



reststoffenunie

*Added value from water*

RESTSTOFFENUNIE WATERLEIDINGBEDRIJVEN B.V.

# Annual report 2012



# Annual report

## Reststoffenunie 2012

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*(added) value from water*



## Foreword

Reststoffenuie had a highly successful 2012, a year in which we achieved important strategic and operational results. While our turnover increased slightly, our shareholders' returns multiplied three-fold (!) thanks to the value created by our residuals. We also succeeded over the past five years in cutting operational costs in our collection, transport and inspection activities by more than 30%.

Our performance in the area of sustainability was also impressive, in all modesty. Our recycling percentage grew from 75% to over 90%, which means that our country's annual primary raw material requirements were reduced by more than 170,000 tons. With regard to cutting CO<sub>2</sub> emissions, we decreased our average transport mileage by more than 30% over the past five years.

Through our unique position as a Shared Service Centre of the Dutch drinking water companies, we can draw on these results to stimulate our shareholders to *extract (added) value from water* and to look at water as a source of raw materials.

The words of Gerben-Jan Gerbrandy, Member of the European Parliament, fill me with pride: "The rolling out

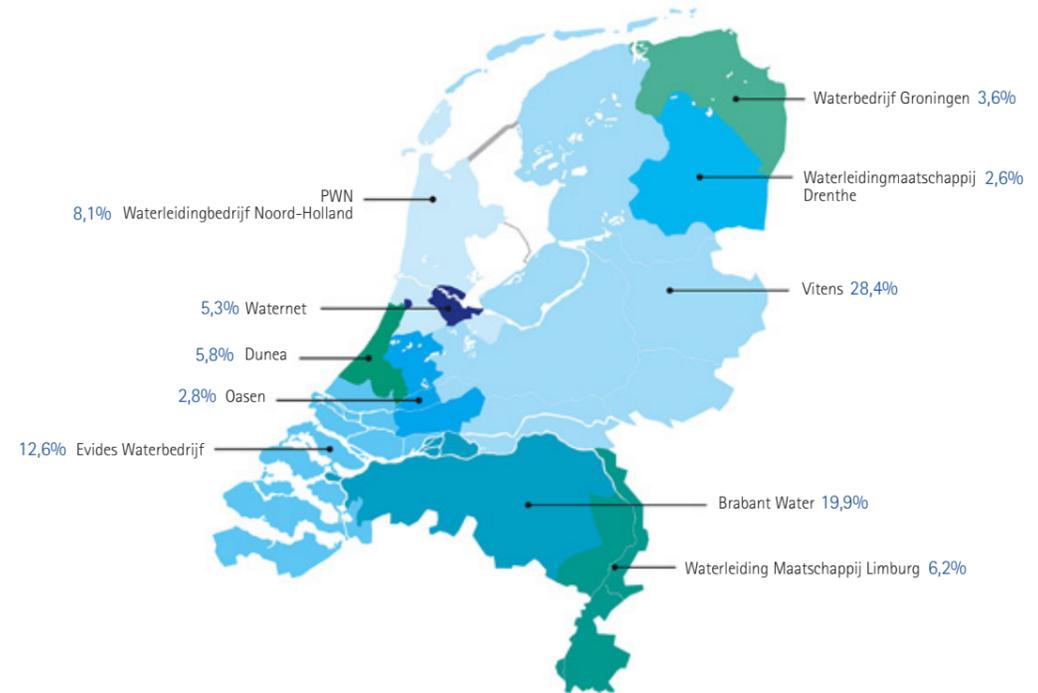
of sustainable initiatives, such as Reststoffenuie, on a European scale is of key importance. Europe now has the opportunity of becoming a champion in the area of raw material efficiency."

This 2012 Annual Report not only highlights our results, but also places the spotlight on the team and the individual staff members who stand behind our performance – each contributing his or her own effort, expertise and responsibility. Their accomplishments deserve applause and recognition. To put it in restaurant terms: one can only attain star level through passionate and dedicated teamwork!

In the name of the company, I would also like to thank our Supervisory Board members for their great contribution, energetic effort and strong commitment to Reststoffenuie.

Sincerely  
*Hay Koppers*  
Managing director

# 1 Profile of Reststoffenuie Waterleidingbedrijven B.V.



Supply areas of the Dutch drinking water companies with their percentage shares in Reststoffenuie Waterleidingbedrijven B.V. (The total number of shares issued at the end of 2012 was 9,873.)

Reststoffenuie (RU) was created in 1995 by the Dutch drinking water companies. Its objective was and is to provide its shareholders companies with active services aimed at the creation of economic and sustainability value from the residuals produced by their drinking water production activities – today and into the future.

We offer our shareholders openness, insight and influence, with regard to both the financial and the raw material streams. RU was set up as a private limited company (B.V.), but in its daily activities actually operates as a Shared Service Centre (SSC) for its shareholders. This SSC is a reflection of a joint strategy, which combines the advantages of centralisation and decentralisation. It provides the opportunity to conduct all activities concerning the residuals resulting from the extraction, preparation, transport and distribution of drinking water in approximately the same manner, bringing them together under a semi-autonomous entity, which then provides services to its shareholders. An SSC is not a form of centralisation, since it is premised on collaboration, solidarity, equality and dependence.

Since its inception, RU has contractually sold large quantities of residuals as (secondary) raw materials to clients in a variety of economic sectors. These include the building and glass industries, mineral commodity traders, fossil fuel and biofuel energy generators, agriculture and horticulture players, and the (waste) water treatment branch. Together with our shareholders, (potential) clients and service providers, we continually develop new application possibilities and search for functional and valuable markets and sales channels.

RU also looks after obtaining the necessary permits for its shareholders and plays an important role in integrated chain management. RU has developed into a knowledge platform for the legal and regulatory frameworks applicable to waste and residual materials. When such frameworks do not function well, we are after all the first to be affected. In order to effectively promote our interests, and those of our shareholders, in this area, we try whenever necessary and possible to exert influence, both in the Netherlands and in Brussels.



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## 2 Supervisory Board Report

### Financial statements

According to article 24 of the company's statutes, the management of RU has presented the annual accounts for 2012 to the Supervisory Board (SB). The financial statements have been audited by the accountants Meeuwsen Ten Hoopen.

The SB has adopted the financial statements as an accurate representation of the company's financial position and established that the management report meets transparency requirements. Accordingly, we ask the General Meeting of Shareholders (GMS) to adopt the financial statements. We also propose that the GMS discharge the management for its management, and the Supervisory Board for its supervision of said management. The net result amounted to € 70,300.

### Corporate Governance

In accordance with the statutes of the company, the most important powers within RU are attributed to the management and the SB. The SB appoints the management, and the GMS appoints the supervisors upon the recommendation of the SB. Specific key management decisions require the approval of the SB. The management directs the company, and is responsible for achieving the objectives, for strategy and the associated risk profile, for the financial results and for societal aspects. It is accountable in this regard to the SB and the GMS, and provides the SB, as the supervisor and economic proprietor of the company, in a timely manner, all the information it needs to carry out its tasks. RU is not obligated to apply the principles and best practice provisions of the Dutch Corporate Governance Code. Nonetheless, RU's objectives and operational management are in complete alignment with the degree of transparency and accountability that the Code's provisions impose on

companies. In order to reflect in more detail the principles of the Dutch Corporate Governance Code, in 2011 a number of regulations and statutes were implemented. In addition, in 2012 a "treasury statute" was implemented. This statute encompasses the treasury policy, a description of the treasury function, the manner of the provision of information, and a detailing of the administrative organisation and internal control.

Also within the context of corporate governance, in 2012 the SB carried out an evaluation of its own functioning.

### Activities

In the year under review, the SB met with management on four occasions, when operational and financial matters were duly discussed. Apart from these formal meetings, informal consultations regularly took place among SB members and between them and management over the course of the year. The matters addressed by the SB during 2012 included:

- the development of the organisation's finances and results
- the operational and financial developments in light of the budget and other objectives
- the profit appropriation
- the market developments, with a special focus on struvite, asbestos-cement pipes and foreign markets
- the developments in the regulatory and legal framework
- the internal processes, like the planning and control cycle
- the risk management: the specification of four risks for further elaboration
- the RU premises; the ten-year extension of the rental contract
- the assessment of the collaboration with the accountants Meeuwsen Ten Hoopen

- the evaluation of the earnings model adopted in 2010
- the evaluation of the purchasing terms and conditions by lawyers of the drinking water companies
- the timely extension of purchase orders to RU by the drinking water companies and agreements to guarantee supply
- the calculation of returns on a per-transaction basis instead of semi-annually
- the collaboration with waterboards with regard to the involvement of RU, as the implementing organisation, in the sale of residuals from the WWTPs
- the reappointment of Mr Th. Schmitz to the SB
- the procedure and subsequent nomination of Mr P. Fransman to the SB.

The General Meeting of Shareholders was held on two occasions, during which the following was agreed:

- the approval of the 2011 Annual Report, consisting of the Report from the SB, the Management Report and the financial statements for 2011
- the discharge of the management for its management and the members of the SB for their supervision during fiscal year 2011
- the profit appropriation
- the extension of the collaboration with the accountants Meeuwse Ten Hoopen for two years and their commissioning for the 2012 financial statements
- the proposal to exclude residuals with a negative value from the earnings model and the decision to carry out a survey of these residuals
- the proposal to reach concrete agreements to guarantee residual supply
- the proposal that shareholders report their own holdings of residuals
- the reappointment of Mr Th. Schmitz to the SB
- the appointment of Mr P. Fransman to the SB
- the approval of the annual plan and budget for 2013.

In retrospect, 2012 was a relatively calm year, which, in itself, is already good news. The internal processes are in good order and the organisation is undergoing a major professionalization process. When we examine the 2010-2013 Business Plan, we note that all the objectives have been attained – in fact, they have been exceeded. This is the confirmation that we have together taken the right

approach. A few years ago we identified a number of things that were not going well. We took the necessary measures and persisted with them. And we now see the impact reflected in the results. The organisation deserves to be strongly praised!

In accordance with the rotation plan, 2012 saw some changes in the composition of the SB. We said farewell to Mr Henk Ardesch, who made an important contribution to developing and profiling RU into what it has become today. As a supervisor, he leaves behind an organisation that is suitably equipped to identify and take advantage of opportunities open to it. For this, we are very grateful to him. With regard to the profile of the new supervisor, with governance in mind, we consciously sought someone who would contribute financial and business expertise. We are happy to say that we found this in the person of Peter Fransman. We would like to thank Evides N.V. in this regard: it is good to have a representative of one of our largest shareholders on the SB.

Mr Th. Schmitz, CEO of Vewin was reappointed for a second three-year term, upon our recommendation. Also, a few small changes occurred in the portfolio distribution.

Not only has RU become considerably more professional over the past few years, its staff members have tackled their tasks with great zest and pleasure. As the SB we witness this now and again, and it is very good to see. Professionalism and quality are the foundations for success, but the energy that this team radiates adds that little extra. A few changes, and a small increase, in the staff have resulted in a tightly-knit team whose members have a strong sense of responsibility both towards their work and each other.

I am glad that the spotlight of this Annual Report is especially focused on those individuals who, behind the scenes, have accomplished so much.

Nieuwegein, June 2013

In the name of the Supervisory Board  
H. Doedel, Chairperson



### Supervisory Board composition

In 2012, in accordance with the rotation plan, a vacancy arose on the Supervisory Board. Mr Th. Schmitz was reappointed following recommendation. Mr H. Ardesch had ended his term and was not reappointable. The resulting vacancy was filled by Mr P. Fransman. Per 31 December 2012, the SB's composition was as follows:

- Mrs H. Doedel (1956), Chairperson, Director, N.V. Waterleiding Maatschappij Limburg
- Mr P. Fransman (1962), Vice-Chairperson, CFO, Evides N.V.
- Mr Th. Schmitz (1949), Director, Vewin
- Mr K. Hoogsteen (1950), Director, N.V. Waterleidingmaatschappij Drenthe
- Mr S. Corvers (1963), Director, Corvers Holding B.V.

