must be adjusted and aligned accordingly in the case of transactions and events of the same nature and under similar circumstances.

Equity investments in joint ventures

The Group holds a 49% equity investment in Veritas Energia srl, a jointly controlled company, active in the sale of Gas and Electricity within the province of Venice.

Since July 2012, the Group has been holding a 50.50% equity investment in Asvo spa, a jointly controlled company involved in the integrated environmental hygiene services of the partner municipalities.

A joint venture is a contractual agreement pursuant to which two or more parties carry out an economic activity subject to joint control; a jointly controlled company is a joint venture which involves the establishment of a separate company in which each participant holds a stake.

The Group consolidates its equity investments in joint ventures according to the equity method. Pursuant to the equity method, the investment in a joint venture is recognised in the balance sheet at cost, increased by any change subsequent to the acquisition, under the portion of the net assets of the investee pertaining to the Group.

After applying the equity method, the Group determines whether it is necessary to recognise any additional impairment losses, in reference to the equity investment of the Group in the joint venture. The income statement reflects the portion of the profit (loss) of the joint venture company pertaining to the Group.

If a joint venture company recognises adjustments directly in the shareholders' equity, the Group recognises its own portion and records it, where applicable, in the statement of changes in shareholders' equity. The joint venture prepares a statement for the consolidation as at the end of the financial year of the Parent Company and applies consistent accounting principles. Any inconsistency in the applied accounting principles are corrected through the appropriate adjustments.

When the Group contributes or sells goods to the joint venture, the recognition of any profit or loss resulting from this transaction reflects the content of the transaction itself. When the Group acquires goods or services from the joint venture, it does not recognise its share of profit deriving from the transaction until it sells that good or service to an independent third party.

Non-financial impaired assets

At each year end, the Group assesses the existence of indicators of impaired assets. In this case, or in the cases where an annual review on impairment is required, the Group carries out an estimate of the amount in question. The recoverable amount is the greater between the fair value of the asset or of the cash generating unit, net of sale costs, and its value in use. The recoverable amount is determined for each individual asset, except when this asset generates cash flows that are not entirely independent from those provided by other assets or groups of assets.

If the accounting value of an asset is greater than its recoverable amount, it means that this asset has been subject to an impairment loss and consequently it is written-down until it reaches its recoverable amount. In determining the value in use, the Group discounts the estimated future cash flows to the current amount using a pre-tax time-discounting rate which reflects the market assessment of the current value of money and the specific risks to which the asset is exposed. In determining the fair value net of sale costs, an adequate valuation model is used. These calculations are carried out by measuring the value in use through the DCF model.

Impairment losses on continuing operations are recognised in the income statement under the cost categories, consistent with the function of the asset showing the impairment loss. Exceptions are the previously revalued fixed assets where the revaluation was recognised through equity. In these cases, the impairment loss is also recognised through equity until the previous revaluation is reached.

At each financial statement closing date, the Group assesses, in reference to assets other than the goodwill, any indication of absence (or reduction) of impairment losses previously recognised and, in the presence of these indications, it estimates the recoverable amount. The value of a previously written-down asset can be reinstated only if there have been changes in the estimates on which the calculation of the recoverable amount was based and determined subsequently to the statement of the latest impairment loss.

The write-back cannot exceed the carrying amount that would have been determined, net of any amortisation/depreciation, if no impairment loss had been stated in previous financial periods. This write-back is recognised in the income statement unless the fixed asset is stated at a revalued amount, in which case the write-back is treated as a revaluation gain.

The following criteria are used for the accounting treatment of impairment losses related to specific types of assets.

Goodwill

The Group verifies, on a yearly basis, the goodwill in order to identify any impairment losses.

Impairment losses on the goodwill are determined by measuring the recoverable amount of the cash generating unit to which the goodwill refers.

If the recoverable amount of the cash generating unit is lower than the carrying amount of the cash generating unit to which the goodwill was allocated, an impairment loss is stated. The impairment of the goodwill amount cannot be recovered in future periods. The Group carries out an annual assessment of the goodwill impairment as at 31 December.

Associates and joint ventures

After applying the equity method, the Group determines whether it is necessary to state an additional loss from its equity investments in associates. At each financial statements date, the Group determines if there is unbiased evidence that an equity investment in an associate has been subject to a loss impairment. In this case, the Group calculates the amount of the loss as the difference between the fair value of the associate and the purchase cost of the equity investment and recognises the loss in the income statement.

Equity investments and other financial assets

IAS 39 indicates the following types of financial instruments: financial assets at fair value with changes recognised in the income statement, loans and receivables, investments held-to-maturity and available-for-sale assets. Initially, all financial assets are recognized at their fair value, increased by their accessory costs in the case of assets not measured at fair value in the income statement.

The Group determines the classification of its own financial assets after the initial recognition and, where appropriate and permitted, reviews this classification at the closing of each financial period.

All standardised purchases and sales of financial assets are stated as at their trade date or at the date when the Group commits to purchase the asset. The term "standardised purchases and sales" refers to all sale transactions regarding financial assets which involves the transfer of the asset in the time period provided for by the rules and regulations of the market where the transaction take place.

Financial assets at fair value with changes recognised in the income statement

This category includes assets held for trading and assets designated at the time of their first recognition as financial assets at fair value with changes posted in the income statement.

The assets held for trading are those assets that are acquired for sale in the short term. Derivatives, including separated derivatives, are classified as financial instruments held for trading unless designated as effective hedging instruments. Gains or losses from assets held for trading are recognised in the income statement.

If a contract contains one or more embedded derivatives and the Group becomes a party to the contract, the Group determines if the derivative should be separated from the hosting contract. This occurs only if changes are made to the contract conditions that significantly modify the cash flows that would be otherwise required.

Held-to-maturity investments

Financial assets that are not derivative instruments and are not characterised by payments with a fixed or determinable maturity date, are classified as "held-to-maturity investments" if the Group intends and is capable of maintaining them in the portfolio up to the maturity date.

After the initial recognition, the financial investments held-to-maturity are valued in compliance with depreciated cost criteria using the effective interest rate method. Gains and losses are recognised in the income statement at the time when the investment is written-off or at the occurrence of an impairment loss, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not listed in an active market. After the initial recognition, these assets are measured according to depreciated cost criteria using the effective interest rate method net of any impairment loss provision. Gains and losses are recognised in the income statement at the time when the loans and receivables are written-off or at the occurrence of an impairment loss as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets, except for financial derivatives instruments, that have been designated as such or are not classified in any other of the three previous categories. After the initial recognition, the available-for-sale assets are valued at fair value and the gains and losses are recognised under a separate item of the shareholders' equity. When the assets are written-off, the gains and losses accumulated in the shareholders' equity, are recognised in the income statement.

Fair Value

In the case of securities traded in regulated markets, the fair value is determined by referring to the market quotation at the end of the trading day as of the year end date. For the investments for which there is no active market, the fair value is determined through measurement methods based on: prices of recent transactions among independent parties; the current market value of a substantially similar instrument; the analysis of the time-discounted cash flows; option pricing models.

Amortised cost

Financial assets held-to-maturity and loans and receivables are measured at their amortised cost. The amortised cost is calculated using the effective interest rate method, net of any impairment loss provision. The calculation takes into account any premium or discount at purchase and includes transaction costs and commissions that are an integral part of the effective interest rate.

Inventories

Inventories are represented by the materials used in maintenance and repair of the tangible fixed assets in addition to consumables such as fuel and lubricants, clothing and various materials used for waste sweeping/cleaning services.

The inventories of raw materials and consumables are valued at purchase cost which is determined through the weighted average cost method at each inventory change. In case of obsolete or no longer used materials, the inventory is valued at the lower amount between the cost that was previously determined and the realisable value inferable from the market.

Contract works in progress

Contract works in progress are valued according to their respective contractual terms and conditions which are generally set as equal to the cost incurred for each job order, accrued with reasonable certainty based on the percentage of completion criterion, so as to attribute the revenue and the economic result of the job order to the individual financial periods, proportionate to the progress made.

The progress made in the job order is determined as a ratio between the cost incurred for the work already completed up to the reference date and the cost estimated for the job order. The positive or negative difference between the contracts expiring at the end of the period and the progress made in the invoiced work, is recognised respectively under assets or liabilities on the balance sheet.

The revenue from the job order, in addition to contractual considerations, include any changes, revisions of prices and the recognition of incentives to the extent in which it is possible that they represent actual revenue that may be accurately determined. The assessed losses are recognised independently from the progress status of the job order.

Trade receivables and other receivables

The receivables included among non-current and current assets, are initially recognised at fair value and subsequently valued to the amortised cost and written-down in the event of an impairment loss.

Trade receivables, the expiration date of which falls within normal commercial terms, are not time-discounted and are recognised at cost (identified by their nominal value), net of the related impairment losses. They are adjusted to their estimated realisable value through the set up of a specific adjustment provision which is established if there is unbiased evidence that the Group will not be able to collect the original amount of the receivable. Accruals to provision for doubtful debts are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents and short term deposits include the cash and the deposits on demand and on short term, in the latter case with an original expiry date not exceeding three months.

For the purpose of the consolidated cash flow statement, cash and cash equivalents are represented by cash on hand as defined above, net of any bank credit line at the financial statements end date.

Financial liabilities

Trade payables

Trade payables, the expiration date of which falls within normal commercial terms, are not time-discounted and are recognised at cost (identified by their nominal value), which represents the fair value at the reference date.

The other liabilities, under non current and current liabilities, are initially recognised at cost corresponding to the fair value of the liability, net of transaction costs which are directly attributable to the issuance of the liability itself. After the initial recognition, these financial liabilities are measured at amortised cost, using the original effective interest method.

Interest-bearing loans

All loans are initially recognised at the fair value of the amount received, net of any accessory acquisition charges if not stated at fair value with changes recognised through the income statement.

After the initial recognition, these loans are measured at amortised cost, using the effective interest method.

Each gain or loss is recognised through the income statement when the liability is extinct, as well as through the amortisation process.

Financial liabilities at fair value with changes recognised in the income statement

Financial liabilities at fair value with changes recognised through the income statement include held-for-trading liabilities and financial liabilities designated at fair value with changes recognised through the income statement at the time of the initial recognition.

The held-for-trading liabilities are those acquired for sale in the short term. Derivatives, including separated derivatives, are classified as financial instruments held for trading unless designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised through the income statement.

If a provision set forth in a long-term loan agreement is infringed as at or before the financial statements reference date, resulting in the liability becoming a debt collectable upon request, the liability is classified as current, even if the financier has agreed, after the financial statement reference date and before authorisation to the publication of such financial statements, not to request the payment pursuant to the contractual infringement. The liability is classified as current because, as at the financial statements reference date, the entity does not hold an unconditional right to defer its settlement for at least 12 months from that date.

Financial guarantees payable

Financial guarantees payable, issued by the Group, are those agreements that require the disbursement of a payment in order to reimburse the holder for a loss resulting from the failure by a debtor in making the payment due at the set forth expiry date according to the contractual terms and conditions of the debt instrument. Financial guarantee agreements are initially recognised as fair value liabilities, increased by those transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the greater amount between the best estimate of the expense to be incurred to fulfil the actual obligation as at the date of the financial statements and the amount that was initially recognised.

Write-off of financial assets and liabilities

Financial assets

A financial asset (or where applicable, part of a financial asset or part of a group of similar financial assets) is written-off in the financial statements when:

- the rights to receive cash flows from the asset are extinct;
- the Group retains the right to receive financial flows from the asset, but it has undertaken the contractual obligation to transfer them, entirely and without any delay, to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) has substantially transferred all risks and benefits deriving from the ownership of the cash flow or (b) has neither substantially transferred nor retained all the risks and benefits of the asset, but has transferred the control thereof.

If the Group has transferred the rights to receive cash flows from an asset and has neither substantially transferred nor retained all risks and benefits nor has it lost the control thereof, the asset is recognised in the financial statements of the Group to the extent of its residual involvement in the asset itself. The residual involvement, which takes the form of a guarantee on the transferred asset, is valued at the lower amount between the initial carrying amount of the asset and the highest consideration that the Group may have to pay.

If the residual involvement takes the form of an option issued or purchased on the transferred asset (including the options settled in cash or by similar provisions), the amount of involvement of the Group corresponds to the amount of the transferred asset that the Group can repurchase; however, in the case of a put option issued on an asset measured at fair value (including the options settled in cash or by similar provisions), the extent of the residual involvement of the Group is limited to the lower amount between the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is written-off in the financial statements when the obligation associated with the liability is extinct or cancelled or fulfilled.

If an existing financial liability is replaced by another one from the same lender, at substantially different conditions, or if the conditions applied to an existing liability are substantially changed, this exchange or change is treated as a write-off of the original liability and a new liability is recorded with the recognition, through the income statement, of any differences in the carrying amounts.

Provisions for risks and charges

Provisions for risks and charges are carried out when the Group must fulfil a current obligation (legal or implicit) resulting from a past event; an outflow of resources is likely to fulfil this obligation and it is possible to carry out an accurate estimate of its amount.

If the Group believes that an allocation to provision for risks and charges will be partially or entirely reimbursed, for example in the event of risks covered by insurance policies, the indemnity is stated separately from the asset if, and only if, it is practically certain. In this case, in the income statement, the cost of any allocation to provision is stated net of the amount recognised for the indemnity. If the effect of time-discounting the value of money is significant, the allocations to provision are time-discounted by using a pre-tax discount rate which reflects, where appropriate, specific liabilities risks.

When time-discounting is carried out, the increase in the allocation to provision due over time is recognised as a financial charge.

Liabilities against post-mortem charges of the landfill plant

A provision has been set up for the management and recovery of the areas designated as landfill, which must be borne at the end of the concession for post-mortem management. As a balancing entry, an increase in the assets has been recognised under plant and machinery, including the plant related to the individual landfill.

The costs related to post-mortem management are stated at the current value of the expected costs in order to settle the obligation, using estimated cash flows and a pre-tax time-discounting rate reflecting the risks specifically related to such liability.

The effects deriving from time-discounting is recognised in the income statement as financial costs as they arise. Estimated cash flows are reviewed on an annual basis and appropriately adjusted. Changes in the cost estimates and in the applied discount rate are deducted from the asset cost.

Employees benefits – Employee severance indemnity

The liability related to the definite benefit schemes (employee severance indemnity accrued as at 31 December 2006), net of any assets dedicated to the scheme, is determined on the basis of actuarial hypothesis and is recognised for the relevant period consistent with the work performance required to obtain the benefits; the measurement of the liability is carried out by independent actuaries.

Following the changes made to the Employee severance indemnity by Law n. 296 of 27 December 2006 ("2007 financial law") and subsequent decrees and regulations issued in the first few months of 2007, the difference between the actuarial amount as at the end of the previous year and the one resulting from the new actuarial calculation carried out at the same date, is recognised through the income statement of the relevant period.

Gains and losses resulting from the actuarial calculation on the basis of the new hypotheses, starting from 1 January 2007, are recognised through the income statement as cost or revenue in each relevant period.

The employee severance indemnity accrued from 1 January 2007 or from the chosen option date is included in the category of the defined contribution plans, both in the case of opting for a complementary pension plan or for the allocation to the INPS Treasury Fund. The accounting treatment of the Employee severance indemnity is the same as the one applied to the contributions of a different nature.

Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments such as interest rate swaps in order to hedge risks deriving from interest rates fluctuation. These derivative instruments are initially recognised at fair value as at the date of their stipulation; subsequently, this fair value is periodically remeasured. They are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Any loss or gain resulting from changes in the fair value of derivatives that are not suitable for hedge accounting, are recognised directly through the income statement of the relevant period.

The fair value of interest-rate swap agreements is determined based on the market value of similar instruments.

For the purpose of hedge accounting, the hedging transactions are classified as:

– hedges of the fair value if they are carried out against the risk of a change in the fair value of the underlying asset or liability; or an irrevocable commitment (except for currency risks);
– cash flow hedges if against the exposure to changes in the cash flows, attributable to a particular risk associated with a recognised asset or liability or a planned highly probable transaction or a currency risk related to an irrevocable commitment;
– net investment hedges for investments in foreign companies.

In the initial phase of a hedging transaction, the Group formally designates and documents the hedge ratio based on which it intends to apply the hedge accounting, its main risk management objectives and the adopted strategy. The documentation includes the identification of the hedging instrument, the element or transaction subject to the hedging, the nature of the risk and the methods by which the company intends to assess the efficacy of the hedging in offsetting the exposure to changes occurring in the fair value of the hedged item or the cash flows associated with the risk that is hedged against.

