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2013 CONSOLIDATED FINANCIAL STATEMENTS

2.1 REPORT ON OPERATIONS

2.1.1 2013 ACTIVITIES AND OPERATIONS

Shareholders,

The Shareholders' Meeting of Veritas spa of 27 June 2008 recommended that, as provided for by Italian laws, the Veritas Group applies Legislative Decree no. 38 of 28 February 2005, on a voluntary basis, 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 no. 127/91.

The financial statements of the Veritas Group, as at 31 December 2013, show a net profit of EUR 5,229 thousand compared with EUR 5,836 thousand of the consolidated financial statements as at 31 December 2012.

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 2013:

consolidated companies	head office	share capital	31.12.2013 Group's equity investment	31.12.2012
Veritas spa (parent company)	Venice	110,973,850		
Ecoprogetto Venezia srl	Venice	42,120,000	83.71%	85.28%
Veneziana di Navigazione spa	Venice	1,424,000	100.00%	100.00%
Data Rec srl	Venice	100,000	99.75%	99.60%
Vier srl	Venice	100,000	100.00%	100.00%
Mive srl	Mirano (Ve)	110,000	100.00%	100.00%
Eco-Ricicli Veritas srl	Venice	5,120,000	77.40%	78.48%
Sifagest scarl	Venice	500,000	64.40%	62.00%
Alisea spa	Jesolo (Ve)	415,000	74.84%	60.00%
Elios srl	Spinea (Ve)	50,000	100.00%	50.00%
Consorzio bonifica riconv. produttiva Fusina	Venice	100,000	65.05%	49.05%
consolidated companies pursuant to IFRS 5				
Ecopiave srl	Musile di Piave (Ve)	100,000	78.53%	79.55%

In February 2013, a transaction act was signed between Veritas, Elios and other shareholders of Elios. Amongst other, this agreement set out that Veritas would acquire further shares owned by other shareholders, i.e. 49% held by Procim and 1% held by Cmr, shares actually purchased in July 2013 in the amount of 24.5%, and in December 2013 in a further amount of 24.5%, while the purchase of the remaining 1% was finalised in 2104. The company was 100% consolidated as from 2013.

At the end of September 2013, Veritas acquired a further 16% of owned by Consorzio di bonifica e riconversione produttiva Fusina. Therefore, the Consortium was included in the scope of consolidation as from October 2013.

It is worth recalling that in December 2012, Eco-ricicli Veritas srl resolved on a share capital increase for a total amount of EUR 5,500 thousand to be paid in three instalments. As at 31 December 2012, the share capital subscribed was equal to EUR 4,970 thousand, with a further increase of EUR 2,030 thousand, which would have been subscribed during 2013. This operation was postponed by one year; as at 31 December 2013, the subscribed share capital was equal to EUR 5,120 thousand. Therefore, Veritas' equity investment was 77.40%, compared to 78.48% at the beginning of the year.

The equity investment in Ecoprogetto changed in May 2013, following the 5% transfer of share capital to Bioman Spa, than in December 2013 with the acquisition of 3.378% from Ladurner ambiente.

In May 2013, Veritas subscribed the share capital increase of EUR 400 thousand, decided by Sifagest in the amount of EUR 260 thousand. By reason of the fact that this share increase had not been subscribed by all shareholders, the equity investment of Veritas in Sifagest increased from 62% to 64.40%.

In December 2013, a further share, equal to 14.84% of the share capital, was acquired by the Municipality of Jesolo. As at 31 December 2013, the equity investment of Veritas in Alisea therefore amounted to 74.84%.

Spim srl, in 2012 a subsidiary, was put into liquidation in July 2013. As at 31 December, it was erased from the Register of Companies.

The share capital of the Parent Company Veritas amounted to EUR 110,974 thousand, unchanged over 2012. The 2,995 own shares, held by Veritas as at the end of the financial year (n. 890 as at 31 December 2012) for a total of EUR 239,600 (EUR 71,200 as at 31 December 2012), were deducted from the shareholders' equity.

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 750,000, 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	31.12.2013 Group's equity investment	31.12.2012
associates				
Insula spa	Venice	3,706,000	24.73%	26.73%
Amest srl *in liquidation*	Dolo (Ve)	2,832,908	43.46%	43.46%
Sifa scpa	Mestre (Ve)	30,000,000	32.14%	30.00%
Sst società servizi territoriali spa	Chioggia (Ve)	5,555,112	29.90%	
Depuracque servizi srl	Salzano (Ve)	223,080	20.00%	
Lecher ricerche e analisi srl	Salzano (Ve)	46,800	60.00%	
Steriladria srl	Adria (Ro)	100,000	29.30%	29.85%
Ecopaté srl	Venice	100,000	30.96%	31.39%
jointly controlled companies				
Asvo spa	Portogruaro	18,969,650	50.70%	50.50%
jointly controlled companies pursuant to IFRS 5				

Veritas energia srl	Venice	1,000,000	49.00%	49.00%

Within the scope of business combination and synergies, and regarding integrated environmental hygiene services, in 2012 Veritas and Asvo 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% of the equity investment in Eco-ricicli Veritas. The Asvo Veritas' shareholders are therefore with 50.5% the twelve municipalities of Eastern Veneto, including the Portogruaro Municipality, with 49.5%.

In 2013, Veritas acquired a further 0.2% equity investment in Asvo.

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 measured at equity.

Veritas energia srl, of which the Parent Company holds 49% at end 2013, was reclassified as held-for-sale asset, since in February 2014; the entire equity investment was transferred to Ascopiave Spa.

The main financial items are:

Consolidated income statement	2013	%	2012 (*)	%
total net income	**337,010**	**100.00%**	**336,509**	**100.00%**
personnel costs	-131,472	-39.01%	-122,410	-36.70%
other operating charges	-157,253	-46.66%	-163,658	-48.60%
EBITDA	**48,285**	**14.33%**	**50,441**	**14.60%**
amortisation, depreciation and write-downs	-29,025	-8.61%	-29,786	-8.90%
operating income	**19,260**	**5.71%**	**20,655**	**5.80%**
portion pertaining to investments carried at equity	-102	-0.03%	-3,247	-1.00%
financial (income) charges	-6,984	-2.07%	-5,363	-1.60%
income before taxes	**12,174**	**3.61%**	**12,045**	**3.20%**
income taxes for the year	-8,441	-2.50%	-5,311	-1.50%
profit (loss) for the year from continuing operations	**3,733**	**1.11%**	**6,734**	**1.80%**
net profit (loss) from assets held-for-sale	2,015	0.60%	-484	-0.10%
profit (loss) pertaining to minority interest	519	0.15%	414	0.10%
profit (loss) pertaining to the Group	**5,229**	**1.55%**	**5,836**	**1.50%**

** figures were restated according to IAS (19)R.*

For 2012, figures were restated according to IAS 19 revised, which envisages a different reclassification of profits/losses resulting from the discounting of employee severance indemnity, both in the comprehensive income statement and the balance sheet. These reclassifications are described in the special section of the explanatory notes.

Total net income, from EUR 336.5 million in 2012 to EUR 337 million in 2013, remained substantially unchanged.

Personnel costs (EUR 131.5 million) showed a 7.4% increase compared with 2012 (EUR 122.4 million). Personnel is composed of 2,493 units, a 45 unit increase compared to 2012, equal to 1.84%.

The increase, in both personnel costs and number of units, is substantially due to the absorption by the Parent Company of personnel in charge of the waste management services in Quarto d'Altino and Marcon (21 units), as well as the absorption, by Data rec, of call centre services, sending and printing of invoices, which were previously outsourced (with an average increase of 11 units), as well as the consolidation of Elios (3 units), as from 2013.

Personnel costs also included EUR 4.2 million for incentives to lease, as set forth by Law 92/2012. To this purpose, it should be recalled that this charge is recognised on an accrual basis in the year of leave of the personnel involved. Over 20% saving will be generated on personnel costs for the following years. Under the financial point of view as well, this caption has no impact on the Group management.

employees	31.12.2013	31.12.2012	change
senior managers	17	17	0
middle managers	72	68	4
white-collar	777	768	9
blue-collar	1,627	1,595	32
total employees	**2,493**	**2,448**	**45**

The ratio of labour costs to net revenues rose to 39% (36.7% in 2012). 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 multidisciplinary, 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) was equal to EUR 48.3 million and decreased by 4.3% compared with EUR 50.4 million in 2012. In terms of ratio with total revenue, this decrease was however equal to 0.3%.

Operating income (EBIT) stood at EUR 19.2 million compared with EUR 20.7 million in 2012.

Net financial charges, equal to EUR 7 million (EUR 5.4 million in 2012), primarily increased due to the use of new forms of short-term indebtedness subscribed by the Parent Company and other Group companies (above all through leasing and factoring instruments) to face the temporary financial unfavourable trends which arose with the introduction of TARES tax in 2013.

Income before taxation amounted to EUR 12.2 million, a slight increase compared with EUR 12 million in 2012.

Income taxes for the year stood at EUR 8.4 million, compared with EUR 5.3 million in 2012. It is worth noting that the very low amount referred to 2012 benefited from the one-off income deriving from the IRES refund application submitted in February 2013, by the Parent Company and by the other companies involved regarding IRAP deduction from labour costs, amounting to EUR 5.5 million.

Profit (loss) pertaining to minority interest amounted to EUR 519 thousand (EUR 414 thousand in 2012) 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 Euros):

	31.12.2013	31.12.2012
assets		
total non-current assets	508,116	489,515
current assets	197,149	181,487
net assets (liabilities) held-for-sale	8,043	4,658
total assets	**713,308**	**675,660**
liabilities and shareholders' equity		
Group’s total shareholders’ equity	153,162	148,871
shareholders' equity pertaining to minority interest	10,349	9,645
non-current liabilities	97,648	96,177
current liabilities	270,469	200,442
net financial position	181,680	220,525
total liabilities and shareholders' equity	**713,308**	**675,660**

In **non-current assets**, activities of the integrated water cycle which, net of the disbursed public contribution, amounting to EUR 156.5 million (EUR 152.9 million in 2012), were reclassified under the item “Concession services”, based on the adoption of IFRIC 12, starting from 1 January 2010.

The increase in non-current assets is mainly attributable to investments made by the Parent Company, as well as to the contribution by newly consolidated companies Elios and Consorzio bonifica riconversione produttiva Fusina.

The increase in **current assets** stood at EUR 15.7 million (EUR 197.1 million against EUR 181.5 million as at 31 December 2012) and is primarily ascribable to Group receivables from partner authorities and associates.

Current liabilities (EUR 270.5 million against EUR 200.4 million as at 31 December 2012) were up by EUR 70.4 million. The significant increase is mainly ascribable to Group payables to partner municipalities, with reference to the collection of Tares tax still unpaid.

Net working capital, which is the difference between current assets and liabilities, was therefore negative by EUR 73 million, compared with EUR 19 million in 2012. The increase in the negative trend actually reduced the invested capital, therefore financial requirements as well.

Non-current liabilities stood at EUR 97.6 million (EUR 96.2 million as at 31 December 2012), slightly up by EUR 1.5 million.

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 5,229 thousand. Group shareholders' equity, as at 31 December 2013, stood at EUR 153.2 million compared with EUR 148.9 million at the end of 2012. No dividends were distributed.

Net financial position of the Group at the end of the period, including EUR 12.1 million (EUR 11.2 million in 2012) relative to the portions of the principal due on current financial leasing agreements, was negative in the amount of EUR 181.7 million (EUR 220.5 million in the previous year).

The significant improvement of around EUR 38.8 million is to be mainly attributed to the good performance of net working capital.

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 3.76, thus a clear improvement compared with 4.47 of the previous year and 4.69 in 2011.

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 thousands of EUR)	profit (loss) of 2013	sharehold-ers' equity 2013	profit (loss) of 2012 (*)	sharehold-ers' equity 2012 (*)
profit (loss) of the year and shareholders' equity of the Parent Company in compliance with Ita Gaap	**3,160**	**149,310**	**5,358**	**146,149**
changes in the profit (loss) for the year and				
shareholders' equity of the Parent Company in compliance with IFRS	-433	1,570	-325	3,623
profit (loss) of the year and shareholders' equity of the Parent Company in compliance with IFRS	**2,727**	**150,880**	**5,033**	**149,772**
difference between carrying amount and pro-quota amount of the shareholders' equity of the companies consolidated on a line-by-line basis	2,337	15,246	1,592	12,778
reversal of write-downs of equity investments	120	749	1,467	1,200
reversal of dividends				
goodwill's		4,799		4,857
allocation of the higher price paid for Spim, net of the related tax effects	-250	1,355	-250	1,605
allocation of the higher price paid for Mogliano Ambiente, net of the related tax effects	-67	400	-67	467
allocation of the higher price paid for Cavarzere ambiente, net of the related tax effects	-40	201	-40	241
allocation of the higher price paid for Alisea, net of the related tax effects	-332	5,638	-359	5,969
allocation of the higher price paid for Elios, net of the related tax effects	-106	1,038		
Veritas energia carried at equity	1,107	2,059	-740	951
Asvo carried at equity	18	-5,799	649	-5,817
purchase of 20% of the equity investment in Ecoprogetto 2012		-1,473		-1,473
transfer of minority shareholdings through the Asvo transaction		1,172		1,172
reversal of capital gains for the Asvo transaction		-1,518	-1,518	-1,518
reversal of capital gains for the Ecoprogetto transaction	-434	-434		
purchase of 5% of the equity investment in Ecoprogetto 2013		-163		
purchase of 3.38% of the equity investment in Ecoprogetto 2013		208		
purchase of 14.84% of the equity investment in Alisea 2013		116		
reversal of capital gains from transfer of business unit SII Mogliano Veneto, net of tax effects	220	-1,100	220	-1,321
reversal of the effects of the merger of Cavarzere ambiente	18	531	18	513
reversal of the effects of the merger of Mogliano ambiente	51	524	51	473
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	405	42	224	-364
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	-29	-141	-28	-170
other interests	1	-59	-1	-64
profit (loss) and minority interest	-519	-10,349	-414	-9,645
total shareholders' equity and profit (loss) pertaining to the Group	**5,229**	**153,162**	**5,836**	**148,871**

(*) The comparative figures were restated following the retrospective application of the new IAS 19 - Employee Benefits.

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 1,570 thousand) is substantially due to the effects of the different calculations and recognition of the financial leasing agreements (EUR 2,087 thousand) and to the time-discount of payables and provisions (EUR -617 thousand).

Financial management policies and objectives

The main purpose of this financial policy is the maintenance of an adequate balance between sources and use of financial resources deriving form management activities.

This target is achieved both in the medium/long term, to foster development and allow for investments, and in the short term, to ensure an adequate cash flow profile to fulfil treasury commitments.

A number of financial instruments, other than derivatives, are used to achieve the aforesaid target. These include bank loans and credit lines, direct and indirect factoring contracts, financial leasing and trade payables. The company also accounts for several active financial instruments, such as trade receivables, liquidity and comparable elements that derive directly from its operational activities.

The policy of the Group is to manage financial costs using combination of fixed and variable debt rates. 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. Today, this phenomenon is residual.

The policy of the Group does not envisage the signature of speculative derivative instruments.

The net financial position of the Group, in 2013, showed a negative amount of approximately EUR -201 million (EUR -229 million in 2012), thus generating net financial charges of approximately EUR 7 million (EUR 5.43 million in 2012) with an average interest rate of 3.5% (2.4% in 2012).

Therefore, the number of credit collection procedures adopted (telephone and written reminders, agencies specialised in credit collection, legal actions) bring this insolvency percentage, related to the receivables from municipal waste management services, close to 3% (also higher in more recent times), a percentage believed within the average percentage, 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 around 1.2% of turnover.

It should be however underlined that the economic and financial crisis had an impact on both companies and households, while increasing the insolvency risk, already expected to show an increasing trend.

The external economic and financial scenario, in which the Group operated during 2013, did not differ much from the previous year's one, when the chances to access medium/long-term loans decreased.

The fear for the impact of legislation on tariffs related to municipal waste management services, i.e. the transformation of the Tia fee into a Tares tax, is to be added to the aforesaid trend.

The above occurred with such modalities that an additional working capital was widely needed. The company was therefore forced to use further short-term funding instruments, factoring and transfer of receivables, resulting in a strong increase in financial charges.

Risk related to high financial indebtedness

The Veritas Group showed a level of indebtedness amounting to approximately 3.7 times the Ebitda, a decline compared with 4.5 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 156 million and represents 78% 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 for both tariffs approved before 2012 by local Authorities, with the old tariff regime, and for tariffs being approved by the national Authority with the interim rate system, for the 2012 and 2013 periods, and with the new tariff regime applied as from 2014.

Since the tariff recovery, which remunerates this type of investment according to amortisation and depreciation and financial charges, is implemented over a very long interval of time, a continuous need for capital to be refunded is actually generated, given the reduced duration of bank credit facilities.

The continuous improvement of Ebitda, associated with adjustments against higher financial charges, due to the fluctuation of financial charges, 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	2014	2015	2016	2017	2018	above
158,759	35,696	31,278	25,027	23,694	12,371	30,693

The objective of the Group is to keep a balance between preserving the funding and leveraging on the flexibility given by credit lines, loans and leases. The policy of the Group is that not more than 20-22% of the loans must be due within one year.

As at 31 December 2013, about 22% 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.

Over 2013, all financial parameters recalled in current financial agreements, concluded the Parent Company and other Group companies, have been fulfilled. Therefore, no long-term portion has been restated under short-term loans.

Risk of insufficient liquidity and increase of financial resources

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.

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.

Receivables for services rendered to public bodies, and especially to the Municipalities of Venice and Chioggia, are still reporting payment delays, connected with 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 three derivative instruments, is equal to the carrying amount of these assets.

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.

As at 31 December 2013, the Group reported unused credit facilities amounting to around EUR 73 million, compared with approx. EUR 35 million as at 31 December 2012.

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 39 million, and tackle possible negative changes in working capital.

Operating investment plans, which are being implemented, above all in the water sector, start to be offset, although partially, thanks to the still evolving regulatory framework of tariff adjustments set out by Authorities in the water sector.