### (Re)appointment schedule 2013:

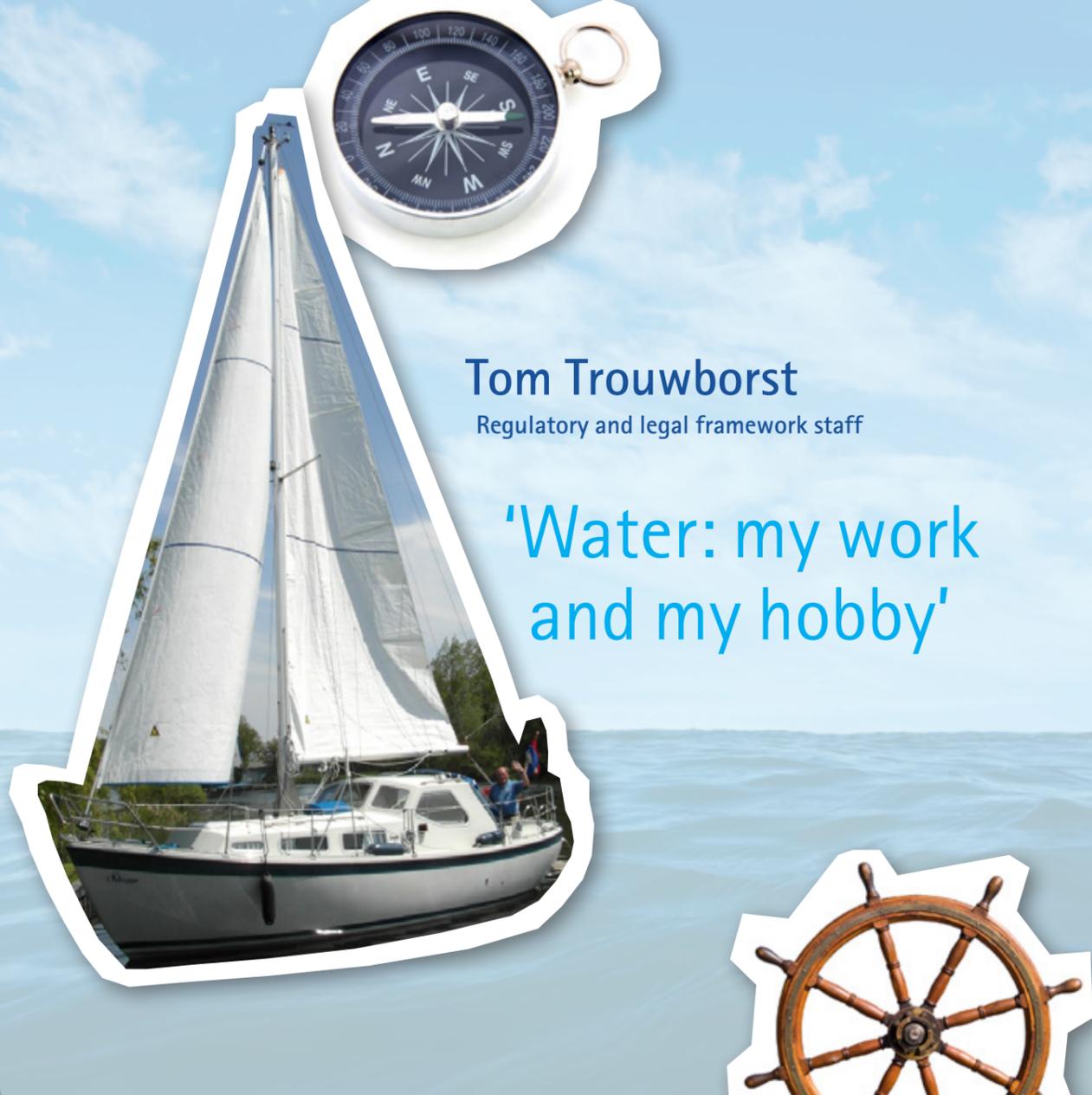
As a result of the changes in the Supervisory Board, the rotation plan has also been adjusted.

	appointed	reappointed	resignation
H. Doedel	1 January 2008	31 December 2010	31 December 2013
Th. Schmitz	31 December 2009	31 December 2012	31 December 2015
K. Hoogsteen	1 July 2010	(possible) 1 July 2013	
S. Corvers	1 July 2010	(possible) 1 July 2013	
P. Fransman	31 December 2012	(possible) 31 December 2015	

# 3 Management Report for fiscal year 2012

**Tom Trouwborst**  
Regulatory and legal framework staff

**'Water: my work  
and my hobby'**

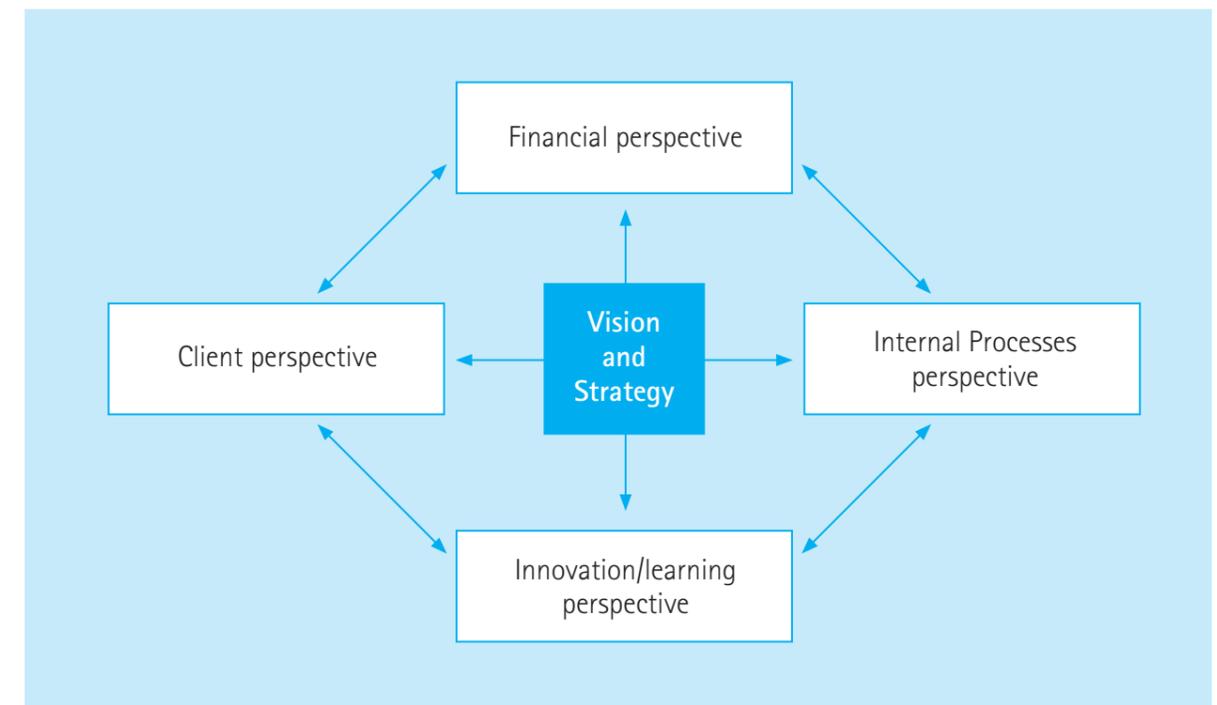


Although Tom retired a couple of months ago, he can still be regularly seen at reststoffenuie. After 15 years, you don't just say good-bye and disappear from one day to the next. "I follow things from the sidelines. Fortunately I have a good successor, which makes me happy."

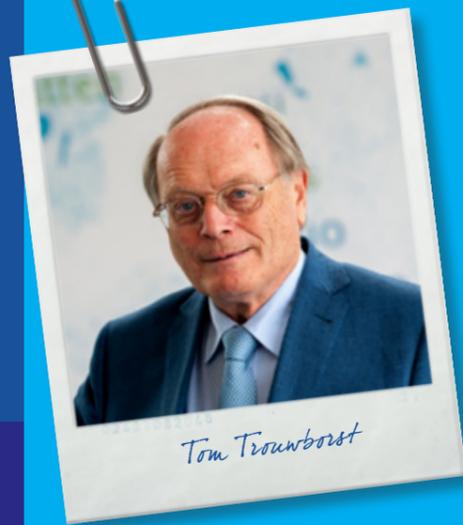
The former health inspector, was only too pleased when Reststoffenuie was set up. "As someone responsible for water quality, I had long called on the sector to collaborate more. The same materials, the same procedures, why not work together? It would ultimately mean less landfill, and the large volumes involved opened up strong market prospects. That's how I saw it. We had of course to manoeuvre the legal curves, but now the result is there for all to see."

Now that Tom is almost 71, it is time for things other than work. And most of all for sailing. "Ever since I was young, I have been crazy about water. I have therefore been able to work in my hobby's environment! I can just see it now: long trips on lake IJsselmeer to Friesland. Gliding over the water. It'll really take getting used to having all the time in the world just to do that."

We use of the Balanced Scorecard framework to describe the general situation at RU. This allows us to express our strategic objectives in concrete, measurable terms. The illustration below shows how we make a connection between the four perspectives (financial, client, internal processes and innovation/learning) and RU's vision and strategy. The 2010-2013 Business Plan is also built upon these four themes.



Balanced Scorecard



### 3.1 Financial perspective

#### Keyfigures

	2012	2011	2010*	2009*
<b>Results</b>				
Turnover in euros (€)	3,850,000	3,180,000	4,272,000	3,681,000
Non-shareholder turnover (%)	3.5	7	-	-
Direct disposal expenses (€)	2,881,000	2,725,000	3,500,000	2,950,000
Gross margin (% of turnover)	25	14	18	20
Net result (€)	70,300	33,500	151,800	4,500

<b>Assets</b>				
Balance Sheet total (€)	1,616,300	2,094,000	1,720,200	1,119,700
Shareholders' equity (€)	578,850	508,560	412,380	272,300
Liquidity (quick ratio)	1.5	1.3	1.3	1.3

<b>Residual figures</b>				
Supply (ton)**	185,500	191,000	185,000	159,000
Recycling percentage (%)***	92	75	77	76
Transport distance per residual ton**** (ton/km)	3.6	5.4	4.8	5.9

<b>Personnel</b>				
Number of employees FTE per 31 December 2012	5.7	4.3	4.5	3.7
Absenteeism (%)	4	8	7	11
Average net sales per employee (€/FTE)	185,500	93,300	70,700	-

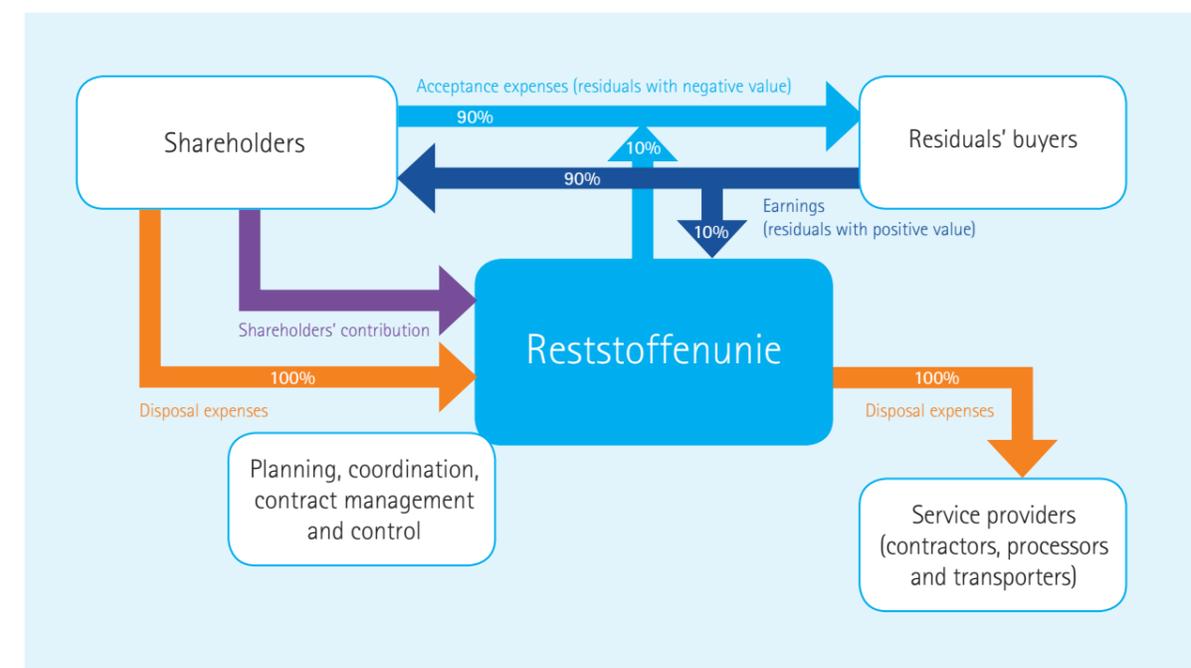
\* old earnings model

\*\* excluding soil; disposal from Dutch and foreign water supply companies

\*\*\* destination other than (infrastructural) works/landfill

\*\*\*\* calculated starting at Dutch water production facilities

#### This is how Reststoffennie works



Schematic diagram of earnings model

#### Balance Sheet details

	2012	2011
Fixed assets	11,004	11,984
Current assets	1,605,343	2,082,020
<b>Total assets</b>	<b>1,616,347</b>	<b>2,094,004</b>
Shareholders' equity	578,853	508,562
Current liabilities	1,037,494	1,585,442
<b>Total liabilities</b>	<b>1,616,347</b>	<b>2,094,004</b>

Compared to 31 December 2011, the Balance Sheet total decreased by almost € 478,000. The reason for this is that, per 1 July 2012, the earnings which, according to the earnings model, were to be directly credited to the shareholders, were calculated net of disposal expenses. As a result, per 31 December 2012, there were practically no remaining earnings to be credited. This had an evident impact on both the receivables and payables items. The appreciation of the stocks and the addition of the 2012 net result to the reserves contribute positively to the Balance Sheet total.