These hedges are expected to be highly effective in offsetting the exposure of the hedged element to changes in the fair value or in the cash flows that are attributable to the hedged risk; the assessment of the efficacy of these hedging transactions is carried out on a continuing basis during the periods in which they were designated.

The transactions that meet the hedge accounting criteria are recognised as follows:

Fair value hedges

Changes in the fair value of hedging derivatives are recognised through the income statement. Changes in the fair value of the hedged element and attributable to the hedged risk are recognised as part of the carrying amount of the hedged element and as a balancing entry in the income statement.

As for the fair value hedging referring to elements that are recognised according to depreciated cost criteria, the adjustment of the carrying amount is amortised in the income statements over the period prior to its maturity. Any change to the carrying value of any hedged financial instrument to which the effective interest rate method is applied, are amortised in the income statement.

The amortisation can start as soon an adjustment is made but not beyond the date at which the element subject to hedging ceases to be adjusted because of the changes in its fair value attributable to the hedged risk.

If the hedged element is written-off, the fair value that has not been amortised, is immediately recognised in the income statement.

If a non-recognised irrevocable commitment is designated as a hedged element, the subsequent cumulative changes of its fair value, attributable to the hedged risk, are stated as assets or liabilities and the corresponding gains or losses are recognised in the income statement. Changes in the fair value of the hedging instrument are also recognised in the income statement.

Cash Flow Hedging

The portion of gain or loss of the hedged instrument, related to the effective hedged portion, is directly recognised in the shareholders' equity whereas the non-effective portion is immediately recognised in the income statement.

The gain or loss stated in the shareholders' equity is reclassified in the income statement in the period when the hedged transaction affects the income statement (for example when the financial income or charge is recognised or when an expected sale or purchase occurs). When the element subject to hedging is the cost of a non-financial asset or liability, the amounts stated in the shareholders' equity are transferred at the initial carrying amount of the asset or liability.

If it is deemed that the expected transaction is no longer going to occur, the amounts initially stated in the shareholders' equity, are transferred to the income statement. If the hedging instrument expires or is sold, written-off or exercised without being replaced, or if its designation as a hedging instrument is revoked, the amounts previously stated in the shareholders' equity remain in the shareholders' equity until the expected transaction occurs.

Leases

The definition of a contractual agreement, as a leasing transaction (or containing a leasing transaction) is based on the substance of the agreement and requires an assessment as to whether the performance of the agreement depends on the use of one or more specific assets and whether the agreement transfers the right of use of those assets.

For the agreements executed prior to 1 January 2005, the effective date is 1 January 2005, in compliance with the transitional provisions of IFRIC 4.

The Group as the lessee

Financial lease agreements, which substantially transfer to the Group all the risks and benefits deriving from the ownership of the leased asset, are capitalised as at the start date of the leasing at the fair value of the leased asset, or if lower, at the actual value of the leasing payments. The leasing payments are divided pro-quota between principal and interest so as to obtain the application of a constant interest rate on the residual balance of the debt (principal). Financial charges are directly recognised in the income statements.

The capitalised leased assets are amortised over the shorter period of time between the estimated useful life of the asset and the duration of the leasing agreement if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the agreement.

The operating lease rentals are recognised as expenses in the income statement, on a straight line basis, divided according to the duration of the agreement.

The Group as the lessor

The leasing agreements which substantially attribute to the Group all the risks and benefits of the ownership of the asset are classified as operating leases. The initial trading costs are added to the carrying amount of the leased asset and stated based on the duration of the agreement on the same basis as the income from leasing businesses. Non-budgeted rentals are recognised as revenue in their accrual period.

Revenue

Revenue is stated to the extent to which it is likely that financial benefits are achieved by the Group and the related amounts can be accurately determined. The revenue is stated at the fair value of the payment received, net of discounts, allowances and other taxes on the sale. The following criteria for the recognition of revenue must be met before being recorded in the income statement:

Revenue from tariffs

The revenue is recognised on an accrual principle basis represented by the amount of consumption realised during the period, valued at the tariff applied to the Integrated Water Service and to the Sale of Gas and Electricity, and by the tariff, applied according to the time criteria, to the Municipal Waste Management Service.

Provision of services

The revenue is recognised according to the accrual principle represented by the criteria of the progress status of the activities and/or the amounts to be paid annually in accordance with the service agreements entered into with the various municipalities.

The progress status is measured as a percentage of the costs incurred against the total costs that are estimated for each agreement. When the outcome of the agreement cannot be accurately measured, the revenue is recognised only to the extent in which it is deemed that the incurred costs are considered recoverable.

Sale of assets

The revenue is recognised when the company has transferred to the purchaser all significant risks and benefits related to the ownership of the asset, generally at the time of the shipment of the merchandise.

Lease payments and concessions

Rentals deriving from investment properties are recognised on a straight-line basis over the duration of the leasing agreements as at the date of the financial statements.

Revenue from concessions refers primarily to payments received for the usage of spaces by market operators. This revenue is recognised on an accrual basis according to a time criteria.

Costs

Cost are stated at the fair value of the amount paid or to be paid.

Public funding

Public funding is recognised when there is a reasonable certainty that they will be received and that all the conditions referring to them are met. When the contributions are related to cost components, they are recognised as revenue but are systematically divided among the periods so as to be commensurate to the costs that they intend to offset. If the contribution is related to a fixed asset, it is recognised at the corresponding nominal value, as a reduction of the asset cost, and the recognition of the earnings, in the income statement, occurs progressively over the useful life of the asset of reference on a straight line basis, through the reduction of the related amortisation cost.

Financial income and charges

Interest income

It is recognised as a financial income following an assessment of the relevant interest income (by using the effective interest method which is the rate that time-discounts exactly the expected future cash flows based on the expected life of the financial instrument at the net carrying amount of the financial asset).

Dividends

The dividends are recognised when the shareholders' right to receive the payment arises.

Financial Expenses

Financial expenses are recognised in the income statement of the relevant period.

Income taxes

Current taxes

Current tax assets and liabilities for the current and previous periods are valued at the amount that is expected to be recovered from or paid to the tax authorities. The rates and the tax legislation used to calculate such amounts are those issued or substantially issued as at the financial statements closing date.

The current taxes related to elements that are directly recognised at equity, are directly recognised at equity and not in the income statement.

Deferred taxes

Deferred taxes are calculated using the liability method as regards the temporary differences resulting, as at the date of the financial statements, between the tax amounts used as a reference for the assets and liabilities, and the amounts recorded in the financial statements.

Deferred tax liabilities are recognised against all temporary taxable differences, except:

– when the deferred tax liabilities derive from the initial recognition of the goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not impact the profit for the period, calculated for financial statements purposes, nor the profit or the loss calculated for tax purposes;
– in reference to the temporary taxable differences associated with investments held in subsidiaries, associates and joint ventures, if the reversal of the temporary differences can be controlled and if its future occurrence is not likely.

Deferred tax assets are recognised against all deductible temporary differences and for the tax assets and liabilities carried forward, to the extent that the existence of adequate future taxable profits is likely and may involve the use of deductible temporary differences as well as tax assets and liabilities carried forward, except when:

– the deferred tax assets, associated with the deductible temporary differences, derive from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the time of the transaction, does not impact the profit for the period, calculated for financial statements purposes, nor the profit or the loss calculated for tax purposes;
– with reference to the temporary taxable differences associated with investments in subsidiaries, associates and joint venture companies, the deferred tax assets are recognised only to the extent that it is likely that the temporary differences will reverse in the near future and that there are adequate taxable profits against which the related temporary differences can be utilised.

The amount to be recognised in the financial statements for deferred tax assets is reassessed at each financial statement date and reduced to an extent by which it is no longer likely that sufficient taxable profits will be available in the future so as to enable the use, in full or partially, of this receivable. Non-recognised deferred tax assets are periodically reassessed on an annual basis, at the financial statement date and are recognised to the extent that it is likely that the taxable profit is sufficient to enable these deferred taxes assets to be recovered.

Deferred tax assets and liabilities are measured based on tax rates that are expected to be applied to the period when these receivables are realised or liabilities extinguished based on the current rate or the rates issued or substantially issued as at the financial statements date.

The income taxes related to items that are directly carried at equity are also directly recognised at equity and not in the income statement.

Deferred tax assets and liabilities can be offset if a legal right which enables the offsetting of current tax assets and current tax liabilities exists and if the deferred income taxes refer to the same taxpayer and to the same tax authority.

Value added taxes

Revenue, costs and assets are stated net of value added taxes, except when:

this tax, applied to the purchase of goods or services, is non-deductible, in which case it is stated as part of the purchase cost of the asset or part of the cost item recognised in the income statement;

it refers to the measured trade payables and receivables including the tax amount.

The net amount of the indirect taxes on sales that can be recovered from or paid to the tax authorities is included in the financial statements under trade receivables and payables, according to the negative or positive balance.

3. Business combination and sale of minority interests

Acquisitions in 2012

Acquisition of 15% of Alisea spa

In December 2011, the Parent Company Veritas acquired 45% equity investment of Alisea spa's share capital.

On 24 April 2012, the purchase of a further 15% of the company was concluded through the assignment of treasury shares of the parent company and the payment of EUR 80 thousand. By reason of the fact that the purchase commitment of this portion had already been defined when the previous 45% was purchased, the controlling equity interest was recognised upon the purchase of the first tranche. Therefore, the Alisea's balance sheet was consolidated on a line-by-line basis in the Veritas Group consolidated financial statements starting from 31 December 2011.

The entire capital invested in the subsidiary was tested for impairment at balance-sheet date, and determined based on discounted future cash flows of both CGUs connected with subsidiary Alisea, i.e. CGU "Management of the municipal waste service" and "Management of the landfill in the municipality of Jesolo". The impairment test highlighted no need for write-downs.

Transfer and purchase of minority interests

Transfer of 3% interest in Sifagest scarl

During 2012, the Board of Directors of the Parent Company sold 3% of the subsidiary Sifagest scarl to Depuracque Servizi: the disposal occurred at values slightly higher than the value of Sifagest's Shareholders' Equity, as recognised in the consolidated financial statements.

Acquisitions after the Reporting Period

No control acquisitions were concluded after the closing date of the financial statements.

4. Acquisition of an equity investment in a jointly controlled company

On 19 July 2012, the Parent Company Veritas spa concluded a transfer of non-monetary and monetary assets against a share capital increase reserved to the same company by the partner Municipalities of Asvo spa. The transferred assets comprise minority interests of subsidiaries Ecoprogetto srl (22.92%) and Eco-Ricicli Veritas srl (4%), as well as cash on hand in the amount of EUR 2,500 thousand, against an equity interest of 50.5% in the company Asvo spa. Based on the above transaction, as well as on the governance rules defined amongst shareholders, as of that date, Veritas spa acquired the joint control in Asvo, together with partner Municipalities.

The par value and carrying amounts of assets exchanged on the date of acquisition are shown hereunder:

transferred assets (thousands of EUR)	par value recognised upon acquisition	carrying amount
portion of net assets of Ecoprogetto (22.92%)	12,603	9,068
portion of net assets of Eco-Ricicli (4%)	200	206
cash on hand	2,500	2,500
total conferred assets	**15,303**	**11,774**
net assets of Asvo spa	**15,000**	**7,385**

Based on these values, the acquisition cost is as follows:

acquisition cost of the joint venture	
par value of the equity investment portion attributable to partner Municipalities (4.5%)	6,338
transferred cash on hand	2,500
total acquisition costs	**8,838**
debt for joint venture acquisition	1,865
net cash used	**635**

This transaction is included in the cases governed by Sic 13 standard, which envisages that, in the event of non-monetary contributions by venturers in a jointly controlled entity (JCE) in exchange for an equity interest in the JCE, the portion of gains and losses attributable to the equity interest of the other venturers (partner Municipalities at 49.5%) should be reported in the company's income statement (Veritas 50.5%) unless:

a. the significant risks and rewards related to the non-monetary asset are not transferred to the jointly controlled entity; or

b. the gain or loss resulting from the non-monetary contribution cannot be measured reliably;

c. the transfer lacks of commercial significance.

The Directors deemed that none of the three aforesaid exceptions were occurring. They therefore resolved that the portion of gains resulting from the contribution and attributable to the equity interest of the partner Municipalities should be recognised directly to Shareholders' Equity by reason of the fact that assets contributed by Veritas spa, and related to the minority interests in the companies Ecoprogetto srl and Eco-Ricicli Veritas srl, are already controlled and consolidated on a line-by-line basis. Following the aforesaid transactions, the percentage of minority interests changed for Ecoprogetto, from 3.38% to 14.72%, and for Eco-Ricicli Veritas from 21% to 21.97%, respectively.

The values related to the transaction are follows:

(in thousands of EUR)	acquisition date
par value of assets received	
Asvo portion received at transfer date (50.5%)	7,575
portion of cash on hand transferred from Veritas (50.5%)	1,263
total acquisition costs	**8,838**
carrying amount of exchanged assets	
portion of net assets of equity investments transferred attributable to partner Municipalities (49.5%)	4,591
conferred cash on hand	2,500
total net carrying amount of exchanged assets	**7,091**
higher value attributable to partner municipality (49.5%)	**1,747**
tax effect attributable to the transaction	**(576)**
increase in Shareholders' Equity for transfer of minority interests	**1,171**

The Group equity investments in joint ventures are consolidated by using the equity method. Pursuant to the equity method, equity investments in jointly controlled entities are recorded in the balance sheet at cost, increased by changes possibly occurring after the acquisition, for the portion in the investee's net assets pertaining to the Group.

The difference between acquisition cost and percentage portion of Asvo spa's net assets identifiable at the acquisition date was charged to goodwill. The book value of the equity investment therefore includes a goodwill of EUR 3,845 thousand. The equity investment as at 2012 underwent an impairment test, which highlighted no need for write-downs.

The acquisition value of the equity investment in Asvo asp as at 31 December 2012 was also increased by the portion of profit made as from the acquisition date and amounting to EUR 649 thousand.

5. Held-for-sale assets / (liabilities), or discontinuing operations, or receivables from and payables to subsidiaries held for sale

These assets and liabilities are classified in the Balance Sheet under the following items:

- long-term receivables from subsidiaries held for sale, EUR 2,365 thousand;
- receivables from subsidiaries held for sale, EUR 1,168 thousand;
- payables to subsidiaries held for sale, EUR -556 thousand;
- held-for-sale assets, EUR 15,826 thousand;
- held-for-sale liabilities, EUR -11,168 thousand.

Receivables from and payables to subsidiaries held for sale relate to amounts due to the Group from the subsidiary Ecopiave, of a financial and commercial type, as well as amounts due from the Group to the subsidiary Ecopiave, mainly related to the activity carried out by the latter on behalf of the subsidiary Eco-Ricicli Veritas srl and, to a lesser extent, to the adhesion to the tax consolidation regime of the parent company Veritas.

Held-for-sale assets, totalling EUR 15,826 thousand (EUR 21,963 thousand as at 31 December 2011) related, in the amount of EUR 10,202 thousand, to assets of the subsidiary Ecopiave and, in the amount of EUR 5,624 thousand, to real estate assets owned by both the parent company and other subsidiaries which are held for sale.

Held-for-sale liabilities, totalling EUR 11,168 thousand (EUR 16,851 thousand as at 31 December 2011) related, in the amount of EUR 9,987 thousand, to liabilities of the subsidiary Ecopiave and, in the amount of EUR 1,181 thousand, directly connected with real estate assets owned by both the parent company and other subsidiaries which are held for sale.

The table hereunder shows the results of assets held for sale or discontinued for the years 2011 and 2012:

(in thousands of EUR)	31.12.2012	31.12.2011
net profit/(loss) Ecopiave srl	-484	159
total result of discontinuing and discontinued operations	**484**	**159**
of which pertaining to third parties	**-101**	**32**

Disposal of the subsidiary Ecopiave srl - CGU Ecopiave

On 15 October 2009, the Board of Directors of the Parent Company resolved on transferring a majority interest in the newly-acquired Ecopiave srl. The subsidiary, acquired at the beginning of March 2009, together with its parent company Vetrital Servizi, now Eco-Ricicli Veritas srl, was created for the purpose of collecting and transforming glass.

During 2010 and 2011, negotiations took place with other industrial groups interested in acquiring its management. At end 2011, the complex transaction was concluded and Ecopiave signed a company lease agreement for the glass treatment business department with a newco (Ecopaté srl), controlled by the Belgian multinational Group Sibelco and 40% investee of Eco-Ricicli.

Originally the agreement had a three-year duration, starting from 1 January 2012. During the first months of 2013, however, it was extended to a further year. At the end of this period, Ecopaté srl will be entitled to purchase the business department by paying a fair value for the assets and an amount for goodwill. Ecopaté srl will make investments in the new Ecodistretto of Marghera, by building a glass treatment plant during the term of the agreement.

