

SECURITIES AND EXCHANGE COMMISSION

FORM 20-F

Annual and transition report of foreign private issuers pursuant to sections 13 or 15(d)

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R.V.B. Holdings Ltd

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

£ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

S ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

£ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Date of event requiring this shell company report

Commission file number: 000-29884

R.V.B. HOLDINGS LTD.

(Exact name of Registrant as specified in its charter)

R.V.B. Holdings Ltd.

(Translation of Registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

Platinum House, 21 Ha'a'rba'ah St., Tel Aviv, 64739, Israel

(Address of principal executive offices)

Ofer Naveh, +972-3-684-5500, +972-3-684-5500, Platinum House, 21 Ha'a'rba'ah St., Tel Aviv, 64739, Israel

(Name, Telephone, E-mail and/or Facsimile number and Address of the Registrant's Contact Person)

With a copy to:

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Securities registered or to be registered pursuant to Section 12(b) of the Act: None.

Securities registered or to be registered pursuant to Section 12(g) of the Act: Ordinary Shares, par value NIS 1.00 per share.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 175,981,917 Ordinary Shares, par value NIS 1.00 per share (as of December 31, 2011) (not taking into account 1,040,000 dormant shares of the Registrant which are held by the Registrant).

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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INTRODUCTION

R.V.B. Holdings Ltd. ("**RVB**") (formerly B.V.R. Systems (1998) Ltd.), is an Israeli company that was formed in January 1998 to receive all of the assets and liabilities of the defense-related business of BVR Technologies Ltd. in accordance with the terms of a reorganization plan. RVB (then, BVR) commenced operations as an independent company effective as of January 1, 1998. In November 2009, RVB sold substantially all of its assets and liabilities, including the brand name "B.V.R.", to Elbit Systems Ltd. ("**Elbit**") and, subsequent to the sale, in January 2010 changed its name to R.V.B. Holdings Ltd. RVB was controlled by Mr. Aviv Tzidon until March 2010, when Greenstone Industries Ltd. ("**Greenstone**"), purchased from A.O. Tzidon (1999) Ltd. and Aviv Tzidon the control of RVB as of that date. As of January 12, 2012, RVB completed the multi-closing transaction in which it acquired all of E.E.R. Environmental Energy Resources (Israel) Ltd.'s ("**EER**") shares held by Greenstone and by S.R. Accord Ltd. ("**Accord**"), and the majority of EER shares held by certain other EER shareholders, and, as of the date of this annual report, holds 78% of EER's share capital (72.6% on a fully-diluted basis) and 99.1% of EER's voting rights (as a result of the Voting Agreement as described below).

The following is the annual report on Form 20-F for the fiscal year ended December 31, 2011 of R.V.B. Holdings Ltd. The terms "we", "us", "our", "the Company" and "RVB", as used in this annual report, mean R.V.B. Holdings Ltd. unless otherwise indicated.

All references herein to "dollars" or "US\$" are to United States Dollars, and all references to "Shekels" or "NIS" are to New Israeli Shekels.

On August 31, 2011, we completed the EER Transaction (as defined below) following which EER became our subsidiary. RVB had no business activity prior to the EER Transaction and thus does not meet the definition of a Business under IFRS 3. In addition, the majority of the shareholders of RVB following the completion of the EER Transaction were former EER shareholders. Therefore, the EER Transaction does not meet the definition of a 'Business Combination' under IFRS 3. Thus, even though RVB is the legal acquirer, for accounting purposes the EER Transaction is treated as a capital transaction of EER. See also Note 2 to RVB's financial statements for the year ended December 31, 2011, starting on page F-1 of this annual report.

FORWARD LOOKING STATEMENTS

In addition to historical information, this annual report on Form 20-F contains forward-looking statements. Some of the statements discussed in "Item 3.D. Risk Factors" and elsewhere in this report contain forward-looking statements. Statements that use the terms "believe", "anticipate", "expect", "plan", "intend", "estimate", "project" and similar expressions in the affirmative and the negative are intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on current assumptions, expectations, estimates and projections with respect to, among others, the financial conditions and business results of EER and RVB and the benefits of the EER Transaction. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. Factors that could cause actual results to differ from our expectations or projections include the risks and uncertainties relating to our business described in this annual report under "Item 3.D. Risk Factors," "Item 5. Operating and Financial Review and Prospects" and elsewhere in this annual report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis as of the date hereof. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof, except as required by applicable law. In addition to the disclosure contained herein, readers should carefully review any disclosure of risks and uncertainties contained in other documents that we file from time to time with the Securities and Exchange Commission (the "**SEC**").