**Petra de Rooij**  
Executive secretary

**'I'm happy to make an effort for things that really matter'**

A pillar of support for manager Hay Koppers, she also gladly makes use of her organisational skills outside of Reststoffennie. For instance at the primary school of her two youngest children, where the issue of health is high on the agenda.

Not only Hay, but her other colleagues like to turn to Petra for help. Like no other, she always knows what's happening and what's needed. This encompasses a wide variety of things, from support and technical arrangements, to taking minutes at shareholder and supervisor meetings. And in 2012 she had her hands full organising the successful RU Relations Day, among other things.

The parents' council can also always

count on her. "As in my work, I'm happy in my private life to make an effort for things that really matter," she says. "We managed to get the Johan Cruyff Foundation to give us a grant to transform the schoolyard into "Schoolplein 14", with its clever design that challenges the children to move, practice sports and play together. We're also talking to the region's water company about the installation of water-coolers, which would be connected to the water mains – preferably one in every classroom!"



#### Current assets

RU has storage sites at a variety of locations in the Netherlands. These depots are used to store the supply and demand imbalances, and to control the quality of the products. They are therefore essential in the supply chain of our (secondary) raw materials. Because the economic risk is borne by the drinking water companies, the stock – valued at € 50,000 – is not reported separately on the balance sheet, but included under other repayments. Per 31 December 2012, a claim was submitted to the Tax Office regarding the VAT in the fourth quarter. The prepaid corporate tax for 2011 was refunded by the Tax Office. This, because RU is not an "industrial company", but an "indirect public enterprise" according to article 2, paragraph 7 of the Corporate Income Tax Act. On these grounds, the tax obligation was terminated.

The cash and cash equivalents decreased by almost € 200,000. This is the result of the direct deduction of the disposal expenses from the earnings to be credited to the shareholders. Because payables decreased, in relative terms, more than receivables, liquidity (ratio of current assets over current liabilities) rose from 1.3 to 1.5 per 31 December 2012.

#### Shareholders' equity

Shareholders' equity increased by more than € 70,000 compared to 2011. Because there were no changes in share capital in the year under review, this increase is entirely attributable to the result achieved. As reported in the financial statements, this is incorporated in its entirety into other reserves. Since equity is placed in bank balances.

#### Current liabilities

In 2012, RU allocated € 58,000 for the follow-up of the REACH registration for lime (pellets) and ferric (hydr)oxide. A lot of effort was invested into maintaining and ensuring the quality registrations (see also Chapter 3). The funds were debited from the existing buffer. This brought the balance, per 31 December 2012, of the amount reserved for activities concerning the REACH regulations to more than € 104,000. As of 1 July 2012, we began accounting for the disposal of residuals by applying a general account settlement of expenses and earnings. In this context, € 18,200 was received in advance for disposal expenses for

residuals placed in storage. The actual disposal expenses following this depot storage are expected to be incurred in 2013. In 2012, an ICT initiative was begun aimed at increasing the efficiency of the data reporting on the financial and product flows and at accelerating administrative processing; this has as yet only been implemented in part. To extend the initiative in 2013, € 40,000 has been placed in reserve. The reserve of € 80,000 for the completion of projects initiated in 2011, was entirely released in 2012. Per 1 January 2012, RU became a member of the Water Company Employers' Association (WWb). This means that the Water Company Collective Labour Agreement (CAO) applies to RU. Per 31 December 2012, the Availability Budget item was allocated a reserve of € 5,406.

The payment of the national insurance and pension contributions for December 2012 must be made in 2013. In addition, there exists a pension obligation of € 2,135 for the time prior to RU's joining the National Civil Pension Fund permissible fiscal margin for the pension scheme.

#### Profit and Loss account details

	2012	2011
Turnover	3,850,071	3,178,347
Direct disposal expenses	2,880,549-	2,724,946-
Gross margin	969,522	453,401
Shareholders' earnings	836,236-	322,489-
Other earnings	792,237	724,466
Gross profit	925,523	855,378
Operating expenses	871,829-	832,256-
Interest income	16,597	10,401
Net result	70,291	33,523

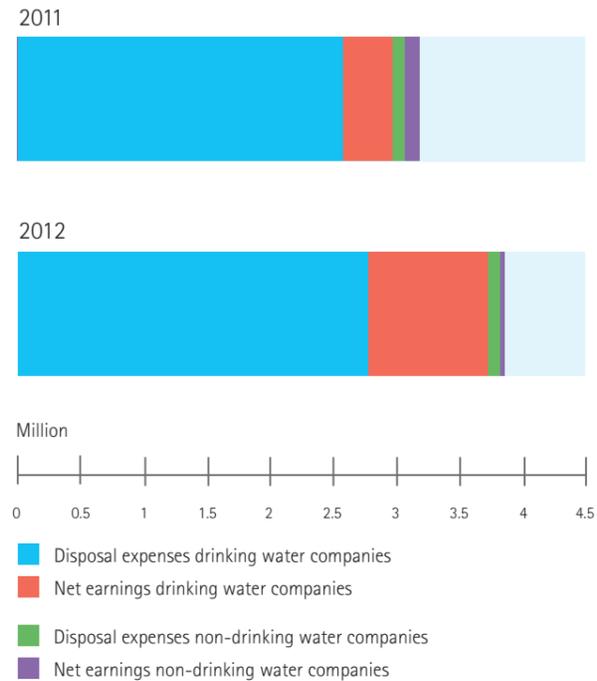
## Turnover

Turnover includes all the disposal expenses for residuals passed on to shareholders and non-shareholders, plus the earnings from buyers (see chart). The earnings can be both positive or negative. Negative earnings involve, for example, disposal expenses for the of sale of residuals as construction material for (infrastructural) "works". Total turnover in 2012 amounted to € 3,850,000, which represents a 21% increase over the previous fiscal year. This rise is largely due to increased earnings from ferric (hydr)oxide and lime sludge, while the direct disposal expenses generally only rose slightly. The increase of € 670,000 was also partly caused by a (large) negative-value stream reported as direct disposal expenses – this involved € 182,000. In 2011, this stream was still reported as a negative earning (€ 214,000), so that total turnover was decreased. Positive earnings increased by 30% to € 1,246,000, and negative earnings decreased by almost 20% to € 302,000. On balance, there were net earnings of € 944,000 from the sale of shareholders' residuals. The figure for 2011 was € 389,500. The increase in positive earnings is in part the result of the valorisation of negative-value residuals. Instead of being sold as construction material for (infrastructural) "works", lime sludge, was used as an inorganic fertiliser, while more dewatered ferric (hydr) oxide was directed to biogas installations. This automatically implies a drop in negative earning. In 2012, a total of € 836,000 was paid out to shareholders, practically a three-fold increase over 2011.

Activities for non-shareholders consisted primarily in the disposal of filter material and ferric (hydr)oxide. Apart from the one-off disposal of ferric (hydr)oxide from an industrial water plant, the supply of these residuals from third parties remained stable. A consulting process was initiated for the acceptance of residuals of two industrial water plants under the Implementing Rules of the Fertiliser Act, and for registration under the REACH provisions. In 2012, gross turnover was € 136,000, a drop of € 84,000 compared to 2011. The decrease is mainly related to the entry of Evides N.V. in the shareholder group in 2012. Because of the legal competition and procurement provisions applicable to RU, turnover associated with activities for non-shareholders must not exceed 10% of total turnover. In 2012 these activities accounted for 3,5% of total turnover, which is almost half the 2011 level.

The average turnover per FTE nearly doubled from € 93,300 to € 185,500.

## Turnover development



## Direct disposal expenses

The 2012 annual supply amounted to 185,500 tons. In total, 6% fewer lime pellets were supplied and 15% less dewatered product. Liquid ferric (hydr)oxide supply, in turn, increased by more than 15%. On balance, there was a drop in supply levels of 5,500 tons compared to the previous review year. The reported annual amount is exclusive of residual streams from asbestos- cement (AC) pipes, plastic pipes and regenerate from ion-exchange processes. The volume of these residual streams in 2012 is estimated to have been more than disposal took place outside of the RU routes.

The disposal expenses of residuals – that is, costs of extraction, transport, storage, analysis and acceptance – increased slightly by over 5.5% compared to the previous fiscal year. The increase is ascribed to the disposal of aluminium sludge as a negative-value residual.

These expenses were charged directly to the supplier as a disposal expense. In 2011, the disposal expenses for the residuals concerned were still counted as negative earnings in the earnings model.

In mid 2012, RU entered a three-year contract with an important service provider in the areas of contracting, planning & logistics, transport and, storage. The most important improvements over the previous contract are:

- 1) residual quality improvement (we deliver what we promise),
- 2) kilometres (minimise when possible) and
- 3) lower costs.

An additional three-year contract was signed with another logistics provider for the transport, storage and transfer of ferric (hydr)oxide in the Province of North-Brabant. This contract involves not only a cost-saving but also manifests our ambition to reduce transport distances. Contracts were also signed with the most important logistics service providers for lime pellets on the basis of a TLN model. The purpose is to give both the client and the contractor more legal certainty. RU also signed a three-year contract with a regional waste processor for the processing of coagulation sludge containing aluminium.

## Gross margin

The gross margin almost doubled as a percentage of total turnover, which is the direct result of the big increase in turnover achieved thanks, for the most part, to the sale of our shareholders' residuals. In addition, expenses associated with aluminium sludge, as a negative-value residual, were directly charged to the supplier and thus excluded from the earnings model. This, too, had a positive impact on the gross margin.

## Other earnings

The annual contribution of shareholders to RU's administrative expenses amounted to € 832,683 in 2012, an increase of more than 4% compared to 2011. Because of the entry of Evides N.V. into the shareholders' group in 2012, the average contribution decreased by 6% on balance.

## Operating expenses

### Personnel expenses

The number of employees increased by one to seven (5.7 FTE) per 31 December 2012. Two water company

employees, who RU had initially hired as short-term staff, took on permanent positions as financial manager, and quality and product manager. Personnel expenses in 2012 were 16.5% higher in 2012 than they were in 2011. RU's participation, per 1 January 2012, in the Water Company Collective Labour Agreement, and thus also in the National Civil Pension Fund (ABP), and the increase in staff by one permanent position, resulted in an increase in the indirect salary costs, and national insurance and pension contributions. The costs of short-term staff were cut by 42% to € 123,000.