Although regulated, the integrated water service segment, on the one hand considers the Parent Company as concession operator, i.e. with no competitors, but on the other hand, it exposes expected future cash flows to uncertainty resulting from the variability of the regulatory framework. In light of the above, the assignment of tariff setting and approval functions of economic-financial plans of operators to the Authority has mitigated this uncertainty to the extent that it is no longer subjected to the local political and social feelings which have marked, at national level, the previous experience of the Aato's Authorities, cancelled in favour of Basin Councils, to whom a structurally different control function within the sector is conferred. This is still a complex regulatory context, in which the great number of rules and resolutions issued by the Authority requires that the operators are able to analyse tariff regulations, as well as to adapt to the continuous updates to the tariff rules, which will be started in 2014, the first year after the interim tariff period.

As regards municipal waste management, a general need for a tariff redefinition is reported, in order to ensure higher fairness among users, greater control for Municipalities and a direct financial return to the Group, while eliminating stress on working capital and increases in financial charges.

The spread increase trend, already reported over time, continued in 2013. Consequently, despite the significant interest rate decrease, the final rates paid to the financial institutions are higher.

However, in 2013 and despite the financial crisis, the Veritas Group has obtained additional medium and short-term credit lines for a total amount of EUR 28 million.

Although its business is characterised by a contained volatility and solid cash generation, the Veritas Group is striving to identify financial resources that are more consistent with new trends of financial markets through the issue of bonds for which thorough analyses in financial marketing have been already performed during the current year.

In 2013, short-term financial management instruments have been strengthened by signing new factoring agreements, both direct and indirect (reverse factoring), in addition to leasing and direct financing agreements with the suppliers.

Relations with related parties

The relations with related parties are broadly described in note n. 45 to the consolidated 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 Italian Legislative Decree 196/2003 “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 Italian Law Decree 112 of 2008, converted into Italian Law 133/2008 and subsequent changes, with consequent repeal of the related regulations approved with the Italian President of the Republic Decree no. 168 of 7 September 2011, new provisions were issued with:

- art. 4 of Italian Law Decree no. 138 of 13 August 2011 converted into Italian Law no. 148 of 14/09/2011;
- subsequently amended by Italian Law no. 183 of 12 November 2011;
- subsequently amended by Italian Law Decree no. 1 of 24 January 2012 converted into Italian Law no. 27 on 24/03/2012.

The regulation contained in article 4, as described above, has been declared unconstitutional with ruling no. 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 competent authorities intervened again in order to regulate the subject matter with art. no. 34 of Italian Law Decree 179/2012, converted into Italian 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 Italian Law Decree 138/2011, converted into Italian 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 Italian Law 191/2009 which provided for the suppression of the optimal territorial sub-divisions authorities, has approved:

- with Italian Law no. 17 of 27 April 2012, the establishment of the "*Consiglio di Bacino Laguna di Venezia*" Basin Council for integrated water service management, for the optimal territorial sub-division of the Venetian lagoon;
- with Italian Law no. 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 inter-province basins of different size. 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.

  The new aggregation of territorial sub-divisions for the aggregated fulfilment of organization and control functions of the integrated management service of municipal waste was approved with resolution no.13 of the Regional Council dated 21 January 2014.

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 sub-divisions plan and/or its revision.

To this purpose, it should be noted that on 30 October 2013 the Council for the basin of the Venetian lagoon resolved on guidelines on management and assignment modalities of integrated water services, according to which:

- the Council confirmed the in-house management of the integrated water service, also for the years after the expiry of the current convention with the Veritas spa operator;
- it started the implementation of activities required for the selection of the aforesaid organisational model for the management of the service in order to draw up a convention proposal to be submitted for approval by 31 December 2014, with an expiry able to ensure a suitable management period, indicatively twenty years, which would allow for the scheduling of investments and access to secured loans and/or in any case a loan favoured by a multi-annual management of the service.

Moreover, the Coordination and Control Committee of Veritas spa's shareholders, held on 31 October 2013, while acknowledging the resolution made by the Basin Council which, pursuant to Art. 34 of Italian Law Decree 179/2012, resolved "on inviting the partner Municipalities to vest their representatives, in the Shareholders' Meeting of the relevant authority for the Venetian lagoon sub-division, with the special proxy to express, on that occasion, their intention to assign in-house water service management to Veritas spa, at least until 2033, in order to allow an adequate scheduling of investments and facilitate the access to long-term loans".

It should be also noted that the majority of the partner Municipalities of Veritas spa has endorsed the resolution pursuant to Art. 34 of Italian Law Decree 179/2012 which, amongst other, states the consistency of Veritas organisational model with EU and Italian standards and confirms, pursuant and by the effects of Art. 34 of Italian Law Decree 179/2012, that services currently managed through Veritas and Group companies will continue until 26 June 2038, unless different duration is stated due to both future amendments in standards, and the application of the current ones. Lastly, it was acknowledged that Veritas would in any case continue to manage the integrated water service until completion of all works scheduled within the sub-divisions plan, the duration of which is fixed in thirty years, starting from 2004 and therefore until 2033.

As for the waste integrated management service, it must be noted that, among the partner local authorities, the municipality of Venice, with resolution no. 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 no. 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 Italian Law no. 109 of 11 February 1994 (this paragraph was introduced by art. 3, paragraph 7 of Italian Law no. 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 regards cemetery services, the installation of high tide footbridges and public toilets, related to the Municipality of Venice only, the duration of concessions was actually extended, up to now, to 31 December 2014.

Always related to the Municipality of Venice only, the management of markets was considered by the Parent Company as a service to be discontinued and transferred to the granting entity to be reassigned.

2.1.2 SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END

In February 2014, the Parent Company sold its entire equity investment, equal to 49%, in Veritas energia srl to Ascopiave spa, which already held the remaining 51%.

In February 2014, the Parent Company transferred 1.95% in Ecoricicli Veritas to Bioman spa.

In May 2014, Eco-ricicli incorporated, for a share of 40%, together with Idealservice srl, the company Ecoplastiche Venezia srl, which is already collaborating with the Group in the sector of separate waste collection and is planning to open a plant for the treatment of plastic packaging in the sub-division of Marghera.

Moreover, always in May 2014, Eco-ricicli acquired 17% of Consorzio bonifica riconversione produttiva Fusina. Therefore, the equity investment of the Group within the Consortium is now 78.21%.

This new method is substantially a continuation of the previous one. Some changes were made to the calculation basis in order to take greater account of future development of investments.

As regards the approval of Veritas tariffs related to the 2012-2013 two-year period, it should be noted that the procedure by Aeegsi has not been concluded yet.

As regards tariffs related to environmental hygiene services, pertaining not only to the Parent Company, but also to Alisea and Asvo, with the approval of the 2014 Stability Law, the tariff system has changed again and a complex tax, called Iuc (municipal single tax) entered in force as from 1 January 2014. This tax includes the tax for waste management (Tari), the tax on indivisible municipal services (Tasi) and the tax on real estate property (Imu).

The calculation framework of Tari has remained substantially unchanged compared to Tares, but involved a new approval by Municipalities and new regulations.

Some Municipalities have chosen, for 2014 already, to elect, as per regulations in force, for the operating mode of invoicing an amount proportionate to the number of services rendered.

2.1.3 BUSINESS OUTLOOK

For the current year as well, a phase of further rationalisation of equity interests is underway, through extraordinary merger and liquidation transactions. The rationalisation targets of the Parent Company therefore coincide with new requirements resulting from public regulations on spending review.

As regards the general financial management, in order to provide the Group with an adequate availability of financial resources, both in the short and medium terms, the Parent Company is finalising two important transactions: the issue of bonds, for which the financial subject has been selected to help the company in their placement on the regulated markets, and the entering of a long-term loan with the European Investment Bank (EIB), which is currently in an advanced stage of finalisation.

As for the management of the water service tariff, with reference to the Parent Company, the approval by Aeegsi is expected for both the tariff related to the 2012-2013 two-year period and the definition of the equalisation tariffs for periods prior to the entrance in force of the Interim tariff method.

The Basin Council and then Aeegsi are also called to define and approve tariffs related to the 2014-2015 two-year period, which will adjust the entity and timing of recovery for any equalisation amounts (positive or negative) related to the 2012-2013 period.

2.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

assets (in thousand Euro)	notes	31.12.2013	31.12.2012 re-stated (*)
non-current assets			
intangible assets	6	22,240	21,850
concession services	6	156,473	152,940
goodwill	7	16,437	16,496
property, plant and equipment	8	236,770	231,968
investment property	9	13,925	11,179
equity investments in associates and jointly controlled companies	10	30,727	27,472
available-for-sale financial assets	11	1,212	224
due from associates and jointly controlled companies	17	3,877	2,625
other financial assets	12	6,226	5,620
due from subsidiaries held-for-sale	5	1,730	2,365
due from income taxes	19	5,547	5,544
deferred tax assets	43	12,953	11,232
total non-current assets		**508,116**	**489,515**
current assets			
inventories	13	3,926	3,801
contract work in progress	14	3,133	5,053
trade receivables	15	89,444	109,626
due from shareholders	16	59,210	29,829
due from subsidiaries held-for-sale	5	139	1,168
due from associates and jointly controlled companies	17	15,267	9,294
other receivables	18	25,351	17,419
due from current income taxes	19	679	5,297
cash and cash equivalents	20	21,615	15,482
total current assets		**218,764**	**196,968**
assets held-for-sale	**5**	**15,908**	**15,826**
total assets		**742,788**	**702,309**

(*) The comparative figures were restated following the retrospective application of the new IAS 19 - Employee Benefits.

liabilities and shareholders' equity (in thousand Euro)	notes	31.12.2013	31.12.2012 re-stated (*)
shareholders' equity			
share capital	21	110,974	110,974
reserves	21	36,959	32,061
net profit (loss) pertaining to the Group	21	5,229	5,836
shareholders' equity pertaining to the Group		**153,162**	**148,871**
share capital and reserves pertaining to minority interest	21	9,830	9,230
net profit (loss) pertaining to minority interest	21	519	414
shareholders' equity pertaining to minority interest		**10,349**	**9,645**
total shareholders' equity		**163,511**	**158,515**
non-current liabilities			
long-term loans from banks	22	123,063	118,215
other financial liabilties	23	10,843	10,673
provisions for risks and charges	24	24,117	21,951
employee severance indemnity	25	27,205	26,628
long-term payables to subsidiaries held for sale	5	3	0
due to shareholders	26	27,874	27,418
due to associates and jointly controlled companies	27	3	3
other non-current liabilities	28	8,478	9,114
deferred tax liabilities	43	9,970	11,062
total non-current liabilities		**231,555**	**225,065**
current liabilities			
trade payables	29	111,652	102,382
due to shareholders	26	76,389	30,357
due to subsidiaries held-for-sale	5	170	556
due to associates and jointly controlled companies	27	30,465	23,930
due to banks and current portion of medium-long term loans	22	55,668	102,107
other financial liabilties	23	13,457	4,761
derivative financial instruments	30	264	251
other current liabilities	31	51,512	42,934
tax payables	32	282	283
total current liabilities		**339,858**	**307,561**
liabilities held-for-sale	**5**	**7,865**	**11,168**
total liabilities		**579,277**	**543,794**
total liabilities and shareholders' equity		**742,788**	**702,309**

(*) The comparative figures were restated following the retrospective application of the new IAS 19 - Employee Benefits.

2.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

consolidated statement of comprehensive income (in thousand Euro)	notes	.2013	2012 restated (*)
continuing operations			
revenue from sales and services	33	326,550	328,607
other income	34	10,460	7,902
total revenue		**337,010**	**336,509**
raw materials and consumables	35	-27,719	-27,123
costs for services	36	-107,931	-113,980
costs for use of third party assets	37	-8,347	-8,913
personnel costs	38	-131,472	-122,410
other operating charges	39	-13,255	-13,641
amortisation, depreciation and write-downs	40	-29,025	-29,786
operating income		**19,260**	**20,655**
share of profit (loss) from investments carried at equity	41	-102	-3,247
financial charges	42	-9,183	-8,104
financial income	42	2,199	2,741
income before taxes		**12,174**	**12,045**
income taxes for the year	43	-8,441	-5,311
net profit (loss) for the year from continuing operations		**3,733**	**6,734**
assets held-for-sale			
net profit (loss) from assets held-for-sale		**2,015**	**-484**
net profit (loss) for the year		**5,748**	**6,251**
net profit (loss) pertaining to minority interest		**519**	**414**
net profit (loss) pertaining to the Group		**5,229**	**5,836**
(losses)/gains from remeasurement of defined benefit plans		-1,282	-1,157
Income taxes pertaining to other components of the comprehensive income statement		353	318
net profit (loss) for the year		**4,818**	**5,412**
attributable to:			
parent company shareholders		5,309	5,006
minority interests		509	406
net profit (loss) for the year		**4,818**	**5,412**

(*) The comparative figures were restated following the retrospective application of the new IAS 19 - Employee Benefits.

2.4 CONSOLIDATED STATEMENT 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 of the Group	share capital and reserves pertaining to minority share-holdings	net profit/loss for the period pertaining to minority sharehold-ings	total shareholders' equity pertaining to minority sharehold-ings	total share-holders' equity
31 December 2011	**110,974**	**1,162**	**-71**	**26,471**	**154**	**4,008**	**142,698**	**3,679**	**429**	**4,108**	**146,806**
effects deriving from the application of IAS 19 revised				116		-116					
1 January 2012 (*)	**110,974**	**1,162**	**-71**	**26,587**	**154**	**3,892**	**142,698**	**3,679**	**429**	**4,108**	**146,806**
share capital increase											
allocation of previous year's profit/(loss)		198		3,694		-3,892		429	-429		
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								5,131		5,131	5,131
net profit (loss) for the year ended 31 December 2012						5,006	5,006		406	406	5,411
31 December 2012 (*)	**110,974**	**1,360**	**-71**	**31,448**	**154**	**5,006**	**148,871**	**9,239**	**406**	**9,645**	**158,515**
31 December 2012	**110,974**	**1,360**	**-71**	**31,448**	**154**	**5,006**	**148,871**	**9,239**	**406**	**9,645**	**158,515**
effects resulting from the application of IAS 19 revised				-830		830		-8	8		
1 January 2013 (*)	**110,974**	**1,360**	**-71**	**30,618**	**154**	**5,836**	**148,871**	**9,231**	**414**	**9,645**	**158,515**
share capital increase											
allocation of previous year's profit/(loss)		268		5,568		-5,836		414	-414		
time-discounting of non-interest bearing loan											
own shares in portfolio			-168				-168				-168
associates carried at equity											
other changes				-10			-10				-10
dividends											
transfer of minority interest											
increase in minority interest				160			160	196		196	356
other comprehensive income				-920			-920	-10		-10	-930
net profit (loss) for the year ended 31 December 2013						5,229	5,229		519	519	5,748
31 December 2013	**110,974**	**1,628**	**-239**	**35,416**	**154**	**5,229**	**153,162**	**9,831**	**519**	**10,349**	**163,511**

(*) The comparative figures were restated following the retrospective application of the new IAS 19 - Employee Benefits.

2.5 CONSOLIDATED STATEMENT OF CASH FLOWS

consolidated statement of cash flows (in thousand Euro)	2013	2012 restated (*)
cash flow from operating activities		
profit (loss) pertaining to the Group	5,229	5,836
profit (loss) pertaining to minority interest	519	414
adjustments to reconcile net profit with cash provided by (used in) operations		
amortisation, depreciation and write-downs	29,025	29,786
financial income (charges) from time-discounting	843	1,238
receivables write-down	5,807	6,701
change in fair value of interest rate derivatives	12	-88
portion pertaining to investments carried at equity	-1,005	3,247
capital gains/losses		
from disposal of property, plant and equipment and investment property	-1,093	322
from disposal of equity investments		-2
provision (use)		
employee severance indemnity	127	-1270
provisions for risks and charges	1,993	2,942
(provision)/use of assets for pre-paid taxes / provision/(use) of liabilities for deferred taxes	-2,813	1,392
sub total	**38,644**	**50,517**
changes in current assets and liabilities		
inventories	-126	174
contract work in progress	1,920	-227
trade receivables	14,375	-3,988
other receivables	-37,360	-7,286
trade payables	9,270	15,119
due to subsidiaries held-for-sale	3	
other current and non-current payables	61,866	9,502
total changes in current assets and liabilities	**49,948**	**13,294**
cash flow provided by (used in) operating activities	**88,592**	**63,811**

(*) The comparative figures were restated following the retrospective application of the new IAS 19 - Employee Benefits.

consolidate statement of cash flows (in thousand Euro)	2013	2012 restated (*)
cash flows from investing activities		
disposal of intangible assets	85	
disposal of property, plant and equipment	2,101	2,592
deconsolidation of equity investments held-for-sale	-2,029	453
transfer (acquisition) of minority interest	-1,859	-573
dividends from associates and jointly controlled companies	249	490
investments in business combinations	-250	-8,080
purchases of intangible assets	-4,756	-1,388
investments in concession services	-13,370	-12,049
purchase of property, plant and equipment	-24,885	-17,257
purchase of equity investments in associates and joint ventures	-3,855	-9,113
public funding	3,030	4,040
disinvestments (investments) in available-for-sale financial assets	-987	48
other financial assets	-1,223	688
cash flow provided by (used in) investing activities	**-47,751**	**-40,149**
cash flows from financing activities		
transfer (acquisition) of own shares	-168	
long-term		
lonas from banks	30,838	13,000
other long-term loans and factoring	6,045	6,093
to associates and jointly controlled companies	3,500	
(repayment) of loans		
to associates and jointly controlled companies	-1,252	-5,422
long-term loans to banks	-34,149	-41,380
other long-term loans	-160	-5,420
long-term due to sharheolders	-497	-488
other changes in shareholders' equity	-584	740
cash flow provided by (used in) financing activities	**3,573**	**-32,877**
net increase/(decrease) in cash and cash equivalents	**44,414**	**-9,215**
net cash and cash equivalents at the beginning of the year	**-42,770**	**-33,555**
net cash and cash equivalents at the ebd of the year	**1,643**	**-42,770**
interest paid	5,382	6,232
income tax paid	6,362	19,888

(*) The comparative figures were restated following the retrospective application of the new IAS 19 - Employee Benefits.