As at 31 December 2012, the subsidiary Ecopiave srl was still classified under discontinuing operations and therefore assets held for sale. It is worth noting that, starting from 2012, the contribution of Ecopiave to the Group had been the rental resulting from the lease agreement of the business department, signed with Ecopaté srl, as well as reduced operating charges and charges related to real estate properties. The management of the business had been substantially transferred to the associated Ecopaté srl.

The income statement for 2011 and 2012 of the subsidiary Ecopiave srl, classified as held for sale, is shown hereunder:

(in thousands of EUR)	31.12.2012	31.12.2011
revenue	1,593	8,275
costs	-2,113	-7,731
operating income	-520	544
financial charges	-136	-219
profit/(loss), before taxation, of discontinuing operations	-656	325
income taxes for the year	172	-166
total profit/(loss) for the year of held-for-sale assets	**-484**	**159**
of which pertaining to third parties	**-101**	**32**

The major classes of assets and liabilities as at 31 December 2012 and 31 December 2011, attributed to subsidiary Ecopiave srl and classified as held for sale, are as follows:

(in thousands of EUR)	31.12.2012	31.12.2011
assets		
intangible assets	–	1
goodwill	36	36
Property, plant and equipment	8,020	9,799
other non-current assets	–	–
deferred tax assets	432	138
receivables from companies of the Veritas Group	556	2,962
current assets	1,053	3,328
cash and cash equivalents	105	2
total held- forsale assets	**10,202**	**16,266**
liabilities		
current liabilities	161	1,570
payables to companies of the Veritas Group	3,533	5,044
current financial liabilities	642	2,764
non-current liabilities	173	68
non-current financial liabilities	5,477	6,120
total held- forsale liabilities	**9,986**	**15,566**
total net held- for- sale assets	**216**	**700**

Ecopiave's recoverable value of goodwill and net assets acquired was determined based on the best estimates, the subscribed agreement and special expertise drawn up by an external and independent expert and reviewed by Directors during 2013 related to the real estate properties under financial lease, as well as on discounted cash flows resulting from the disposal of the operating business branch and current value of real estate properties. The related impairment testing was performed with the support of an independent and external expert.

It should be noted that, in 2012, the real estate properties under lease were written down by EUR 1,000 thousand after an estimate made by Directors based on the market trend of this type of properties.

After making a comparison between the aggregate value resulting from the realisable price of the subsidiary's various assets and the value of the related capital invested, after impairment, it was deemed that there was no need for adjusting the book value of the subsidiary assets to the estimated realisable value.

It should be however noted that this scenario is subject to the fulfilment of sales assumptions envisaged in the sales agreement signed for the business branch, as well as to sales prices, for the corresponding real estates, being in line with estimated values, updated for 2013 with respect to expertise made in 2010. These negotiations and estimates reflect the best cash flow estimate that Directors may assume at the drawing-up date of these financial statements.

Disposal of single assets held for sale

Some assets and related liabilities, classified as held for sale, following the Director's resolution to sell the assets, or due to the signing of preliminary sales agreements are shown hereunder: The corresponding items as at 31 December 2011 are also disclosed.

in thousands of EUR	31.12.2012	31.12.2011
assets		
investment property	4,656	4,788
assets available-for-sale	509	509
deferred tax assets	371	400
total held-for-sale assets	**5,536**	**5,697**
liabilities		
provisions for risks and charges	1,170	1,274
deferred tax liabilities	11	11
total held-for-sale liabilities	**1,181**	**1,285**
total net held-for-sale assets	**4,355**	**4,412**

The Investment property item comprises a land near the Veritas' head office in Mestre of the subsidiary Mive, the value of which, following the expertise undergone in light of the current crisis of the real estate market, had already been written-down in the previous years from the historic cost of EUR 3,700 thousand to EUR 3,420 thousand.

Moreover, the sub-item comprises the real estate property in San Francesco della Vigna, in the historic centre of Venice, and amounting to EUR 1,186 thousand. This property, stated in 2008 under Investment property by the parent company, is the object of a sales negotiation. The area, purchased by an important Italian gas distribution company in 2011 form the former Amav, needs safety works which might involve the necessity of using charges allocated in the financial statements, net of uses already made over the year, and totalling EUR 1,170 thousand. This amount was allocated under Liabilities, as indicated hereabove. The related deferred tax assets were allocated as a counter-entry of this taxable provision for risks and charges.

The "Available-for-sale assets " item, equal to EUR 509 thousand, comprises 5.59% equity interest in the Parco scientifico e tecnologico Vega, owned by the subsidiary Mive.

6. Intangible assets

Changes in intangible assets as at 31 December 2012 and 31 December 2011 are as follows:

in thousands of EUR	patent rights,	licences and software	conces-sions, public services	other in-tangible assets	invest-ments in progress	total
cost						
as at 1 January 2011	**190**	**20,028**	**17,987**	**460**	**134**	**38,799**
increases for business combinations	–	83	9,225	–	–	9,308
increases	–	1,693	–	–	80	1,773
disposals	(2)	(177)	–	–	–	(179)
reclassifications	–	110			(110)	
purchase of minority inter-est						
discontinuing oprations					(25)	(25)
as at 31 December 2011	**188**	**21,737**	**27,212**	**460**	**79**	**49,676**
amortisation and write-downs						
as at 1 January 2011	**(190)**	**(15,713)**	**(5,389)**	**(88)**	**–**	**(21,379)**
increases for business combinations	–	(48)	–	–	–	(48)
amortisation	–	(2,049)	(1,605)	(128)	–	(3,782)
disposals	2	120	–	–	–	122
reclassifications	–	–	–	128	–	128
impairment	–	–	–	–	–	–
discontinuing operations	–	1	–	–	–	1
as at 31 December 2011	**(188)**	**(17,689)**	**(6,994)**	**(88)**	**–**	**(24,958)**
net carrying amount						
as at 31 December 2011	**(0)**	**4,048**	**20,218**	**373**	**79**	**24,717**
cost						
as at 1 January 2012	**188**	**21,737**	**27,212**	**460**	**79**	**49,676**
increases for business combinations	–	–	–	–	–	–
increases	–	1,110	–	–	123	1,233
disposals	–	–	–	–	–	–
reclassifications	–	80	–	–	(80)	–
purchase of minority inter-est	–	–	–	–	–	–
discontinuing operations	–	–	–	–	–	–
as at 31 December 2012	**188**	**22,927**	**27,212**	**460**	**122**	**50,909**
amortisation and write-downs						
as at 1 January 2012	**(188)**	**(17,689)**	**(6,994)**	**(88)**	**–**	**(24,958)**
increases for business combinations	–	–	–	–	–	–
amortisation	–	(2,137)	(1,963)	(154)	–	(4,254)
disposals	–	–	–	–	–	–
reclassifications	–	–	–	154	–	154
impairment	–	–	–	–	–	–
discontinuing operations	–	–	–	–	–	–
as at 31 December 2012	**(188)**	**(19,826)**	**(8,957)**	**(88)**	**–**	**(29,058)**

net carrying amount						
as at 31 December 2012	**(0)**	**3,101**	**18,255**	**373**	**122**	**21,850**

Increases for the year related to item Licences and Software are almost exclusively due to the development and update of SAP software modules.

The Public service concession item comprises, since 2011, the current value attributed to the concession for the management of the landfill located in the Municipality of Jesolo, within the acquisition of Alisea spa. This concession will expire in 2030 and its value has been amortised since 2012 based on the duration of the concession itself.

The remaining amount of the Public service concession item relates to the residual value of concessions for the municipal waste service for the Mirese area and the municipalities of Chioggia, Mogliano Ambiente and Cavarzere Ambiente, the expiry dates of which were defined based on provisions set out in the service contract of Veritas spa, i.e. 31 December 2019, in addition to the expiry date of 31 December 2018, set out by ATO (Optimal Territorial Ambit Authority) laguna, and related to the management of the Integrated Water Service for the Mirese area, and the municipalities of Chioggia and Mogliano Veneto (TV).

In light of the development of regulations on Local Public Services, the directors deemed that the residual duration of concessions in place for the hygiene services should be reviewed.

Concession services

Following the adoption of IFRIC 12 and after analysing the concession relations in place with entities, the Group deemed necessary to apply the interpretation to all businesses of the integrated water cycle managed by the parent company.

All infrastructures involved were therefore reclassified under a separate item "Concession services" of intangible assets.

Moreover, the corresponding public contributions, previously stated as components of current and non-current liabilities were reclassified, disclosing the net amount of concession services.

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The amounts of concession services are as follows:

in thousands of EUR	31.12.2012	31.12.2011
"water" concession services	152,940	152,362
total concession services	**152,940**	**152,362**

The following table highlights changes in Concession services as at 31 December 2012 and 31 December 2011:

in thousands of EUR	total concession services
cost	
as at 1 January 2011	**425,832**
increases	17,111
reclassifications	–
disposals	(4,991)
as at 31 December 2011	**437,952**
amortisation and write-downs	
as at 1 January 2011	(111,646)
amortisation	(12,665)
reclassifications	(57)
disposals	4,714
impairment	(271)
as at 31 December 2011	**(119,925)**
residual value of 2011 contributions	**(165,665)**
net carrying amount	
as at 31 December 2011	**152,362**
cost	
as at 1 January 2012	437,952
increases	12,049
reclassifications	146
disposals	(63)
as at 31 December 2012	**450,084**
amortisation and write-downs	
as at 1 January 2012	**(119,925)**
amortisation	(12,572)
reclassifications	–
disposals	57
impairment	(1,034)
as at 31 December 2012	**(133,474)**
residual value of 2012 contributions	**(163,671)**
net carrying amount	
as at 31 December 2012	**152,940**

The economic-technical amortisation rates, representing the expected future economic benefits resulting from the use of the asset, as well as from the residual value of infrastructures, as envisaged by the reference standards, are the same as those already adopted by the Group.

7. Goodwill and checks on the related impairment

Goodwill acquired through business combinations were allocated to the following CGUs, included in different business sectors, for impairment testing purposes:

- Unità Polo di smaltimento rifiuti - Ecoprogetto
- Unità Sii area territoriale in Mogliano Veneto
- Unità Eco-Ricicli Veritas (former Vetrital).

The book value of goodwill allocated to each single CGU is listed hereunder:

in thousands of EUR	31.12.2011	increases	decreases	31.12.2012
CGU Ecoprogetto	12,790	–	-126	12,664
CGU SII area Mogliano Veneto	788	–	–	788
CGU Eco-ricicli Veritas (former Vetrital)	3,122	–	-78	3,044
total goodwill	**16,700**	**–**	**-204**	**16,496**

Decreases relate to the transfer of the minority interests in Ecoprogetto srl and Eco-Ricicli srl into Asvo spa, 50.5% investee.

Unità Polo di smaltimento rifiuti - Ecoprogetto

The recoverable amount from the waste disposal unit Polo di smaltimento rifiuti, which is currently managed by the subsidiary Ecoprogetto srl, was determined based on the value in use.

Projected cash flows included in the 2013-2017 financial plan, approved by the BoD, were used in calculations.

The time-discounting rate applied to projected cash flows was 8.11% for the 2013-2017 years. The terminal value was taken by assuming Noplat for year 2017 as reference cash flow for capitalisation, at constant 2% growth rate.

The impairment test, performed by an expert appointed by the parent company, confirmed that goodwill recorded in the financial statements was recoverable based on the business plan approved by the BoD of Ecoprogetto.

During the year, following the purchase of Asvo shares by the parent company, through the disposal of the 22.92% equity investment in Ecoprogetto, the aggregate value of goodwill decreased by EUR 126 thousand.

Unità Eco-Ricicli Veritas

The recoverable value of this unit was determined based on the value in use. Projected cash flows, included in the 2013-2016 four-year financial plan, approved by the BoD, were used in calculations.

The time-discounting rate applied to projected cash flows is 8.35%, and cash flows over four years were extrapolated by using a growth rate of 0.50%.

During the year, following the purchase of Asvo shares by the parent company, through the disposal of the 4% equity investment in Eco-Ricicli Verits, the aggregate value of goodwill decreased by EUR 78 thousand.

Sensitivity and changes in assumptions

As regards the Polo di smaltimento rifiuti unit, possible changes in cash flows used for impairment testing might occur due to the actual implementation, within the preset timing, of the investments in waste treatment plants, as envisaged by the 2013-2017 plan, as well as to the actual volumes of waste to be treated, which have to be consistent with plan expectations.

The non-fulfilment of timing for these investments and expected volumes of waste might determine an excessive book value compared to the recoverable value of assets related to this CGU.

The directors, however, do not deem that the aforesaid delays or events might actually occur.

As regards the unit Eco-Ricicli Veritas, actions implemented lead to reasonably believe that the 2013-2016 industrial plan will be complied with.

Possible changes in cash flows, used for impairment testing, might however occur due to the actual capacity of the subsidiary to achieve business volumes and gains expected in the industrial plan. The necessity for adjustments of goodwill might therefore arise in the future.

The directors do not deem that this risk might actually occur.

8. Property, plant and equipment

Changes in property, plant and equipment as at 31 December 2012 and 31 December 2011 are as follows:

in thousands of EUR	land and buildings	plant and machinery	industrial and commercial equipment	other assets	leasehold improvements	assets subject to reversion free of charge	leased assets	assets in progress or advances	total
as at 1 January 2011	**97,459**	**59,342**	**8,102**	**24,870**	**2,150**	**1,422**	**19,100**	**12,130**	**224,576**
cost									
increases for business combinations	–	8,938	2,492	837	–	–	3,812	1,033	17,112
increases	3,457	2,944	2,014	4,340	775	–	528	893	14,951
disposals	4,123	(7,433)	(216)	(2,299)	(315)	39	–	2,900	(3,201)
reclassifications	7,602	4,030	(3)	6	(431)	–	–	(11,428)	(224)
discontinuing operations	–	–	–	115	–	–	–	(114)	1
as at 31 December 2011	**128,966**	**87,622**	**26,489**	**65,453**	**6,952**	**2,265**	**38,167**	**6,320**	**362,234**
depreciation and write-downs									
increases for business combinations	–	(3,085)	(1,980)	(517)	–	–	(1,015)	–	(6,597)
depreciation	(2,994)	(4,528)	(1,703)	(4,137)	(593)	(113)	(1,815)	–	(15,884)
disposals	189	976	235	1,505	273	–	–	(33)	3,145
reclassifications	(599)	(520)	3	264	295	–	–	461	(96)
impairment	–	(0)	–	(34)	–	–	–	(219)	(253)
discontinuing operations	–	–	–	–	–	–	–	–	–
as at 31 December 2011	**(17,340)**	**(25,425)**	**(17,500)**	**(40,313)**	**(4,727)**	**(917)**	**(17,557)**	**(697)**	**(124,475)**
residual value of 2011 contributions	(2,260)	(1,148)	–	(50)	–	–	–	–	(3,458)
net carrying amount **as at 31 December 2011**	**109,366**	**61,049**	**8,988**	**25,090**	**2,225**	**1,348**	**20,610**	**5,623**	**234,301**
cost									
increases for business combinations	–	–	–	–	–	–	–	–	–
increases	910	3,295	3,214	5,701	594	–	470	3,073	17,256
disposals	(400)	(1,760)	(685)	(1,202)	165	–	–	(35)	(3,917)
reclassifications	(5,108)	10,117	–	11	(245)	–	–	(4,673)	(102)
discontinuing operations	–	–	–	–	–	–	–	–	–
as at 31 December 2012	**124,367**	**99,274**	**29,018**	**69,964**	**7,466**	**2,265**	**38,637**	**4,684**	**375,675**

depreciation and write-downs									
increases for business combinations	–	–	–	–	–	–	–	–	–
depreciation	(3,157)	(5,588)	(1,793)	(4,317)	(515)	–	(2,161)	–	(17,530)
disposals	174	907	496	1,085	(26)	–	–	33	2,668
reclassifications	642	(667)	–	14	61	–	–	(393)	(343)
impairment	–	–	–	–	–	–	–	(376)	(376)
discontinuing operations	–	–	–	–	–	–	–	–	–
as at 31 December 2012	**(19,681)**	**(30,773)**	**(18,797)**	**(43,531)**	**(5,207)**	**(917)**	**(19,719)**	**(1,433)**	**(140,056)**
residual value of 2012 contributions	(2,119)	(858)	(14)	(59)	–	–	–	(600)	(3,650)
net carrying amount									
as at 31 December 2012	**102,567**	**67,643**	**10,207**	**26,374**	**2,259**	**1,348**	**18,919**	**2,651**	**231,968**

During the year, the main increases were related to works for the lifting station of Isola del Tronchetto, the Lido/Fusina duct under the lagoon and the water treatment plants. Standard investments in water and sewerage networks continued (by the parent company), as did the renewal of the motor vehicle fleet and equipment used by the Environmental Hygiene segment. Eco-Ricicli also made investments in Vpl. purification plants. As regards photovoltaic and biomass plants, investments equal to around EUR 900 thousand were made. With regard to Alisea, owned assets and/or assets under financial lease primarily related to investments made in the landfill and the leachate plant, as well as in corporate motor vehicles used for waste collection or corporate car fleet.