### Cost of sales

Acquisition and PR costs increased by € 22,000 in 2012. More was spent on travel and accommodation (lease car) because of the enlarged staff. Also, a Relations Day was organised for our stakeholders. The costs of the "Stof tot Nadenken" newsletter were reduced as a result of competitive tendering. All activities and projects that were begun in 2012 concerning the Finance, Client, Internal Processes and Innovation/Learning (REACH follow-up) perspectives were completed and – with the exception of the ICT initiative – within budget. The total research and consulting costs amounted to € 225,000, almost € 11,000 more than in 2011.

### Premises

Almost 12% more was spent on premises. This is primarily a consequence of the additional office space at KWR Waterhuis in Nieuwegein.

### Other operating expenses

Other operating expenses increased by almost € 12,000 to more than € 89,000 in 2012. The increase mainly reflects the contribution to the Water Company Employers' Association and higher outlays in the areas of administration and HRM. Less was spent on recruitment and selection.

### Interest income

In 2012, over € 6,000 more interest income was earned than in the previous year. In 2011, RU switched from ABN-AMRO to Deutsche Bank. The company's former bank credited interest to accounts quarterly, while Deutsch does so monthly. As a result, in 2012 an extra quarter of interest income was earned.



**Olaf van der Kolk**  
Commercial Operations Manager

## Jogging with a head bubbling with ideas



A bundle of energy and enthusiasm, that's what Olaf van der Kolk is. He talks passionately about Reststoffenuie's results. "Our sales value increased three-fold last year. What other sector can match that?"

"I'm no sandals-and-socks type, but I think it's great to see waste turned into raw materials. Naturally you can always dispose of your residuals in a responsible way, but the idea that you can also make money from them... I want it all: maximum possible efficiency, cost-savings, the right conditions, good, fast and preferably around the corner. Demand and supply are never in balance: it's a huge challenge to match them.

Deliveries are supply-driven, so you can't simply increase or decrease the flow at the 'tap'. Of course, from a sales perspective you'd prefer to work in a demand-driven environment." "This dynamic also means that the work is never finished. I'm always busy; I've always got tons on my mind." Jogging is Olaf's way of relaxing – well, relaxing... "While I'm running, new ideas keep bubbling up which I get to work on later."

### 3.2 Client

#### Share transfer

The city of Amsterdam plans on transferring its RU shares to Stichting Waternet (Waternet Foundation). One of our shareholders as well as procurement lawyers hired by RU examined whether Stichting Waternet met the "shareholder quality requirements" (article 6 of the Reststoffenuie statutes). They concluded that Stichting Waternet should be classified as a tendering service, in terms of the Tendering (Special Sectors) Decree (Bass). This means that if Stichting Waternet becomes a shareholder in RU it will not constitute a private participation. The requirements which have to be met to justify the claim to in-house procurement will therefore continue to be met in the event of the proposed changes. In the spring of 2013, Amsterdam's municipal council will take a decision on the transfer of its shares to Stichting Waternet.

#### Earnings model

As also mentioned in the 2011 Annual Report, the drinking water companies occasionally supply substantially more negative-value residuals than they had forecast. RU discussed the negative financial consequences of this with the companies concerned. Subsequently, agreements were reached concerning the compensation for the resulting reduction in income. A provision was introduced in the RU purchasing conditions whereby, in the event of a deviation from the budgeted amount of residuals, the resulting negative value will be borne by the supplier.

As pledged on the occasion of the introduction of the new earnings model, a system valuation was conducted of the model during the year under review. The results were discussed during the last GMS, and the following decisions were taken:

1. Residuals with a "negative value" will be excluded from the earnings model.
2. RU will draw up an overview of those residuals that are expected to generate positive or negative earnings over the subsequent fiscal year. The GMS will approve the list for the subsequent year during its semi-annual meeting in June.

3. The shareholders will enter concrete (contractual) agreements with RU to guarantee the supply of residuals over a specific contract period.
4. The shareholders will report their holdings of their own residuals. In this way, RU will be in a position to bid on these holdings.

#### Communications/information

##### Status reports

Since 2010, RU has issued annual status reports to each individual drinking water company containing a detailed account of financial and product flows. These reports offer insight into the nature, composition, volume, destination and expenses of the company's residuals over the preceding four years. They also present the situation at the national level for purposes of comparison. The reports provide the basis for the drafting of development plans or "road maps" for the residuals of the individual companies.

##### Quarterly reports

With the introduction of the new earnings model in 2011, RU also began issuing quarterly financial overviews to its shareholders. These report on the current supply per residual type versus the forecasted volumes, and the current earnings and expenses per residual type versus the budget and year-end forecasts.

##### Online current insight

At the end of 2011, RU began a project aimed at accelerating our administrative processes and setting up a new information architecture. Among other things, this should raise the level of our reporting to shareholders on financial and product flows, as well as the information we provide to our chain partners. Following a strategic study, a number of separate meetings were organised for our shareholders and key service providers. A project/business plan was then prepared on the basis of the collected information and insights. In late 2012, discussions got under way with IT service providers for the project's implementation.

### Knowledge sharing

To keep up-to-date on the latest developments in the branch, share knowledge and maintain contacts, RU has a number of functional relationships with, among others, the Vereniging Industriële Bouwstoffen (Association of Industrial Building Materials), the Dutch Waste Management Association, Nutrient Platform NL, research institutions, certification bodies, national and international market players, and stakeholder organisations. RU is also a member of the KWR Watershare® initiative, which is an international collaboration model focused on water-cycle-related knowledge. RU's knowledge and expertise are embodied in the Watershare® project in the form of the ResidualCycle.

### Public Relations

On 30 May 2012, on the occasion of a meeting of the waterboards' dyke reeves, drinking water company directors and members of the Water Committee of the Association of Netherlands Municipalities (VNG), RU made a presentation on the "raw materials" research area to explore a collaboration between waterboards and drinking water companies.

On 4 October 2012, an RU Relations Day was held for all stakeholders. Working visits and presentations were organised by representatives of drinking water companies, buyers of our residuals, Erasmus University Rotterdam and RU.

Our "Stof tot Nadenken" newsletter, which we have published biannually since 2006, was given a major facelift. The print-run was also considerably increased and, in response to growing international interest, an English summary will be available starting in 2013.

## 3.3 Internal processes

### Risk management and improvement points

It was agreed with the SB that an annual risk inventory would be carried out, and that it would be evaluated at the first SB meeting of the year. In addition, RU's annual report would present the main operational risks identified.

In 2012, they were the following:

- satisfy specifications
- satisfy by-product status criteria
- loss of buyers/markets
- security of residual supply to RU.

### Satisfy specifications

Satisfying specifications begins with "knowing what there is" and, in the event of an imbalance between the quality/ quantity of supply and what is demanded, "knowing what to do" to ensure that the delivery is nonetheless completed successfully.

It has been observed that at the time of the residuals' removal from the water production sites, their precise composition is not always known. In addition, there are not sufficient opportunities in stock piling for matching supply and demand, and for improving product quality through blending. To improve the supply chain both qualitatively and quantitatively, the following measures were taken:

- improving operational management through stricter planning agreements with logistics service providers and water company site managers;
- expanding the number of regional depots, particularly for ferric (hydr)oxide, both dewatered and liquid;
- setting up depots at the water production company sites;
- establishing protocols for "sampling & analysis" and "storage & transport"; these are to be incorporated into the RU purchasing terms and conditions;
- intensifying/updating of analyses, particularly of the dry matter content of ferric (hydr)oxide;
- pooling of data per water production facility in a clear and accessible database, including data on the raw material's quality, the drinking water production method, the residuals' volume and composition, the method of storage and processing, etc.

### Satisfy by-product status criteria

The open marketability of our residuals as substitutes for primary raw materials is based on their classification as "by-products" (under the Environmental Management Act) and on their registration under the REACH provisions. To this end, RU has taken the following actions:

- typify the residuals per water production company as "waste products" or "by-products". Our logistics service providers and the managers of (external) storage locations possess the list.
- reach agreements with the competent authorities (under the Environmental Management Act) on the regional storage of by-products at waste material storage sites requiring permits (seven agreements in total). In all cases it was concluded that the storage would have no consequences for the residuals'

by-product status. Moreover, the determination of the by-product status remains the responsibility of the owner of the residuals (Uiensaparrest; 2012).

- provide the transporters of its by-products with a (plasticised) written declaration, which includes REACH registration numbers, for presentation in the event of checks/enforcement actions by environmental inspectors.

### Loss of buyers/markets

Adverse economic circumstances, changing market conditions and modifications in regulatory and legal frameworks can potentially lead to drops in demand. An important measure to cover supply risks, is the signing of sound contracts with financially-solid buyers. Whenever possible, the contracts should provide for a purchase obligation, preferably for long-term delivery periods (3-5 years).

Currently, the "other residuals" category is destined almost exclusively for use as construction material in "works". It is expected that there will be a reduction in the number of approved works for the acceptance of waste materials. The "other residuals" category will therefore have to find a destination for use as soil or raw material. The strategy mainly involves selling ferric (hydr)oxide, which is not suitable as a binder for phosphorus and sulphur, as a raw material to the coarse ceramics sector (e.g., brick industry). Ferric (hydr)oxide (both liquid and dewatered) is for the most part sold to merely two market segments: the biogas industry and the waterboards. To reduce its fragility, consideration can be given to its transformation into a new product like pelletized or granular ferric (hydr)oxide. Indeed, RU is researching the possibilities of transforming ferric (hydr)oxide into a granules. There are various known applications for such a product apart from those of our traditional buyers.

As far as lime pellets are concerned, our effort is focused primarily on market penetration and development. It is conceivable that residuals from drinking water companies from neighbouring EU member states – e.g., Germany, Belgium and (Northern) France – will be marketed in the Netherlands. After all, RU is also active in international markets (Germany and Belgium). "Unfair" competition can be avoided by working together. This issue was the subject of a written report presented to shareholders at their last meeting in 2012.

### Security of residuals' supply to RU

Currently RU receives, through the annual disposal plans, the (tacit) authorisation, as an autonomously operating and contracting party, to deliver the supplied residuals to contracting parties in the market. This is laid out in the 1995 Participation Agreement and its 2003 amendments. During the evaluation of the earnings model in December 2012, shareholders agreed that they would enter concrete (contractual) agreements with RU to guarantee the supply of residuals over a (specific) contract period. This process is to be completed in 2013.

Also in the context of this evaluation, discussions on this matter have in the meantime been held with shareholders, and proposals have been tabled aimed at securing the supply of residuals to RU (see also Section 3.2).

### Purchasing terms and conditions

Following an agreement with shareholders, in 2012 an evaluation process was begun of the RU purchasing terms and conditions. The evaluation process was handed to a delegation of the Legal Branch Platform. This forum is also conducting a review of the Algemene Inkoopvoorwaarden Samenwerkende Waterleidingbedrijven (General Purchasing Terms and Conditions Associated Water Distribution Companies). Three coordinators of residuals were asked to contribute their technical expertise to the review. In this framework, and in consultation with the Stichting Landelijk Meldpunt Afvalstoffen (National Waste Reporting Centre Foundation), the legal implications of operating as a trader (i.e., without actual ownership of the industrial waste products), or as a collector (i.e., with actual ownership of industrial waste products) were clarified.

A start was also made in establishing two protocols/ guidelines which are to be part of our purchasing terms and conditions, namely, "sampling & analysis" and "storage & transport" of residuals from drinking water companies. The activities were assigned to KWR Watercycle Research Institute and are being supervised by the Operational Guidelines Project Group that comes under the Platform Bedrijfsvoering (Platform Operations).

It is anticipated that the purchasing terms and conditions, including the two protocols, will be finalised in the first quarter of 2013.



## Aalke Lida de Jong

Environmental expert

### 'I just love problems'

Aalke Lida is Reststoffenuie's most recent "acquisition". Until quite recently, the environmental expert was enjoying a sabbatical in Turkey where she could dedicate herself fully to her passion: sport climbing.

Aalke Lida studied Systems Engineering, Policy Analysis & Management at Delft, worked on regulatory issues for ten years at the Ministry of Housing, Spatial Planning and the Environment, and was account manager for environmental policy in the Province of South-Holland. "At Reststoffenuie everything comes together for me: technique, management and legal elements. I think it's great to work at a company that makes money by developing sustainable applications for residuals. I've always felt

that working for a sustainable world was something of a mission." "I do my sport climbing on special routes on rock faces in places like Spain, France and Austria," explains Aalke Lida. "You have to be creative and continually overcome your fear. The kick for me is not the danger, but in finding a solution to a problem that emerges before you, life-size, literally. The best is when I am able to solve problems that are more and more difficult." She laughs: "And the same goes for my work. I just love problems."