2.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 750,000, 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 2013, the Group has dispensed almost 67.5 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 6.9 million cubic meters of water is dispensed; this amount is progressively declining.

  The aqueduct network is approximately 4,121 Km long and, for the purifying cycle, a sewerage network of 2,749 km, routing about 76.7 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 sewerage 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 (until July 2013), farmers and fish markets and waste management services.
- the sale of gas and electricity through Veritas energia srl until 31 December 2013 (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 26 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) no. 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 2013. IFRS standards also include 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 2012, 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 2013.

The Group has adopted some standards and amendments for the first time which involved the restatement of the previous financial statements. These are IAS 19 (2011) - Employee Benefits and amendments to IAS 1 - Presentation of Financial Statements. The type and effect of the aforesaid changes are described hereunder, as set forth by IAS 8. A number of new standards and amendments entered in force for the first time in 2013. However, they had no impact on the consolidated financial statements of the Veritas Group.

The type and impact of each single new standard/amendment are listed hereunder.

- *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 now disclosed 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 referred only to the presentation method and did not have any impact on the financial position and results of operations of the Group.
- *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 had no impact on financial position, results of operations or reporting of 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. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. These amendments had no impact on the Group's financial position or economic performance.
- *IAS 19 (2011) - Employee benefits (IAS 19R)* - During the year, the Group applied the IAS 19 (2011) retroactively, in compliance with interim provisions set out by the standard. The opening statement of financial position for the earliest comparable year (1 January 2012) and the comparison figures were therefore restated. IAS 19R entails a number of changes in the recognition of defined benefit plans, including actuarial gains and losses, which are now recognised under other components of comprehensive income statement and steadily excluded from the income statement. The expected returns on the plan assets are not recognised in the income statement, while interests on the plan net liabilities (assets) are. These interests shall be calculated by using the same interest rate applied to discount the obligation. Costs related to past work relations must be also recognised in the income statement at the earliest date between a) the date in which the plan is changed or reduced, and b) the costs related to restructuring or termination of the work relation are recognised. Other changes regard new disclosures, such as disclosures on quality.

  In preparing the financial statements as at 31 December 2012, the Group did not apply the corridor method, although, in the reporting period, actuarial gains and losses were recognised directly to income statement.

  The passage to IAS 19R had an impact at Group level, as well as on the employee severance indemnity of Italian companies due to the different accounting of actuarial gains and losses, which were previously recognised directly to income statement and they are now entered, for their entire amount, under "Other components of the comprehensive income statement" item, and in a special reserve in the shareholders' equity. Given that this standard can be applied retrospectively, the previous year was restated as from 1 January 2012. The effects of the adoption of IAS 19R are described in detail in the following sections.
- *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 by international accounting standards themselves. The application of IFRS 13 had no impact on fair value measurements performed by the Group. IFRS 13 also requires a special disclosure on fair value which partly replaces the disclosure requirements set forth by other standards, including IFRS 7 Financial Instruments: Supplementary Information.

- *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. The new interpretation had no impact on the Group.

  In addition to amendments and the above-mentioned new standards, two amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards were issued regarding severe hyperinflation and removal of first dates for first time adopters and government grants, effective for annual periods beginning on or after 1 January 2013. These amendments are not relevant for the Group which is not a fist adopter of IFRS.

  The adoption of 2009-2011 annual cycle of improvements entailed no impact on the Group consolidated 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 on 1 January 2014. The Group intends to adopt these standards when they become effective.

- *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.
- *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. Its application will have no impact on financial position, results of operations or reporting of the Group.
- *IFRS 12 - Disclosure of Interests in Other Entities* - IFRS 12 includes all the rules of disclosures that were previously included in IAS 27 on the consolidated financial statements, as well as the rules of disclosure in IAS 31 and IAS 28. These disclosures concern a company's shareholdings in subsidiaries, joint ventures, affiliates 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.
- *IAS 28 (2011) Investments in associates and joint ventures* – 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.
- *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. These amendments should entail no impact on the Group’s financial position or economic performance.

Presentation in compliance with IFRS

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

Restatement of comparative figures

The new version of the IAS 19 standard modifies the recognition rules of defined benefit plans and requires that the corridor method be no longer adopted. Actuarial profits and losses must be recognised in the comprehensive income statement. The Group recognised the actuarial profits and losses directly in the income statement, therefore the retrospective application entails the mere reclassification of actuarial losses under profit/(loss) for the year and equity reserves.

The accounting principles were applied retrospectively, as set out by par. 173 of the new standard; therefore, the opening statement of financial position and economic figures related to the comparison period were restated accordingly, as shown hereunder:

Restated Statement of Financial Position: Assets

assets (in thousand Euro)	notes	2012 restated*	effects deriving from the application of IAS 19 revised	2012
non-current assets				
intangible assets	6	21,850	0	21,850
concession services	6	152,940	0	152,940
Goodwill	7	16,496	0	16,496
property, plant and equipment	8	231,968	0	231,968
investment property	9	11,179	0	11,179
equity investments in associates and jointly controlled companies	10	27,472	0	27,472
available-for-sale financial assets	11	224	0	224
due from associates and jointly controlled companies	17	2,625	0	2,625
other financial assets	12	5,620	0	5,620
due from subsidiaries held-for-sale	5	2,365	0	2,365
due from income taxes	19	5,544	0	5,544
deferred tax assets	43	11,232	0	11,232
total non-current assets		**489,515**	0	**489,515**
current assets				
inventories	13	3,801	0	3,801
contract work in progress	14	5,053	0	5,053
trade receivables	15	109,626	0	109,626
due from shareholders	16	29,829	0	29,829
due from subsidiaries held-for-sale	5	1,168	0	1,168
due from associates and jointly controlled companies	17	9,294	0	9,294
other receivables	18	17,419	0	17,419
current tax credits	19	5,297	0	5,297
cash and cash equivalents	20	15,482	0	15,482
total current assets		**196,968**	0	**196,968**
assets held-for-sale	**5**	**15,826**	**0**	**15,826**
total assets		**702,309**	0	**702,309**

** restated figures as per IAS (19)R.*

Restated Statement of Financial Position: Liabilities

liabilities and shareholders' equity (in thousand Euro)	notes	2012 restated*	effects deriving from the application of IAS 19 revised	2012
shareholders' equity				
share capital	21	110,974	0	110,974
reserves	21	32,061	830	32,891
net profit (loss) pertaining to the Group	21	5,836	-830	5,006
shareholders' equity pertaining to the Group		**148,871**	0	**148,871**
share capital and reserves pertaining to minority interest				
net profit (loss) pertaining to minority interest	21	9,230	9	9,239
shareholders' equity pertaining to minority interest	21	414	-9	406
total shareholders' equity		**158,515**	0	**158,515**
non-current liabilities				
long-term loans from banks	22	118,215	0	118,215
other financial liabilities	23	10,673	0	10,673
provisions for risks and charges	24	21,951	0	21,951
employee severance indemnity	25	26,628	0	26,628
due to subsidiaries held-for-sale	5			
due to shareholders	26	27,418	0	27,418
due to associates and jointly controlled companies	27	3	0	3
other non-current liabilities	28	9,114	0	9,114
deferred tax liabilities	43	11,062	0	11,062
total non-current liabilities		**225,065**	0	**225,065**
current liabilities				
trade payables	29	102,382	0	102,382
due to shareholders	26	30,357	0	30,357
due to subsidiaries held-for-sale	5	556	0	556
due to associates and jointly controlled companies	27	23,930	0	23,930
due to banks and current portion of medium-long term loans	22	102,107	0	102,107
loans from other financiers	23	4,761	0	4,761
derivative financial instruments	30	251	0	251
other current liabilities	31	42,934	0	42,934
tax payables	32	283	0	283
total current liabilities		**307,561**	0	**307,561**
liabilities held-for-sale	**5**	**11,168**	0	**11,168**
total liabilities		**543,794**	0	**543,794**
total liabilities and shareholders' equity		**702,309**	0	**702,309**

** restated figures as per IAS (19)R.*

Restated Statement of Comprehensive Income

statement of comprehensive income (in thousand Euro)	notes	2012 restated*	effects deriving from the application of IAS 19 revised	2012
continuing operations				
revenue from sales and services	33	328,607	0	328,607
other income	34	7,902	0	7,902
total revenue		**336,509**	0	**336,509**
raw materials and consumables	35	-27,123	0	-27,123
costs for services	36	-113,980	0	-113,980
costs for use of third party assets	37	-8,913	0	-8,913
personnel costs	38	-122,410	-1,157	-123,567
other operating charges	39	-13,641	0	-13,641
amortisation, depreciation and write-downs	40	-29,786	0	-29,786
operating income		**20,655**	**-1,157**	**19,498**
share of profit (loss) from investments carried at equity	41	-3,247	0	-3,247
financial charges	42	-8,104	0	-8,104
financial income	42	2,741	0	2,741
income before taxes		**12,045**	**-1,157**	**10,888**
income taxes for the year	43	-5,311	318	-4,992
net profit (loss) for the year from continuing operations		**6,734**	**-839**	**5,896**
assets held-for-sale		**6,734**	**-839**	**5,896**
net profit (loss) from assets held-for-sale		**-484**	**0**	**-484**
net profit (loss) for the year		**6,251**	**-839**	**5,412**
net profit (loss) pertaining to minority interest		**414**	**-9**	**406**
net profit (loss) pertaining to the Group		**5,836**	**-830**	**5,006**
Other comprehensive income/(loss)				
other components of the comprehensive income statement that may be reclassified subsequently to profit/(loss) for the year				
conversion ratio				
other components of the comprehensive income statement that will not be reclassified subsequently to profit/(loss) for the year:				
loss/gain from revaluation of defined benefit plans		-1,157		
Income taxes pertaining to other components of the comprehensive income statement		318		
net profit (loss) for the year		**5,412**	**0**	**5,412**
attributable to:				
parent company shareholders		5,006		5,006
minority interests		406		406
net profit (loss) for the year		**5,412**	**0**	**5,412**

** restated figures as per IAS (19)R.*

Restated Statement of Cash Flows

restated statement of cash flows (in thousand Euro)	2012 restated*	effects deriving from the application of IAS 19 revised	2012
profit (loss) pertaining to the Group	**5,836**	**830**	**5,006**
profit (loss) pertaining to minority interest	414	8	406
adjustments to reconcile net profit with cash provided by (used in) operations			
amortisation, depreciation and write-downs	29,786		29,786
financial income (charges) from time-discounting	1,238		1,238
receivables write-down	6,701		6,701
change in fair value of interest rate derivatives	-88		-88
share of profit (loss) from investments carried at equity	3,247		3,247
capital (gains)/losses from disposal of property, plant and equipment and investment property	322		322
capital (gains)/losses from disposal of equity investments	-2		-2
allocation (use) of employee severance indemnity	-1,270	-838	-432
other provisions for risks and charges	2,942		2,942
(provision)/use of assets for pre-paid taxes / provision/(use) of liabilities for deferred taxes	1,392		1,392
sub total	**50,517**		**50,517**
changes in current assets and liabilities			
inventories	174		174
contract work in progress	-227		-227
trade receivables	-3,988		-3988
other receivables	-7,286		-7,286
trade payables	15,119		15,119
other current and non-current payables	9,502		9,502
total changes in current assets and liabilities	**13,294**		**13,294**
cash flow provided by (used in) operating activities	**63,811**		**63,811**
cash flows from investing activities			
disposal of intangible assets			
disposal of property, plant and equipment	2,592		2,592
disposal of investment properties			
deconsolidation of equity investments held-for-sale	453		453
transfer (acquisition) of minority interest	-573		-573
dividends from associates and joint ventures	490		490
investments in business combinations	-8,080		-8,080
purchases of intangible assets	-1,388		-1,388
investments in concession services	-12,049		-12,049
purchase of property, plant and equipment	-17,257		-17,257
purchase of investment properties			
purchase of equity investments in associates and joint ventures	-9,113		-9,113
public funding	4,040		4,040
disinvestments (investments) in available-for-sale financial assets	48		48
disinvestments (investments) in other financial assets	688		688
disposal of intangible assets			
cash flow provided by (used in) investing activities	**-40,149**		**-40,149**
cash flows from financing activities			
transfer (acquisition) of own shares			
long-term loans	13,000		13,000
other long-term loans			
transferred and factoring	6,093		6,093
(repayment) of long-term loans	-5,422		-5,422
(repayment) of long-term loans	-41,380		-41,380
(repayment) of other long term loans	-5,420		-5,420
(repayment) of long-term to shareholders	-488		-488
other changes in shareholders' equity	740		740
cash flow provided by (used in) financing activities	**-32,877**		**-32,877**
increase /(decrease) in cash and cash equivalents	**-9,215**		**-9,215**
cash and cash equivalents at the obeginning of the year	**-33,555**		**-33,555**
cash and cash equivalents at the end of the year	**-42,770**		**-42,770**
interest paid	6,866		6,866
income tax paid	19,888		19,888

** restated figures as per IAS (19)R.*

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 intercompany 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 discretionary measurements, estimates and assumptions that may affect the figures referring to revenue, costs, assets and liabilities, as well as contingent liabilities as 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 judgements (except for those involving estimates) with a significant effect on the items recognised in the financial statements.

Term 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 Italian Law Decree 112 of 2008, converted into Italian Law 133/2008 and subsequent changes, with consequent repeal of the related regulations approved with the Italian President of the Republic Decree no. 168 of 7 September 2011, new provisions were issued with:

- art. 4 of Italian Law Decree no. 138 of 13 August 2011 converted into Italian Law no. 148 of 14/09/2011;
- subsequently amended by Italian Law no. 183 of 12/11/2011;
- subsequently amended by Italian Law Decree no. 1 of 24/01/2012 converted into Italian Law no. 27 on 24/03/2012.

The regulation contained in article 4, as described above, has been declared unconstitutional with ruling no. 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 competent authorities intervened again in order to regulate the subject matter with art. no. 34 of Italian Law Decree 179/2012, converted into Italian 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 Italian Law Decree 138/2011, converted into Italian 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 Italian Law 191/2009 which provided for the suppression of the optimal territorial sub-divisions authorities, has approved:

- with Italian Law no. 17 of 27 April 2012, the establishment of the Basin Council for integrated water service management, for the optimal territorial sub-division of the Venetian lagoon;
- with Italian Law no. 52 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 inter-province 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;
  The new aggregation of territorial sub-divisions for the aggregated fulfilment of organization and control functions of the integrated management service of municipal waste was approved with resolution no. 13 of the Veneto Regional Council dated 21 January 2014.

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 sub-divisions plan and/or its revision.

To this purpose, it should be noted that on 30 October 2013 the Council for the basin of the Venetian lagoon resolved on guidelines on management and assignment modalities of integrated water services, according to which:

– the Council confirmed the in-house management of the integrated water service, also for the years after the expiry of the current convention with the Veritas spa operator;
– it started the implementation of activities required for the selection of the aforesaid organisational model for the management of the service in order to draw up a convention proposal to be submitted for approval by 31 December 2014, with an expiry able to ensure a suitable management period, indicatively twenty years, which would allow for the scheduling of investments and access to secured loans and/or in any case a loan favoured by a multi-annual management of the service.

Moreover, the coordination and control Committee of Veritas spa's shareholders, held on 31 October 2013, acknowledged the resolution of the sub-division Council, pursuant to the aforesaid art. 34 of Italian Law Decree 179/2012, and resolved "to address all partner municipalities in order to obtain that the relevant representative in the assembly of the Venetian lagoon sub-division has the mandate to express on that occasion the opinion of partners and provide for an in-house assignment to Veritas spa of the water service, at least until 2033, in order to allow for an adequate planning of investments and facilitate access to long-term loans".

It should be also noted that the majority of the partner Municipalities of Veritas spa has endorsed the resolution pursuant to Art. 34 of the Italian Law Decree 179/2012 which, amongst other, states the consistency of Veritas organisational model with EU and Italian standards and confirms, pursuant and by the effects of Art. 34 of Italian Law Decree 179/2012, that services currently managed through Veritas and Group companies will continue until 26 June 2038, unless different duration is stated due to both future amendments in standards, and the application of the current ones. Lastly, it was acknowledged that Veritas would in any case continue to manage the integrated water service until completion of all works scheduled within the sub-divisions plan, the duration of which is fixed in thirty years, starting from 2004 and therefore until 2033.

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 no. 121 of 28-29 July 1999 issued by the Municipal Council, of the maximum thirty-year duration set forth in art. 19, paragraph 2-bis of Italian Law no. 109 of 11 February 1994 (this paragraph was introduced by art. 3, paragraph 7 of Italian Law no. 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 regards cemetery services, the installation of high tide footbridges and public toilets, related to the Municipality of Venice only, the duration of concessions was actually extended, up to now, to 31 December 2014.

Always related to the Municipality of Venice only, the management of markets was considered by the Parent Company as a service to be discontinued and transferred to the granting entity to be reassigned.