Depreciation over the year, amounting to EUR 17,530 thousand, was calculated on all depreciable assets at year-end, by applying rates which are deemed to reflect the technical-economic useful life of assets, as described in the valuation criteria. This calculation was made based on a special study specially assigned on the occasion of the formation of the parent company Veritas to take account of the actual situation of assets used by three companies object of the merger. The definition and/or review of useful lives were carried out to adjust amortisation/depreciation valuation criteria at Group level.

The aforesaid rates, proportionally reduced for assets that have become operating during the year to take account of their shorter use, were defined based on the residual possible use of assets and they are therefore deemed as reflecting the economic-technical useful life of property, plant and equipment.

9. Investment property

The following table shows the changes in Investment property as at 31 December 2012 and 31 December 2011, entirely composed of land and buildings:

in thousands of EUR	total
cost	
as at 1 January 2011	**11,223**
increases	
disposals	
as at 31 December 2011	**11,223**
depreciation and write-downs	
as at 1 January 2011	**-39**
depreciation	-2
as at 31 December 2011	**-41**
net carrying amount	
as at 31 December 2011	**11,181**
cost	
as at 1 January 2012	**11,223**
increases	
disposals	
as at 31 December 2012	**11,223**
depreciation and write-downs	
as at 1 January 2012	**-41**
depreciation	-2
as at 31 December 2012	**-43**
net carrying amount	
as at 31 December 2012	**11,179**

Item Investment property comprises EUR 11,139 thousand related to a piece of land in Marghera, near the areas where the subsidiaries Ecoprogetto and Eco-Ricicli Veritas operate. Here the Group is planning to build an "Ecodistrict" by relocating a number of industrial businesses, which will be managed by both Group companies and companies external to the Group and operating in the waste treatment field.

10. Equity investments in associates and jointly controlled companies

The Group owns the following equity investments in associates and jointly controlled companies:

	book value		% equity investment	
in thousands of EUR	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Sifa scpa	14,251	8,854	30.00%	31.00%
Insula spa	556	1,126	26.73%	26.73%
Elios srl	507	483	50.00%	50.00%
Consorzio bonifica e riconversione produttiva Fusina	49	49	49.05%	49.05%
Amest srl	812	828	43.46%	34.00%
Steriladria srl	3	27	35.00%	35.00%
Ecopaté srl	62	40	40.00%	40.00%
total equity investments in associates	**16,240**	**11,407**		
Veritas Energia srl	1,746	2,486	49.00%	49.00%
Asvo spa	9,486	0	50.50%	–
total equity investments in jointly controlled companies	**11,232**	**2,486**		

Associates and jointly controlled companies are not listed in any regulated market.

Sifa scpa

The main object of the company, established in 2005, is the design, building and economic-financial management of interventions through the funding of projects related to the concession of the complex named Progetto Integrato Fusina (Fusina Integrated Project).

In July 2012, the parent company sold 1% of the equity investment to Depuracque Servizi srl. The current shareholding is therefore 30%.

Compared with the previous year, the value of the equity investment increased as a result of both the contribution of the 1% disposal, totalling EUR 295, in the future share capital increase, proportionally to the shares owned (EUR 7,561 thousand), and the book value adjustment of the equity investment by effect of the application of the equity method (EUR 1,869 thousand).

The company has not yet formally approved the financial statements as at 31 December 2012.

The following table therefore summarises the main financial disclosures on the equity investment in Sifa scpa, only in relation to the financial statements ended 31 December 2011:

in thousands of EUR	31.12.2011
portion of Shareholders' Equity of the associated company	
current assets	6,282
non-current assets	38,747
current liabilities	-31,722
non-current liabilities	-2,616
total net assets	**10,691**
portion of revenue and profit/(loss) of the associated company	
revenue	2,333
profit (loss)	6
carrying amount of equity investment	**14,251**

The figures above do not include all payments made up to 31 December 2012 by Sifa partners in relation to the future share capital increase, amounting to EUR 20,000 thousand, EUR 6,097 of which were made on 31 December 2011.

Insula spa

The company operates within works financed by the special law regarding Venice for the consolidation, extraordinary maintenance of Venice historical centre, and the "progetto integrato rii".

A summary of the financial information on equity investment in Insula spa is shown in the following table:

in thousands of EUR	31.12.2012	31.12.2011
portion of Shareholders' Equity of the associated company		
current assets	25,837	28,936
non-current assets	175	1,225
current liabilities	-24,426	-28,670
non-current liabilities	-379	-375
total net assets	**1,207**	**1,116**
portion of revenue and profit/(loss) of the associated company		
revenue	5,460	5,598
profit (loss)	91	-651
carrying amount of equity investment	**556**	**1,126**

The equity investment in Insula as at 31 December 2012 was developed for further EUR 650 thousand, after receiving the amount for the year pertaining to the company, in light of the uncertain future cash flows of this equity investment.

Elios srl

The company deals with the operation of a crematorium in the cemetery of Spinea (Ve), under concession until 2030. The company renders other cemetery services for Spinea (Ve).

A summary of the financial information on equity investment in Elios srl is shown in the following table:

in thousands of EUR	31.12.2012	31.12.2011
portion of Shareholders' Equity of the associated company		
current assets	642	563
non-current assets	662	637
current liabilities	-789	-708
non-current liabilities	-9	-6
total net assets	**507**	**485**
portion of revenue and profit/(loss) of the associated company		
revenue	1,172	1,118
profit (loss)	21	76
carrying amount of equity investment	**507**	**483**

Consorzio per la bonifica e riconversione produttiva Fusina

The Consortium, which is 49.5% owned by the Group, manages the remediation and industrial reconversion of an important plot of land of over 128,000 square metres in the Marghera industrial area.

A summary of the financial information on equity investment in the Consortium is shown in the following table:

in thousands of EUR	31.12.2012	31.12.2011
portion of Shareholders' Equity of the associated company		
current assets	2,510	3,590
non-current assets	94	90
current liabilities	-2,558	-3,635
total net assets	**46**	**45**
portion of revenue and profit/(loss) of the associated company		
revenue	155	204
profit (loss)	0	1
carrying amount of equity investment	**49**	**49**

Amest srl

The company holds 100% of the Polish Group Amset Sp z.o.o. since December 2012 and operates with four landfills in four different regions in Poland.

A summary of the consolidated financial disclosures of the Polish Group is shown in the following table:

in thousands of EUR	31.12.2012	31.12.2011
portion of the Shareholders' Equity of Amest zoo		
current assets	8,848	6,755
non-current assets	4,613	4,153
current liabilities	-3,333	-1,560
non-current liabilities	-2,953	-3,963
total net assets	**7,176**	**5,385**
portion of revenue and profit/(loss) of Amset zoo		
revenue	11,304	9,629
profit (loss)	99	728
carrying value of equity investment	**812**	**828**

In October 2012, the share capital increase was resolved for a total amount of EUR 1,600 thousand, of which EUR 812 thousand were subscribed by Veritas. Following this transaction, the equity investment is now divided among shareholders as follows:

- Veritas spa 43.46%;
- Iris Servizi spa 42.18%;
- Asa International spa 14.36%.

The book value of the equity investment in Amest srl was then adjusted to the estimated realisation value, totalling EUR 812 thousand.

Veritas Energia srl

The Company, 49% owned by Veritas, is managed together with Ascopiave spa and operates in the sale of Gas and Electricity segment in the Province of Venice.

A summary of the financial information on equity investment in Veritas Energia srl is shown in the following table:

in thousands of EUR	31.12.2012	31.12.2011
portion of Shareholders' Equity of the associated company		
current assets	30,569	23,709
non-current assets	864	1,041
current liabilities	-29,970	-23,030
non-current liabilities	-614	-117
total net assets	**849**	**1,604**
portion of revenue and profit/(loss) of the associated company		
revenue	56,719	49,145
profit (loss)	-265	623
carrying amount of equity investment	**1,746**	**2,486**

The book value includes the net carrying amount of the "customer list", net of the related tax effect in addition to goodwill, determined at acquisition date.

The book value was adjusted by EUR 490 thousand due to the distribution of dividends and by EUR 250 thousand due to the use of the equity method.

Asvo spa

As regards Asvo, reference is made to comments on note 4.

Steriladria srl

The Company was established in October 2011 and is 35% investee of Ecoprogetto srl. This company, with head office in Adria, deals with the disposal of hospital-related waste.

A summary of the financial information on equity investment in Steriladria srl is shown in the following table:

in thousands of EUR	31.12.2012	31.12.2011
portion of Shareholders' Equity of the associated company		
current assets	88	52
non-current assets	417	372
current liabilities	-498	-395
non-current liabilities	-4	-1
total net assets	**3**	**27**
portion of revenue and profit/(loss) of the associated company		
revenue	254	12
profit (loss)	-24	-8
carrying value of equity investment	**3**	**27**

Ecopaté srl

The company was established in September 2011 and in December 2012 was 40% investee of Eco-Ricicli Veritas srl. It has been operating since January 2012 after entering the company lease agreement with Ecopiave srl and deals with the treatment of glass at the plant in Musile di Piave.

The first financial statements of this business ended 31 December 2012.

in thousands of EUR	31.12.2012
portion of Shareholders' Equity of the associated company	
current assets	1,651
non-current assets	1,534
current liabilities	-2,288
non-current liabilities	-839
total net assets	**59**
portion of revenue and profit/(loss) of the associated company	
revenue	2,444
profit (loss)	-381
carrying value of equity investment	**62**

11. Available-for-sale financial assets

Available-for-sale financial assets, equal to EUR 224 thousand, relate to minority interests held by the parent company (EUR 221 thousand) and Ecoprogetto (EUR 3 thousand). In particular, they include 18% equity investment in a planning company operating on behalf of the associated company Sifa scpa, recorded for EUR 76 thousand, and 5% equity investment, in the amount of EUR 114 thousand, in Venis spa, the IT company controlled by the Municipality of Venice.

The Group owns minority interest also in some compulsory Consortia, for a total value or EUR 37 thousand.

12. Other financial assets

in thousands of EUR	31.12.2012	31.12.2011
guarantee deposits	1,106	1,100
other receivables from fixed assets	4,514	4,535
total other financial assets	**5,620**	**5,635**

Guarantee deposits are not interest-bearing.

Other receivables from fixed assets as at 31 December 2012 amounted to EUR 4,514 thousand and almost entirely relate to amounts due from Alisea for an expropriation indemnity and guarantees after closure of the landfill in Jesolo.

13. Inventories

The following table highlights disclosures on inventories as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
spare parts and consumables	3,798	3,863
Cdr	35	147
fuels	84	81
provision for inventory depreciation	-116	-116
total inventories	**3,801**	**3,975**

Inventories primarily comprise spare parts for maintenance purposes of water and sewerage networks, as well as of purification plants, and for the maintenance of waste treatment plants owned by the Group.

Inventories are disclosed net of the provision for inventory depreciation created after the write-down of some clothing items, which were no longer compliant with service needs, and some spare parts, which were no longer usable.

14. Contract work in progress

The following table highlights disclosures on contract work in progress as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
revenue from contract work recognised as revenue for the period	5,050	7,789
costs for contract work borne at balance-sheet date	5.050	7,789
profit recognised at balance-sheet date	**–**	**–**
advances received form the Municipality of Venice	1,976	4,814
gross amount due by the principal for contract works	**5,053**	**4,826**

Contract works primarily relate to works and supplies ordered by the Municipality of Venice to the parent company and still uncompleted at the end of these financial statements.

It is worth noting that agreements with the Municipality of Venice envisage the payment for the mere costs incurred for the works carried out, with no gain.

The advance payments received from the Municipality of Venice are recognised under item "Due to shareholders".

15. Trade receivables

The following table highlights disclosures on trade receivables as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
trade receivables	28,335	31,345
due from Sii and Siu users	104,396	111,261
due from related parties	31	1,941
provision for doubtful trade debts	-3,174	-3,762
provision for doubtful debts related to facilities	-19,962	-28,444
total trade receivables	**109,626**	**112,341**

Trade receivables are not interest-bearing and they usually have a 60-day maturity term.

Amounts due from Sii and Siu users are not interest-bearing until maturity, which is 30 days from invoice issue. After their maturity date, default interest are accrued according to terms and conditions agreed upon by municipalities.

Amounts due from related parties comprise receivables from subsidiaries of Shareholders. Further detail thereof is provided in Note 45. Trade receivables are disclosed net of provision for doubtful debts.

The changes in the provision for doubtful debts are shown in the following table for each year under evaluation:

in thousands of EUR	written down individually	written down collectively	total
as at 1 January 2011	**2,751**	**21,828**	**24,579**
increases for business combinations	3,612	0	3,612
accrual	1,751	3,488	5,239
uses	-433	-791	-1,224
as at 31 December 2011	**7,681**	**24,525**	**32,206**
accrual	356	6,347	6,701
uses	-1,039	-14,730	-15,769
unused and reversed amounts	-3,604	3,602	-2
as at 31 December 2012	**3,394**	**19,744**	**23,136**

Increases due to business combinations for the year 2011 related to Alisea's provision for doubtful debts at the acquisition date. In 2012, this provision was restated correctly with an aggregate write-down of EUR 3,602 thousand.

In 2012, the Group made allocations for EUR 6,701 thousand and used a total amount of EUR 15,769 thousand. In particular, the use of EUR 11,410 thousand results from the write-off of receivables lower than EUR 5,000, prior to 2009, carried out by the parent company according to tax regulations.

As at 31 December, the analysis of trade receivables, overdue but not written down, is as follows:

			overdue but not written down				
in thousands of EUR	total	not overdue - performing	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2012	109,626	48,140	14,488	6,969	3,779	4,274	31,976
2011	112,341	52,944	10,027	6,289	4,837	4,197	34,047

The column overdue over 120 days is primarily attributable to amounts due from invoicing of Alisea spa.

16. Due from shareholders

The following table highlights disclosures on amounts due from shareholders at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
due from the Municipality of Venice	19,473	31,495
due from Municipalities holding over 10% minority interest	5,148	2,038
due from Municipalities holding less than 10% minority interest	5,208	5,222
total due from shareholders	**29,829**	**38,755**

Amounts due from the Municipality of Venice are broken down as follows:

in thousands of EUR	31.12.2012 within 12 months	31.12.2011 within 12 months
due from service contract	8,994	8,671
due for engineering works	2,917	9,480
other current receivables	3,854	7,845
amounts due for invoices to be issued	3,391	3,158
due from Sii and Siu	362	2,408
provision for doubtful debts of the Municipality of Venice	-45	-67
total due from the Municipality of Venice	**19,473**	**31,495**

Receivables from shareholders decreased by EUR 8,926 thousand. For these amounts as well, the parent company used the credit transfer instrument with the Municipality of Venice.

Conversely, amounts due from Municipalities with equity investment higher than 10% (Chioggia) increased by EUR 3.1 million. In addition to usual trade receivables, two important operations were finalised towards year-end: the allocation of EUR 1,700 thousand, formalised through resolution, resulting from a regional grant obtained in favour of the working fund for the Ca' Rossa landfill, managed by the parent company, and 30% advance payment made (EUR 1,867 thousand) by Veritas at year-end on the preliminary purchase of Sst spa shares, a municipal investee, to evaluate possible operating synergies.

17. Due from associates and jointly controlled companies

The following table highlights disclosures on amounts due from associates as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012 within 12 months	31.12.2012 over 12 months	31.12.2011 within 12 months	31.12.2011 over 12 months
Insula spa	142	–	67	–
Consorzio bonifica Fusina	–	–	25	1,210
Veritas Energia srl	1,024	1,696	485	2,838
Sifa scpa	7,166	–	3,311	–
Steriladria srl	85	129	–	116
Ecopaté srl	–	800	–	–
Asvo spa	877	–	–	–
total amounts due from associates and jointly controlled companies	**9,294**	**2,625**	**3,888**	**4,164**

Amounts due from Sifagest to Sifa increased due to the amendment of the service contract for the purification of industrial waste from the Porto Marghera area.