#### Financial policy

##### Financing expenses

RU receives a contribution from the drinking water companies to finance its administrative expenses. RU has two accounts at Deutsche Bank: a current account and a savings account (Zakelijk Maand Sparen). Funds not required in the short term are left as long as possible in the savings account. The interest differential offered by business savings accounts is minimal, so that a transfer is not, or is hardly, worthwhile.

##### Liquidity risk

The outlays for organisation expenses are limited by the budget. The disposal expenses (extraction, storage, transport, analysis and acceptance) are, in accordance with the earnings model, charged 100% through to the shareholders. The shareholders cover 90% of the administrative expenses, while RU is responsible for the remaining 10%. In 2012, no provisions needed to be made for bad debts. Receivable invoices were settled within an average of 39 days (42 days in 2011), while RU's settlement period was on average 35 days (36 days in 2011). Because of the distribution of payables, receivables and the account settlements with shareholders over the year, the cash and cash receivables decrease gradually and the liquidity risk is limited. If the earnings model is not altered, the quick ratio will remain relatively constant in the years ahead.

##### Bank guarantees

In 2012, two bank guarantees expired. Per 31 December 2012, there were no outstanding guarantees.

##### Resilience

The RU resilience level is set at one annual salary of full-time employees. Per 31 December 2012, this amounted to € 520,000, which is 90% of shareholders' equity.

##### Collaboration with accountants

According to the SB Regulations and the Management Regulations, the SB and management must assess the performance of the external accountants at least once every three years. After agreement on a plan of action to address a number of improvement points, a decision was taken to extend the collaboration with Meeuwssen Ten Hoopen for two years and to commission them for the 2012 financial statements.

#### Personnel and organisation

Absenteeism in 2012 decreased by 50% compared to 2011, and approached the national average.

Two employees, who RU had previously hired from the water companies as short-term staff, took on permanent staff positions as financial manager, and quality and product manager. One employee left the organisation and the vacancy was filled shortly thereafter. During the last quarter the recruitment and selection of an environmental expert was started so as to replace one short-term staff member.

In 2013, we will have hardly any need to hire short-term staff. Per 1 January 2012, RU became part of the Water Company Collective Labour Agreement. This change brought with it the need to harmonise the job descriptions and classifications with those of other organisations in the water sector. Consultants Hay Group were called on to draft the job descriptions in RU and then to classify them according to the WWb system. All the jobs have been described and classified.

#### Quality management

In April 2012, the certification body Kiwa Nederland B.V. carried out a periodic audit. Two shortcomings were identified and corrective measures were taken to correct them. These were subsequently approved by Kiwa, which then issued a positive recommendation for the continuation of the certification.

In line with the development of the management system, the management review was used to evaluate the risk analysis based on all ongoing improvement processes. In 2012, improvement processes were conducted in response to complaints. All complaints were addressed and led to appropriate improvement measures.

With the objective of improving supply chain management, RU, in consultation with the drinking water companies, began with the establishment of protocols/guidelines, which will become part of RU's purchasing terms and conditions (see Purchasing terms and conditions, page 20). The quality database contains historical data, so that the risk related to the residuals' destination can be assessed with more assurance, which contributes to complaints prevention.

The earnings model introduced in 2011 was assessed in the year under review (see Earnings model, pages 12 and 18). The modified process descriptions in the earnings model will be implemented in 2013. In 2012, quantitative monthly reports and quarterly financial reports were prepared for each drinking water company to give an account of the process performances.

In 2012, a workshop on supplier assessment was organised for all staff members. The notion was, as a management organisation, to convey our quality policy to the suppliers. In addition to regular supplier assessments, in 2013 a client-satisfaction measurement will be taken at several of the buyers of our residuals.

#### Validation of residuals' composition

In late 2012, RU commissioned KWR Watercycle Research Institute to test the determination methods – such as those applied by our service provider Omegam Laboratoria – against others, like those described in the Fertiliser Act and by the Netherlands Standardization Institute (NEN). The results will serve as input to the "sampling & analysis" protocol.

#### Archives and document management system

In 2011, a new archive and document management system was instituted in order to accelerate and simplify the storage, location, linking and sharing of business information. In 2012, this system was assessed through an (external) audit, which also examined our document management. The following shortcomings were identified: the lack of a list of metadata (description of the characteristics of specific data) and agreements on their use. These issues will be tackled in 2013.

### 3.4 Innovation and learning

#### From waste product to by-product

The implementation of the European Waste Framework Directive and the Environmental Management Act created a legal framework for the classification of specific residuals as by-products. Regulations on waste products were thus brought more into line with current conceptions and insights concerning waste products – for example,

as substitutes for primary raw materials. Although legal criteria exist regarding the by-product status, there are regular discussions with governmental authorities about the interpretation of these criteria. RU follows these discussions closely and, when necessary, becomes actively involved.

#### REACH

RU is part of the European consortia that are responsible for the calcium carbonate (softening lime) and ferric oxide (ferric (hydr)oxide) substance dossiers. Increased attention is currently being directed at the question of the health implications of nanoparticles. So far, this has not required the inclusion in the relevant dossiers of specific data on the toxicity of nanoparticles of these substances.

At the request of North Water B.V., RU undertook the registration of ferric (hydr)oxide resulting from the production of process water at two locations. The European Chemicals Agency (ECHA) issued a positive decision in this regard in late 2012. In parallel, also on a commission from North Water, RU submitted a request to have the ferric (hydr)oxide resulting from the preparation of process water included in Annex Aa of the Implementation Rules under the Fertiliser Act, as an approved feedstock for biogas installations. Until now, this application has only been approved for ferric (hydr)oxide resulting from drinking water preparation. We expect a decision on this request during 2013.

#### National Waste Management Plan (LAP2)

In 2010, RU referred the (former) Ministry of Housing, Spatial Planning and the Environment (VROM) to a conflict between the text of Sector Plan 17 of the National Waste Management Plan 2 and the law. As a result of the current text, many reusable residuals would have to be disposed of. The Ministry of Infrastructure and the Environment agreed to review the text of Sector Plan 17, and agreement on the resulting new text has already been reached.

Because of a new ministerial policy plan, and its parliamentary treatment, the review of the LAP2 was postponed. The "Amendment Decree for the Decree on Landfill Sites and Landfill Bans" also required a modification of the LAP2. It is expected that a modification in the LAP2 will only proceed in 2013.

#### Soil Quality Regulations

In 2013, the Soil Quality Regulations are to be amended in two phases. The amendment proposals have been discussed in the Dutch Soil Platform of which RU is a member. The question currently on the agenda is that of the approval of the use of "waste materials" in noise barriers, as currently supplied by RU. The civil infrastructure would fall outside of the definition of "works".

The recent "Amendment Decree for the Decree on Landfill Sites and Landfill Bans" also complicates the disposal of residuals from drinking water production. The province concerned can grant an exemption from this landfill ban when there is no other alternative application for the residual. This means that detailed argumentation has to be presented before the residual in question can be landfilled.

In the LAP2 minimum standards are attached to the use of residuals from drinking water production as waste material in (infrastructural) works. If the residual does not meet these standards, then it has to be landfilled. However, the number of sites where waste can be landfilled is shrinking; the disposal of residuals in ways other than landfilling will thus require increased attention in the future.

#### "Amendment Decree for the Decree on Landfill Sites and Landfill Bans" and asbestos-cement pipes

In response to the draft "Amendment Decree for the Decree on Landfill Sites and Landfill Bans", RU together with Vewin submitted objections against the landfill ban on asbestos-cement pipes. The Ministry of Infrastructure and the Environment did not react to the substance of the objections, but the objections were mentioned upon the publication of the Decree (26 September 2012, Stb.2012,466).

The Decree's explanatory note limits itself to a declaration of a preference for the new denaturation technique over landfill, for reasons of risk management and public health. It also mentions that various studies show that asbestos fibres are destroyed in the denaturation process. It does not however deal in greater depth with practical situations in which the process does not always produce the desired result.

According to the LAP2, the costs for denaturation are limited to a maximum of 150% of the costs of landfill. Because of the removal of the environmental tax on landfill, today's landfill costs are so low that the costs of the denaturation process will always exceed the 150% limit. The expectation is that this factor will be adjusted in an amendment to the LAP2, so that denaturation might succeed.

RU is researching alternative processing possibilities for asbestos-cement pipes, such as filling-in mine galleries. The Decree's explanatory note mentions that this option is being considered for the next amendment to the LAP2. RU's request to exclude asbestos-cement pipes from the landfill ban was therefore turned down. But the Decree of 19 November 2012 (partial entry into force) establishes that the landfill ban on non-friable asbestos-cement or asbestos-cement products will only enter into force at a later date, that is, as soon as the denaturation process is operational.

# Sustainable reuse is alive in the Netherlands

**Sjuul Paradijs, senior editor of de Telegraaf, at the presentation ceremony of the Telegraaf Award for Green Companies:**

"Everyone who invests in green is a winner."  
"The Dutch drinking water sector ranks among the 25 most prestigious entries. The green transformation of drinking water companies has long been underway. One example is Reststoffenuie, which was created in 1995. Lime as a raw material for cola bottles, beer bottles and vegetable jars."

**Gerben-Jan Gerbrandy, Member of the European Parliament:**

"The rolling out of sustainable initiatives, such as Reststoffenuie, on a European scale is of key importance. Europe now has the opportunity of becoming a champion in the area of raw material efficiency."

**André van Lijssel, director of Van Lijssel Transport B.V.:**

"The transport of lime pellets from the north to the south of the Netherlands takes about three hours. Why shouldn't we make use of that time to dry the pellets on-the-road? We do it using the engine's residual heat. We save energy and costs on all fronts."

**Leon van Hooff, sales manager of ECOstyle:**

"Flourishing gardens thanks to drinking water lime." "We have long been looking for a substitute for quarry lime. Extracting lime from quarries means intervening in the natural environment, and that's not in line with our basic believe that we should work with nature rather than disturb it."

**Jacqueline Cramer, former Minister of Housing, Spatial Planning and the Environment, during her presentation on sustainability in the water cycle at a symposium at KWR Watercycle Research Institute:**

"Waste can be a raw material for new products, feedstock in line with cradle-to-cradle thinking. To me, Reststoffenuie can play a role here, by incorporating the basic principle and placing it more at the centre of policy."

**Filtering sand from iron removal filters used in "self-cleaning berm construction".**

Altena Inframaterialen has introduced to the market a new kind of berm construction, called RONA Zelf Reinigende Berm. The roadside berm filters the rainwater run-off to the point of making it suitable for infiltration. The company that developed the method, Aqua Aurora, picked up the 2012 Milieuprijs award for it.

## 4 Sustainability and CSR

Even though RU produces outstanding results for its shareholders, sustainability and the responsible disposal of residuals remain central objectives in our work. By reusing water company residuals we protect the primary raw material sources, such as limestone quarries. We recycle no less than 90%, which means that every year more than 170,000 tons of primary raw materials are not used. By finding more and more sustainable applications, we also reduce the need for landfill. RU also feels a strong sense of responsibility when it comes to minimizing the environmental impact of our own operational activities. Moreover we work on raising the sustainability awareness of our shareholders, buyers and service providers, and demand a lot from our business associates in this regard.

### Recycling percentage

In 2012, 8% of the supplied residuals went to (infrastructural) "works", which represents a significant drop from the 25% recorded in 2011. Higher value alternative applications were developed in particular for (dewatered) ferric (hydr)oxide, such as in the coarse ceramics sector (bricks industry) and biogas installations.

### Transport kilometres

The number of transport kilometres per ton of supplied residuals was reduced by over 30% in 2012. This was achieved, among other things, by the sale of the residuals "closer to home". Most of all, the sale of lime pellets to regional buyers in the building industry made a significant contribution in this regard. Another factor was the increased use of ships to transport the larger deliveries to their destination.