Estimates and assumptions

Following are key assumptions concerning the future and other important sources of uncertainty in the estimates, as 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 assumptions 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 2013, is determined by using actuarial valuations. The actuarial valuation requires the formulation of assumptions about 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 retirement obligations. In determining the amount of these provisions, some estimates and assumptions 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 2013:

consolidated companies	head office	share capital	31.12.2013 Group's equity investment	31.12.2012 Group's 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	83.71%	85.28%
Veneziana di navigazione spa	Venice	1,424,000	100.00%	100.00%
Data Rec srl	Venice	100,000	99.75%	99.60%
Vier srl	Venice	100,000	100.00%	100.00%
Mive srl	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas srl	Venice	5,120,000	77.40%	78.48%
Sifagest scarl	Marghera (Ve)	500,000	64.40%	62.00%
Alisea spa	Jesolo (Ve)	415,000	74.84%	60.00%
Elios srl	Spinea (Ve)	50,000	100.00%	50.00%
Consorzio bonifica e riconversione produttiva Fusina	Venice	100,000	65.05%	49.05%
consolidated companies pursuant to IFRS 5				
Ecopiave srl	Musile di Piave (Ve)	100,000	78.53%	79.55%

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

companies measured at equity	head office	share capital	31.12.2013 Group's equity investment	31.12.2012 Group's equity investment
associates				
Insula spa	Venice	3,706,000	24.73%	26.73%
Amest srl *in liquidation*	Dolo (Ve)	2,832,908	43.46%	43.46%
Sifa scpa	Mestre (Ve)	30,000,000	32.14%	30.00%
Sst società servizi territoriali spa	Chioggia (Ve)	5,555,112	29.90%	
Depuracque servizi srl	Salzano (Ve)	223,080	20.00%	
Lecher ricerche e analisi srl	Salzano (Ve)	46,800	60.00%	
Steriladria srl	Adria (Ro)	100,000	29.30%	29.85%
Ecopaté srl	Venice	100,000	30.96%	31.39%
jointly controlled companies				
Asvo spa	Portogruaro	18,969,650	50.70%	50.50%
jointly controlled companies according to IFRS 5				
Veritas energia srl	Venice	1,000,000	49.00%	49.00%

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	concessions, public services	software licenses
useful life	definite	definite
amortisation method used	amortised on a straight line basis for the entire duration of the concession: Sii until 2018 and Sia 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 2013, unchanged from the previous year, are the following:

property, plant and equipment	category	depreciation rates % 2013 and 2012
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 machinery	3% - 5%
water conduits	plant and machinery	2.50%
sewerages	plant and machinery	2.50%
water lifting system	plant and machinery	5%
potable water processing systems	plant and machinery	3% - 4%
connections	plant and machinery	4%
potable water purification systems	plant and machinery	3% - 7%
lifting sewage systems	plant and machinery	6%
machinery	plant and machinery	6.50% - 9% - 10%
waste disposal systems	plant and machinery	5% - 6% - 7.5% - 8.50% - 15%
waste disposal systems - waste from landfills	plant and machinery	according to the waste (in cubic meters) going to landfills
electrical, electronic and thermo-technical systems	plant and machinery	7% - 10%
wells	plant and machinery	10%
remote-controlled systems	plant and machinery	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. In order to assess the 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 re-determined 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, now in liquidation, 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.

Interests in Joint Ventures

Until February 2014, the Group held 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 held a 50.50% equity investment and since July 2013 it has been holding a 50.70% 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 is corrected through 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 recognised. 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 financial assets are measured 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 work in progress

Contract works in progress are measured 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 under non-current and current assets are initially recognised at fair value and subsequently measured at 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 have expired;
- 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 redeemed 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 charges after closure of the landfill plant

A provision has been set up for the management and recovery costs of the areas designated as landfill, which must be borne at the end of the concession for management after closure. 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 management after closure 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 Italian Law no. 296 of 27 December 2006 ("2007 financial law") and subsequent decrees and regulations, the Employee severance indemnity of the Italian companies, accrued as from 1 January 2007 or from the date of the option to be exercised by employees, is included in the category of 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 this employee severance indemnity was therefore similar to other funding amounts.

The defined-benefit obligation, less any plan assets, is determined on the basis of actuarial hypotheses and recognised on an accrual basis, consistently with the amount of service required to earn the benefits. Liabilities are measured by independent actuaries. Gains and losses resulting from the actuarial calculation related to defined benefit plans are recognised entirely in the statement of comprehensive income over the period in which they occur. These actuarial gains and losses are classified immediately under item retained profit, and are not reclassified in the income statement of the following periods.

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 this employee severance indemnity was therefore similar to other funding amounts.

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 re-measured. 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.

It is worth noting that on 11 December 2012 the European Commission amended the IFRS 13 - *Fair Value Measurement* standard, while introducing, within the IFRSs, one single guideline for the fair value measurement required or allowed by accounting standards. The application of IFRS 13 had no relevant impact on fair value measurements performed by the Company.

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. 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

Revenue from integrated water service are recognised with reference to the corresponding invoicing, adjusted by any positive or negative tariff adjustment, which is of sure application. These revenues were calculated by taking as a reference the Permitted revenue level (Vrg), calculated according the interim tariff method (Mtt), by applying the multiplier (theta) approved by the competent local authority, but not approved yet by Aeegsi, which has assumed regulatory and control functions as regards water services, pursuant to Italian Law no. 214 of 22 December 2011.

The directors believe that the renewed regulatory context, as described above, maintains issues of uncertainty connected with the complex authorisation process introduced for tariffs, in addition to difficulties that companies in this sector are facing in applying provisions set out by resolutions issued by the Authority.

At the reporting date, neither approval by Aeegsi of increases related to the 2012-2013 interim period, nor approval by the competent local authority were obtained on the related equalisation tariffs, for which Aeegsi will have to complete the authorisation process set out by resolution no. 643/2013/R/IDR. According to provisions of the above-mentioned resolution, the competent local authority shall quantify and approve the so-called prior items by the deadline of 30 June 2014. Prior items are the higher revenue pertaining to the company according to the regulated method in force until 2011.

In light of the above, the directors believe that only the completion of the complex authorisation process will allow the company to record revenue, which might be estimated for 2013 up to a maximum increase of 24.61%.

Revenue from tariffs for the water management services are recorded on an accrual economic basis, represented by the tariff applied on an accrual time basis.

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

Costs are measured 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 settled 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 transfer of minority interest

Acquisitions in 2013

Acquisition of control in Elios srl

As at 31 December 2012, the Parent Company Veritas recorded the equity investment in Elios srl, held by 50%, under equity investments in associates. The company mainly deals with the management of a crematorium near the cemetery of the Municipality of Spinea (Ve), under a concession until 2030. The company also renders other cemetery services for the Municipality of Spinea.

In February 2013, the Parent Company signed a transaction deed with Elios and Consorzio Co&Ge, which replaced Cmr, Pro.Cim. srl and Ser.Cim. srl, in order to settle the disputes arisen among the parties, as well as to regulate the acquisition by Veritas of the remaining 50% interest in Elios, and re-deliver the crematorium from Ser.Cim. to Elios. The agreement envisaged the formal transfer of the equity investment to Veritas in three phases: two were concluded in the second half of 2013, for 24.5% each. The purchase of the remaining 1% was instead finalised in March 2014. Given the fact that the commitment for the purchase of this interest was already defined in the transaction deed, the acquisition of the total control was disclosed at the same date of the deed.

Therefore, the Elios srl's figures were consolidated on a line-by-line basis in the Veritas Group consolidated financial statements starting from 01 January 2013. The substantial construction of the agreement is that this is a unitary purchase of the remaining 50%, already defined upon signature of the transaction deed, with deferred payment of the 1% portion in 2014.

(in thousands of EUR)	par value recognised upon acquisition	carrying amount as at 31.12.2012
	50%	**50%**
assets		
intangible assets	1,103	166
property, plant and equipment	1,234	497
fixed assets	**2,336**	**662**
trade receivables	255	255
other receivables	23	23
current tax credits	34	34
cash and cash equivalents	345	345
current assets	**656**	**656**
total assets	**2,992**	**1,318**
liabilities		
medium-long-term loan	-163	-163
employee severance indemnity	-9	-9
deferred tax liabilities	-531	
medium-long-term liabilities	**-703**	**-172**
trade payables	-552	-552
amounts due to banks and current portion of loans	-61	-61
other current liabilities	-27	-27
current liabilities	**-640**	**-640**
total liabilities	**-1,343**	**-812**

fair value of net assets	**1,650**
goodwill deriving from the acquisition	**0**
50% acquisition cost	**1,650**

The acquisition cost comprised a payment in cash, in the amount of EUR 1,650 thousand, of which EUR 250 thousand had to be still paid on 31 December 2013.

(in thousands of EUR)	cash used
Group net liquidity	-345
short-term payables to banks	2
payment in cash	1,400
net cash used	**1,057**
total amount paid for the acquisition	**1,057**

Net cash currently used for the acquisition of Elios srl is as follows:

(in thousands of EUR)	
acquisition cost	
payment in cash	1,400
due for business combination	250
total amount paid for the acquisition	**1,650**

At the acquisition date, Elios contributed to the Group net profit in the amount of EUR 142 thousand, since it was consolidated as from 1 January 2013.

The higher price paid, with respect to the amount pertaining to the Group of net fair value of assets, liabilities and identifiable, potential liabilities, was allocated to the amount of property, plant and equipment, as highlighted in the estimate drawn up by an independent expert, as well as to the higher value of the concession. The fair value of this concession was defined in EUR 937 thousands, based on the time-discounting of future cash flows resulting from the management activity. The related deferred taxes, equal to EUR 297 thousand, were calculated on this value (as well as on the higher value of property, plant and equipment).

The directors elected to amortise the value of the concession starting from 2013, based on the residual duration of the same up to 2030.

The entire capital invested in the subsidiary was tested for impairment at acquisition date, and determined based on discounted future cash flows of the CGU connected with subsidiary Elios, i.e. CGU "Management of the Spinea plant". The impairment test highlighted no need for write-downs.

It is worth noting that price allocation made on this business combination is final.

16% acquisition of Consorzio bonifica e riconversione produttiva Fusina

In 2013, the Board of Directors of the Parent Company acquired a further 16% of Consorzio from Stea srl. The purchase occurred at values substantially in line with the Shareholders' Equity, as recognised in the consolidated financial statements. Following this transaction, the company is controlled at 65.05% and consolidated on a line-by-line basis.

5% disposal and 3.38% repurchase of Ecoprogetto Venezia srl shares

During the year, equity interests in Ecoprogetto were the object of two transactions: 5% of equity interest was transferred by the Parent Company to Bioman spa in May, while the entire equity interest, equal to 3.378%, owned by the minority partner Ladurner ambiente, was acquired in December.

The difference between purchase/disposal prices and the carrying amount of the net assets acquired/disposed is partly recognised as a reduction of goodwill, in the amount of EUR 57 thousand, and partly as an increase in the Shareholders' equity, in the amount of EUR 45 thousand.

Acquisition of 14.84% of Alisea spa

During 2013, the Parent Company acquired further equity interests in Alisea spa, equal to 14.84%, from the Municipality of Jesolo.

Therefore, as at 31 December 2103, the company is a subsidiary at 74.84%.

The difference between the purchase price (lower) and the carrying amount of the pertaining portion of net assets acquired (higher) is recognised as a direct increase in the Shareholders' equity, in the amount of EUR 115 thousand.

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.

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

In 2013, no acquisitions were finalised of Group equity investments in jointly controlled companies.

5. Held-for-sale assets and liabilities or discontinued or receivables 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 1,730 thousand;
- receivables from subsidiaries held for sale, EUR 139 thousand;
- long-term payables to subsidiaries held for sale, EUR -3 thousand;
- payables to subsidiaries held for sale, EUR - 170 thousand;
- held-for-sale assets, EUR 15,908 thousand;
- held-for-sale liabilities, EUR -7,865 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 15,908 thousand (EUR 15,826 thousand as at 31 December 2012) related, in the amount of EUR 8,989 thousand, to assets of the subsidiary Ecopiave, in the amount of EUR 2,853 thousand to the Group equity investment in Veritas energia and, in the amount of EUR 4,066 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 7,865 thousand (EUR 11,168 thousand as at 31 December 2012), relate to liabilities of the subsidiary Ecopiave.

The table hereunder shows the results of assets held for sale or discontinued for the years 2012 and 2013:

(in thousands of EUR)	31.12.2013	31.12.2012
net profit/(loss) Ecopiave srl	908	-484
net result from meas.at equity Veritas energia	1,107	
total result of discontinuing and discontinued operations	**2,015**	**-484**
of which pertaining to third parties	**195**	**-101**

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, extended to a further year in 2013. 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 “Ecodistrict” of Marghera, by building a glass treatment plant during the term of the agreement.

As at 31 December 2013, 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 2013 and 2012 of the subsidiary Ecopiave srl, classified as held for sale, is shown hereunder:

(in thousands of EUR)	31.12.2013	31.12.2012
revenue	2,375	1,593
costs	-911	-2,113
operating income	1,464	-520
financial charges, net	-71	-136
profit/(loss), before taxation, of discontinuing operations	1,393	-656
income taxes for the year	-485	172
total profit/(loss) for the year of held-for-sale assets	**908**	**-484**
of which pertaining to third parties	**195**	**-101**

The major classes of assets and liabilities as at 31 December 2013 and 31 December 2012, attributed to subsidiary Ecopiave srl and classified as held for sale, are as follows:

(in thousands of EUR)	31.12.2013	31.12.2012
assets		
intangible assets		
goodwill	36	36
property, plant and equipment	8,207	8,020
other non-current assets		
deferred tax assets	51	432
receivables from companies of the Veritas Group	172	556
current assets	407	1,053
cash and cash equivalents	116	105
total held-for-sale assets	**8,989**	**10,202**
liabilities		
current liabilities	248	161
payables to companies of the Veritas Group	1,869	3,533
current financial liabilities	681	642
non-current liabilities	271	173
non-current financial liabilities	4,796	5,477
total held-for-sale liabilities	**7,865**	**9,986**
total net held-for-sale assets	**1,124**	**216**

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.

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, 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 the expertise made in 2010. Therefore, these negotiations and estimates reflect the best estimate of cash flows that directors might expect at the balance-sheet date.

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 2012 are also disclosed.

(in thousands of EUR)	31.12.2013	31.12.2012
assets		
investment property	3,557	4,656
assets available-for-sale	509	509
deferred tax assets	0	371
measurement at equity of Veritas energia	2,853	
total held-for-sale assets	**6,919**	**5,536**
liabilities		
provisions for risks and charges	0	1,170
deferred tax liabilities	0	11
total held-for-sale liabilities	**0**	**1,181**
total net held-for-sale assets	**0**	**4,355**

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.

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

The decrease in assets (EUR 1,383 thousand) and liabilities (EUR 1,181 thousand) is connected to the sale, occurred at year-end, of the real estate complex in San Francesco della Vigna by the Parent Company.

As specified in the Directors' Report, in February 2014 the Parent Company transferred its entire equity investment in Veritas energia (49%) to Ascopiave Spa, which already held the remaining 51% interest. Therefore, the measurement at equity of this company, deemed as jointly controlled company, was already restated in these financial statements under held-for-sale assets.

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

(in thousands of EUR)	31/12/2013	31/12/2012
portion of Shareholders' Equity of the associated company		
current assets	47,162	62,385
non-current assets	1,505	1,763
current liabilities	-41,497	-59,874
non-current liabilities	-3,208	-2,542
total net assets	**3,962**	**1,732**
portion of revenue and profit/(loss) of the associated company		
revenue	108,746	115,753
profit (loss)	2,230	-541
carrying value of equity investment	**2,853**	**1,746**

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.

6. Intangible Assets

Changes in intangible assets as at 31 December 2013 and 31 December 2012 are as follows:

(in thousands of EUR)	start-up and expansion costs	patent rights	licences and software	concessions, public services	other intangible assets	investments in progress	total
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 interest							
discontinuing operations							
as at 31 December 2012		**188**	**22,927**	**27,212**	**460**	**122**	**50,909**
depreciation and write-downs							
as at 1 January 2012		**-188**	**-17,689**	**-6,994**	**-88**		**-24,958**
increases for business combinations							
depreciation			-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**
cost							
as at 1 January 2013		**188**	**22,927**	**27,212**	**460**	**122**	**50,909**
increases for business combinations	11		390	937		355	1,693
increases			1,959		1	871	2,831
disposals			-62		-105	-55	-222
reclassifications			-187	310		-123	
purchase of minority interest							
discontinuing operations							
as at 31 December 2013	**11**	**188**	**25,027**	**28,459**	**356**	**1,170**	**55,211**
depreciation and write-downs							
as at 1 January 2013		**-188**	**-19,826**	**-8,957**	**-88**		**-29,058**
increases for business combinations	-10		-61				-71
depreciation	-1		-1,953	-2,386	-1		-4,341
disposals					34		34
reclassifications				369	71		440
impairment							
discontinuing operations						25	25
as at 31 December 2013	**-11**	**-188**	**-21,839**	**-10,974**	**16**	**25**	**-32,971**
net carrying amount							
as at 31 December 2013			**3,188**	**17,485**	**373**	**1,195**	**22,240**

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 in 2013 comprises the fair value of the concession of Elios srl, equal to EUR 937 thousand, with duration until 2030, related to the crematorium near the cemetery of Spinea.

In the same item, 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.

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 by disclosing the net amount of concession services.

The amounts of concession services are as follows:

(in thousands of EUR)	31.12.2013	31.12.2012
"water" concession services	156,473	152,940
total concession services	**156,473**	**152,940**

The following table highlights changes in Concession services as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	concession services
cost	
as at 1 January 2012	**437,952**
increases	12,049
reclassifications	146
disposals	-63
as at 31 December 2012	**450,084**
depreciation and write-downs	
as at 1 January 2012	**-119,925**
depreciation	-12,572
reclassifications	
disposals	57
impairment	-1,034
as at 31 December 2012	**-133,474**
residual value of 2012 contributions	**-163,670**
net carrying amount	
as at 31 December 2012	**152,940**
cost	
as at 1 January 2013	**450,084**
increases	12,865
reclassifications	515
disposals	
as at 31 December 2013	**463,464**
depreciation and write-downs	
as at 1 January 2013	**-133,474**
depreciation	-12,813
reclassifications	
disposals	
impairment	
as at 31 December 2013	**-146,287**
residual value of 2013 contributions	**-160,704**
net carrying amount	
as at 31 December 2013	**156,473**

With reference to 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)	31.12.2012	increases	decreases	31.12.2013
CGU Ecoprogetto	12,664		-58	12,606
CGU SII area Mogliano Veneto	788			788
CGU Eco-ricicli Veritas (former Vetrital)	3,044			3,044
total goodwill	**16,496**		**-58**	**16,437**

The decrease related to the 5% disposal of the equity investment in Ecoprogetto to Bioman by the Parent Company.

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 2014-2017 financial plan approved by the BoD, were used in calculations.

The time-discounting rate applied to projected cash flows was 8.19% for the 2014-2017 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.

Unità Eco-ricicli Veritas

The recoverable value of this unit was determined based on the value in use. Projected cash flows, included in the 2014-2017 four-year financial plan approved by the BoD, were used in calculations.

The time-discounting rate applied to projected cash flows is 8.67%, and cash flows over four years were extrapolated by using a growth rate of 0.50%.