18. Other receivables

The following table highlights disclosures on other receivables as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
receivables for Regional grants related to plants	3,423	3,735
due from Tax Authorities for VAT	4,625	5,310
due from Tax Authorities for excise duties, add-ons, etc.		22
advances to suppliers and employees	170	128
due to social security and welfare institutes	421	438
financial receivables from other companies		18
prepayments and accrued income	2,301	1370
receivables for disposal of investment property		1,424
other receivables	6,479	5,617
total other receivables	**17,419**	**18,062**

Receivables for Regional grants relate to grants on investments resolved by the Region but not yet paid to the parent company. The aforesaid receivables are still high in 2012.

Receivables for disposal of investment property, equal to EUR 1,424 thousand as at 31 December 2011, and resulting from the sale of a piece of land, former Alcoa, to Idealservice srl, were fully collected in January 2012.

Other receivables include around EUR 2,400 thousand of receivables related to Sifagest, of which EUR 1,038 thousand due from Spm scarl and EUR 1,379 thousand from minority interest.

In 2012, financial receivables from other companies were restated under other financial assets.

19. Due from current income taxes

The following table highlights disclosures on amounts due from current income taxes as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
IRES tax receivables within the year	5,185	209
IRES tax receivables after the year	5,544	–
IRAP tax receivables	55	4
other tax receivables	57	41
total due from current income taxes	**10,841**	**254**

Amounts due from IRES (Corporate Income Tax) and IRAP (Regional Business Tax) taxes related to the difference between taxation pertaining to the year, and advance taxes paid by the parent company and other subsidiaries not included in the national tax consolidation regime of the parent company Veritas spa, as they are newly acquired.

It should be noted that, given the fact that the parent company, as parent company of the Veritas Group, adhered to the national tax consolidation regime, the payment of the IRES tax therefore pertains to the parent company itself.

The IRES tax receivables, payable after the year and amounting to EUR 5,544 thousand, related to the deduction of the IRAP tax on labour costs for IRES tax purposes for the years 2007/2011, after the reimbursement claims filed in February 2013 (Art. p.16 of It. Law Decree 16/2012) by the parent company, on behalf of all companies included in the tax consolidation regime in the above period (amounting to EUR 5,325 thousand), as well as by the other subsidiaries.

20. Cash and cash equivalents

The following table highlights disclosures on cash and cash equivalents as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
cash on hand and cheques	27	60
bank deposits	15,455	18,405
total cash and cash equivalents	**15,482**	**18,465**

Cash deposited on bank deposits accrues floating rate interest based on bank daily deposit rates.

Short-term deposits generally accrue interests in line with 3-month Euribor rates. The fair value of cash on hand is EUR 15,482 thousand (EUR 18,465 thousand as at 31 December 2011).

As at 31 December 2012, the Group has unused credit facilities amounting to around EUR 35 million, compared with EUR 30 million as at 31 December 2011.

21. Share capital and reserves

The following table highlights disclosures on share capital and reserves as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
share capital	110,974	110,974
legal reserve	1,360	1,163
other reserves	36,537	30,562
total Group shareholders' equity	**148,871**	**142,699**
share capital and reserves pertaining to minority interest	9,645	4,109
total shareholders' equity of minority interest	**9,645**	**4,109**
total shareholders' equity	**158,515**	**146,807**

The share capital as at 31 December 2012 amounted to EUR 110,974 thousand and it is composed of 2,219,477 shares with a par value of EUR 50 each. Of the aforesaid shares, 890 shares, for a par value of EUR 44 thousand, are owned by the parent company in view of possible transfers to other Municipalities within the Province that might elect to become a partner.

The Legal reserve increased by EUR 198 thousand, compared with the previous year, as a result of the allocation of 5% profit for 2011 of the parent company Veritas. The reserve is not distributable as it has not reached the threshold set out by Art. 2430 of the Italian Civil Code.

Other reserves reported a net increase of EUR 3,810 thousand, due to the portion of profit for 2011, not allocated to the legal reserve. For further information, reference is made to the Statement of Changes in Shareholders' Equity.

Shareholders' Equity pertaining to minority interest comprises the portion of shareholders' equity and profit/(loss) pertaining to minority interest in subsidiaries, like Ecoprogetto, Eco-Ricicli Veritas, Sifagest and Alisea. As at 31 December 2012, it totalled EUR 9,645 thousand. The increase, amounting to EUR 5,536 thousand, is primarily connected with the purchase of the equity investment in Asvo spa. Reference is made to comments to Note 4, where the operation is described.

22. Due to banks and long-term loans

The following table highlights disclosures on amounts due to banks and long-term loans as at 31 December 2012 and 31 December 2012:

in thousands of EUR	date of credit granting	amount original	interest rate	date of maturity	residual 31.12.2012	of which short-term	of which medium/long-term
	20/01/1998	119	0.06	31/12/2018	52	7	45
* *	30/06/2002	1,420	6m Euribor +1.4%	31/12/2018	406	406	–
*	01/08/2002	7,000	6m Euribor +0.54%	30/06/2017	2,558	530	2,028
* *	15/05/2005	12,000	6m Euribor +1.4%	30/06/2018	2,337	2,337	–
* *	30/09/2005	2,000	6m Euribor +1.4%	31/12/2018	518	518	–
* *	29/12/2006	12,000	6m Euribor +1.4%	31/12/2018	4,658	4,658	–
	24/12/2007	18,000	3m Euribor +1.5%	31/12/2016	11,980	3,000	8,980
	19/12/2007	5,000	3m Euribor +0.8%	30/09/2014	1,491	835	656
	24/12/2007	5,000	6m Euribor +2.5%	31/12/2012	551	551	–
	13/12/2008	10,000	3m Euribor +1.45%	31/12/2013	2,212	2,212	–
* * *	07/05/2008	10,000	6m Euribor +0.85%	31/01/2015	3,391	1,450	1,941
	22/05/2008	10,000	6m Euribor +0.75%	31/05/2013	1,126	1,126	–
	29/12/2009	25,000	6m Euribor +1.3%	31/12/2025	22,092	1,480	20,612
*	24/07/2009	20,000	6m Euribor +1.75%	30/06/2024	17,449	1,096	16,353
	14/01/2009	10,000	3m Euribor +0.75%	24/10/2016	5,203	1,827	3,376
	06/04/2010	5,000	3m Euribor +1.5%	08/04/2013	856	856	–
***	25/05/2010	15,000	3m Euribor +1.6%	30/06/2014	6,554	4,358	2,196
	09/11/2010	10,000	3m Euribor +1.75%	31/12/2015	6,125	1,999	4,126
	10/01/2011	1,000	3m Euribor +1.5%	10/01/2014	426	340	86
	03/08/2011	4,500	3m Euribor +2.10%	01/07/2022	6,867	606	6,261
(d)	01/02/2012	2,500	second tranche				
(a)	02/08/2012	5,000	3m Euribor +5.50%	30/09/2017	4,785	964	3,821
(b)	29/11/2012	5,000	6m Euribor +4.90%	30/11/2017	4,950	897	4,053
***	31/08/2011	15,000	3m Euribor +12.80%	31/08/2016	13,110	3,529	9,581
	28/12/2011	1,200	4.40%	30/06/2026	949	52	897
*	15/05/2001	15,977	3m Euribor +1.6%	31/12/2015	4,588	1,454	3,134
*	21/11/2002	9,296	3m Euribor +1.3%	30/09/2017	3,899	746	3,153
*	07/03/2006	4,000	3m Euribor +1.6%	31/03/2018	2,134	357	1,777
	13/04/2006	1,200	6m Euribor +1.2%	30/04/2016	471	132	339
	14/06/2007	3,100	3m Euribor +0.8%	31/03/2013	155	155	–

	Loans based on work in progress reports	20,900	6m Euribor +1.45%	31/12/2020	17,152	1,923	15,229
	16/03/2010	5,000	6m Euribor +1.8%	31/12/2014	2,500	1,250	1,250
	19/10/2010	1,000	6m Euribor +1.75%	19/10/2015	619	202	417
	26/04/2011	1,000	3m Euribor +1.85%	21/04/2014	511	339	172
(c)	05/04/2012	500	3m Euribor +4.5%	30/04/2015	396	164	232
	03/10/2008	10,000	6m Euribor +0.79%	30/06/2020	9,000	1,500	7,500
total long-term loans					**162,071**	**43,856**	**118,215**
less current portion					-43,856		
long-term loans - current portion					**118,215**		

It is noted that the following loans (marked in the table with *) are covered with mortgages:

- loan signed on 1 August 2002 by Veritas spa with Banca Opi, in the amount of EUR 7,000 thousand, with a residual debt of EUR 2,558 thousand as at 31 December 2012, covered with a mortgage on the real estate property of the Centro direzionale in Mestre, via Porto di Cavergnago, 99;
- loan signed in July by Veritas spa with Medio credito del Friuli Venezia Giulia, in the amount of EUR 20,000 thousand, with a residual debt of EUR 17,449 thousand as at 31 December 2012, covered with a mortgage on the real estate property of Santa Croce 489, where the parent company's registered office is located.
- loan acquired on 28 December 2006 from the subsidiary Ecoprogetto srl, with the transfer of the "Herhof-Ladurner" company branch. This loan was signed with Unicredit mediocredito centrale in the amount of EUR 15,977 thousand, with a residual debt of EUR 4,588 thousand as at 31 December 2012, covered with a first, second and third-level mortgage on property, plant and equipment owned by the subsidiary;
- loan acquired on 28 December 2006 from the subsidiary Ecoprogetto srl, with the transfer of the "Herhof-Ladurner" company branch. This loan was signed with Unicredit mediocredito centrale in the amount of EUR 9,296 thousand, with a residual debt of EUR 3,899 thousand as at 31 December 2012, covered with a first, second and third-level mortgage on property, plant and equipment owned by the subsidiary;
- loan acquired on 28 December 2006 from the subsidiary Ecoprogetto srl, with the transfer of the "Herhof-Ladurner" company branch. This loan was signed with Unicredit mediocredito centrale in the amount of EUR 4,000 thousand, with a residual debt of EUR 2,134 thousand as at 31 December 2012, covered with a first, second and third-level mortgage on property, plant and equipment owned by the subsidiary;

The three mortgage loans signed by the subsidiary Ecoprogetto are subjected to an annual audit based on some covenants related to the company's financial statements. As at 31 December 2012, these covenants were complied with, like in 2011.

The following unsecured loans were signed in 2012:

a) loan signed on 2 August 2012 by Veritas spa with Istituto di credito nazionale, in the amount of EUR 5,000,000 with the aim of making structural investments and purchasing machinery. The loan, with maturity term on 30 September 2017, envisages monthly repayments at a floating rate of 3-month Euribor +5.50% spread. The loan redemption started on 31 October 2012;
b) loan signed on 29 November 2012 by the parent company with Istituto di credito nazionale, in the amount of EUR 5,000,000, for structural investments and purchase of machinery. The loan, with maturity term on 30 November 2017, envisages quarterly repayments at a floating rate of 6-month Euribor +4.90% spread. The loans redemption started on 28 February 2013;
c) loan signed on 5 April 212 by the subsidiary Eco-Ricicli Veritas srl with Istituto di credito nazionale, in the amount of EUR 500,000, for structural investments and purchase of machinery. The loan, with maturity term on 30 April 2015, envisages quarterly repayments at a floating rate of 3-month Euribor +4.50% spread. The loan redemption started on 31 May 2012;
d) second tranche of EUR 2,500,000, collected in February 2012 and related to the loan signed on 21 July 2011 by Veritas with Istituto di credito nazionale, for a total amount of EUR 7,000,000, used for the building of the new head office CdO2.

Some medium-long-term loans, concluded over the years by the parent company Veritas spa (marked in the table with **), envisage terms which set out the compliance with special covenants based on the results of the consolidated financial statements as at 31 December of each year.

If these terms are not fulfilled, the banks are entitled to exercise their right to advance repayment of loans granted, for the residual amount.

According to the consolidated financial statements as at 31 December 2012, the parent company did not fulfil one of the financial parameters set out by these medium-long-term loans. On a prudential basis, and in compliance with contract terms, the company reclassified the entire residual amount related to the aforesaid loans (EUR 7,919 thousand, of which EUR 6,646 thousand due after one year) under short-term due to banks.

The Directors, however, believe that, based on information received, the bank will continue to financially support the Group, keeping the original repayment plan.

Other medium-long-term loans, concluded over the years by the parent company Veritas spa (marked in the table with ***), envisage terms which set out the fulfilment of special covenants based on the disclosures of the consolidated financial statements as at 31 December of each year.

With regard to the aforesaid loans, covenants were fulfilled according to the consolidated financial statements as at 31 December 2012.

As at 31 December 2012, maturity dates for long-term loans for the period are shown hereunder:

in thousands of EUR	31.12.2012
31 December 2013	43,856
31 December 2014	27,613
31 December 2015	23,057
31 December 2016	16,754
31 December 2017	10,288
after 2017	40,503
total long-term loans	**162,071**

It is noted that the amount comprised in the short-term portion of long-term loans, resulting from their reclassification due to the non fulfilment of covenants, totalled EUR 6,646 thousand.

The following table shows the breakdown of amounts due to banks and of the current portion of medium-long-term loans as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
current portion of long-term loans	43,856	48,773
due to banks in current account	58,251	53,583
total due to banks and current portion of long-term loans	**102,107**	**102,356**

Amounts due to banks in current accounts relate to bank overdrafts at the end of the financial year. These overdrafts are not supported by collaterals or personal guarantees and accrue interest expense based on a floating interest rate.

23. Other financial liabilities

Other financial laibilities total EUR 15,434 thousand, of which EUR 10,673 at medium-long-term and EUR 4,761 thousand at short term. This item primarily comprises financial liabilities, which are broken down as follows:

in thousands of EUR	date of subscription	amount original	orig.interest rate	duration in months	contract residual	term 31.12.2012	of which short-term	of which medium/long-term
Banca Italease	01/03/2007	3,468	3,57%	180	2022	2,019	197	1822
Iveco Capital	01/07/2012	2,486	6,80%	60	2017	2,226	442	1784
Iveco Capital	01/09/2012	29	6,80%	60	2017	27	5	22
Albaleasing	01/01/2012	59	5,61%	72	2017	49	9	40
Albaleasing	01/03/2012	27	5,61%	72	2018	23	4	19
Albaleasing	01/05/2013	135	5,26%	72	2018	118	19	98
Albaleasing	01/06/2012	135	5,26%	72	2018	119	19	100
Mcc	01/01/2007	10,604	0,00%	84	2014	2,410	340	2,071
Mcc	01/01/2007	5,019	0,00%	84	2014	1,412	205	1,207
Palladio	2001/2009	250	0,00%	60	divv.	3	3	0
Albaleasing	01/12/2011	125	1,60%	72	2017	102	18	83
Albaleasing	01/12/2011	68	1,60%	72	2017	56	10	46
Albaleasing	01/12/2011	58	1,60%	72	2017	47	8	39
Locat	01/11/2007	1,230	6,00%	95	2015	455	148	307
Locat	01/12/2007	1,000	6,00%	95	2016	437	116	321
BnpParibas	01/08/2008	116	6,60%	59	2013	17	17	0
Unicredit L	01/08/2011	119	4,54%	59	2016	81	21	60
Fineco Leasing	19/02/2010	79	3,33%	80	2016	47	12	35
Fineco Leasing	24/06/2010	76	2,79%	80	2017	48	11	37
Palladio	30/06/2010	70	3,16%	80	2017	45	10	34
Palladio	30/07/2010	347	3,16%	80	2017	227	50	176
Palladio	30/04/2010	217	3,10%	80	2016	133	32	101
Palladio	30/10/2010	132	2,98%	60	2015	76	26	49
Palladio	30/06/2011	90	4,15%	80	2018	71	13	58
Palladio	30/07/2011	126	4,22%	80	2018	101	18	83
Unicredit L	08/09/2011	81	4,28%	60	2016	61	15	45
Palladio	23/07/2008	70	6,96%	80	2015	24	10	14
Locat	25/06/2008	63	6,36%	80	2015	23	10	13
Palladio	01/06/2009	61	4,44%	48	2013	6	6	0
Palladio	12/05/2009	99	4,03%	48	2013	7	7	0
Palladio	30/10/2009	362	divv.	80	2016	191	56	135
Unicredit L	13/10/2009	110	3,46%	80	2016	60	17	43
Banca Agrileasing	01/05/2008	1,328	5,11%	84	2015	503	202	300
Palladio	01/08/2012	30	5,89%	60	2017	27	5	22
		28,267				**11,249**	**2,083**	**9,166**

The further portion of EUR 4,185 thousand, of which EUR 1,507 thousand at medium-long term and EUR 2,678 thousand at short-term, comprises EUR 1,247 thousand of new loans granted by the parent company for the purchase of waste collection vehicles, EUR 675 thousand of payables for loans to minority partners of Eco-Ricicli Veritas srl and EUR 2,263 thousand of the funding through with-recourse sale of receivables to parent company's factoring companies.