### Water softening pellets as a cradle-to-cradle raw material

The Building Decree has, since 1 July 2012, required architects and/or contractors to determine the environmental impact of new residential and office construction projects. Concretely, this means that the

environmental impact of all the materials used must be known. Since lime pellets are used in a number of building materials like bricks and tiles, in late May 2012, RU had a Milieu Relevante Product Informatie (Environmental Product Information), or MRPI®, prepared for the residual. The MRPI® is an initiative of the Nederlands Verbond Toelevering Bouw (Dutch Building Supply Alliance), or NVTB, and the (former) Ministry of Housing, Spatial Planning and the Environment (VROM). As a result, buyers have the opportunity to objectively assess the environmental characteristics of a product containing lime pellets. The lime pellets score very highly compared to other raw materials, thus offering an argument for the use of this secondary raw material. This will undoubtedly be the case if construction industry clients further increase the importance they give to the environmental impact score when assessing construction or contract prices.

### Struvite / wastewater companies

At the end of 2013, Waternet, in the name of the Water Board Amstel, Gooi and Vecht, will take over of the operation of an installation that produces 1,000 tons of struvite (magnesium ammonium phosphate). Because, among other things, this mineral contains phosphorus it can be used as a fertiliser substitute. RU is advising Waternet in the process of obtaining approval for struvite within the Dutch and European fertiliser legislative and regulatory frameworks.

Most wastewater companies in the Netherlands are not (yet) actively seeking possible applications for their residuals. In those cases where they are doing so, such as for struvite, they tend to seek solutions on their own. The SB hopes that RU will play the same role for the waterboards as it does for drinking water companies. After all, RU already has all the capabilities and knowledge in-house, ready for the waterboards to draw on. It is evident that all the parties could benefit, both financially and in terms of sustainability. Discussions are underway and, hopefully, a collaboration is just a matter of time.



**Fred van den Heuvel**  
Financial Manager

'Motorbike riding is really my release valve'



In 2006 he was asked to fill in for three months for a staff member who had gone on maternity leave. It clicked immediately, and he was then asked to come in one day a week. This then became two, three, four and finally five days...

After eight years as financial manager, Fred still finds Reststoffenuie very much to his liking. "The advantage of such a small organisation is that you've got a whole bunch of tasks. The accounting, the financial reporting: you can oversee and monitor the entire process. The work is therefore extremely varied." But it's also very demanding; so it's important to find some diversion now and then.

Because there's more to life than work alone. "There's still so much to enjoy, especially on your motorbike! I've only had my license for seven years, but I've already chalked up a good 100,000 kilometres. Motorbike riding is really my release valve. Soon I'll be touring Slovenia for a couple of weeks. That freedom, just seeing where you end up, going out into the world."



# 5 Developments by residual

## Lime pellets



The year 2012 was characterised by the further development and consolidation of sustainable applications for the pellets. Because of the wide range of application opportunities, these developments relate to both product development and market development.

In the year under review, several processes were conducted with a view to adding more value to the lime pellets. Particular attention was paid to drying, crushing and sifting the pellets so as to sell them in more, and usually higher value, market segments. All the processes demonstrated that it is technically possible to satisfy the different market specifications. There are however two concerns. First, the volume is small and is currently directed primarily at niche applications. And, second, the supply lines are too long for these pellets to compete with lime, in primary raw material form, as well as with current applications of lime pellets in which the cost of transport is the only cost involved. But RU does see opportunities to add value and thus increase margins. The key success factors in this context are bigger volumes, cost management of the added value, and logistics costs. This is why we are looking, for example, at the possibility of cutting supply chain costs by processing the pellets at the buyers' sites, and of combining the pellets with lime-containing residuals from other market segments to achieve bigger volumes.

An important precondition for the supply of lime pellets to a large manufacturer of white glass is that the pellets be dry, that is, that their moisture content be less than 1 weight percent. Since the end of 2011, a number of processes have been studied with the aim of sufficiently reducing the humidity percentage. Natural drying is not effective, while thermal drying is not an option financially. In 2012, a transport company designed a truck in which the lime pellets are dried in the vehicle using its engine's residual heat. During the last quarter of 2012, various tests were carried out and produced promising results. Deliveries with the truck are expected to start in early 2013.

In 2012, 66 kttons of lime pellets were disposed of, 6% less than in 2011. This fall was a consequence of the modifications made to the softening process at Dunea N.V.'s water production company Scheveningen. The sales value was nevertheless 7% higher than the corresponding 2011 figure, despite the temporary drop in a number of high value applications.

In 2010, agreements were reached with the cement products industry for the delivery of a significant volume of lime pellets. During the same year, these agreements were consolidated by getting the go-ahead for the use of the pellets in cement products; various trial batches were run at several of the buyer's sites. The most logistically efficient applications were determined on the basis of the trial results. In early 2013, the deliveries were fully underway in line with the agreements.

Following a lengthy preliminary research period, in mid 2012 deliveries got under way to a manufacturer of inorganic fertilisers whose output is directed mainly at consumers. This destination, given the application the pellets, is perhaps the prime example of the cradle-to-cradle concept. The product, in which lime pellets are used as a soil improver, will be on sale in gardening centres in the spring of 2013.

As in previous years, another single delivery was made to an English manufacturer of mineral fillers. The product was transported by ship.

Another new application involves the use of lime pellets in artificial turf fields, both within and far beyond Europe. Our pellets are used instead of sand or rubber. The pellets are applied at the base of the blades of the artificial turf and ensure not only the field's stability, but also prevent the blades from flattening. The advantage of the round pellets is that they do not settle. Moreover the fibres suffer less damage when the pellets are used.

A decision was reached with an energy producer to cease the supply of lime pellets to a syngas production plant as of January 2013. Over the past five years these sales had already decreased by more than half.

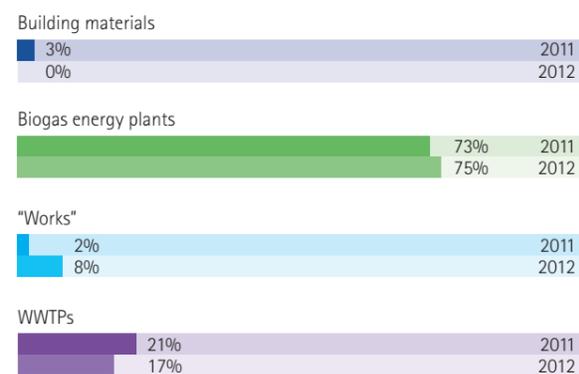
The use of lime pellets as stall litter in lying-boxes for dairy cows, as a hygienic alternative to organic litters, has unfortunately not developed as hoped. The material works fine, the pathogen count in the milk clearly dropped as did the rate of udder infections. However the removal of the lime pellets from the manure cellars proved difficult.

### Lime pellet risks

Over the past year many deliveries were covered by contracts with both (logistics) service providers and buyers. In all instances the lime pellets have an (immediate) application. There is also a considerable amount of backstop available. Buyer security is therefore guaranteed. The operational risks regarding the destinations of lime pellets are in principle relatively small and are for the most part related to their transport.

The greatest risk lies in the buyers' offtake patterns. Many applications are new and the delivery volumes are set on the basis of particular assumptions. Since these applications are frequently under development and "new" products are involved, the actual offtake pattern may differ from what was anticipated. This might mean, in the case of extra demand, that pellets have to be found elsewhere to satisfy it or, in the event of a lower than expected offtake pattern, that the backstop needs to be resorted to.

### Liquid ferric (hydr)oxide



Sulphur can be released into the neighbouring environment as a result of technical mishaps or calamities affecting plants where manure, sewage sludge, household waste and suchlike are fermented. This causes an odour nuisance for the residents, who sometimes also have associated health complaints. The sulphur-containing gas is also corrosive and attacks the gas generators. Ferric (hydr)oxide's main property is that it is a very effective binder for the sulphur, as well phosphorus. The demand for this product is therefore strong, for both safety and technical reasons.

Thanks to this strong demand on the one hand, and to quality improvements on the other, we succeeded in selling over 92% of the product as a sulphur and phosphorus binder to the biogas and water treatment sectors, respectively. On occasion demand was so strong that the water companies, our service providers and RU had to pull out all the stops to supply the market.

At 53,000 tons, the volume disposed of in 2012 was more than 15% higher than the 2011 figure. Earnings in 2012 were 34% higher than in 2011, that is, an increase of 21% per ton. Partly because of a 28% reduction in operational expenses, we can say that 2012 was a very successful year financially for the liquid ferric (hydr)oxide sales.

The ferric (hydr)oxide market is becoming more and more mature. Quality assurance, contract management and supply guarantees have risen to high standards. Nevertheless, there is still room for improvement, particularly from the financial and sustainability perspectives. RU and its shareholders are increasingly guided by operational excellence. This involves three key elements: efficient chain organisation, sales value optimisation and lower unit charges for services.

#### Efficient chain

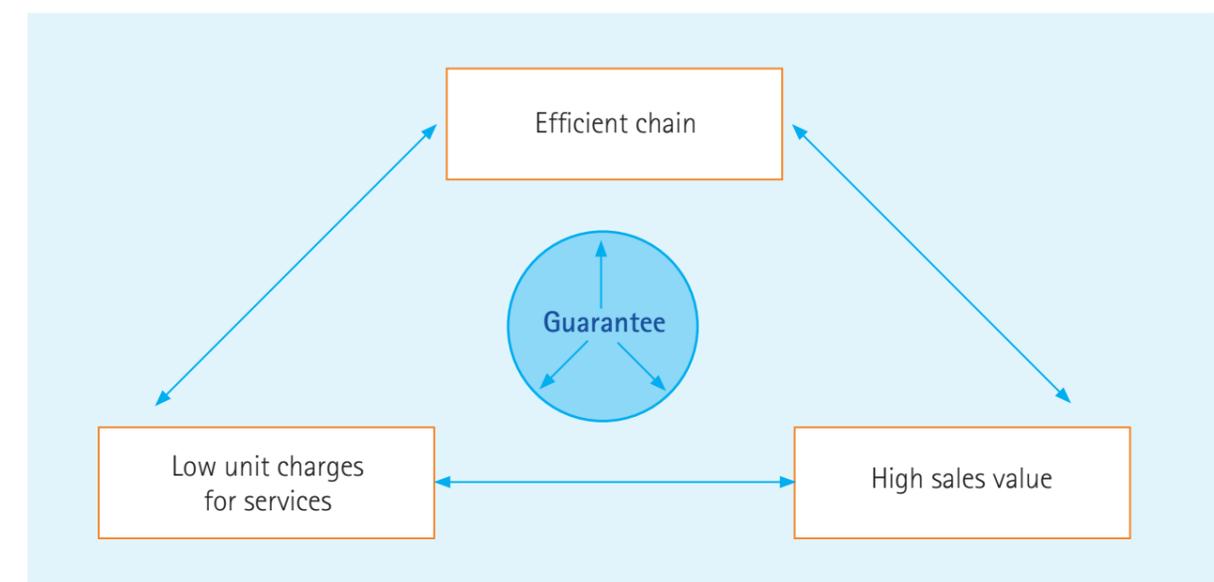
The efficient organisation of the supply chain generally produces the most revenues. Agreements are being concluded with the supplier(s) of liquid ferric (hydr)oxide

for demand-driven supply. In practice this means that the right quantity and the right quality are available at the right site(s) the moment that the buyer demands them. This avoids logistical chain costs. After all, under such conditions no (external) storage is necessary, nor is there a need for an extra trip to the storage site. Continuous intensive contact is maintained with both buyers and suppliers, so that imbalances in demand and supply can be signalled and acted upon in a timely manner.

Thanks to three new silos – in the south, west and north of the Netherlands – the transport mileage is a lot lower. Previously a significant part of the supply transited through a large storage site in the east. Apart from accommodating supply and demand imbalances, the silos also serve to harmonise quality and to arrange for the right quality specifications. During the course of 2012 we succeeded in achieving greater control over the quality of outgoing liquid ferric (hydr)oxide.

#### Sales value

Thanks to a reliable delivery of a product that meets the client's quality requirements, we can negotiate favourable price terms in the market. RU is an active market player and maintains good contacts with buyers and prospects. In the near future we will be examining whether we can apply differential prices, for instance, for rush deliveries and/or different qualities.