Sensitivity to 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 2014-2017 plan, as well as to the actual maintenance of 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 2014-2017 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 2013 and 31 December 2012 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	investments in progress or advances	total
net carrying amount									
as at 1 January 2012	**109,366**	**61,049**	**8,988**	**25,089**	**2,225**	**1,348**	**20,610**	**5,623**	**234,300**
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**	**69,963**	**7,466**	**2,265**	**38,637**	**4,684**	**375,674**
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	-567		14	61		-100	-393	-343
impairment								-376	-376
discontinuing operations									
as at 31 December 2012	**-19,681**	**-30,673**	**-18,797**	**-43,531**	**-5,207**	**-917**	**-19,819**	**-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**	**26,373**	**2,259**	**1,348**	**18,919**	**2,651**	**231,968**
cost									
increases for business combinations	1,343	1,213	3	60					2,619
increases	4,167	3,959	3,231	5,216	1,499		410	3,328	21,809
disposals	-218	-1,849	-1,853	-1,648				-19	-5,586
reclassifications	488	-4,099	-55	121	12		5,828	-2,457	-162
discontinuing operations									
as at 31 December 2013	**130,147**	**98,498**	**30,344**	**73,712**	**8,977**	**2,265**	**44,875**	**5,536**	**394,354**
depreciation and write-downs									
increases for business combinations	-539	-407	-1	-37					-984
depreciation	-2,994	-5,935	-1,933	-4,146	-944		-2,046		-17,998
disposals	24	1,086	1,687	1,553				230	4,580
reclassifications		-4,247	-228	352		-124	-946	5,182	-11
impairment			-42					-31	-73
discontinuing operations									
as at 31 December 2013	**-23,191**	**-40,176**	**-19,314**	**-45,809**	**-6,151**	**-1,041**	**-22,811**	**3,948**	**-154,543**
residual value of 2013 contributions	-2,002	-379	-13	-47				-600	-3,041
net carrying amount									
as at 31 December 2013	**104,955**	**57,943**	**11,017**	**27,856**	**2,826**	**1,224**	**22,065**	**8,884**	**236,770**

During the year, the main increases were related to works for the lifting station of the Tronchetto island, 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 continued to invest on Vpl purification plants (around EUR 1,600 thousand), Ecoprogetto in Cdr production plants. As regards photovoltaic and biomass plants, investments equal to around EUR 1,700 thousand were made. As regards the Parent Company and Alisea, assets acquired through financial leasing during the year refer to motor vehicles and equipment used in the waste collection activities.

Depreciation over the year, amounting to EUR 17,998 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 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 2013 and 31 December 2012, entirely composed of land and buildings:

(in thousands of EUR)	total
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**
cost	
as at 1 January 2013	**11,223**
increases	4,689
disposals	-1,941
as at 31 December 2013	**13,971**
depreciation and write-downs	
as at 1 January 2013	**-43**
depreciation	-2
as at 31 December 2013	**-45**
net carrying amount	
as at 31 December 2013	**13,925**

Item Investment property are mainly related to a piece of land (called ex-Alcoa) in Fusina/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.

In particular, the increase over the year, equal to EUR 4,689 thousand, related to the purchase of an area near the area already owned by Veritas, while the item disposals for the year, equal to EUR 1,941 thousand, related to a portion of the area connected with Depuracque servizi.

10. Equity investments in associates and jointly controlled companies

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

(in thousands of EUR)	book value 31/12/2013	book value 31/12/2012	Group's % of equity investment 31/12/2013	Group's % of equity investment 31/12/2012
Sifa scpa	15,312	14,251	32.14	30
Insula spa	526	556	24.73	26.73
Elios srl *(subsidiary since 2013)*		507		50
Consorzio bonif. riconv. produttiva Fusina *(subsidiary since 2013)*		49		49.05
Amest srl *in liquidation*		812	43.46	43.46
Steriladria srl	5	3	29.3	29.85
Ecopaté srl	660	62	30.96	31.39
Depuracque servizi srl *(acquisition 2013)*	2,553		20	
Lecher ricerche e analisi srl *(acquisition 2013)*	300		60	
Sst società servizi territoriali spa *(acquisition 2013)*	1,867		29.9	
total equity investments in associates	**21,223**	**16,240**		
Veritas energia srl *(in 2013 deemed compliant with IFRS 5)*		1,746		49
Asvo spa	9,504	9,486	50.7	50.5
total equity investments in jointly controlled companies	**9,504**	**11,232**		
Veritas energia srl	2,853			
total equity investments to companies held-for -sale - IFRS 5	**2,853**			

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

A summary of the financial disclosures for each single company is reported hereunder. The disclosed figures are taken from IFRS financial statements for the companies that have drawn them up, and in the other cases from the reclassification of separate financial statements, as it is believed that the latter are consistent for IAS purposes as well.

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).

During 2013, the subsidiary Sifagest scarl acquired 3.33% of Sifa from BNL BNPParibas. At Group level, the equity investment in Sifa therefore increased to 32.14%.

The company has not yet formally approved the financial statements as at 31 December 2013.

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 2012:

(in thousands of EUR)	31/12/2012
Balance sheet of the associate	
current assets	26,927
non-current assets	234,984
current liabilities	-43,067
non-current liabilities	-169,371
total net assets	**49,473**
revenue and profit/(loss) of the associate	
revenue	21,055
profit (loss)	34
carrying value of equity investment	**15,312**

It is noted that the Sifa's going concern is uncertain due to the further deterioration of the reference economic context which underwent a further reduction in the activities carried out in Marghera industrial area. A review of the agreement in place with the Veneto Region is required to maintain the economic-financial balance of the company. Negotiations with the Veneto Region have begun in 2012 already for the preparation of the third supplementary act, which is expected to be signed by half June 2014 thanks to the advanced phase of the approval process.

According to information obtained by Sifa's management, the directors of the Parent Company believe that the third supplementary act might be signed by the associate in reasonable time. The new agreement signed with the granting company will ensure the economic-financial balance of the company and will allow for the settlement of the current uncertain situation. Therefore, while waiting for the approval of Sifa's financial statements as at 31 December 2013, as well as the subscription, with the granting party Veneto Region, of the aforesaid third supplementary act, the directors deemed appropriate to confirm the carrying amount of the equity investment.

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)	31/12/2013	31/12/2012
portion of Shareholders' Equity of the associate		
current assets	86,649	87,568
non-current assets	7,546	9,744
current liabilities	-50,000	-51,815
non-current liabilities	-39,636	-40,981
total net assets	**4,559**	**4,515**
revenue and profit/(loss) of the associate		
Revenue	19,074	20,428
profit (loss)	44	339
carrying value of equity investment	**526**	**556**

In 2013, the company absorbed a business branch, related to public works, owned by Avm spa, a subsidiary controlled by the Municipality of Venice. To complete this transaction, Veritas then transferred 2% of its equity investment in the company Avm itself. Therefore, as at 31 December 2013, the Group's share in Insula decreased to 24.73%.

Amest srl in liquidation

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.

The company's financial year ends on 30 June.

The following table summarises the main financial disclosures on the equity investment in relation to the financial statements ended 30 June 2013:

(in thousands of EUR)	31/12/2013
Balance Sheet of the associate as at 30/06/2013	
current assets	3,237
non-current assets	0
current liabilities	-3,516
non-current liabilities	-3,230
total net assets	**-3,509**
revenue and profit/(loss) of the associate as at 30/06/2013	
revenue	32
profit (loss)	-6,062
carrying value of equity investment	**0**

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%.

According to the financial statements ended 30 June 2013, which reported a loss of EUR 6,062 thousand, primarily due to the equity investment of the Polish Amest Sp. z.o.o., which, in its turn, absorbed the losses of the Polish subsidiaries, the Shareholders' General Meeting resolved to place the company in liquidation.

The carrying amount of the equity investment in Amest srl was cancelled as it was in line with the expected realisable value.

Depuracque servizi srl

This company mainly operates in the special waste collection and treatment and industrial remediation sectors.

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

(in thousands of EUR)	31/12/2013
Balance sheet of the associate	
current assets	7,712
non-current assets	7,352
current liabilities	-4,002
non-current liabilities	-1,986
total net assets	**9,076**
revenue and profit/(loss) of the associate	
revenue	14,024
profit (loss)	1,129
carrying value of equity investment	**2,553**

In July 2013, Veritas acquired 20% equity investment of the company through a direct purchase from the shareholders of Depuracque and the subscription of a share capital increase.

This transaction occurred at the same time as the acquisition of 50% interest in Lecher ricerche e analisi srl (already 100% controlled by Depuracque) and the sale from Veritas to Depuracque of a portion of area destined for an "Ecodistrict" in Marghera.

Therefore, as at 31 December 2013, the company was 80% owned by private subjects and 20% by Veritas.

The net book value includes the higher net carrying amount attributed to mobile assets and goodwill fixed at the acquisition date, resulting from the estimate drawn up by an independent expert for the transfer deed.

Lecher ricerche e analisi srl

The company deals with sampling and laboratory analyses, mainly in the environmental sector.

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

(in thousands of EUR)	31/12/2013
Balance sheet of the associate	
current assets	1,356
non-current assets	299
current liabilities	-1,043
non-current liabilities	-312
total net assets	**300**
revenue and profit/(loss) of the associate	
revenue	2,400
profit (loss)	81
carrying value of equity investment	**300**

The purchase of 50% equity investment by Veritas is connected with the transaction occurred in July 2013 with Depuracque servizi, as aforesaid.

As at 31 December 2013, the company was 50% owned by Depuracque servizi and 50% by Veritas. Therefore, the Group's direct and indirect share is 60%.

The net carrying amount includes goodwill defined at the acquisition date.

Sst – Società servizi territoriali spa

The company, formed by Asp spa's non-demerged assets resulting from the merger with Veritas in 2007, is already 100% controlled by the Municipality of Chioggia and manages most of the local public services (except for the water service and the waste collection service) in the Chioggia territory, among which parking lots, cemetery services, markets and the collection of local taxes.

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

(in thousands of EUR)	31/12/2013
Balance sheet of the associate	
current assets	5,130
non-current assets	9,944
current liabilities	-7,193
non-current liabilities	-1,633
total net assets	**6,248**
revenue and profit/(loss) of the associate	
revenue	6,346
profit (loss)	5
carrying value of equity investment	**1,867**

In December 2012, a preliminary agreement had already been signed between Veritas and the Municipality of Chioggia for the purchase of around 30% of Sst. The agreement was then finalised only in December 2013.

This transaction is included in the framework of future reorganization of local public services by the Municipality of Chioggia, through the definition of Sst's business activities managed by Veritas, possibly through a split-up of the company.

Asvo spa

This company operates in the integrated waste service as in-house company performing these services on behalf of eleven out of twelve partner Municipalities.

In July 2012, the Parent Company 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. It transferred minority interests of subsidiaries Ecoprogetto srl (22.92%) and Eco-ricicli Veritas srl (4%), as well as cash on hand for the difference, against an equity investment of 50.5% in the company Asvo. Based on the governance rules defined among partners, Veritas acquired the joint control together with Asvo's partner Municipalities.

In 2013, the Parent Company acquired a further 0.20% from the Municipality of Teglio Veneto.

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

(in thousands of EUR)	31/12/2013	31/12/2012
Balance sheet of the associate		
current assets	18,766	19,495
non-current assets	23,050	22,880
current liabilities	-4,564	-5,523
non-current liabilities	-13,709	-12,876
total net assets	**23,543**	**23,976**
revenue and profit/(loss) of the associate		
revenue	21,819	22,104
profit (loss)	526	1,550
carrying value of equity investment	**9,504**	**9,486**

The carrying amount of the equity investment included a goodwill, calculated in EUR 3,845 thousand at the acquisition date.

The equity investment as at 31 December 2013 underwent an impairment test, which highlighted no need for write-downs.

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)	31/12/2013	31/12/2012
Balance sheet of the associate		
current assets	286	251
non-current assets	1,186	1,191
current liabilities	-695	-954
non-current liabilities	-687	-480
total net assets	**90**	**9**
revenue and profit/(loss) of the associate		
revenue	921	726
profit (loss)	-9	-69
carrying value of equity investment	**5**	**3**

Ecopaté srl

The company was established in September 2011 and is 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.

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

(in thousands of EUR)	31/12/2013	31/12/2012
Balance sheet of the associate		
current assets	4,592	4,128
non-current assets	5,017	3,837
current liabilities	-5,618	-5,720
non-current liabilities	-2,340	-2,098
total net assets	**1,651**	**147**
revenue and profit/(loss) of the associate		
revenue	8,823	6,110
profit (loss)	4	-953
carrying value of equity investment	**660**	**62**

11. Available-for-sale financial assets

Available-for-sale financial assets, equal to EUR 1,212 thousand, relate to minority interests held by the Parent Company (EUR 208 thousand) and some equity investments held by Ecoprogetto (EUR 1,004 thousand). In particular, they include 2% equity investment in Bioman, equal to EUR 1,000 thousand.

Within these Group equity investments, reduced shares of some compulsory Consortia are reported, for a total amount of EUR 22 thousand.

12. Other financial assets

(in thousands of EUR)	31.12.2013	31.12.2012
guarantee deposits	1,170	1,106
other receivables from fixed assets	4,224	4,514
long-term financial receivables from other companies	832	
total other financial assets	**6,226**	**5,620**

Guarantee deposits are not interest-bearing.

As at 31 December 2013, financial receivables from other companies, equal to EUR 832 thousand, absent in 2012, related to amounts due by Consorzio di bonifica riconversione produttiva to other partners.

13. Inventories

The following table highlights disclosures on inventories as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
spare parts and consumables	3,572	3,798
Cdr	42	35
fuels	87	84
provision for inventory depreciation	-104	-116
inventories of work in progress and semi-finished products	68	
inventories of goods for sale	261	
total inventories	**3,926**	**3,801**

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 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
revenue from contract work recognised as revenue for the period	4,322	5,050
costs for contract work borne at balance-sheet date	4,322	5,050
profit recognised at balance-sheet date	**–**	**–**
advances received from the Municipality of Venice	1,285	1,976
gross amount due by the principal for contract works	**3,133**	**5,053**

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 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
trade receivables	36,870	28,335
due from Sii and Siu users	78,870	104,396
due to related parties	112	31
provision for doubtful trade debts	-2,455	-3,174
provision for doubtful debts related to facilities	-23,952	-19,962
total trade receivables	**89,444**	**109,626**

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 details are 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 2012	**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**
accruals	299	5,508	5,807
uses	-1,525	-72	-1,597
unused and reversed amounts	-744	-196	-939
as at 31 December 2013	**1,424**	**24,983**	**26,407**

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
2013	89,444	41,181	8,668	5,053	2,265	1,893	30,384
2012	109,626	48,140	14,488	6,969	3,779	4,274	31,976

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 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
due from the Municipality of Venice	40,072	19,473
due from Municipalities holding over 10% minority interest	1,480	5,148
due from Municipalities holding less than 10% minority interest	17,658	5,208
total due from Shareholders	**59,210**	**29,829**

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

(in thousands of EUR)	**31.12.2013** within 12 months	**31.12.2012** within 12 months
due from service contract	9,417	8,994
due for engineering works	1,624	2,917
other current receivables	21,579	3,854
amounts due for invoices to be issued	7,116	3,391
due from Sii and Siu	381	362
provision for doubtful debts of the Municipality of Venice	-45	-45
total due from the Municipality of Venice	**40,072**	**19,473**

Amounts due from partner Municipalities increased by a total amount of EUR 29,381 thousand. This change is linked to the introduction, since 2013, of the Tares tax and the following invoicing of the amount pertaining to Municipalities for the waste collection service, instead of the old Tia tariff invoiced to users. This increase is therefore to be connected with the decrease in trade receivables, equal to EUR 20,182 thousand, as described in Note 15.

Amounts due from Municipalities with equity investment higher than 10% relate only to the Municipality of Chioggia.

17. Due from associates and jointly controlled companies

The following table highlights disclosures on amounts due from associates as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013 within 12 months	31.12.2013 over 12 months	31.12.2012 within 12 months	31.12.2012 over 12 months
Insula spa	126		142	
Veritas energia srl	395	2,838	1,024	1,696
Sifa scpa	12,719		7,166	
Steriladria srl	187	97	85	129
Ecopaté srl	446	780		800
Asvo spa	1,282		877	
Amest srl *in liquidation*		162		
Depuracque servizi srl	62			
Sst spa	50			
total amounts due from associates and jointly controlled companies	**15,267**	**3,877**	**9,294**	**2,625**

Group amounts due from Sifa are primarily due to Sifagest and related to the management of the purification service of industrial waste in the Porto Marghera area.

18. Other loans

The following table highlights disclosures on other receivables as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
receivables for Regional grants related to plants	1,986	3,423
due from Tax Authorities for VAT	3,306	4,625
due from Tax Authorities for excise duties, add-ons, etc.	38	
due from Tax Authorities for advances empl.sev. indemnity	1	
advances to suppliers and employees	63	170
due to social security and welfare institutes	361	421
prepayments and accrued income	8,751	2,301
receivables for disposal of investment property	1,500	
other receivables	9,344	6,479
total other receivables	**25,351**	**17,419**

Receivables for Regional grants relate to grants on investments resolved by the Region but not yet paid to the parent company.

Receivables for disposal of investment property, equal to EUR 1,500 thousand, as at 31 December 2013, relate to the Parent Company and the disposal of the area in San Francesco della Vigna, located in the historic centre of Venice.

Accrued income increased by EUR 6,450 thousand and is primarily related to the investee Ecoprogetto, which recorded the amount (EUR 5,900 thousand) in its financial statements transferred to Ladurner S.r.l. following the novation of the management report of Cdr production plants in Fusina, within the Framework Agreement signed on 15 November 2013. The cost was suspended for the purposes of the separate financial statements by reason that, although the cost in question was certain and objectively determined in 2013, the same will have to be deducted over the years 2017 to 2023, in compliance with the chosen accounting treatment. An appeal was submitted to the Inland Revenue Office in February 2014, in order to define the correct tax treatment to be applied to these costs related to advance termination.

19. Due from current income taxes

The following table highlights disclosures on amounts due from current income taxes as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
IRES tax receivables within the year	622	5,185
IRES tax receivables after the year	5,539	5,544
IRAP tax receivables	57	55
other tax receivables after the year	8	
other tax receivables		57
total due from current income taxes	**6,226**	**10,841**

IRES and IRAP tax receivables correspond to the difference between taxation pertaining to the financial year and advance taxes.