24. Provisions for risks and charges

The following table shows the movements of the provisions for risks and charges as at 31 December 2012 and 31 December 2011:

in thousands of EUR	provision after closure of Ca' Rossa landfill	provision after closure of Jesolo landfill	provision for remediation of compost plant area Cdr2	Provision for legal disputes	other provisions for risks and charges	total
as at 31 December 2010	**5,148**	**–**	**1,625**	**1,210**	**3,181**	**11,164**
increases for business combinations	–	8,790	–	54	–	8,844
accrual	–	–	–	435	2,682	3,117
other changes	–	–	–	30	447	477
financial charges	–	–	–	–	–	–
uses	(1,379)	–	(971)	(575)	(1,884)	(4,809)
as at 31 December 2011	**3,769**	**8,790**	**654**	**1,154**	**4,426**	**18,793**
increases for business combinations	–		–			
accrual	–	213	–	96	2,816	3,125
other changes	1,700	–	–	–	366	2,066
financial charges	–	–	–	–	–	–
uses	(563)	–	(164)	(206)	(1,100)	(2,033)
as at 31 December 2012	**4,906**	**9,003**	**490**	**1,044**	**6,508**	**21,951**

Provisions for risks and charges increased by EUR 3,158 thousand, from EUR 18,793 thousand as at 31 December 2011, to EUR 21,951 thousand as at 31 December 2012. The most significant increase regards the after closure provisions related to landfills (Ca'Rossa and Pieve Nuovo Jesolo).

Provision for asset retirement obligations

landfill of Ca' Rossa/Chioggia (VE)

This provision includes the amount required to cover costs for the recovery of the area destined to landfill, including costs related to monitoring and waste disposal. The works for the closure of the plant continued during the year and the provisions allocated were partly used.

The amount of EUR 1,700 thousand related to the grant, named "Regional working fund for remediation and environmental recovery works", assigned by the Veneto Region to the Municipality of Chioggia, which, in turn, assigned the fund to Veritas.

Upon the occurrence of new geotechnical conditions of the Ca' Rossa landfill, upon completion of investigations started in 2008 and condition precedent to the renewal of the environmental integrated authorisation, in light of new rules on financial guarantees issued by the Region during 2012, and based on the outcome of studies carried out by the University of Padua, which highlighted the need for reducing the level of leachate within the landfill to avert any possible environmental pollution, the Company started to update estimates regarding closure and management costs after closure of Ca' Rossa landfill.

These preliminary estimates reported the possible occurrence of additional charges regarding both new works and updating of the economic components related to activities after closure, in a still undefined amount, which might however turn out to be significant. This amount is still being analysed and defined by Directors.

On the other hand, Directors started negotiations, now at an advanced level, with the Municipality of Chioggia, in order to obtain that these possible additional costs be included in the annual fees for environmental hygiene services envisaged in the financial plans and connected with the calculation of Tares tax. This proposal, which will be discussed and approved by June 2013, concerns the inclusion of a specific item, for all the years of management after closure of the landfill, as from 2014.

Given that the extent of the aforesaid costs is still unknown and in light of negotiations with the Municipality of Chioggia, the Directors deemed not to allocate any amount as they believe that the liability is probable, but still not accurately quantifiable, also in consideration of the possible higher revenue, still undefined, that the Municipality of Chioggia might pay to the Company within the aforesaid amount.

Landfill in Pieve Nuovo/Jesolo (VE)

The amount allocated corresponds to the one calculated based on managerial assessments performed by the parent company upon the first consolidation (in 2011) and subsequent updating expertise, drawn up by an expert. Future charges that the Group will borne after closure and "capping" of the landfill, as well as future revenue connected with higher grants assumed were taken into account.

This provision has been adequately discounted.

Provision for legal disputes

The provision for legal disputes comprises allocations on possible legal disputes with employees and third parties.

Other provisions for risks and charges

Other provisions for risks and charges include amounts to hedge possible risks related to tax disputes with some authorities for tax assessments being concluded and concerning the municipal tax on real estate properties, VAT, services in the port area, eco-tax on landfills and future payment of multi-annual concession payments.

This provision also includes amounts for hidden leakages in the water service debited to users and which can be used in cases of actual assessment of damages in the water network. These amounts totalled EUR 366 thousand for the year.

Provision for remediation of the Fusina area

The subsidiary Ecoprogetto allocated a provision of EUR 2 million in 2010 and, during the year, it used EUR 971 thousand in 2011 and EUR 164 thousand against costs for the remediation of an area transferred by the parent company. The value of the area, assessed through expertise, took account of remediation costs. These costs have therefore been capitalised to increase the value of the area.

25. Employee severance indemnity

The following table shows the movements of employee severance indemnity as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
current value of the obligation at the beginning of the year	26,298	26,382
current value of the obligation at the acquisition date		442
cost relating to current service	45	837
finance charge	762	939
benefits paid	-1,607	-2,142
actuarial loss/(profit) on the obligation	1,130	-160
current value of the obligation at year-end	**26,628**	**26,298**

Based on IAS 19, the employee severance indemnity pertaining to the parent company up to 31 December 2006, was considered as a defined benefit plan, where the liability is valued on an accrual basis.

The employee severance indemnity, accrued as from 1 January 2007, is included in the defined benefit plans, and payable to the supplementary benefits plan or to the INPS Treasury Fund. The accounting treatment of this employee severance indemnity was therefore similar to other funding amounts.

Profit and loss resulting from the actuarial calculation, based on new assumptions as from 1 January 2007, are charged to income statement as cost or revenue for the corresponding year.

The main assumptions used in calculating the actual value of employee severance indemnity are shown hereunder:

in thousands of EUR	2012	2011
discount rate at the beginning of the year	3.94% - 4.14%	4.3% - 4.9%
expected rate of remunerative increases	3% - 4.5%	3% - 4.5%
expected rate of turnover of employees	6%	5%
expected average remaining working lives of employees	16	16

26. Due to shareholders

The following table highlights disclosures on amounts due to shareholders at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012 within 12 months	31.12.2012 over 12 months	31.12.2011 within 12 months	31.12.2011 over 12 months
due to the Municipality of Venice	24,663	25,662	25,965	18,511
due to Municipalities holding over 10% minority interest	99	0	99	0
due to Municipalities holding less than 10% minority interest	5,595	1,756	5,722	2161
total due to shareholders	**30,357**	**27,418**	**31,787**	**20,672**

Amounts due to the Municipality of Venice is broken down as follows:

in thousands of EUR	31.12.2012 within 12 months	31.12.2012 over 12 months
payables for cemetery concessions	18,873	
amounts due to the Municipality of Venice payables for contract work in progress	1,976	
payables for Law 206/95		25,662
payables for concession instalment	1,300	
other payables	2,514	
total due to the Municipality of Venice	**24,663**	**25,662**

The agreement, signed with the Municipality of Venice, sets out that amounts collected and related to cemetery concessions are used to carry out cemetery building works. The slowing down of this type of works, also due to the more and more popular choice of cremation, resulted in an increase in this item.

The value of payables for cemetery concessions, incurred for the management of these concessions, in the absence of a clear financial offset for the payment delay granted, was discounted up to 2010 to take account of the time deviation between the occurrence of the liability and the actual payment, expected at expiration of the concession on 31 December 2011.

This expiry date was then postponed to 31 December 2012 and now to 31 December 2013. As at 31 December 2012, as well as at the end of the previous year, these amounts had not been discounted by reason of the fact that the expiration term of this payable was related to the duration of the corresponding concession.

Payables resulting from Italian Law 206/95 concern amounts received for purification services to be refunded, connected with integrated water service tariffs.

27. Due to associates and jointly controlled companies

The following table highlights disclosures on amounts due to associates and jointly controlled companies as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012 within 12 months	31.12.2012 over 12 months	31.12.2011 within 12 months	31.12.2011 over 12 months
due to Sifa scpa	393	–	1,018	–
due to Insula spa	296	–	39	–
due to Asvo spa	1,954	–	–	–
due to Ecopaté srl	562	–	–	–
due to Amest srl	-41	–	-41	–
due to Veritas Energia srl	18,113	3	12,848	–
due to Consorzio bonifica Fusina	2,653	–	4,963	–
total amounts due to associates and jointly controlled companies	**23,930**	**3**	**18,827**	**–**

The highest increase in this item is related to amounts, of the commercial type, due to Veritas Energia, and regarding electricity supply to a number of Group companies. Payables to Asvo primarily concern amounts due by the parent company (EUR 1,865 thousand) and related to the settlement of the equity investment acquisition, overdue in May 2013.

28. Other non-current liabilities

The following table highlights disclosures on other non-current liabilities as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
guarantee deposits from customers - Sii	5,603	5,505
advance payments on consumptions	582	586
due for the purchase of real estate property	2,679	5,353
other long-term payables	250	247
total other non-current liabilities	**9,114**	**11,691**

This item includes guarantee deposits of users for the integrated water service and the sale of gas and electricity, as well as advance payments on consumptions. Guarantee deposits for Sii's users are not interest-bearing, and they have not been discounted because a date of repayment cannot be estimated.

Payables for the purchase of the real estate property relate to a share of medium-long-term payables to the Municipality of Venice that the Municipality had sold to a bank in 2010. Given the fact that it is not interest-bearing, this payable had been discounted based on the amortisation/depreciation planning of instalments.

29. Trade payables

The following table highlights disclosures on trade payables as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
trade payables	95,330	80,117
due from related parties	7,052	7,146
total trade payables	**102,382**	**87,263**

Trade payables are not interest-bearing and are usually paid after 60-90 days. As regards terms and conditions connected with related parties, reference is made to Note 45.

30. Derivative financial instruments

The following table highlights disclosures on derivative financial instruments as at 31 December 2012 and 31 December 2011:

in thousands of EUR			31.12.2012		31.12.2011	
type	bank	residual notional	fair value of assets	fair value of liabilities	fair value of assets	fair value of liabilities
Floater	Antonveneta	0			–	-58
Irs	Banca OPI	2,567		-251	–	-266
Fixed floating	Antonveneta	0			–	-15
total derivative financial instruments		**2,567**	**0**	**-251**	**0**	**-339**

As at 31 December 2012, the Group held an Interest Rate Cap contract, signed on 22 December 2003, with Banca nazionale del lavoro, to hedge risks connected with changes in interest rates related to a mortgage loan signed with Banca Opi spa in the amount of EUR 7,000 thousand. This contract envisages the payment of a fixed premium, calculated on a notional equal to:

- 2.50% for the period elapsing from 31 December 2003 to 30 June 2005;
- 2.93% for the period elapsing from 30 June 2005 to 31 December 2010;
- 4.28% for the period elapsing from 31 December 2010 to 30 June 2017.

As at 31 December 2012, the fair value of this contract is negative by EUR 251 thousand.

The contract of Fix Floater Swap, signed by the parent company on 22 October 2007 with Banca Antonveneta, to hedge a loan entered with the same bank, amounting to EUR 15,000 thousand, was overdue in October 2012.

The Interest Rate Cap contract, of the Fixed-Floating type, signed on 17 October 2007 by the subsidiary Ecoprogetto srl with banca Antonveneta, to hedge risks connected with changes in interest rates related to a mortgage loan signed with the same bank in the amount of EUR 4,000 thousand, expired in October 2012.

31. Other current liabilities

The following table highlights disclosures on other current liabilities as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
advances from customers	1,169	3,708
due to personnel	12,888	12,842
due to social security institutes	5,430	5,424
due for excise duties and add-ons	6,435	5,314
due to Tax Authorities for IRPEF withholding tax	3,201	3,278
due to Tax Authorities for VAT	149	87
payables for the purchase of equity investments	0	6,080
accrued liabilities and deferred income	2,233	1,532
payables for Put option on 10% Ecoprogetto transfer	0	2,000
due for the purchase of real estate property	5,869	2,936
other payables	5,560	6,990
total other current liabilities	**42,934**	**50,191**

Due to employees relate to payables for holiday entitlement and accrued and unused leave as at the reference dates, in addition to amounts due for a production bonus, which is usually paid in May of the following year. These payables include the related contributions.

The 2011 payables for Put option relate to fair value financial liabilities, totalling EUR 2,000 thousand, against the option exercised on the 10% share of Ecoprogetto srl, with last payment in January 2012.

Payables for the purchase of equity investments, equal to EUR 6,080 thousand as at 31 December 2011, related, in the amount of EUR 6,000 thousand, to the residual debt for the purchase, by the parent company, of additional shares in Ecoprogetto from the partner Ladurner and, in the amount of EUR 80 thousand, to the debt for the payment in cash for the purchase of the second 15% equity investment in Alisea spa. These payables were settled in 2012.

The amount due for the purchase of the real estate property Sant'Andrea highlights the share overdue within the following year, based on the agreed payment plan. In 2013, two instalments are scheduled for a total amount of EUR 5,869 thousand.

Amounts due for add-ons include EUR 1,199 thousand related to Alisea.

32. Tax payables

The following table highlights disclosures on tax payables as at 31 December 2012 and 31 December 2011:

in thousands of EUR	31.12.2012	31.12.2011
IRES payables	109	3,995
IRAP payables	174	983
other tax payables		597
total tax payables	**283**	**5,575**

As at 31 December 2011, other tax payables comprised, in the amount of EUR 593 thousand, payables for substitute tax.

33. Revenue from sales and services

in thousands of EUR	2012	2011
revenue from water service and sewerage tariff	76,912	69,335
revenue from environmental hygiene tariff	154,434	134,744
institutional service revenue	22,347	22,745
revenue from third-party services	69,442	63,560
revenue from sale of E.E./photovoltaic energy	380	289
revenue from gas distribution		735
changes in contract work in progress	5,092	6,619
total revenue from sales and services	**328,607**	**298,027**

Revenue resulting from sales and services rendered amounted to EUR 328,607 thousand, up by a total amount of EUR 30,580 thousand compared with the previous year.

It should be noted that, unlike the previous year, in the financial statements as at 31 December 2012 also Alisea spa's income statement was consolidated on a line-by-line basis.

Revenue from the water service reported an increase, primarily due to the 6.5% average tariff recovery to cover amortisation/depreciation borne in the previous years.

The increase in revenue due to the Environmental Hygiene Tariff is connected with revenue pertaining to Alisea and tariff increases approved by each single municipal administrations with the Financial Plans.

The decrease in institutional services, equal to EUR 398 thousand, is connected to minor services assigned to the Municipality of Venice, especially concerning public green areas.

Revenue related to the Environmental Hygiene Tariff concern services rendered within all Verita's partner municipalities of the Province of Venice, in addition to the municipality of Mogliano Veneto (TV). Revenue related to the water-purification-sewerage Tariff relate to services rendered in the Aato laguna territory.

The gas distribution activity in the Municipality of Mogliano performed by Spim ceased in September 2011 due to the expiry of the concession, assigned to another operator following the tender launched by the Municipality.

Revenue from services rendered to third parties are broken down as follows:

in thousands of EUR	2012	2011
revenue from services and works on green areas	638	340
revenue from consortia (Conai)	1,582	1,747
revenue from leases	1,352	1,319
revenue from purification activities and waste water management	1,809	1,288
revenue from waste disposal service	17,972	16,759
revenue from differenciated waste disposal service	16,265	14,844
revenue from cleaning and hygienic services	2,540	1,422
revenue from consultancy	1,815	2,380
revenue from management of plants on behalf of third-parties	3,986	4,338
revenue from remediation of land	3,369	115
revenue from cemetery services	1,768	1,793
revenue from maintenance and water service connections	3,853	3,762
revenue from management of heat	3,714	3,328
revenue from sale of electricity	122	1,579
other revenue from services to third parties	8,452	7,914
reverse of revenue to partner entities	2	–
minor revenue	203	632
total revenue from third party services	**69,442**	**63,560**

34. Other income

in thousands of EUR	2012	2011
capital grants	494	610
leases and concessions	1,140	2,112
capital gains/indemnities from disposal of assets and activities	88	3,210
insurance reimbursements	200	190
cost reimbursement	1,521	288
other revenue and income	4,459	7,104
total other income	**7,902**	**13,514**

In item other revenue and income, EUR 1,431 thousand refer to Alisea and primarily relate to contingent assets in the Tia management.