To the extent that this annual report contains forward-looking statements (as distinct from historical information), we desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and we are therefore including this statement for the express purpose of availing ourselves of the protections of the safe harbor with respect to all forward-looking statements.

PART I

ITEM 1. Identity of Directors, Senior Management and Advisors

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

A. Selected Consolidated Financial Data

You should read the following selected consolidated financial data in conjunction with the section of this annual report entitled "Item 5 - Operating and Financial Review and Prospects" and our consolidated financial statements and the notes thereto included elsewhere in this annual report.

The selected data presented below under the captions "Statement of Operations Data," and "Statements of Financial Position Data" as of and for each of the years in the five-year period ended December 31, 2011, are derived from the audited consolidated financial statements of the Company and of EER. The consolidated financial statements as of December 31, 2011 and 2010, and for each of the years in the three-year period ended December 31, 2011, are included elsewhere in this annual report. The selected data should be read in conjunction with the consolidated financial statements and the related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by The International Accounting Standards Board (IFRS).

On August 31, 2011, we completed the EER Transaction, following which EER became our subsidiary (the multi additional closings of EER Transaction were completed on January 12, 2012). RVB had no business activity prior to the EER Transaction and thus did not meet the definition of a Business under IFRS 3. In addition, the majority of the shareholders of RVB following the completion of the EER Transaction are former EER shareholders. Therefore, the EER Transaction does not meet the definition of a 'Business Combination' under IFRS 3. Thus, even though RVB is the legal acquirer, for accounting purposes the EER Transaction is treated as a capital transaction of EER and the financial data of previous years (comparative numbers) presented in this annual report is based upon the consolidated financial statements of EER for the years then ended. As of the date of this annual report, we do not have any other business activity besides EER's business.

For additional information, see "Item 7.B. Related Party Transactions – The EER Transaction" in this annual report.

	Year ended December 31				
	2011	2010	2009	2008	2007
Statement of Operations Data:	(US\$ in thousands)				
Revenues	63	-	-	-	-
Expenses					
Operating expenses and facility maintenance	2,526	2,590	2,962	4,440	-
Marketing expenses	1,200	1,256	1,251	1,557	-
Administrative and general expenses	1,759	1,793	1,910	2,246	2,819
Other expenses	-	98	-	-	556
Total expenses	5,485	5,737	6,123	8,243	3,375
Loss from ordinary activities	(5,422)	(5,737)	(6,123)	(8,243)	(3,375)
Financing income	54	17	29	108	203
Financing expenses	(878)	(1,917)	(1,213)	(900)	(1,970)
Total financing expenses, net	(824)	(1,900)	(1,184)	(792)	(1,767)

Loss for the year	<u>(6,246)</u>	<u>(7,637)</u>	<u>(7,307)</u>	<u>(9,035)</u>	<u>(5,142)</u>
Loss attributable to:					
Owners of the Company	(5,950)	(7,637)	(7,307)	(9,035)	(5,142)
Non-controlling interests	<u>(296)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(6,246)</u>	<u>(7,637)</u>	<u>(7,307)</u>	<u>(9,035)</u>	<u>(5,142)</u>
Basic and diluted loss per Ordinary Share (in US\$)	<u>(0.029)</u>	<u>(0.041)</u>	<u>(0.041)</u>	<u>(0.050)</u>	<u>(0.029)</u>
Weighted average number of Ordinary Shares used in basic and diluted loss per Ordinary Share calculation (*)	<u>204,861</u>	<u>187,507</u>	<u>179,561</u>	<u>179,561</u>	<u>178,302</u>

(*) The number of ordinary shares as of the periods before the completion of the EER Transaction were adjusted according to the exchange ratio (11.65 shares of the Company for each share of EER) applied in the EER Transaction.