In particular, as regards IRES, it should be recalled that most of Group companies adhered to the domestic tax consolidation regime. For these companies, therefore, the payment of IRES tax shall be borne by the Parent Company only.

The IRES tax receivables, payable after the year and amounting to EUR 5,539 thousand, are primarily 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. 4 par.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 (totalling 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 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
cash on hand and cheques	55	27
bank deposits	21,560	15,455
total cash and cash equivalents	**21,615**	**15,482**

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 21,615 thousand (EUR 15,482 thousand as at 31 December 2012).

As at 31 December 2013, the Group had unused credit facilities amounting to around EUR 73 million, compared with EUR 35 million as at 31 December 2012.

21. Share capital and reserves

The following table highlights disclosures on share capital and reserves as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
share capital	110,974	110,974
legal reserve	1,628	1,360
other reserves	40,560	36,537
total Group shareholders' equity	**153,162**	**148,871**
share capital and reserves pertaining to minority interest	10,349	9,645
total shareholders' equity of minority interest	**10,349**	**9,645**
total shareholders' equity	**163,511**	**158,515**

The share capital as at 31 December 2013 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, 2,995 shares, for a par value of EUR 150 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 268 thousand, compared with the previous year, as a result of the allocation of 5% profit for 2012 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 4,023 thousand, due to the portion of profit for 2012, 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, Alisea and Consorzio bonifica e riconversione produttiva Fusina. As at 31 December 2013, it totalled EUR 10,349 thousand.

22. Due to banks and long-term loans

The following table highlights disclosures on amounts due to banks and long-term loans at 31 December 2013:

(in thousands of EUR)	date of payment	original amount	interest rate	date of maturity	residual 31.12.2013	of which short-term	of which medium/long-term
	20/01/1998	119	0.06	31/12/2018	45	8	37
**	30/06/2002	1,420	6m Euribor 1.4%	31/12/2018	339	66	273
*	01/08/2002	7,000	6m Euribor 0.54%	30/06/2017	2,037	552	1,485
**	15/05/2005	12,000	6m Euribor 1.4%	30/06/2018	1,961	381	1,580
**	30/09/2005	2,000	6m Euribor 1.4%	31/12/2018	434	84	350
**	29/12/2006	12,000	6m Euribor 1.4%	31/12/2018	3,902	759	3,143
	24/12/2007	18,000	3m Euribor 1.5%	31/12/2016	0	0	0
(b)	24/05/2013	17,250	3m Euribor 4.38%	31/12/2017	17,000	2,000	15,000
	19/12/2007	5,000	3m Euribor 0.8%	30/09/2014	1,484	0	1,484
**	07/05/2008	10,000	6m Euribor 0.85%	31/01/2015	1,943	1,300	643
	29/12/2009	25,000	6m Euribor 1.3%	31/12/2025	20,616	1,514	19,102
*	24/07/2009	20,000	6m Euribor 1.75%	30/06/2024	16,359	1,163	15,196
	14/01/2009	10,000	3m Euribor 0.75%	24/10/2016	3,381	1,501	1,880
**	25/05/2010	15,000	3m Euribor 1.6%	30/06/2014	2,207	2,207	0
	09/11/2010	10,000	3m Euribor 1.75%	31/12/2015	5,135	1,500	3,635
	10/01/2011	1,000	3m Euribor 1.50%	10/01/2014	80	80	0
**	03/08/2011	4,500	3m Euribor 2.10%	01/07/2022	6,377	611	5,766
	01/02/2012	2,500	second tranche				
	02/08/2012	5,000	3m Euribor 5.50%	30/09/2017	3,835	950	2,885
	29/11/2012	5,000	6m Euribor +4.90%	30/11/2017	4,051	944	3,107
	31/08/2011	15,000	3m Euribor 1.80%	31/08/2016	9,611	3,529	6,082
	28/12/2011	1,200	4.40%	30/06/2026	892	55	837
(a)**	27/02/2013	15,000	3m Euribor 3.25%	28/02/2018	14,007	3,333	10,674
(c) **	30/07/2013	4,000	3m Euribor 3.75%	30/01/2018	3,941	703	3,238
(d) **	05/12/2013	2,000	6m Euribor 2.5%	30/06/2014	2,000	2,000	0
*	15/05/2001	15,977	3m Euribor 1.6%	31/12/2015	3,134	1,528	1,606
*	21/11/2002	9,296	3m Euribor 1.3%	30/09/2017	3,153	784	2,369
*	07/03/2006	4,000	3m Euribor 1.6%	31/03/2018	1,777	379	1,398
	13/04/2006	1,200	6m Euribor 1.2%	30/04/2016	339	134	205
	loans based on work in progress reports	20,900	6m Euribor 1.45%	31/12/2020	15,311	1,985	13,326
	16/03/2010	5,000	3m Euribor 1.8%	31/12/2014	1,250	1,250	0
	19/10/2010	1,000	6m Euribor 1.75%	19/10/2015	417	206	211
	26/04/2011	1,000	3m Euribor 1.85%	21/04/2014	172	172	0
	05/04/2012	500	3m Euribor 4.5%	30/04/2015	232	182	50
	03/10/2008	10,000	6m Euribor 0.79%	30/06/2020	7,500	1,000	6,500
(e)	18/12/2013	1,000	6m Euribor 4.25%	31/12/2018	1,000	200	800
	30/11/2009	8,500	3m Euribor 0.1%	31/12/2014	2,510	2,510	0
	12/02/2002	1,336	5%	30/06/2016	327	126	201
Total long-term loans					**158,759**	**35,696**	**123,063**
less current portion					(35,696)		
long-term loans – non-current portion					**123,063**		

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 2,037 thousand as at 31 December 2013, covered with a mortgage on the real estate property of the Centro direzionale in Mestre, via Porto di Cavergnago, 99;
- loan signed in July 2009 by Veritas spa with Medio credito del Friuli Venezia Giulia, in the amount of EUR 20,000 thousand, with a residual debt of EUR 16,359 thousand as at 31 December 2013, 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 3,134 thousand as at 31 December 2013, 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 3,153 thousand as at 31 December 2013, 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 1,777 thousand as at 31 December 2013, 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 2013 and 31 December 2012 these covenants were reported to be fulfilled.

The following unsecured loans were signed in 2013:

a) loan signed on 27 February 2013 by Veritas spa with Istituto di credito nazionale, in the amount of EUR 15,000 thousand, with the aim of making structural investments and purchasing machinery. The loan, with maturity term on 28 February 2018, envisages monthly repayments at a floating rate of 3-month Euribor +3.25% spread. The loan redemption started on 31 May 2013;

b) loan renegotiated on 24 May 2013 by Veritas spa with Istituto di credito nazionale, in the amount of EUR 17,500 thousand, "redemption of the residual amount of EUR 11,500,000 and new supply of EUR 6,000,000", with the aim of making structural investments and purchasing machinery. The loan, with maturity term on 31 December 2017, envisages quarterly repayments at a floating rate of 3-month Euribor +4.38% spread. The loan redemption started on 31 March 2014;

c) loan signed on 30 July 2013 by Veritas spa with Istituto di credito nazionale, in the amount of EUR 4,000 thousand, with the aim of making structural investments and purchasing machinery. The loan, with maturity term on 30 January 2018, envisages quarterly repayments at a floating rate of 3-month Euribor +3.75% spread. The loan redemption started on 30 April 2014;

d) loan signed on 05 December 2013 by Veritas spa with Istituto di credito nazionale, in the amount of EUR 2,000 thousand, with the aim of making structural investments and purchasing machinery. The loan, with maturity term on 30 June 2014, envisages quarterly repayments at a floating rate of 6-month Euribor 2.50% spread. The loan redemption started on 30 April 2014;

e) loan signed on 18 December 2013 by Eco-ricicli Veritas srl with Istituto di credito nazionale, in the amount of EUR 1,000 thousand, with the aim of making structural investments and purchasing machinery. The loan, with maturity term on 31 December 2018, envisages quarterly repayments at a floating rate of 6-month Euribor 4.25% spread. The loan redemption started on 30 June 2014.

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 and/or for the year 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 and the financial statements for the year as at 31 December 2013, the Parent Company complied with the financial parameters set out by these medium-long-term loans.

With regard to the aforesaid loans, covenants were fulfilled according to the consolidated financial statements as at 31 December 2013.

As at 31 December 2013, maturity dates for long-term loans for the period are shown hereunder:

(in thousands of EUR)	31.12.2013
31 December 2014	35,696
31 December 2015	31,278
31 December 2016	25,027
31 December 2017	23,694
31 December 2018	12,371
after 2018	30,693
Total long term loans	**158,759**

The following table shows the breakdown of amounts due to banks and of the current portion of long-term loans as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
current portion of-long-term loans	35,696	43,856
due to banks in current account	19,972	58,251
total due to banks and current portion of long term loans	**55,668**	**102,107**

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 liabilites total EUR 24,300 thousand, of which EUR 10,843 thousand at long-term and EUR 13,457 thousand at short term. This item primarily comprises financial liabilities, which are broken down as follows:

(in thousands of EUR)	subscription date	original amount	interest rate of original interv.	duration in months	loan maturity term	residual amount 31.12.2013	of which short-term	of which medium/long-term
Banca Italease	01/03/2007	3,468	3.57%	180	2022	1,822	195	1,627
Iveco Capital	01/07/2012	2,486	6.80%	60	2017	1,784	473	1,311
Iveco Capital	01/09/2012	29	6.80%	60	2017	22	5	17
AlbaLeasing	01/01/2012	59	5.61%	72	2017	40	9	31
AlbaLeasing	01/03/2012	27	5.61%	72	2018	19	4	15
AlbaLeasing	01/05/2012	135	5.26%	72	2018	98	20	78
AlbaLeasing	01/06/2012	135	5.26%	72	2018	100	20	80
Iveco Capital	10/05/2013	366	7.20%	60	2018	324	66	258
Iveco Capital	21/06/2013	298	7.20%	60	2018	270	51	219
Iveco Capital	20/06/2013	183	7.20%	60	2018	168	33	135
Iveco Capital	19/06/2013	23	7.20%	60	2018	21	4	17
Iveco Capital	28/08/2013	366	7.20%	60	2018	348	66	282
Iveco Capital	09/10/2013	1,042	7.19%	60	2018	988	182	806
Iveco Capital	12/11/2013	484	7.32%	60	2018	468	86	382
Mcc	01/01/2007	10,604	0.00%	84	2014	2,158	450	1,708
Mcc	01/01/2007	5,019	0.00%	84	2014	1,259	268	991
AlbaLeasing	01/12/2011	125	1.60%	72	2017	83	19	64
AlbaLeasing	01/12/2011	68	1.60%	72	2017	46	10	36
AlbaLeasing	01/12/2011	58	1.60%	72	2017	39	9	30
Locat	01/11/2007	1,230	6.00%	95	2015	307	157	150
Locat	01/12/2007	1,000	6.00%	95	2016	321	123	198
Unicredit L	01/08/2011	119	4.54%	59	2016	60	22	38
Fineco Leasing	19/02/2010	79	3.33%	80	2016	35	12	23
Fineco Leasing	24/06/2010	76	2.79%	80	2017	37	11	26
Palladio Leasing	30/06/2010	70	3.16%	80	2017	34	11	23
Palladio Leasing	30/07/2010	347	3.16%	80	2017	176	52	124
Palladio Leasing	30/04/2010	217	3.10%	80	2016	101	33	68
Palladio Leasing	30/10/2010	132	2.98%	60	2015	49	27	22
Palladio Leasing	30/06/2011	90	4.15%	80	2018	58	13	45
Palladio Leasing	30/07/2011	126	4.22%	80	2018	83	18	65
Unicredit L	08/09/2011	81	4.28%	60	2016	45	16	29
Palladio Leasing	23/07/2008	70	6.96%	80	2015	14	11	3
Locat	25/06/2008	63	6.36%	80	2015	13	11	2
Palladio Leasing	30/10/2009	362	divv.	80	2016	135	56	79
Unicredit L	13/10/2009	110	3.46%	80	2016	43	17	26
Banca Agrileasing	01/05/2008	1,328	5.11%	84	2015	300	213	87
Palladio	01/08/2012	30	5.89%	60	2017	22	6	16
Unicredit L	10/05/2013	30	5.72%	60	2018	26	5	21
Unicredit L	26/06/2013	12	7.79%	61	2018	11	2	9
PalladioL	14/02/2013	127	7.90%	80	2019	98	16	82
PalladioL	08/07/2013	57	5.55%	60	2018	50	11	39
PalladioL	08/03/2013	57	5.55%	60	2018	49	11	38
		30,787				**12,126**	**2,824**	**9,302**

The further share of EUR 12,174 thousand, of which medium-long term EUR 1,541 thousand and short-term EUR 10,633 thousand, is made up by EUR 1,582 thousand of loans of the Parent Company for the purchase of waste collection vehicles, by EUR 540 thousand of payables for loans from minority interests of Eco-ricicli Veritas srl, by EUR 356 thousand of payables for loans from minority interests of Sifagest scarl, by EUR 9,696 thousand pf loans through with-recourse sales of receivables to Group factoring companies (EUR 6,700 thousand) and Ecoprogetto companies (EUR 2,996 thousand).

24. Provisions for risks and charges

The following table shows the movements of the provisions for risks and charges as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	provision after closure of Ca' Rossa landfill	provision after closure of Jesolo landfill	prov. for remediation of the composting plant area Cdr2	provision for legal disputes	other provisions for risks and charges	total
as at 31 December 2011	**3,769**	**8,790**	**654**	**1,154**	**4,426**	**18,793**
increases for business combinations						
accruals		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**
increases for business combinations						
accruals				687	1,230	1,917
other changes		-60		-53	2,142	2,029
financial charges						
uses	-175		-267	-187	-1,151	-1,780
as at 31 December 2013	**4,731**	**8,943**	**223**	**1,491**	**8,729**	**24,117**

The provisions for risks and charges increased by EUR 2,166 thousand, from EUR 21,951 thousand as at 31 December 2012 to EUR 24,117 thousand to 31 December 2013. The most significant increase is related to the provision for legal disputes.

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.

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 the amount of EUR 9.3 million.

Directors therefore started negotiations 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/Tari tax. This proposal, which concerns the inclusion of a specific item, for all the years of management after closure of the landfill, as from 2014, was approved by the Town Council with resolution no. 62 of 27 June 2013.

The inclusion of the aforesaid costs in tariff calculation or in definition of environmental hygiene service fees therefore does not entail the need for any supplement to the provision for the recovery of the area.

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. This provision concerns the Parent Company in the amount of EUR 1,391 thousand.

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, ecotax on landfills and future payment of multi-annual concession payments. A provision for future building charges of the former area Alcoa, in Fusina, which was purchased in 2013, as well as provisions transferred from the Consortium in charge of the Venetian basin for the final remediation of the former landfill in Marcon are also included.

This provision also includes amounts for hidden leakages in the water service debited to users of the Parent Company and which can be used in cases of actual assessment of damages in the water network. These amounts totalled EUR 433 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 1,510 thousand in 2011 and EUR 267 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 2013 and 31 December 2012:

(in thousands of EUR)	31/12/2013	31/12/2012
current value of the obligation at the beginning of the year	26,628	26,298
current value of the obligation at the acquisition date	92	
current value of the obligation of discontinuing or discontinued operations		
curtailment effect		
cost relating to current service	47	18
finance charge	449	762
benefits paid	-1,293	-1,607
actuarial loss/(profit) on the obligation	1,282	1,157
current value of the obligation at year-end	**27,205**	**26,628**

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.

Gains and losses resulting from the actuarial calculation, based on new assumptions as from 1 January 2007 and until end 2012, were charged to income statement as cost or revenue for the corresponding year.

The new version of the IAS 19 standard modifies the recognition rules of defined benefit plans and requires that actuarial profits and losses be recognised directly in the comprehensive income statement, under "Other components" and to a special provision in the shareholders' equity.

Disclosures on the restatement of comparative figures referred to 2012, dealing with all accounting statements pertaining to IAS 19 revised, were shown in the special paragraph herein.

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

(in thousands of EUR)	2013	2012
discount rate at the beginning of the year	2.88% - 3.18%	3.94% - 4.14%
expected rate of remunerative increases	3% - 4.5%	3% - 4.5%
expected rate of turnover of employees	4.11%	6%
expected average remaining working lives of employees	16	16

While elaborating the employee severance provision as at 31 December 2013, the independent actuary took account of the updating of the technical basis of Group information available since 2003 till now. As regards taxes, the chosen curve was determined based on the rating AA equity interests, as Assirevi also suggests.

26. Due to Shareholders

The following table highlights disclosures on amounts due to shareholders at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013 within 12 months	31.12.2013 over 12 months	31.12.2012 within 12 months	31.12.2012 over 12 months
due to the Municipality of Venice	46,107	26,536	24,663	25,662
due to Municipalities holding more than 10% minority interest	6,741		99	0
due to Municipalities holding less than 10% minority interest	23,541	1,338	5,595	1,756
total due to Shareholders	**76,389**	**27,874**	**30,357**	**27,418**

The increase in payables to partner Municipalities for the year (up by EUR 46,032 thousand) is primarily due to the new environmental hygiene service regime, which entered in force on 1 January 2013 with the creation of the Tares tax. While previously, with the Tia tariff, the service operator invoiced and directly collected payments from the final users, now, with the new Tares tax, the operator will invoice for the services rendered directly to the Municipality and then the Municipality will collect payment of the Tares tax from final users.

In 2013, all Municipalities, for which the Tia tax was already in force, referred to the Group for the collection of the Tares tax. The amounts collected were then periodically repaid to the Municipalities. The amount still to be paid to Municipalities by the Group as at 31 December 2013 amounted to EUR 46,121 thousand.