## Wendy Bouma

Office sales staff

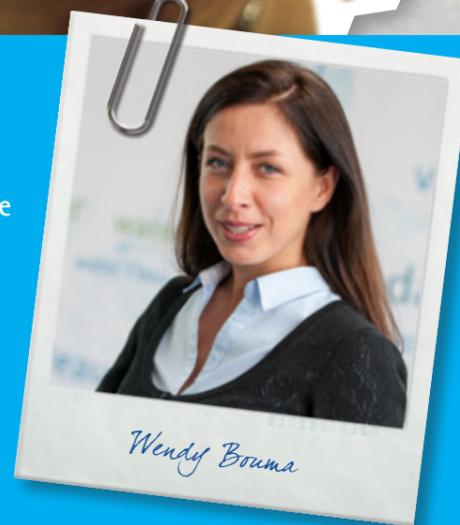
'I like to sink my teeth into my work'



It wasn't put in so many words in the job description, but she read between the lines: a jack of all trades. But one who produces results... just the thing for Wendy. She loves spending her free time with her dog Diesel or at the riding centre. "I'm a real horse girl."

Diesel is a tough and unruly American Staffordshire. "I see a little of me in him," she laughs. "I can also be pretty fanatical, I like to sink my teeth into what I'm doing to achieve the objective at hand. I make sure that appointments are set and don't let go until I'm sure everything's in place. Organising things well: that's what attracts me so much about this job."

"When I walk Diesel early in the morning on the banks of the Lek and pass by the wastewater treatment plant, I check out what's being delivered and by whom. I then wonder whether there are any opportunities for Reststoffenuie: after all, we deliver liquid ferric (hydr)oxide to a number of WWTPs. I never thought I'd ever become such a residual enthusiast!"



### Low unit charges for services

Logically speaking, the value of residuals in the chain is the sum of expenses and earnings. Expenses are kept low by reaching tight contractual terms with service providers, and by periodically checking these against evolving market conditions.

RU is constantly active in the service provider market, to ensure that, when issuing call for tenders, we ask the right questions to the right parties. We pay special attention to the quality of the services, because these partners spend time at the sites of both water companies and buyers where specific operational rules must frequently be followed. We also challenge the service providers to work with us in coming up with cost-cutting ideas, for which they would be rewarded, for instance financially, in the event they are put into practice.

### Assurance

In order to assure all these elements, RU stays in intensive contact with all stakeholders and, whenever necessary, makes any adjustments required.

### Ferric (hydr)oxide risks

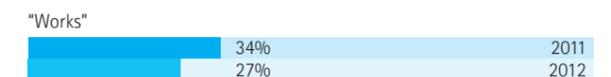
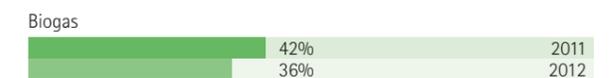
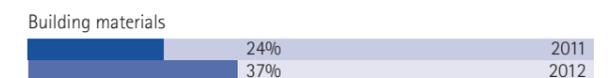
Things are difficult for the biogas sector. Despite the subsidy regime that provides price guarantees for the electricity, gas and/or heat produced by the plants, the prices producers pay for their organic residual stream feedstock have risen considerably over the past few years. The smaller facilities in particular have suffered under the "old" subsidy regime. A number of installations have gone bankrupt in recent years. So far, this has had no impact on the sale of ferric (hydr)oxide because the demand from other biogas and WWTP installations remains strong. In fact, new, frequently larger, installations have been built that take advantage of other incentive regimes.

The sale to wastewater treatment plants remains stable. However, there is an ongoing debate about the use of ferric (hydr)oxide in relation to the recovery of phosphorus from biological sewage sludge. Iron is a strong binding agent for (ortho) phosphorus, which renders difficult the recovery of this (fertiliser) substance from the ashes remaining after the incineration of the sewage sludge. Obviously, this is only relevant for treatment plants that incinerate the sludge and then have the ashes recycled. But the incineration of sludge as the "best available technology" is also under discussion, because incineration can also result in the loss of valuable raw materials. Moreover, the plant in

which phosphorus is recovered from the sewage sludge ashes is no longer in operation. What direction this discussion will take in the years to come is therefore still uncertain.

From an operational perspective, attention still needs to be paid to quality assurance and delivery guarantees. The forecasted quality and volumes of supplies are determined in a timely manner. In the event of any variations from these forecasts, internal and external buffers have to be drawn on. This occurs for instance during lengthy periods of frost.

### Dewatered ferric (hydr)oxide



The supply of dewatered ferric (hydr)oxide amounted to 27,000 tons in 2012, a 15% decrease compared to 2011. In contrast, the supply of liquid ferric (hydr)oxide increased. The demand for dewatered ferric (hydr)oxide showed exceptional growth in 2012, and exports were particularly strong. An important point of attention is the adulteration of the product with stones, plant material, plastic, pieces of concrete, etc. Quality control has thus been strengthened. An RU quality controller always conducts an inspection at the contracting party's and of the empty ship when dewatered ferric (hydr)oxide is loaded into a vessel.

In 2012, the disposal of dewatered ferric (hydr)oxide as a construction material to (infrastructural) "works" decreased by 7%. On the other hand, its sale as a secondary raw material for brick production increased from 24% of the total in 2011 to 37% in 2012.

Working with the water companies, we are studying what simple measures can be taken to prevent the adulteration of ferric (hydr)oxide, an adulteration which makes its sale to biogas installations impossible. In many cases, this would involve modifying the method of processing flushing water

and sludge, and/or the storage facilities, in order for example to prevent any gravel or sand from ending up in the sludge.

RU has also continued in its quest for new product-market combinations for dewatered ferric (hydr)oxide. For example, trials were carried to apply part-streams in the cement industry. We expect this to occur on a large scale in 2013.

In 2012, tests were conducted into the pelletization of dewatered ferric (hydr)oxide by drying it, and then moisturising and pressing it under controlled conditions. The tests were successful and will lead to more extensive research in 2013 within the framework of the Dutch Top consortium Knowledge and Innovation (TKI) programme. Entrepreneurs and scientists are collaborating in the search for marketable innovative products and services. In pelletized form, ferric (hydr)oxide can be used as a substrate to remove substances – like arsenic, phosphate, sulphur and some inorganic and organic materials – in a fluid environment such as water or air.

#### Other residuals

Residual	Destination
Filter sand/filter material	"Works" (via buffering at storage site)
Activated carbon	Landfill
Carbon sludge	"Works"
Aluminium sludge	"Works" (via drainage at land bank)
Lime sludge	Agriculture or "works"
Saline waste streams	Waste energy plant

#### Markets for the different "other residuals"

The annual supply of "other residuals" in 2012 amounted to almost 36 ktons (versus 37 ktons in 2011), which represented about 20% of total residual supply. The destinations of these residuals in the year under review remained essentially unchanged, although their average processing fees were negotiated down.

Because acceptance expenses have to be paid to process these products, initiatives have been taken for the most important "other residuals" to bring down operational costs and, more importantly, to increase their value, namely:

- Filter sand and gravel: various pilots are underway to test their effectiveness as substrates, in helophyte filters for instance. These pilots are proving successful and sands containing iron are now stored separately;
- Aluminium sludge: research into the "reactivation" of the aluminium with a view to using it for phosphorus binding in wastewater treatment installations. Initiatives have also been taken to reduce the water content of aluminium sludge, which would reduce transport and storage costs.
- (Iron) lime sludge: in 2012, research was carried out into possible markets and any associated preconditions. The complicating factor in this instance are the variations in quality (particularly regarding the lime-iron ratio). But there are more possibilities for adding value to this product than have been pursued until now – for example, deacidification in chemical processes, agricultural applications (B quality) and sulphur binding in biogas installations. These will be pursued in 2013.

#### Plastic and AC pipes

In 2012, about 500 more tons of asbestos-cement (AC) pipes were supplied for landfills than in 2011; the total annual figure was 3,700 tons.

About 500 tons of plastic pipes (PVC-PP-PE) was collected 2012, a slight increase over 2011. At least 60% was recycled, in accordance with the minimum standards laid down in the LAP2. If it cannot be reused for technical reasons, the material is destroyed by incineration.

If a landfill prohibition for AC pipes were to be instituted, then the collection and disposal structure would have to be adapted. RU does not, as yet, have an active role in this context. Individual drinking water companies have direct agreements with service providers for the acceptance, collection and disposal of AC pipes and the partial recycling of plastic pipes.

In 2013, a plan will be drafted whereby RU would dispose of AC pipes and plastic pipes within its model, and thus also relieve its shareholders in this area, under tight financial preconditions.

## 6 Prospects and expectations

In the years ahead, RU expects to strengthen its position as a supplier of secondary raw materials originating in the water cycle. We strive to establish solid and long-term contract positions with our chain partners, ranging from suppliers, to service providers, to buyers. Our guiding principle is the creation of "added value" by all chain partners.

We forecast further autonomous growth through the pursuit of a tight pricing policy for our residuals, and through responding to client demand with more sustainable product development. With regard to the size of our staff, no significant changes are anticipated in 2013.

Every year, in consultation with our shareholders, we will determine which residuals can be defined as having "positive value" and which as having "negative value" in the trade. This is moreover a necessary component of the implementation of RU's earnings model, which was introduced in 2011. In addition, we will be drawing up "road maps" with our shareholders, including details of the ambitions of individual water companies and of the sector as a whole. Naturally, with continuity in mind, both financial and sustainability considerations will be of central importance.

At the request of the GMS, an analysis has been made of the dangers and opportunities of the import and export of drinking water company residuals. The report describes and quantifies the dimensions of these dangers and opportunities, their possible consequences for the Dutch water companies, and how RU and the sector can anticipate and respond to them.

#### Residual sales

The continuity in the sales of our residuals is satisfactorily guaranteed in the years ahead. In this context, we should point out that over the past few years no permits have

been issued for (infrastructural) "works", so that the sales outlet for about 30,000 tons of ferric (hydr)oxide and filter gravel as building material is gradually shrinking. This means that a new destination has been found for them as soil or raw material; RU is actively exploring possible applications. Moreover, we are engaged in discussions with the suppliers to bring about an improvement in product quality, which would open up alternative sales markets.

The year under review witnessed a considerable growth in earnings from the sale of "positive-value" residuals, while expenses related to the disposal of "negative-value" residuals were greatly reduced. We expect these trends to continue in the years ahead as a result of:

- sharper procurement of services, with a steady focus on quality, safety and the environment
- demand-driven supply from water production companies, to lower chain costs
- achieving higher sales value – quality and supply guarantees are important pillars of our pricing policy.

In its analysis of markets and sales outlets, RU makes use of the business case as a management tool. A cost-benefit analysis is the central component. The business case can refer to a water production site, sometimes to a buyer, and in other cases to an entire product-market combination. We have high expectations for a number of business cases for "negative value" residuals. For example, the sand used in rapid filters for the removal of iron and manganese from groundwater frequently has a thin "skin" of reactive oxides. This renders the "enlarged" filter sand very suitable, for example, for binding phosphorus in (waste)water. Also, residuals that already possess a positive value can have their values increased. For crushing, classifying and grinding of lime pellets, and the production of lime pellets made of pure calcite.



## Artina Kanselaar

Administrative worker

'Work on,  
and no moaning'

Ever since Artina joined Reststoffenunie in October 2012 – on her birthday – she's felt right at home here. "It's a fun and enthusiastic group of people. Work on, and no moaning: that's how I like it."

Apart from her full-time job, she attends Higher Vocational Training (HBO) evening classes, which have allowed her to extend and deepen her work – from the purely administrative side of things to the more financial and commercial. And she has the support of Fred van den Heuvel, her supervisor, who entrusts her with more and more tasks. In short, a busy life. So, whenever she gets the chance, Artina grabs her back-

pack and hits the road. These days she's particularly interested in Eastern Europe; she takes the night-train from Arnhem to Prague, then Bratislava, Budapest... "I always use local public transport and stay in hostels. You have direct contact with people from all over the world and have the greatest experiences. On my last trip, I found myself sitting at a song festival with a couple from China!"

Since 2010, RU has been applying – though still in a limited way – a residual benchmark, which it includes in its annual status reports to shareholders. The reports present the financial and product flows of the individual shareholders for the year in question and compare them to the national results. Starting in 2013, RU intends to strengthen the benchmark by making it possible to learn from each other's performance and thus ultimately to (further) improve the management of residuals. The figures should certainly trigger some discussions!