	Year ended December 31,				
	2011	2010	2009	2008	2007
	(US\$ in thousands)				
Consolidated statement of position:					
Cash and cash equivalents	6,751	57	309	579	3,654
Fixed assets, net	12,505	13,967	15,557	17,016	18,702
Intangible assets, net	3,521	3,931	4,342	4,724	5,135
Total assets	23,015	18,695	21,863	23,417	29,005
Banks credits and loans	603	4,529	4,313	2,008	2,015
Shareholders loans and convertible	-	8,579	8,265	7,891	6,676
Equity attributable to owners of the Company	17,076	4,236	7,970	12,649	19,052
Non-controlling interests	3,902	-	-	-	-
Total equity	20,978	4,236	7,970	12,649	19,052

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our securities involves significant risk. You should carefully consider the risks described below as well as the other information contained in this annual report before making an investment decision. Any of the following risks could materially adversely affect our business, financial condition, results of operations and cash flows. In such case, you may lose all or part of your original investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or results of operations.

Risks Related to our Business

You may have difficulty enforcing a judgment issued by a court in the United States against us in Israel.

We are organized under the laws of Israel and our headquarters are in Israel. All of our officers and directors reside outside of the United States. Therefore, you may not be able to enforce any judgment obtained in the United States against us or any of such persons. You may not be able to enforce civil actions under United States securities laws if you file a lawsuit in Israel. In addition, if a foreign judgment is enforced by an Israeli court, it will be payable in Israeli currency.

Currency fluctuations may affect the value of our assets and decrease our earnings.

The devaluation of the US dollar against the NIS may decrease the value of our assets and could impact our business. We anticipate that a significant portion of our and EER's expenses will continue to be denominated in NIS.

If we are considered to be a passive foreign investment company, either presently or in the future, U.S. Holders will be subject to adverse U.S. tax consequences.

We will be a passive foreign investment company, or a PFIC, if 75% or more of our gross income in a taxable year, including our pro rata share of the gross income of any company, U.S. or foreign, in which we are considered to own, directly or indirectly, 25% or more of the shares by value, is passive income. Alternatively, we will be considered a PFIC if at least 50% of our assets in a taxable year, averaged over the year and ordinarily determined based on fair market value, including our pro rata share of the assets of any company in which we are considered to own, directly or indirectly, 25% or more of the shares by value, are held for the production of, or produce, passive income. If we were to be a PFIC, and a U.S. Holder does not make an election to treat us as a "qualified electing fund," or QEF, or a "mark to market" election, "excess distributions" to a U.S. Holder, and any gain recognized by a U.S. Holder on a disposition of our ordinary shares, would be taxed in an unfavorable way. Among other consequences, our dividends would be taxed at the regular rates applicable to ordinary income, rather than the 15% maximum rate applicable to certain dividends received by an individual from a qualified foreign corporation. The tests for determining PFIC status are applied annually and it is difficult to make accurate predictions of future income and assets, which are relevant to the determination of PFIC status. In addition, under the applicable statutory and regulatory provisions, it is unclear whether we would be permitted to use a gross loss from sales (sales less cost of goods sold) to offset our passive income in the calculation of gross income. In light of the uncertainties described above, we have not obtained an opinion of counsel with respect to our PFIC status and no assurance can be given that we will not be a PFIC in any year. If we determine that we have become a PFIC, we will then notify our U.S. Holders and provide them with the information necessary to comply with the QEF rules. If the IRS determines that we are a PFIC for a year with respect to which we have determined that we were not a PFIC, however, it might be too late for a U.S. Holder to make a timely QEF election, unless the U.S. Holder qualifies under the applicable Treasury regulations to make a retroactive (late) election. U.S. Holders who hold ordinary shares during a period when we are a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC in subsequent years, subject to exceptions for U.S. Holders who made a timely QEF or mark-to-market election.

Your rights and responsibilities as a shareholder will be governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under U.S. law.