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

(in thousands of EUR)	31.12.2013 within 12 months	31.12.2013 over 12 months
payables for cemetery concessions	20,572	
amounts due to the Municipality of Venice payables for contract work in progress	1,285	
payables for Law 206/95		26,535
payables for concession instalment	1,300	
payables for collection of Tares tax	19,237	
other payables	3,713	
total due to the Municipality of Venice	**46,107**	**26,535**

The agreement, signed with the Municipality of Venice, sets out that amounts collected and related to cemetery concessions be 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, then to 31 December 2013 and now to 31 December 2014. As at 31 December 2013, 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 and regarding 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 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013 within 12 months	31.12.2013 over 12 months	31.12.2012 within 12 months	31.12.2012 over 12 months
due to Sifa scpa	290		393	
due to Insula spa	4,074		296	
due to Asvo spa	2,079		1,954	
due to Ecopaté srl	3,444		562	
due to Amest srl *in liquidation*	-41		-41	
due to Veritas energia srl	19,221	3	18,113	3
due to Consorzio bonifica Fusina			2,653	
due to Depuracque servizi srl	464			
due to Lecher ricerche analisi srl	346			
due to Sst società servizi territoriali spa	588			
total amounts due to associates and jointly controlled companies	**30,465**	**3**	**23,930**	**3**

The higher increase in this item is connected to the payables of the Parent Company to Insula for the loan of EUR 3,500 thousand and payables of Ecoricicli to Ecopaté, operating since 2013, resulting from trade relations between the two companies.

28. Other non-current liabilities

The following table highlights disclosures on other current liabilities as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
guarantee deposits from customers - Sii	5,878	5,603
advance payments on consumptions	202	582
due for the purchase of real estate property		2,679
other long-term payables	2,398	250
total other non-current liabilities	**8,478**	**9,114**

This item includes guarantee deposits of users for the integrated water service and 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.

29. Trade payables

The following table highlights disclosures on trade payables as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
trade payables	98,576	95,330
due from related parties	13,076	7,052
total trade payables	**111,652**	**102,382**

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 2013 and 31 December 2012:

in thousands of EUR			31/12/2013		31/12/2012	
type	bank	residual notional	fair value of assets	fair value of liabilities	fair value of assets	fair value of liabilities
Irs	Opi Bank loan	2,037		-153		-251
Irs	Unicredit loan	14,166		-97		
Option cap	Friuladria	4,000		-14		
total derivative financial instruments		**20,203**	**–**	**-264**	**–**	**-251**

As at 31 December 2013, the Group had in place:

a) 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 31/12/2003 to 30/06/2005;
   - 2.93% for the period elapsing from 30/06/2005 to 31/12/2010;
   - 4.28% for the period elapsing from 31/12/2010 to 30/06/2017;

   As at 31 December 2013, the fair value of this contract was negative by EUR 153 thousand.

b) an interest rate swap contract, signed on 31 May 2013 with Unicredit, to hedge risks connected with changes in interest rates related to a mortgage loan signed with the same Unicredit in the amount of EUR 15,000 thousand. The contract envisages the payment of a premium on the notional value of EUR 14,167 thousand, equal to 0.88% on a quarterly basis.

   This interest rate swap contract had a negative fair value of EUR 97 thousand as at 31 December 2013.

c) an option cap contract, signed on 30 July 2013 with Banca Friuliadria, to hedge risks connected with changes in interest rates related to a mortgage loan signed with the same Banca Friuliadria in the amount of EUR 4,000 thousand. The contract envisages the payment of an advance single premium, calculated on the opening notional value of the transaction (i.e. the mortgage amount paid), equal to EUR 68 thousand.

   As at 31 December 2013, the contract has a negative market value of EUR 14 thousand.

31. Other current liabilities

The following table highlights disclosures on other current liabilities as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
advances from customers	1,241	1,169
due to personnel	11,955	12,888
due to social security institutes	7,504	5,430
due for excise duties and add-ons	6,818	6,435
due to Tax Authorities for IRPEF withholding tax	3,526	3,201
due to Tax Authorities for VAT	155	149
payables for the purchase of equity investments	2,109	0
accrued liabilities and deferred income	1,998	2,233
due for the purchase of real estate property	6,677	5,869
other payables	9,530	5,560
total other current liabilities	**51,512**	**42,934**

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.

Payables for the purchase of equity investments, equal to EUR 2,109 thousand as at 31 December 2011, related, in the amount of EUR 1,859 thousand, to payables for the purchase, by the Parent Company, of the entire equity interest previously held by Ladurner ambiente in Ecoprogetto, equal to 3.38% and, in the amount EUR 250 thousand, to payables for the acquisition of 1% in Elios, purchased by the Parent Company from Cmr.

The amount due for the purchase of the real estate property highlights not only the last portions overdue within the following year, which are related to the purchase of the Sant'Andrea area, occurred in 2009, for the amount of EUR 5,869 thousand, but also the balance still to be paid for the purchase of the land near the former-Alcoa area, already owned by the Parent Company and amounting to EUR 808 thousand.

The increase in item "Due to social security organisations" is primarily due to incentives to leave, as set forth by Italian Law 92/2012, and involving the Parent Company and another Group company.

According to this rule, on a voluntary basis by companies and employees, through a Trade Union agreement, the work relation can be terminated for those employees who are expected to retire within a period shorter than four years. This type of termination envisages the obligation, by the company, to pay the former employee a "remuneration to support income", through INPS [National Social Security Institute] (so-called "isopensione"), until reaching the actual date for retirement.

By reason of the fact that remunerations to support income, as from the termination date of the work relation till the actual date of pension payments, are actually charges for incentives to leave, the accounting standards envisage that these costs be recognised entirely in the year of termination.

The portion of remuneration to support income that is due to be paid after 2014 was reclassified under item other non-current liabilities.

32. Tax payables

The following table highlights disclosures on tax payables as at 31 December 2013 and 31 December 2012:

(in thousands of EUR)	31.12.2013	31.12.2012
IRES payables	147	109
IRAP payables	135	174
other tax payables		
total tax payables	**282**	**283**

33. Revenue from sales and services

(in thousands of EUR)	2013	2012
revenue from water service and sewerage tariff	82,387	76,912
revenue from environmental hygiene tariff	4,581	154,434
institutional service revenue	165,438	22,347
revenue from third-party services	71,812	69,442
revenue from sale of E.E./photovoltaic energy	426	380
changes in contract work in progress	1,899	5,092
total revenue from sales and services	**326,550**	**328,607**

Revenue resulting from sales and services rendered amounted to EUR 326,550 thousand, down by EUR 2,057 thousand compared with the previous year.

Revenue related to the supply of integrated water service in 2013, referring to the Parent Company only, were calculated by considering the limit of the permitted revenue level (Vrg), defined according to the interim tariff method (Mtt), by applying the multiplier (theta) approved by the competent local authority, equal to 1.134 for 2013, and obtaining a significant increase in revenue for the year, compared to the previous year.

It is also noted that the concept of Vrg envisages that the revenue value be acknowledged irrespective of the tariff variation percentage applied.

The Directors believe that the renewed regulatory context, as described above, maintains issues of uncertainty connected with the complex authorisation process introduced for tariffs, in addition to difficulties that companies in this sector are facing in applying provisions set out by resolutions issued by the Authority.

At the reporting date, neither approval by Aeegsi of increases related to the 2012-2013 interim period, nor approval by the competent local authority were obtained on the related equalisation tariffs, for which Aeegsi will have to complete the authorisation process set out by resolution no. 643/2013/R/IDR. According to provisions of the above-mentioned resolution, the competent local authority shall quantify and approve the so-called prior items by the deadline of 30 June 2014. Prior items are the higher revenue pertaining to the company according to the regulated method in force until 2011.

In light of the above, the directors believe that only the completion of the complex authorisation process will allow the company to record revenue, which might be estimated for 2013 up to a maximum increase of 24.61%.

Revenue from environmental hygiene tariffs, amounting to EUR 4,581 thousand, refer to the application of the Tares fees for some Municipalities of the Mirese area, and some equalisation tariffs of the old Tia tariff. They are therefore not comparable with figures of 2012, amounting to EUR 154,434 thousand, which included the invoicing of the Tia environmental hygiene tariff in almost all municipalities managed by Veritas and Alisea.

Consequently, also institutional service revenue, which in 2013 amounted to EUR 165,438 thousand, cannot be compared with the 2012 figure, of EUR 22,347 thousand, since the amounts due to Municipalities for the environmental hygiene service were included in this item in 2013 (following the introduction of the Tares tax as from 1 January 2013). The old revenue from Tia tariff was replaced as described above.

Revenue related to the environmental hygiene fees and Tares tariff concern services rendered within all partner municipalities of Veritas of the Province of Venice, in addition to the municipality of Mogliano Veneto.

Revenue related to the water-purification-sewerage Tariff relate to services rendered in the 25 Municipalities in the provinces of Venice and Treviso, within the water territorial sub-division (Aato) of the Venice lagoon.

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

(in thousands of EUR)	2013	2012
revenue from services and works on green areas	679	638
revenue from consortia (Conai)	1,050	1,582
revenue from leases	820	1,352
revenue from purification activities and waste water management	2,097	1,809
revenue from waste disposal service	14,093	17,972
revenue from differentiated waste disposal service	23,228	16,265
revenue from sludge disposal service	67	
revenue from cleaning and hygienic services	810	2,540
revenue from consultancy	925	1,815
revenue from management of plants on behalf of third-parties	2,311	3,986
revenue from remediation of land	1,201	3,369
revenue from cemetery services	4,507	1,768
revenue from maintenance and water service connections	3,583	3,853
revenue from management of heat	3,976	3,714
revenue from sale of electricity	126	122
other revenue from services to third parties	12,149	8,452
reverse of revenue to partner entities		2
minor revenue	189	203
total revenue from third party services	**71,812**	**69,442**

34. Other income

(in thousands of EUR)	2013	2012
leases and concessions	1,044	1,140
capital gains on disposal of assets	1,448	88
insurance reimbursements	442	200
cost reimbursement	877	1,521
seconded staff	229	
other revenue and income	3,371	4,459
capital grants	2,011	494
ordinary contingent assets	1,039	
total other income	**10,460**	**7,902**

The increase in item Capital gains on disposal of assets primarily related to the sale of two areas by the Parent Company, named San Francesco della Vigna, in the historical centre of Venice, and former Alcoa, in the Fusina area.

35. Costs for raw materials and consumables

(in thousands of EUR)	2013	2012
drinkable water	398	363
purchase of materials	9,461	8,253
fuels and lubricants	6,420	6,404
electricity available for sale	4,000	4,067
consumables and materials for maintenance and ordinary repairs	7,570	7,994
change in inventories	-130	42
total costs for raw materials and consumables	**27,719**	**27,123**

Costs for raw materials and consumables remained substantially unchanged, slightly up by EUR 596 thousand compared with the prior year.

36. Costs for services

(in thousands of EUR)	2013	2012
equipment repair and maintenance	11,747	15,432
industrial services	6,684	18,336
facilities	22,315	18,405
operating services	50,877	25,829
general services	15,372	34,665
corporate bodies	932	1,313
total costs for services	**107,931**	**113,980**

Costs for services reported a total decrease of EUR 6,049 thousand, compared to the prior year, in line with the trend of a better streamlining of expenses already occurred in the last few years.

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 225 thousand, corresponds to Veritas Directors' total remuneration paid by the Group.

37. Costs for use of third party assets

(in thousands of EUR)	2013	2012
leases	3,993	4,207
rental and lease payments	2,614	2,722
concession payments	1,389	1,666
other	351	318
total costs for use of third party assets	**8,347**	**8,913**

A greater streamlining of expenses was started also with regards to costs for use of third party assets, reporting a decrease of EUR 566 thousand compared with the previous year.

38. Personnel costs

(in thousands of EUR)	2013	2012 restated	2012
wages and salaries	93,412	86,334	86,334
social security charges	30,870	29,863	29,863
employee severance indemnity	5,818	5,656	6,813
other costs	1,372	557	557
total personnel costs	**131,472**	**122,410**	**123,567**

Following the application of IAS 19, as from 2013, the effect connected with the time-discounting of the employee severance indemnity must no longer be recorded under personnel costs, but accounted for directly as a change in shareholders' equity. Therefore, in view of rendering personnel costs in 2013 comparable with those reported in 2012, the 2012 figures had to be restated according to the new criterion ("restated" financial statements).

Personnel costs increased by EUR 9,062 thousand, compared with restated 2012 figures. This increase is primarily due, in the amount of EUR 4,153 thousand, to costs connected with the leave incentives set out by Italian Law 92/2012, in the amount of EUR 1,598 thousand to Veritas, with reference to both increases due to normal contract trends, and in-house absorption of some environmental hygiene services, in the amount of EUR 1,465 thousand, to Ecoricicli and EUR 671 thousand to Data rec.

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

(in thousands of EUR)	31.12.2013	31.12.2012	change
senior managers	17	17	0
middle managers	72	68	4
white-collar	777	768	9
blue-collar	1,627	1,595	32
total employees	**2,493**	**2,448**	**45**

39. Other operating charges

Other operating charges amounted to EUR 13,255 thousand, compared with EUR 13,641 thousand in 2012.

The provisions for doubtful debts amount to EUR 5,807 thousand, compared to EUR 6,593 thousand in 2012. This provision includes the risk on amounts due from invoicing and special provisions for some trade receivables. The item related to Aato operating expenses in 2013 includes costs related to the Basin Council of the water division only, unlike in 2012, where this item included also expenses related to the Environmental Authority.

(in thousands of EUR)	2013	2012
provisions for doubtful debts	5,807	6,593
provisions for default interest	1	108
provision for risks and charges	1,917	2,634
subscription and other fees	241	284
Aato operating expenses	896	1,271
special tariff for landfills	221	
taxes, duties and local taxation	1,578	1,509
credit losses	9	40
capital losses on disposal of assets	355	455
other minor charges	1,499	747
ordinary contingent liabilities	683	
refund fines and indemnities	49	
total other operating costs	**13,255**	**13,641**

40. Amortisation, depreciation and write-downs

The value of amortisation, depreciation and write-downs amounted to EUR 29,028 thousand, compared to EUR 29,786 thousand for the year 2012. The value of amortisation and depreciation was reduced to the annual portion of contributions for plants, as well as the value of property, plants and equipment was reduced by the value of contributions disbursed.

(in thousands of EUR)	2013	2012
amortisation of intangible assets	4,341	4,254
amortisation of concession services	12,813	12,572
depreciation of property, plant and equipment	17,998	17,530
depreciation of investment property	2	2
impairment of property, plant and equipment	73	376
impairment of concession services		1,034
grants for plants	**-6,202**	**-5,982**
total amortisation, depreciation and write-downs	**29,025**	**29,786**

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 102 thousand and takes 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 attributable in particular to the Group interest in Sifa scarl.

42. Financial charges and income

Financial charges

Financial charges totalled EUR 9,183 thousand, and include, in the amount of EUR 843 thousand, 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.

One of the most important changes compared to the previous year relates to financial expenses on factoring transactions, in the amount of EUR 1,823 thousand, required to liquidate receivables from municipalities regarding remunerations for the environmental hygiene service, following the introduction of the Tares tax in 2013, which replaced the Tia tariff, invoiced directly to users.

Financial charges to banks and lease institutes amounted to EUR 5,382 thousand, with an interest rate average impact around 2.7%, which increase to around 3.6% if other financial charges on other financial instruments used are to be considered.

Financial charges from time-discounting especially refer to the provision after closure for the Alisea landfill.

(in thousands of EUR)	2013	2012
financial charges, capitalised	220	
financial charges from associates	186	
interest expense to banks for current account overdrafts	873	1,235
interest expense to banks for medium-long-term loans	4,063	4,592
financial charges for financial leases and rental contracts	446	405
charges for measurement at fair value of derivatives	16	10
financial charges from time-discounting	394	476
financial charges from time-discounting of empl.sev.indemnity	449	762
financial charges for factoring transactions	1,823	
other financial charges	712	624
total financial charges	**9,183**	**8,104**

Financial income

The decrease in default interest and deferred payment over 2013 mainly refers to interests no longer charged to the Parent Company due to the delayed payment of Tia invoices due to the introduction of the Tares tax.

Financial income from time-discounting refers to the provision after closure for the Jesolo landfill, managed by Alisea.

(in thousands of EUR)	2013	2012
interest income to banks	170	759
measurement at fair value of derivatives	99	
default interest and payment extension	634	1,615
financial income from time-discounting	721	
other financial income	575	367
total financial income	**2,199**	**2,741**

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 2013, is shown in the table hereunder. The year 2012 is also restated pursuant to IAS 19r:

(in thousands of EUR)	2013	2012 re-stated	2012
applicable ordinary rate	**27.50%**	**27.50%**	**27.50%**
income before taxes	**12,174**	**12,045**	**10,888**
theoretical tax charge (gain)	**3,348**	**3,312**	**2,994**
adjustments compared to income taxes of the previous year	-4	-5,620	-5,620
write-down of prepaid taxes recorded in the prior year		277	277
entering of prepaid taxes on temporary differences related to prior years	-256	-10	-10
non recording of prepaid/deferred taxes for the year on temporary differences	23	478	478
tax relief for advance amortisation/depreciation and higher value of ducts, net of substitution tax	-23	-13	-13
exempt income / tax awards / non-taxable	-2,410	-1,995	-1,995
non-deductible costs	1,425	2,359	2,359
other permanent differences		169	169
effective IRES tax charge	**2,103**	**-1,042**	**-1,361**
current taxes	4,431	3,521	3,521
deferred taxes (prepaid)	-2,301	1,069	751
substitute tax	-23	-13	-13
prior year taxes for IRAP deduction on IRES		-5,544	-5,544
taxes related to prior years	-4	-76	-76
IRES effective tax (benefit) charge	**2,103**	**-1,042**	**-1,361**
local current taxes	6,444	6,241	6,241
local taxes for previous years	1	5	5
local deferred (prepaid) taxes	-107	108	108
Effective local tax (benefit) charge	**6,339**	**6,353**	**6,353**
effective tax charge (gain)	**8,441**	**5,311**	**4,992**

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 2013 and 2012, are as follows:

(in thousands of EUR)	31.12.2013	31.12.2012
provision for doubtful debts	5,803	4,866
provision for risks and charges	2,291	2,369
provision for inventory depreciation	17	17
depreciation/amortisation of fixed assets	540	608
maintenance expenses	389	397
civil amortisation/depreciation difference	596	13
other deductible costs in subsequent years	770	1,016
fair value adjustment of derivatives	73	69
business combination bonus	969	1,057
reversal of capital gains on intragroup transactions	569	683
other interests	833	35
interest expense which will be deductible in the future (RoI)	–	–
tax losses	102	102
total deferred tax assets	**12,953**	**11,232**

(in thousands of EUR)	31.12.2013	31.12.2012
accelerated amortisation/depreciation	–	–
non-taxable default interest	660	670
non-taxable revenue	57	735
equity capital gains	–	–
asset, landfill	308	209
doubtful debts	13	–
other temporary differences	130	186
time-discounting of employee severance indemnity	–	449
higher value allocated on real estate prop. and conduits	104	62
concessions at arm's length	53	5,847
leased assets	5,715	2,769
separation of land	2,795	135
total deferred tax liabilities	**9,970**	**11,062**

It is worth noting that the parent company Veritas spa and most of its subsidiaries have jointly exercised the option of Group taxation, in compliance with the Consolidated 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 2,989 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 2013 and 31 December 2012, 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 2013 and 2012.