35. Costs for raw materials and consumables

in thousands of EUR	2012	2011
drinkable water	363	401
purchase of materials	8,253	6,918
fuels and lubricants	6,404	4,472
electricity	4,067	2,438
consumables and materials for maintenance and ordinary repairs	7,994	8,439
change in inventories	42	-178
total costs for raw materials and consumables	**27,123**	**22,490**

Costs for raw materials and consumables increased by EUR 4,633 thousand compared with the previous year. It should be noted that, unlike the previous year, also Alisea's income statement had been consolidated in the financial statements as at 31 December 2012 on a line-by-line basis.

36. Costs for services

in thousands of EUR	2012	2011
equipment repair and maintenance	15,432	18,454
industrial services	18,336	16,944
facilities	18,405	15,477
operating services	25,829	32,299
general services	34,665	28,143
corporate bodies	1,313	1,298
total costs for services	**113,980**	**112,615**

Costs for services increased, in aggregate, by EUR 1,365 thousand, despite the consolidation of Alisea, mainly due to a better streamlining of expenses. As reported in the separate financial statements of the parent company, the main decreases are reported in items "Equipment repair and maintenance" and "Operating services", connected to waste disposal and collection.

The corporate bodies include Directors, Statutory Auditors and members of the Supervisory Bodies.

The policy of the Group is that any tasks assigned to the members of Veritas' BoD in any subsidiary should not be paid. Therefore, the total remuneration of the members of Veritas Board of Directors, equal to EUR 294 thousand, corresponds to the Directors' total remuneration paid by the Group.

37. Costs for use of third party assets

in thousands of EUR	2012	2011
leases	4,207	1,765
rental and lease payments	2,722	1,546
concession payments	1,666	1,377
other	318	320
total costs for use of third party assets	**8,913**	**5,008**

Compared with 2011, the increase is attributable, in the amount of EUR 1,892 thousand, to the consolidation of Alisea.

38. Personnel costs

in thousands of EUR	2012	2011
wages and salaries	86,334	79,541
social security charges	29,863	26,629
employee severance indemnity	6,813	4,795
other costs	557	524
total personnel costs	**123,567**	**111,489**

Personnel costs increased by EUR 12,078 thousand. This increase is attributable, in the amount of EUR 6,380 thousand, to the consolidation of Alisea, around EUR 1,450 thousand to Sifagest (lease of Uac Sa9 branch with related personnel for the entire year, over the five months in 2011) and EUR 3,250 thousand to Veritas.

It is worth noting that the impact related to time-discounting of employee severance indemnity is recognised under personnel costs.

The movement during the year of employees, divided by category, expressed in average number of full-time equivalent employees.

in thousands of EUR	31.12.2012	31.12.2011	change
senior managers	17	18	-1
middle managers	68	67	1
white-collar	768	717	51
blue-collar	1,595	1,397	198
total employees	**2,448**	**2,200**	**248**

39. Other operating charges

Other operating charges amounted to EUR 13,641 thousand, compared with EUR 9,626 thousand in 2011. The consolidation of Alisea had an impact of EUR 2,331 thousand.

The provision for doubtful debts amounted to EUR 6,701 thousand, compared to EUR 5,239 thousand in 2011. The provision also includes risks on invoicing receivables and special allocations related to certain trade receivables. The item related to Aato operating expenses includes costs related to the Aato (Water district agency) for water and waste sub-divisions. Capial gains and losses related to Tia management of Alisea are recorded under item Other charges.

in thousands of EUR	2012	2011
subscription and other fees	284	268
Aato operating expenses	1,271	1,359
taxes, duties and local taxation	1,509	987
credit losses	40	49
provisions for risks	2,634	1,144
provisions for doubtful debts	6,593	4,632
provisions for default interest	108	607
capital losses on disposal of assets	455	392
other minor charges	747	188
total other operating costs	**13,641**	**9,626**

40. Amortisation, depreciation and write-downs

The value of amortisation, depreciation and write-downs amounted to EUR 29,786 thousand, compared with EUR 26,793 thousand in 2011. The value of amortisation/depreciation was reduced by the annual instalment of grants for plants, and the value of property, plant and equipment was reduced by the value of contributions paid.

The most significant amount related to impairment on concession services is the recognition of the entire write-down of two lines in the sludge drying plant, totalling EUR 834 thousand, due to their obsolescent technology.

in thousands of EUR	2012	2011
amortisation of intangible assets	4,254	3,782
amortisation of concession services	12,572	12,665
depreciation of property, plant and equipment	17,530	15,884
depreciation of investment property	2	2
impairment of intangible assets	–	–
impairment of property, plant and equipment	376	253
impairment of concession services	1,034	271
grants for plants	**-5.982**	**-6,063**
total amortisation, depreciation and write-downs	**29,786**	**26,793**

41. Share of profit (loss) from investments carried at equity

The share of profit (loss) from investments carried at equity is negative for a total amount of EUR 3,247 thousand and take account of the profit (loss) for the year of associates, as well as of the assessment by the parent company of prudential additional impairment. Reference is made to valuations described in Note 10.

This result is especially attributable to investees Amest srl, Insula spa and Sifa scpa.

42. Financial charges and income

Financial charges

Financial charges totalled EUR 8,104 thousand, and include, in the amount of EUR 1,238, time-discounting charges for both employee severance indemnity and other equity captions, like medium-long-term liabilities for the purchase of an important property for which the payment is initially deferred in ten years.

A portion of this debt was redeemed in advance in December 2011. Due to this advance payment, the time-discounting of the residual amount, already transferred by the Municipality of Venice to a factoring company, was reviewed, with consequent charging of the related effects to income statement.

The financial charges to banks and lease institutes amounted to EUR 6,232 thousand, with an interest rate average impact of around 2.7%.

in thousands of EUR	2012	2011
interest expense to banks for current account overdrafts	1,235	803
interest expense to banks for medium-long-term loans	4,592	5,187
financial charges for financial leases and rental contracts	405	291
measurement at fair value of derivatives	10	26
financial charges from time-discounting	476	1,718
financial charges from time-discounting of empl.sev.indemnity	762	939
other financial charges	624	415
total financial charges	**8,104**	**9,379**

Financial income

Under item Financial income, default interest and extensions relate to the parent company. Under item interest income to banks, the amount of EUR 537 thousand related to Alisea.

in thousands of EUR	2012	2011
interest income to banks	759	155
income from equity investments		20
measurement at fair value of derivatives		254
default interest and payment extension	1,615	1,328
other financial income	367	123
total financial income	**2,741**	**1,880**

43. Income taxes for the year

The reconciliation between income taxes (IRES) applicable to the Company's profit before taxation, by using the rate in force compared to the effective rate for the period ended 31 December 2012, is shown in the table hereunder:

in thousands of EUR	2012	2011
applicable ordinary rate	**27.50%**	**27.50%**
income before taxes	**10,888**	**15,475**
theoretical tax charge (gain)	**2,994**	**4,256**
adjustments compared to income taxes of the previous year	-5,620	-5
write-down of prepaid taxes recorded in the prior year	277	
entering of prepaid taxes on temporary differences related to prior years	-10	-88
non recording of prepaid/deferred taxes for the year on temporary differences	478	150
tax relief for advance amortisation/depreciation and higher value of ducts, net of substitution tax	-13	-24
exempt income / tax awards / non-taxable	-1,995	-1,003
non-deductible costs	2,359	2,455
other permanent differences	169	-90
effective IRES tax charge	**-1,361**	**5,650**
current taxes	3,521	8,441
deferred taxes (prepaid)	751	-2,763
substitute tax	-13	-24
prior year taxes for IRAP deduction on IRES	-5,544	
taxes related to prior years	-76	-5
IRES effective tax (benefit) charge	**-1,361**	**5,650**
local current taxes	6,241	5,870
local taxes for previous years	5	-160
local deferred (prepaid) taxes	108	-164
Effective local tax (benefit) charge	**6,353**	**5,547**
effective tax charge (gain)	**4,992**	**11,196**

It is worth noting that the current IRAP rate of the parent company and Alisea is equal to 4.2% (special rate for companies holding concessions for the management of public services and works).

Prepaid and deferred taxes, related to two years ended 31 December 2012 and 2011, are as follows:

in thousands of EUR	31.12.2012	31.12.2011
provision for doubtful debts	4,866	6,645
provision for risks and charges	2,369	2,669
provision for inventory depreciation	17	17
depreciation/amortisation of fixed assets	608	244
maintenance expenses	397	399
civil amortisation/depreciation difference	13	20
other deductible costs in subsequent years	1,016	907
fair value adjustment of derivatives	69	73
business combination bonus	1,057	1,134
reversal of capital gains on intragroup transactions	683	770
other interests	35	826
interest expense which will be deductible in the future (RoI)	–	1
tax losses	102	102
total deferred tax assets	**11,232**	**13,808**

in thousands of EUR	31.12.2012	31.12.2011
accelerated amortisation/depreciation	–	5
non-taxable default interest	670	448
non-taxable revenue	735	1,061
equity capital gains	–	218
asset, landfill	209	216
doubtful debts	–	13
other temporary differences	186	95
time-discounting of employee severance indemnity	449	732
higher value allocated on real estate prop. and conduits	62	65
concessions at arm's length	5,847	6,417
leased assets	2,769	2,831
separation of land	135	145
total deferred tax liabilities	**11,062**	**12,247**

It is worth noting that the parent company Veritas spa and its subsidiaries have jointly exercised the option of group taxation, in compliance with the Finance Act (Testo Unico) on income taxes. The economic relations, as well as mutual liabilities and obligations between consolidating company and adhering companies, are set forth in a special consolidation agreement.

The determination of deferred tax assets is not only based on the reasonable expectation of tax burden for future years, but also on the reasonable use estimate of deductible temporary differences in future years. The parent company has therefore deemed not to recognise an amount of around EUR 3,300 thousand, related to the portion of taxed provisions which is not likely to be used in the next few years, under deferred tax assets.

No deferred tax liabilities related to taxes on retained earnings of subsidiaries were reported as at 31 December 2012 and 31 December 2011, since the Group elected that retained earnings of subsidiaries will not be distributed in the near future.

Any possible distribution of dividends to Veritas shareholders will have no fiscal impact as regards income taxes for 2012 and 2011.

44. Commitments and risks

Commitments related to operating leases - Group as lessee

The Group signed commercial lease agreements for some motor vehicles and machines. These leases feature an average useful live between 3 and 5 years, without renewal. The signature of these contracts entails no restrictions for the Group.

Future payments, related to operating lease contracts, not subject to cancellation and in place as at 31 December 2012 and 2011, are as follows:

in thousands of EUR	2012	2011
within 1 year	1,262	1,290
over one year but within 5 years	1,268	1,543
over 5 years	153	129
total commitments for leases and rentals	**2,683**	**2,962**

Commitments related to operating leases - Group as lessor

The Group signed commercial lease agreements in order to appreciate equipment and properties disseminated within the territory, above all for advertising purposes. These lease contracts, not subject to cancellation, feature a residual life between 5 and 10 years. All lease contracts include a provision which allows for the write-up of annual payments at arm's length.

Future payments, related to operating lease contracts, not subject to cancellation and in place as at 31 December 2012 and 2011, are as follows:

in thousands of EUR	2012	2011
within 1 year	295	279
over one year but within 5 years	596	795
over 5 years	55	126
total commitments for leases and rentals	**946**	**1,200**

Commitments for investments

Within its relation with Aato laguna, Veritas has undertaken to make significant investments which will involve, in the near future, an increase in indebtedness, given that remuneration of these investments, although calculated in the tariff, develops over a time interval which is significantly longer than the time required to complete the works.

Guarantees given

The Veritas Group granted the following guarantees as at 31 December 2012 and 2011 in favour of subjects indicated hereunder:

in thousands of EUR	2012	2011
Province of Venice	10,162	9,849
Ministry of the Environment	6,833	5,775
Port Authorities - Water Authority - Venice Harbour Office	1,567	1,569
Province of Treviso	0	10
banks and insurance companies	290	489
delegated commissioner for floods	0	0
Inland Revenue Office	1,534	2,084
other entities	674	781
Ulss and other local entities	885	684
total	**21,945**	**21,241**

The Group also destined tangible assets to guarantee some mortgage loans. Further detail thereof is provided in Notes 8 and 22.

Other risks and uncertainties

Duration of concessions

Reference is made to the description given at point 2.2 of the first part in the Explanatory Notes.

New regulations on water tariffs

This issue concerns the parent company. Reference is made to the Report on operations which is attached to the parent company's separate financial statements.

New regulations on tariffs for municipal waste management service, Tares

The new tariffs for municipal waste management services involve Veritas, but also, directly or indirectly, other companies, above all for the impact of tariffs on the Group financial management.

45. Relations with related parties

The consolidated financial statements include the financial statements of Veritas spa and of subsidiaries shown hereunder:

consolidated companies	head office	share capital	equity investment 31.12.2012	equity investment 31.12.2011
Veritas spa (parent company)	Venice	110,973,850	–	–
Ecoprogetto Venezia srl	Venice	42,120,000	85.28%	96.62%
Veneziana di Navigazione spa	Venice	1,424,000	100.00%	100.00%
Data Rec srl	Venice	100,000	99.60%	99.00%
Vier srl	Venice	100,000	100.00%	100.00%
Spim srl	Mogliano Veneto (Tv)	100,000	100.00%	100.00%
Mive srl	Mirano (Ve)	110,000	100.00%	100.00%
Eco-Ricicli Veritas srl	Venice	4,970,000	78.48%	79.00%
Sifagest scarl	Marghera (Ve)	100,000	62.00%	65.00%
Alisea spa	Jesolo (Ve)	415,000	60.00%	60.00%
consolidated companies pursuant to IFRS 5				
Ecopiave srl	Musile di Piave (Ve)	100,000	79.55%	80.05%

As already specified in items above in these explanatory notes, for the purposes of these financial statements and based on governance rules defined amongst Shareholders, Asvo was considered a jointly controlled company.

The following table shows the total values of transactions occurred during the year with other Shareholders:

in thousands of EUR	sales to partner Municipalities 2011	sales to partner Municipalities 2012	purchases from partner Munici-palities 2011	purchases from partner Munici-palities 2012	due from partner Municipalities 2011	due from partner Municipalities 2012	due to partner Municipalities 2011	due to partner Municipalities 2012
Municipality of Venice	28,144	27,820	379	448	31,495	19,473	44,476	50,325
Municipality of Chioggia	166	29	–	0	2,038	5,148	99	99
Municipality of Marcon	449	347	36	20	77	47	19	1
Municipality of Quarto d'Altino	1	1	–	–	8	17	–	–
Municipality of Mirano	3,352	3,425	28	45	916	122	108	38
Municipality of Mogliano Veneto	95	367	–	1	134	88	–	–
Municipality of Pregan-ziol	108	118	–	–	47	56	–	–
Municipality of Ceggia	–	203	–	–	95	425	–	–
Municipality of Musile di Piave	–	–	–	36	1	–	13	13
Municipality of Noventa di Piave	–	–	–	133	–	–	507	-285
Municipality of Torre di Mosto	–	465	–	–	252	121	–	–
Municipality of Fossalta di Piave	–	425	–	–	112	106	–	–
Municipality of Eraclea	–	8	–	24	14	28	120	144
Municipality of Jesolo	–	19	–	1,143	227	1,134	3,930	3,850
Municipality of Dolo	2,274	2,197	16	27	255	140	32	22
Municipality of Vigonovo	14	21	62	58	47	56	190	120
Municipality of Pianiga	–	–	8	8	5	5	31	38
Municipality of Spinea	–	–	25	25	97	97	219	51
Municipality of Santa Maria di Sala	–	–	192	164	2	-2	225	100
Municipality of Scorzè	14	13	10	23	29	35	21	20
Municipality of Mira	142	37	12	11	176	184	42	53
Municipality of Strà	23	3	34	34	19	30	50	48
Municipality of Fossò	–	1	3	3	–	4	279	272
Municipality of Campo-longo Maggiore	445	513	–	–	296	209	311	295
Municipality of Cam-ponogara	12	0	5	8	14	1	213	185
Municipality of Campa-gna Lupia	21	0	2	3	1	–	191	166
Municipality of Mar-tellago	165	69	117	118	285	31	335	518
Municipality of Fiesso d'Artico	6	5	5	5	20	9	24	32
Municipality of Salzano	7	8	–	58	21	34	29	58
Municipality of Noale	4	12	49	49	36	17	87	148
Municipality of Cavar-zere	1,383	1,430	109	–	380	325	–	–
Municipality of Caval-lino–Treporti	848	836	–	–	1,628	1,881	644	717
Municipality of Meolo	–	–	22	22	–	4	–	22
Municipality of San Donà di Piave	1	19	–	–	29	3	263	155
total	**37,674**	**38,391**	**1,114**	**2,466**	**38,755**	**29,829**	**52,458**	**57,775**

Shareholders

Service contracts with Shareholders especially relate to municipal waste management service. These services are therefore invoiced, if the Tia (environmental hygiene tariff) is applied directly to users resident in the municipalities. The economic relations with Shareholders are not significant, except for municipalities of Mirano and Dolo, where the Tarsu tax is still in force and therefore the municipal waster management service is debited to Municipalities.