### Residual supply

We expect the supply of the current portfolio of residuals from the drinking water companies to stabilise at around 200,000 tons per year. On the basis of market demand, further shifts could occur between liquid and dewatered ferric (hydr)oxide. The supply of lime pellets and lime sludge is forecast to increase as a result of extra water softening capacity in the Province of North-Brabant. We also expect that more (saline) regenerate from ion-exchange processes will be produced in the years ahead. One RU shareholder is already planning to recover the humic substances present in the regenerate for agricultural applications.

In 2013, RU will develop recommendations concerning its role in the disposal and/or recycling of AC and PVC-PP-PE pipes. The "Resource Factory" concept includes a variety of initiatives to promote collaborations with the wastewater sector, which is in line with the objectives of the Administrative Agreement on Water (Bestuursakkoord Water).

Tonnie Hemme  
Quality and product manager

'I'm immeasurably fascinated by measuring and knowing'



What is time? What is distance? Weight? It depends where you are on the planet, what your reference framework is and what people agree to. Do we live in 2013? Sure, we do here. But the Chinese, Jews and Hindus don't.

Tonnie is frequently brooding over questions of this kind and can be captivating when talking about them. "The standard metre bar in Paris, the water-clock in Berlin, they're simply things we have agreed to agree on. The atomic clock in Frankfurt: a fantastic invention." Naturally, Tonnie pursues these sorts of questions in his work as quality manager. "When you see residuals as waste products, you demand nothing of them. But when you want to put ferric (hydr)oxide on the market as a product, then you have to

have parameters, values, specifications. What's the calibration line for ferric (hydr)oxide? In fact, you can only measure quality if you have something to compare it to. In the Netherlands we're the ones who market ferric (hydr)oxide, so we also have to develop the standards. My background is in the exact sciences, I want to measure and to know. But here we're working on the basis of legal frameworks, of what the client desires and naturally of common sense."



# 7 Financial statements 2012

Financial report

## FINANCIAL REPORT

### BALANCE SHEET per 31 December 2012

(after profit appropriation)

	<u>31-dec-2012</u>	<u>31-dec-2011</u>
	€	€
<b>ASSETS</b>		
<b>Fixed assets</b>		
Inventory	11,004	11,984
<b>Current assets</b>		
Receivables	750,357	1,047,469
Other repayments and accrued income	110,649	94,791
Cash and cash equivalents	744,337	939,760
	<u>1,605,343</u>	<u>2,082,020</u>
	<u>1,616,347</u>	<u>2,094,004</u>
<b>LIABILITIES</b>		
<b>Shareholders' equity</b>		
Issued and paid-up capital	427,297	427,297
Share discount	11,923-	11,923-
Share premium	6,148	6,148
Other reserves	157,331	87,040
	<u>578,853</u>	<u>508,562</u>
<b>Current liabilities</b>		
Payables	698,974	899,185
Shareholders' earnings to be settled	48,521	397,432
Taxes and pension contributions	27,531	4,713
Other debt and accrued liabilities	262,468	284,112
	<u>1,037,494</u>	<u>1,585,442</u>
	<u>1,616,347</u>	<u>2,094,004</u>

## PROFIT AND LOSS ACCOUNT FOR 2012

	<b>2012</b>	<b>2011</b>
	€	€
<b>Gross profit</b>		
Turnover	3,850,071	3,178,347
Direct expenses	2,880,549	2,724,946
<b>Gross margin</b>	969,522	453,401
Shareholders' earnings	836,236-	322,489-
<b>Reststoffenuie's earnings from turnover</b>	133,286	130,912
Other earnings	792,237	724,466
	925,523	855,378
<b>Operating expenses</b>		
Personnel	569,795	489,040
Cost of sales	168,361	225,704
Premises	37,645	33,672
Supervisory Board	6,900	6,600
Other operating expenses	89,128	77,240
	871,829	832,256
<b>Operating result before interest</b>	53,694	23,122
Interest income	16,597	10,401
<b>Net operating result</b>	70,291	33,523

## ACCOUNTING POLICIES

### General

The company's most important activity is relieving the water companies of the residuals they produce in their water production processes.

The company has prepared its financial statements in accordance with the legal provisions of Title 9, Book 2 of the Dutch Civil Code. The financial statements were prepared on 24 May 2013.

### Tangible fixed assets

The tangible fixed assets are valued at purchase prices and depreciated straight-line on the basis of the expected operating life of the asset concerned. The rate of depreciation rate applied is 20%.

### Receivables

The receivables are valued at nominal value after the deduction of a possible required provision for doubtful debts.

### Other assets and liabilities

These are valued at nominal value.

### Accounting policies the determination of results

Earnings and expenses are attributed to the period with which they are associated.

### Pension expenses

The company has a defined pension contribution plan.

Payable pension contributions are incorporated into the profit and loss account in the year with which they are associated.

# 7 Financial statements 2012

## Balance sheet notes

## BALANCE SHEET NOTES

ASSETS	31-dec-2012	31-dec-2011
	€	€
<b>Fixed assets</b>		
<b>Inventory</b>		
Book value per 1 January	11,984	3,992
Plus: investments	2,593	10,370
	14,577	14,362
Minus: depreciation fiscal year	3,573	2,378
Book value per 31 December	11,004	11,984
Cumulative depreciation	4,388	23,821
<b>Current assets</b>		
<b>Other repayments and accrued income</b>		
Pre-paid depot expenses	20,109	23,602
Turnover tax December	29,920	51,731
Pre-paid contract costs	10,880	19,458
Pre-settled water companies' earnings	49,740	-
	110,649	94,791
<b>Cash and cash equivalents</b>		
Deutsche Bank, current account	235,726	547,712
Deutsche Bank, savings account	508,611	392,048
	744,337	939,760

## BALANCE SHEET NOTES

LIABILITIES	31-dec-2012	31-dec-2011
	€	€
<b>Shareholders' equity</b>		
<b>Issued and paid-up capital</b>		
Status per 31 December (issued)	427,297	370,786
Share sale	-	56,511
Status per 31 December (issued)	427,297	427,297
Authorised share capital amounts to € 910,000, divided into 20,000 shares with a nominal value of € 45.50, of which € 421,522 is paid up.		
<b>Share premium</b>		
This item arose through the sale of 1,242 shares in 2011 with a premium of € 4.95 per share.		
<b>Share discount</b>		
This item arose through the sale of 568 shares with a discount of € 21.00 per share.		
<b>Other reserves</b>		
Status per 1 January	87,040	53,517
Plus: profit appropriation	70,291	33,523
Status per 31 December	157,331	87,040
<b>Current liabilities</b>		
<b>Taxes and pension contributions</b>		
Pension contributions	7,244	4,713
Payroll tax and national insurance contributions	20,287	-
	27,531	4,713
<b>Other debt and accrued liabilities</b>		
Accrued expenses	77,013	30,175
Revenue received in advance on depots	18,200	-
Holidays	12,280	3,734
Holiday pay	5,447	7,958
Collective Labour Agreement obligations	5,406	-
Received for projects yet to be realised	40,000	80,000
Yet to be settled regarding REACH follow-up	104,122	162,245
	262,468	284,112
<b>Off-balance-sheet items</b>		
Per 31 December 2012, the company had no outstanding bank guarantees for third parties. Reststoffenuie has signed contracts concerning its premises, equipment rental and lease cars. Obligations that range beyond one year: € 137,435, and for more than five years: € 0.00.		

# 7 Financial statements 2012

Profit and Loss account notes

**PROFIT AND LOSS ACCOUNT NOTES**

	<b>2012</b>	<b>2011</b>
	€	€
<b>Turnover</b>		
Shareholders	2,769,410	2,568,665
Non-shareholders	99,830	100,285
	<u>2,869,240</u>	<u>2,668,950</u>
Turnover shareholder sales	944,436	389,512
Turnover non-shareholder sales	36,395	119,885
	<u>980,831</u>	<u>509,397</u>
Total turnover	<u>3,850,071</u>	<u>3,178,347</u>
<b>Direct disposal expenses</b>	<u>2,880,549</u>	<u>2,724,946</u>
<b>Gross margin</b>	<u><b>969,522</b></u>	<u><b>453,401</b></u>
Turnover of non-shareholders of Reststoffenuie Waterleidingbedrijven B.V.	<b>3,54%</b>	<b>6,92%</b>
<b>Other earnings</b>		
Drinking water company contribution to fixed expenses	832,683	797,466
Reserved contribution for postponed projects	40,000-	80,000-
Consulting for North Water on REACH and Fertiliser Act	446-	-
REACH contribution Advanced Minerals	-	7,000
	<u>792,237</u>	<u>724,466</u>
<b>Interest income minus (interest) expense</b>	<u>16,597</u>	<u>10,401</u>

**Operating expenses**

**Personnel**

	<b>2012</b>	<b>2011</b>
	€	€
Direct salary expenses	334,259	214,150
National insurance contributions	54,105	28,426
Pension contributions	37,040	17,058
Indirect salary expenses	21,120	16,502
Short-term staff	123,271	212,904
	<u>569,795</u>	<u>489,040</u>

**Personnel**

The average staff size in 2012 was seven people, six of whom in permanent positions and one short-term hire.

**Cost of sales**

Cost of sales and PR	81,010	58,910
Research & consulting expenses:		
Financial	55,375	31,811
Client	48,151	41,761
Internal Processes	28,370	44,093
Innovation/ learning	93,578	96,724
	<u>225,474</u>	<u>214,388</u>
Debited from research & consulting reserve	138,123-	47,594-
Total research & consulting expenses	<u>87,351</u>	<u>166,794</u>
Total cost of sales	<u>168,361</u>	<u>225,704</u>

**Depreciation**

Inventory depreciation	<u>3,573</u>	<u>2,378</u>
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### **Corporate tax**

Beginning 1 January 2011, the tax obligation of Reststoffenie was terminated in accordance with article 2, paragraph 7 of the Corporate Income Tax Act, 1969

### **OTHER INFORMATION**

#### **Statutory profit appropriation**

Article 27 of the company statutes establishes the following provisions regarding the profit appropriation:

1. The profit shall be at the free disposal of the General Meeting of Shareholders. The General Meeting of Shareholders may reserve an amount from the profit established in the financial statements that it has approved.
2. The company may only make distributions to the extent that its shareholders' equity exceeds the amount of the issued and called-up part of the paid-up capital, plus the reserves to be maintained in accordance with the law.
3. Profit distribution shall only be made after the adoption of the financial statement from which it appears that such distribution is allowed.
4. Shares or certificates held by the company, or shares and certificates in which the company has right of usufruct, shall not be included in profit appropriation calculation.
5. The General Meeting of Shareholders may decide to make interim distributions. The decision to pay an interim dividend from profits during the fiscal year in course can also be taken by management. Distributions referred to in this item may only be made if the provisions of item 2 of this article are met.
6. Unless the General Meeting of Shareholders establishes otherwise, the dividends shall be paid within 30 days after being approved.
7. The General Meeting of Shareholders may decide to pay dividends, in part or in whole, in a form other than cash.
8. A shortfall may only be settled through the reserves established by law inasmuch and to the extent that the law permits.
9. In the event that the total amount of the issued and called-up part of the capital, plus the reserves to be maintained in accordance with the law, is less than the most recently established legal minimum capital level, the company must maintain a reserve equal to the difference between the amounts.

#### **Appropriations of 2012 result**

In anticipation of the decision to be taken in this regard by the General Meeting of Shareholders, the result for 2012 has been added to other reserves. This decision, which is yet to be taken, has already been incorporated in the 2012 financial statements.

## Colophon

### Publication

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Entered in the Commercial Register of the Chamber of Commerce  
in Utrecht under number 30130247

### Editing, design and production

Skrebbel Communicatie, Rosmalen  
Melding ontwerp enzo, Oisterwijk

### Photography

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Pepe's Estudio del Arte, Tiel  
and staff members' own pictures

### Printing

Drukkerij NPC BV, Schijndel

June 2013

RESTSTOFFENUNIE WATERLEIDINGBEDRIJVEN B.V.

# Annual report 2012