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 2013 and 2012, are as follows:

(in thousands of EUR)	2013	2012
within 1 year	1,341	1,262
over one year but within 5 years	3,523	1,268
over 5 years	570	153
total commitments for leases and rentals	**5,434**	**2,683**

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 2013 and 2012, are as follows:

(in thousands of EUR)	2013	2012
within 1 year	272	295
over one year but within 5 years	440	596
over 5 years	27	55
total commitments for leases and rentals	**739**	**946**

Commitments for investments

Within its relation with the Basin Council, lagoon of Venice, (former Aato), 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 2013 and 2012 in favour of subjects indicated hereunder:

(in thousands of EUR)	2013	2012
Province of Venice	10,400	10,162
Ministry of the Environment	6,833	6,833
Port Authorities - Water Authority - Venice Harbour Office	1,430	1,567
banks and insurance companies	290	290
Inland Revenue Office	1,534	1,534
other entities	5,485	674
Ulss and other local entities	885	885
total	**26,857**	**21,945**

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, Tari

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.

Associates

Uncertainties regarding the going-concern assumption of Sifa scpa are worth noting. The maintenance of the company’s economic and financial balance is connected with the review of the convention in place with the Veneto Region, the third supplementary Deed. The signature of this deed with the Veneto Region is expected by half June 2014.

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	31.12.2013 Group's equity investment	31.12.2012
Veritas spa (parent company)	Venice	110,973,850		
Ecoprogetto Venezia srl	Venice	42,120,000	83.71%	85.28%
Veneziana di Navigazione spa	Venice	1,424,000	100.00%	100.00%
Data Rec srl	Venice	100,000	99.75%	99.60%
Vier srl	Venice	100,000	100.00%	100.00%
Mive srl	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas srl	Venice	5,120,000	77.40%	78.48%
Sifagest scarl	Venice	500,000	64.40%	62.00%
Alisea spa	Jesolo (Ve)	415,000	74.84%	60.00%
Elios srl	Spinea (Ve)	50,000	100.00%	50.00%
Consorzio bonifica riconv. produttiva Fusina	Venice	100,000	65.05%	49.05%
consolidated companies pursuant to IFRS 5				
Ecopiave srl	Musile di Piave (Ve)	100,000	78.53%	79.55%

As already specified in items above in these explanatory notes, for the purposes of these financial statements and based on governance rules defined amongst Sharehold-ers, 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)	2012 sales to partner Municipalities	2013	2012 purchases from partner Municipalities	2013	2012 due from partner Municipalities	2013	2012 due to partner Municipalities	2013
Municipality of Venice	27,820	100,875	448	458	19,473	40,072	50,325	72,643
Municipality of Chioggia	29	11,577	0		5,148	1,480	99	6,741
Municipality of Marcon	347	2,503	20	20	47	19	1	466
Municipality of Quarto d'Altino	1	1,174			17	858		528
Municipality of Mirano	3,425	3,376	45	24	122	-21	38	7
Municipality of Mogliano Veneto	367	4,026	1	1	88	4,065		3,253
Municipality of Preganziol	118	131			56	29		
Municipality of Ceggia	203	497			425	633		
Municipality of Musile di Piave		1,210	36	9		286	13	128
Municipality of Noventa di Piave		796	133			89	285	71
Municipality of Torre di Mosto	465	466			121	106		
Municipality of Fossalta di Piave	425	447			106	82		
Municipality of Eraclea	8	1,957	24		28	318	144	75
Municipality of Jesolo	19	9,698	1,143	677	1,134	910	3,850	3,288
Municipality of Dolo	2,197	2,149	27	47	140	17	22	34
Municipality of Vigonovo	21	1,149	58	4	56	506	120	522
Municipality of Pianiga		1,324	8	8	5	586	38	882
Municipality of Spinea		3,241	25		97	863	51	1,117
Municipality of Santa Maria di Sala		2,255	164	6	-2	389	100	547
Municipality of Scorzè	13	1,938	23	13	35	241	20	625
Municipality of Mira	37	5,187	11		184	61	53	3,207
Municipality of Stra	3	13	34	34	30	26	48	47
Municipality of Fossò	1	698	3	3	4	199	272	474
Municipality of Campolongo Maggiore	513	1,518			209	25	295	522
Municipality of Camponogara	0	1,278	8	5	1	207	185	554
Municipality of Campagna Lupia	0	701	3	3		435	166	593
Municipality of Martellago	69	2,410	118	1	31	230	518	893
Municipality of Fiesso d'Artico	5	12	5	35	9		32	32
Municipality of Salzano	8	23	58	62	34	2	58	62
Municipality of Noale	12	1,841	49	9	17	466	148	1,032
Municipality of Cavarzere	1,430	1,457			325	58		
Municipality of Cavallino Treporti	836	4,394		6	1,881	5	717	1,765
Municipality of Meolo		686	22		4	421	22	101
Municipality of San Donà di Piave	19	5,067			3	5,547	155	4,054
Municipality of Zero Branco		1						
Municipality of Quinto di Treviso		8						
total	**38,391**	**176,083**	**2,466**	**1,425**	**29,829**	**59,210**	**57,775**	**104,263**

Service contracts with shareolders

Service contracts with shareholders primarily relate to environmental hygiene services. In 2012 they concerned only the Municipalities of Mirano, Dolo and Cavarzere, regarding the Tarsu tax. After the introduction, in 2013, of the Tares tax and the cancellation of Tia tariff, these service contracts were extended to almost every Shareholders where the Group renders its services.

Due to the fact that the Municipalities of Fiesso d'Artico, Stra and Salzano resolved on the application of the Tares fee, instead of the Tares tax, for these municipalities only the Group had the possibility to continue invoicing directly to final users, as for the previous Tia tax.

As regards the Municipality of Venice, the following services are debited to the environmental hygiene services:

- cemetery;
- markets;
- high tide footbridges;
- public hygienic services;
- cleaning of municipal offices, sports structures and court houses (until July 2103);
- 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	31.12.2013 Group's equity investment	31.12.2012
associates				
Insula spa	Venice	3,706,000	24.73%	26.73%
Amest srl *in liquidation*	Dolo (Ve)	2,832,908	43.46%	43.46%
Sifa scpa	Mestre (Ve)	30,000,000	32.14%	30.00%
Sst società servizi territoriali spa	Chioggia (Ve)	5,555,112	29.90%	
Depuracque servizi srl	Salzano (Ve)	223,080	20.00%	
Lecher ricerche e analisi srl	Salzano (Ve)	46,800	60.00%	
Steriladria srl	Adria (Ro)	100,000	29.30%	29.85%
Ecopaté srl	Venice	100,000	30.96%	31.39%
jointly controlled companies				
Asvo spa	Portogruaro	18,969,650	50.70%	50.50%
jointly controlled companies pursuant to IFRS 5				
Veritas energia srl	Venice	1,000,000	49.00%	49.00%

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

(in thousands of EUR)	sales to related parties 2012	2013	purchases from related parties 2012	2013	due to related parties 2012	2013	due from related parties 2012	2013
Sifa scpa	12,617	12,282	1,856	1,919	7,166	12,719	394	290
Amest srl					0	162	-41	-41
Insula spa	27	231	11	256	142	126	296	4,074
Consorzio bonif.Fusina	19						2,653	
Veritas energia srl	492	361	18,616	20,585	2,720	3,233	18,115	19,224
Asvo spa	3,376	4,890	66	528	877	1,282	1,954	2,079
Ecopaté srl	1,346	2,860		7,631	800	1,226	562	3,444
Steriladria srl	35	62			214	284		
Sst spa		4				50		588
Depuracque servizi srl		2,525		5		62		464
Lecher ric.analisi srl				601				346
total	**17,912**	**23,215**	**20,549**	**31,525**	**11,919**	**19,144**	**23,933**	**30,468**

Relations with associates are governed at arm's length.

Relations with Sifa primarily relate to Sifagest, while Veritas energia in 2013 supplied electricity and gas for a number of Group companies.

In 2013, Consorzio bonifica riconversione produttiva Fusina reported no movements by reason of the fact that the company adhered to the Group scope of consolidation, just like Sst, Depuracque servizi and Lecher, which reported no movements in 2012 because, at that time, they were not associates.

In particular, the company Sst was a related party in 2012.

Other related parties

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

(in thousands of EUR)	2012	2013	2012	2013	2012	2013	2012	2013
	sales to related parties		purchases from related parties		due to related parties		due from related parties	
Actv spa	93	272	151	197	4	33	63	69
Ames spa		11	7	6	17			1
Casinò munic.di Venezia	28	89				9		
Vega scarl	7	12			7	4		
Venezia Spiagge spa	8	14			1	7		
Vela spa		18	1	2		14	1	1
Pmv spa	7	10						
Sst spa	22		319		2		336	
Aato laguna Venezia			896	896			1,297	1,792
Aato ambiente			380				670	571
Avm spa (former Asm spa)		50	4	7		-71	4	8
Venis spa						114		
Ist.Fondaz.Bevilacqua		1						
Ist.Parco della Laguna		1						
Ist.Centri di soggiorno		4				1		
Ist.Bosco grandi parchi		149				1		
Gruppo Ladurner	54	67	7,694	8,064			4,681	10,633
total	**219**	**698**	**9,452**	**9,172**	**31**	**112**	**7,052**	**13,075**

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 Independent 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)	2013	2012
Board of Directors		
remunerations	225	294
other compensation		
other benefits		
total costs for services	**225**	**294**
Board of Statutory Auditors		
remunerations	111	90
other compensation		
other benefits		
total costs for services	**111**	**90**
Independent Auditing firm		
remunerations	90	99
total costs for services	**90**	**99**

46. Management of financial risk: goals and criteria

The Group's main financial instruments, other than derivatives, comprise bank loans, financial leases, direct and indirect factoring contracts, 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 financial costs using a combination of fixed and variable 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.

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, legal disputes) bring this insolvency percentage related to the receivables from municipal waste management services to around 3% (although with higher peaks in recent times), 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 especially to the Municipalities of Venice and Chioggia, are still reporting payment delays, connected with 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 three derivative instruments, 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 leveraging on the flexibility given by bank overdrafts, credit lines, financial leases, factoring transactions. The policy of the Group is that not more than 22% of the loans must be due within one year.

As at 31 December 2013, about 22% 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.

As at 31 December 2013, the Group has unused credit facilities amounting to around EUR 73 million, compared with EUR 35 million as at 31 December 2012. This figure undoubtedly reflects the alternative use of factoring agreements, both by the Parent Company and larger Group companies.

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 39 million, and tackle possible negative changes in working capital.

Operating investment plans, which are being implemented, above all in the water sector, start to be offset, although partially, thanks to the still evolving regulatory framework of tariff adjustments set out by Authorities in the water sector.

As regards municipal waste management, a general need for a tariff redefinition is reported, in order to ensure higher fairness among users, greater control for Municipalities and a direct financial return to the Group, while eliminating stress on working capital and increases in financial charges.

The spread increase trend, already reported over time, continued in 2013. Consequently, despite the significant interest rate decrease, the final rates paid to the financial institutions are higher.

However, in 2013 and despite the financial crisis, the Veritas Group has obtained additional medium and short-term credit lines of EUR 28 million.

Although its business is characterised by a contained volatility and solid cash generation, the Veritas Group is striving to identify financial resources that are more consistent with new trends of financial markets through the issue of bonds for which thorough analyses in financial marketing have been already performed during the current year.

In 2013, short-term financial management instruments have been strengthened by signing new factoring agreements, both direct and indirect (reverse factoring), in addition to leasing and direct financing agreements with the suppliers.

Capital management

Net indebtedness of the Group, equal to EUR 181,678 thousand as at 31 December 2013 (EUR 220,525 thousand as at 31 December 2012), was offset by a total shareholders' equity of EUR 163,511 thousand as at 31 December 2013.

The ratio between net financial position and shareholders' equity as at 31 December 2013 was equal to 1.11, compared with 1.39 as at 31 December 2012.

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 market quotation

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 2013 the Group held the following financial statements measured at fair value:

in thousands of EUR			31/12/2013		31/12/2012	
type	bank	residual notional	fair value of assets	fair value of liabilities	fair value of assets	fair value of liabilities
Irs	Opi Bank loan	2,037		-153		-251
Irs	Unicredit loan	14,166		- 97		
Cap	Friuladria	4,000		-14		
total derivative financial instruments		**20,203**	**–**	**-264**	**–**	**-251**

It is worth noting that all assets and liabilities that were measured at fair value as at 31 December 2013 can be classified under Level 2 in the fair value assessment hierarchical order. During 2013, two contracts became due.

47. Subsequent events

During 2013, the Group used the possibility, envisaged by Italian Law 92/2012 (so-called Fornero law), to apply the new "iso pensione" rules regarding 39 employees and involving the advance recognition, as extraordinary cost, of around EUR 4.1 million related to future charges pertaining to companies.

In 2014, the incentive-to-leave program continued with the leaving of 13 employees in March, with an extraordinary cost of around EUR 1.4 million.

The economic saving of the transaction is however over 20% of costs that would have been borne if the above employees were retained. Also savings are to be acknowledged in re-organisation of the involved functions; these measures were adopted according to spending review policies.

In the first months of 2014, some partner Municipalities sold a small portion of Veritas shares to the Parent Company. Own shares acquired by Veritas are however held for sale to other Municipalities interested in becoming partners.

In February 2014, the entire equity investment, equal to 49%, in Veritas energia srl was sold to Ascopiave spa, which already held the remaining 51%.

In February 2014, the Parent Company transferred 1.95% in Ecoricicli Veritas to Bioman spa.

In May 2014, Eco-ricicli incorporated, for a share of 40%, together with Idealservice srl, the company Ecoplastiche Venezia srl, which is planning to open a plant for the treatment of plastic packaging in the sub-division of Marghera.

In May 2014, the same Ecoricicli Veritas acquired 17% equity investment of Demont srl in Consorzio bonifica riconversione Fusina.

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 2013

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 Independent Auditing firm, charged to audit the financial statements of Veritas spa and in contact with the Board of Statutory Auditors, since its appointment, has acknowledged the correctness and consistency of the Balance Sheet and Income Statement, resulting from consolidation of accounting figures, and in light of 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, prepared according to law provisions and accounting standards;
- the consolidated Balance Sheet and Income Statement have been inferred by using the financial statements or drafts of financial statements 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 thoroughly 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 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, on which it expressed a favourable opinion. The Board deems appropriate to call the attention on two specific issues resulting from the accounting documents drawn up by Directors.

The first issue concerns the accounting of income related to Veritas spa for the application of the water tariff. As regards this issue, we agree with the particularly prudent approach adopted by the Directors for such a complex question, which is object of a number of rules and regulations.

The second issue is the investee Sifa scpa which, at today's date, has not yet approved its 2013 financial statements. Given the importance of the accounted amounts in the financial statements (equity investment and guarantees granted by Veritas spa), we believe that the recall on disclosures can be shared and is well-grounded.

Venice, 05 June 2014

The Board of Statutory Auditors

Francesco Loero

Fiorella Gottardo

Giorgio Morelli

2.7.1 REPORT OF THE INDIPENDENT AUDITING FIRM

Building a better working world

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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 2013 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.

   The consolidated financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes, Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditors' report dated 12 June 2013. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2013 and for the year then ended.

3. In our opinion, the consolidated financial statements of the Veritas Group at 31 December 2013 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. Reference should be made to to the information reported in this paragraph for a better understanding of the consolidated financial statements:

   a. in October 2013, the local authority Consiglio di Bacino Laguna di Venezia (the "Ente d'Ambito") approved the tariffs' multipliers provided for by Resolution n. 585/2012/R/IDR and approved the limits to the recognition of revenue from the integrated water services operator for the years 2012 and 2013. The Directors, in the Report on Operations and in the explanatory notes indicated that, at the date of approval date of the draft financial statements, such measures have not yet been approved by Autorità per l'Energia Elettrica, il Gas ed il Sistema Idrico (the "Authority") and the measures applicable to prior periods have not yet been approved by Ente d'Ambito. Pending the required approvals from Ente d'Ambito and Authority, the Directors

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described the criteria used to recognize revenue for integrated water services, related adjustments and past due items.

b. the Veritas Group holds an equity interest in S.I.F.A. Società Consortile per Azioni ("S.I.F.A."), further the Group has outstanding receivables from the same entity and granted guarantees to serve the financial debt of such investee. S.I.F.A.has not yet approved its annual financial statement at 31 December 2013 and doubts exist with respect to the ability of the investee to continue as a going concern. This is subject to the signing of a supplementary concession agreement related to the Integrated Project of Fusina (the "Terzo Atto Aggiuntivo") with Regione Veneto, which is considered necessary by the Directors to have a revenue stream of the investee consistent with the current cost structure and to restore economic and financial balance. The Directors of the investee expect to finalize this supplementary concession agreement in the short term. As described in the Report on Operations and in the explanatory notes, the Directors have considered the existing doubts and uncertainties and, based on the information obtained by them, concluded that S.I.F.A. can solve such uncertainties and, accordingly, have confirmed the carrying values of the related assets in the financial statements, considering not probable the occurrence of liabilities related to the guarantees granted to the investee.

5. 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 2013.

Treviso, 28 May 2014

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.