As regards the Municipality of Venice, the following services are debited to the municipal waste management service:

- cemeteries;
- street markets;
- high tide footbridges;
- public areas cleaning;
- cleaning of municipal offices, sports structures and court houses;
- public green areas.

Various contracts, for a reduced amount, were signed with a number of Municipalities related to the building and management of photovoltaic plants in favour of schools and sports facilities.

Relations with the Municipality of Jesolo almost exclusively concern Alisea and they relate to the building and management of the landfill for Rsu.

Terms and conditions of transactions with Shareholders

The service contracts between Veritas and the Municipality of Venice for the aforesaid services are regularly invoiced every two months and paid in average within 60 days from invoicing.

The works for the building of new sewerage networks and related extraordinary maintenance (engineering works) are debited to the Municipality of Venice based on a service contract which envisages the payment of a percentage of the works, linked to costs for design and supervision as well as to coverage of overheads.

Loans from Shareholders

Mortgages were signed in previous years with Cassa depositi e prestiti by Municipalities of the Mirese area in order to finance investments in the water sector.

Associates and jointly controlled companies

The Group owns the following equity investments in associates and jointly controlled companies:

companies measured at equity	head office	share capital	31.12.2012 equity investment	31.12.2011 equity investment
associates				
Insula spa	Venice	3,706,000	26.73%	26.73%
Elios srl	Spinea (Ve)	50,000	50.00%	50.00%
Amest srl	Dolo (Ve)	2,832,908	43.46%	34.00%
Sifa scpa	Mestre (Ve)	30,000,000	30.00%	31.00%
Consorzio bonifica e riconversione produttiva - Fusina	Venice	100,000	49.05%	49.05%
Steriladria srl	Adria (Ro)	100,000	35.00%	35.00%
Ecopaté srl	Venice	100,000	40.00%	40.00%
jointly controlled companies				
Veritas Energia srl	Venice	1,000,000	49.00%	49.00%
Asvo spa	Portogruaro	18,969,650	50.50%	

The following table shows the total values of transactions occurred during the year with associates:

in thousands of EUR	sales to related parties 2011	sales to related parties 2012	purchases from related parties 2011	purchases from related parties 2012	due to related parties 2011	due to related parties 2012	due from related parties 2011	due from related parties 2012
Elios srl	0	0	0	0	0	0	0	0
Sifa scpa	3,863	12,617	1,098	1,856	3,311	7,166	1,018	394
Amest srl	0	0	-41	0	0	0	-41	-41
Insula spa	102	27	51	11	67	142	39	296
Consorzio bonifica Fusina	27	19	221	0	1,235	0	4,963	2,653
Veritas Energia srl	1,518	492	18,661	18,616	3,323	2,720	12,848	18,115
Asvo spa		3,376		66		877		1,954
Ecopaté srl		1,346		0		800		562
Steriladria srl	0	35	0	0	115	214	0	0
total	**5,510**	**17,912**	**19,990**	**20,549**	**8,051**	**11,919**	**18,827**	**23,933**

Relations with associates are governed at arm's length.

Relations with Sifa primarily relate to Sifagest, while Veritas Energia supplies electricity and gas of various Group companies.

Other related parties

The following table shows the total values of transactions occurred during the year with other related parties:

in thousands of EUR	2011 sales to related parties	2012 sales to related parties	2011 purchases from related parties	2012 purchases from related parties	2011 due to related parties	2012 due to related parties	2011 due from related parties	2012 due from related parties
Actv spa	141	93	51	151	55	4	63	63
Ames spa	–	–	8	7	25	17	–	–
Municipal casino in Venice	27	28	–	–	6		–	–
Vega scarl	5	7	–	–	1	7	–	–
Venezia Spiagge spa	8	8	–	–	–	1	–	–
Vela spa	–	–	1	1	–	–	–	1
Pmv spa	23	7	–	–	18		–	–
Sst spa	16	22	324	319	–	2	403	336
Aato laguna Venezia	–	–	980	896	93		2,100	1,297
Aato ambiente	–	–	379	380	–	–	470	670
Asm spa	–	–	8	4	–	–	8	4
Gruppo Ladurner	1,692	54	8,945	7,694	1,743		4,102	4,681
total	**1,912**	**219**	**10,696**	**9,452**	**1,941**	**31**	**7,146**	**7,052**

Relations with other related parties are governed at arm's length.

Remuneration of the Board of Directors and the Board of Statutory Auditors

Pursuant to Art. 38 of the Italian Legislative Decree 127/1991, remuneration pertaining to the parent company's Directors, Statutory Auditors and Auditing firm for the performance of their offices also in other companies included in the consolidation scope. It is the company's policy to grant no further remuneration for activities carried out by the parent company's directors in other subsidiaries. The total remuneration therefore corresponds to amount paid by the parent company Veritas spa.

in thousands of EUR	2012	2011
Board of Directors		
remunerations	294	291
other compensation		–
other benefits		–
total costs for services	**294**	**291**
Board of Statutory Auditors		
remunerations	90	114
other compensation		–
other benefits		–
total costs for services	**90**	**114**
Auditing Firm		
remunerations	99	87
total costs for services	**99**	**87**

46. Management of the financial risk: targets and criteria

The Group's main financial instruments, other than derivatives, comprise bank loans, financial leases, bank sight deposits and short-term deposits. The major target of the aforesaid instruments is to finance the Group's operating activities as well as its investments. The Group holds other types of financial instruments, such as trade payables and receivables, resulting from its corporate business.

Moreover, the Group also performs transactions in derivatives, primarily interest rate swaps. The objective is to manage the interest rate risk resulting from Group transactions, and its funding sources.

The policy of the Group is, and was in previous periods, not to trade any financial instruments.

The main risks connected with Group financial instruments are interest rate risk, liquidity risk and credit risk. Price risk cannot be determined by reason of the fact that the Group operates in sectors which are mainly regulated, the tariffs of which are governed and subject to the approval of the competent authorities. The parent company's BoD evaluates and agrees the policies aimed at managing these risks, as described hereunder.

Interest rate risk

The Group exposure to market interest rate risk is primarily connected with long-term bonds with floating interest rates subscribed by the Group.

The policy of the Group is to manage the financial cost by mainly using floating debt rates.

Swap contracts on interest rates were signed in previous years. In these contracts, the Group accepted to exchange, at defined intervals, the difference between fixed and floating interest rates, calculated with reference to a predefined initial capital. The policy of the Group does not envisage the signature of derivative instruments for non-hedging purposes. Only one contract was in place as at 31 December 2012.

These swaps are intended to hedge the underlying bonds. After taking into account the effect of swaps, around 4.2% of Group funding was at fixed rate as at 31 December 2012.

The indebtedness exposes the Group to a certain sensitivity of its profit before taxes, after reasonable possible changes in interest rates, while keeping all variables unchanged.

Credit risk

The Group deems that there are no particular critical issues related to credit risk, although the general worsening of economy has involved an increasing number of persons and companies that report higher financial difficulties. Billing receivables are, by nature, fragmented over a very high number of users, with individual modest amounts on average.

The procedures adopted for quite some time (telephone and written reminders, agencies specialised in credit collection, legal actions) bring this insolvency percentage related to the receivables from municipal waste management services to around 3%, a percentage deemed as reasonable (and in line with the average of the sector), given the undoubted difficulty in stopping the service in case of insolvency.

In the water sector, since it is possible to interrupt the supply, the percentage of insolvency is much lower (1.2% of turnover).

Receivables for services rendered to public bodies, and specially to the Municipalities of Venice and Chioggia, are still reporting payment delays, substantially due to the financial difficulties faced by local entities.

In the event of the insolvency of the debtor the maximum credit risk for the Group's other financial assets, which consist of cash and cash equivalents, available-for-sale financial assets, loan notes and a derivative instrument, is equal to the carrying amount of these assets.

Liquidity risk

The Group controls the liquidity risk by using a planning instrument for the use of cash. This instrument takes into account the maturity term of both financial instruments and financial assets (trade receivables and other financial assets), as well as cash flows expected from transactions.

The objective of the Group is to keep a balance between preserving the funding and levereging on the flexibility given by credit lines, loans and leases. The policy of the Group is that not more than 20% of the loans must be due within one year.

As at 31 December 2012, about 27% of the medium-long term financial debts of the Group will accrue within one year, based on the budget balance and excluding the assets held-for-sale.

This percentage is affected by the reclassification of the medium/long term portion of some financial loans stated by the Parent Company among short-term liabilities, following non-compliance, based on the results of the consolidated financial statements, with some financial parameters set forth in the related loans and mortgage agreements.

For prudent reasons, since a non-compliance was determined with at least one financial parameter contemplated in these agreements, the Group has decided to classify the entire residual debt referring to such loans/mortgage loans. These amounted to EUR 7,919 thousand, of which EUR 6,646 thousand with maturity term after one year.

However, the Directors believe that, based on information received, the banks will continue to financially support the Group, maintaining the original repayment plan.

Net of this reclassification, the percentage of medium-long-term loans, with maturity date within one year, is equal to around 22.9%.

As at 31 December 2012, the Group reported unused credit facilities amounting to around EUR 35 million, compared with approx. EUR 30 million as at 31 December 2011.

The liquidity risk is the risk that available financial resources might not be sufficient to hedge bonds to be due in the short time, equal to EUR 37.2 million, without considering the share of medium-long-term loans with unfulfilled covenants as at 31 December 2012, and therefore being unable to tackle possible negative changes in the working capital.

Moreover, operating investment plans, which are being implemented, above all in the water sector, are partially offset, and only economically offset, in the tariff adjustments set out by Authorities and they will therefore inevitably require further financial funding.

The increasing trend in spread, which was already reported following the world financial crisis, continued in 2012. Therefore, despite the significant decrease in rates, the closing balance paid to banks increased.

In 2012, the Veritas Group had in any case obtained further medium-term credit facilities, even after the beginning of the financial crisis.

It should be noted that, since the beginning of 2012 to now, a strong credit shrink occurred when the world financial crisis worsened in the EU and in Italy due to the economic-industrial crisis and the high level of public debt.

The aforesaid situation resulted in more rigorous regulations for banks (preventing funding availability for companies), the blocking of the interbanking market, the slowing down of public finance and activities of local entities due to the Stability Pact and new accounting restrictions.

The persistence of this scenario might entail difficulties in obtaining new financial resources to support investments and/or mitigate stresses on working capital.

Although its business is characterised by a contained volatility and solid cash generation, the Group is actively engaged in identifying the financial resources that are necessary to fulfil its obligations, through short and medium/long term financial instruments, and has developed and directed specific actions to the financial variables of the operating flow and working capital by entering into new factoring agreements, both direct and indirect (reverse factoring), in addition to leasing and direct financing agreements with the suppliers.

The future scenario must also address consequences of a financial nature deriving from a new Tares (municipal tax on waste) legislation which, if the legislation remains unchanged, will affect the financial profile of the environmental hygiene business.

Capital management

Net indebtedness of the Group, equal to EUR 220,525 thousand as at 31 December 2012 (EUR 236,173 thousand as at 31 December 2011) is balanced by a total shareholders' equity of EUR 158,515 thousand as at 31 December 2012.

The ratio between net financial position and shareholders' equity as at 31 December 2012 was equal to 1.39, compared with 1.61 as at 31 December 2011.

Fair Value valuation and related valuation hierarchy levels

No significant differences, that are worth mentioning, emerged from the comparison of carrying amount and fair value, divided by category, of all Group financial instruments recognised in the financial statements, except for those already highlighted.

All financial instruments, reported as fair value, can be stated under the following categories:

Level 1: effective market quotes

Level 2: measurement techniques (according with observable market data)

Level 3: measurement techniques (not based on observable market data).

The fair value of derivatives and loans was calculated by time-discounting expected cash flows, by using prevalent interest rates. The fair value of bonds and other financial assets was calculated by using market interest rates.

As at 31 December 2012 the Group held the following financial statements measured at fair value:

in thousands of EUR			31.12.2012		31.12.2011	
type	bank	residual notional	fair value of assets	fair value of liabilities	fair value of assets	fair value of liabilities
Floater	Antonveneta	0	–		–	-58
Irs	Banca OPI	2,567	–	-251	–	-266
Fixed floating	Antonveneta	0	–		–	-15
total derivative financial instruments		**2,567**	**0**	**-251**	**–**	**-339**

It is worth noting that all assets and liabilities that were measured at fair value as at 31 December 2012 can be classified under Level 2 in the fair value assessment hierarchical order. During 2012, two contracts became due.

47. Subsequent events

- In February 2013, the Parent Company completed the purchase of the business unit in charge of the water transport of sorted municipal waste from the subsidiary Veneziana di Navigazione, effective as at 1 March 2013. This acquisition occurred within the internationalisation process of the municipal waste management service in order to optimise its costs.
- The transfer of some equity investments in Eco-Ricicli to Sesa spa and some equity investments in Ecoprogetto to Bioman spa are under way, aiming at a territorial integration in the waste plants sector in order to optimise the cost profile of waste treatment.
- In February 2013, a transaction agreement was executed by the parties in preparation for the acquisition, by the Parent Company, of the remaining 50% of Elios srl, the investee that manages the Spinea crematorium. The transaction will be finalised in the next few months.
- The Shareholders' Meeting of Sifagest scarl has been called for the end of the month to resolve on a share capital increase of EUR 400 thousand.

2.7 REPORTS

2.7.1 REPORT OF THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors on the Consolidated financial statements of the Veritas Group as at 31 December 2012

The consolidated financial statements of the Veritas Group were prepared in accordance with IAS/IFRS international accounting standards, endorsed by the European Commission and supplemented by related interpretations (SIC, IFRIC), issued by IASB, as well as with provisions set out by the Italian Legislative Decree no. 38/2005.

The consolidated financial statements provide adequate disclosure on the consolidated management of the Group and its economic-financial performance.

The Independent Auditing firm, charged to audit the financial statements of Veritas spa and in contact with the Board of Statutory Auditors, has acknowledged the correctness and consistency of the Balance Sheet and Income Statement, resulting from consolidation of accounting figures, with figures disclosed by subsidiaries. Moreover, after auditing the consolidation adjustments, it acknowledged the adequacy of the scope of consolidation and the application of the IAS/IFRS international accounting standards, while informing the Board of Statutory Auditors in advance on its intention to report no remarks on these issues.

As far as the Board of Statutory Auditors' competence is concerned, it can be stated that:

- the consolidated financial statements include the financial statements of the parent company Veritas spa, as well as those of subsidiaries, defined according to law provisions and accounting standards;
- the consolidated Balance Sheet and Income Statement have been inferred by using the accounting positions of the companies within the scope of consolidation, adequately reclassified and adjusted according to the parent company's directives;
- the Explanatory Notes to the accounts systematically show the individual items in the consolidated financial statement, as envisaged by IAS 1. The notes to the financial statements clearly disclose the criteria adopted, as well as the special accounting standards adopted and applied;
- the Report of the Boards of Statutory Auditors and subjects in charge of auditing subsidiaries did not report any significant critical issue.

The Board of Statutory Auditors acknowledged the information received in advance by the Independent Auditing firm Reconta Ernst&Young on the contents of its Report on the Consolidated Financial Statements.

Lastly, after assessing the preparation criteria of the consolidated financial statements, especially concerning the definition of the scope of consolidation and uniform application of accounting standards, no significant issues have emerged that require mentioning herein.

Venice, 12 June 2013

The Board of Statutory Auditors
Paolo Collini [signed on the original]
Sandro Mazza [signed on the original]
Giorgio Morelli [signed on the original]

2.7.2 REPORT OF THE INDIPENDENT AUDITING FIRM

Reconta Ernst & Young S.p.A.
Viale Appiani, 20/b
31100 Treviso

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Independent auditors' report
pursuant to art. 14 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of Veritas S.p.A.

1. We have audited the consolidated financial statements of Veritas S.p.A. and its subsidiaries, (the "Veritas Group") as of 31 December 2012 and for the year then ended, comprising the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of Veritas S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 12 June 2012.

3. In our opinion, the consolidated financial statements of the Veritas Group at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Veritas Group for the year then ended.

4. The Directors of Veritas S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations is consistent with the consolidated financial statements of the Veritas Group at 31 December 2012.

Treviso, 12 June 2013

Reconta Ernst & Young S.p.A.

Signed by: Michele Graziani, partner

This report has been translated into the English language solely for the convenience of international readers.