We are incorporated under Israeli law. The rights and responsibilities of the holders of our Ordinary Shares are governed by our amended and restated articles of association ("**Articles of Association**") and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters. See "Item 10.B. Additional Information – Memorandum and Articles of Association"

Risks Relating to the EER Transaction

On August 22, 2011, our shareholders approved the EER Transaction (following an approval by our audit committee and board of directors), together with a form of additional share purchase agreement, to be entered into between RVB and certain EER shareholders who elect to join the EER Transaction and sell their holdings in EER to RVB, in exchange for RVB shares (the "**Additional SPA**"). As of January 12, 2012, we completed the multi closings of the EER Transaction and purchased 7,996,210 EER shares from Greenstone and Accord and 8,048,958 EER shares from other certain EER shareholders and issued a total of 113,825,252 RVB shares. Following such multi closings there is one shareholder who holds 200,000 shares of EER (constitutes approximately 1% of EER share capital) other than the Company and Mazal (which entered into an Option Agreement relating to EER shares, as more fully described in "Item 7.B. Major Shareholders and Related Party Transactions – The EER Transaction").

For information regarding the EER Transaction and the Additional SPA, see "Item 7.B. Related Party Transactions – The EER Transaction" in this annual report.

Our aggregate indemnification under the EER Share Purchase Agreement is capped at US\$5,000,000, and our indemnification right is valid until December 31, 2012.

According to the EER Share Purchase Agreement, each Shareholder (as defined therein), shall hold harmless and indemnify us from and against certain damages relating to, among others, inaccuracies in or breaches of any representation or warranty of such Shareholder, breaches of any covenant or obligation of such Shareholder, and proceedings relating to any such inaccuracy or breach. However, the total liability of the Shareholders is limited in the aggregate to US\$5,000,000 and the total liability of each Shareholder is limited to its pro rata portion of such amount (i.e. the percentage of the ordinary shares held by each Shareholder out of the total aggregate holdings of the indemnifying shareholders in EER). In addition, any demand by RVB for indemnification related to damages, can be made no later than December 31, 2012. Consequently, if we incur damages or liabilities that are higher than US\$5,000,000, or if we incur damages or liabilities, or discover such damages or liabilities, after December 31, 2012, or if any Shareholder defaults on his obligation to indemnify us under the EER Share Purchase Agreement, we would be required to bear the costs ourselves. We cannot be certain that we will have sufficient funds available to bear these costs. Further, the payment of these costs may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Relating to EER

EER has a history of losses and it may incur future losses and may not achieve profitability.

EER is currently focusing on research and development, as well as on the introduction of its technology and penetration into relevant markets. EER has limited operating history and consequently it has incurred net losses in each of the last three fiscal years. EER has incurred net losses of US\$6.2 million in 2011, US\$7.6 million in 2010 and US\$7.3 million in 2009. As of December 31, 2011, EER accumulated deficit was US\$47.3 million.

As of the date of this annual report, EER has no material source of income from the sale of products, licensing or research and development activities. In addition, EER has not yet established and operated a commercial plant which implements its technology. Therefore, EER expects that, at least for the coming years, it will continue to operate with operational losses. EER's losses could continue as EER expands its commercialization efforts, increases its marketing expenses and continues to invest in research and development. Due to the above, the extent of EER's future operating losses and the timing of becoming profitable are uncertain. In addition, EER has limited experience in commercializing its technology and is faces a number of challenges with respect to its commercialization efforts, including, among others:

- EER relies on external finance for its business activity, and it may not have adequate financial or other resources;
 - EER may not be able to introduce its technology to the relevant markets;
 - EER may fail to obtain or maintain regulatory approvals for its facilities and products or may face adverse regulatory or legal actions relating to its facilities and services even if the necessary regulatory approvals are obtained;
 - EER may face technical and engineering difficulties relating to the development, scale-up and implementation of its technology;
- EER's research and development activity is conducted in collaboration with third parties, and its success depends on their efforts.
- In the event that such third parties discontinue their collaboration with EER, that could adversely affect EER's research and development and engineering capabilities;
 - EER may not be able to maintain and operate its demonstration facility in Israel, due to, among others, its inability to renew its business license or the lease agreement relating to the ground on which the demonstration facility is located;
 - EER depends on a small number of employees who possess both executive and technical expertise, the departure of which may affect its business; and
 - EER may face third party claims of intellectual property infringement.

The occurrence of any one or more of these events may limit EER's ability to successfully commercialize its technology, which in turn could prevent EER from generating significant revenues and could harm its business, financial condition and results of operations.

RVB, a publically held company, is subject to certain limitations in its efforts to synergize the operations of RVB and EER.

Some transactions between RVB and EER, including any termination of such transactions, will require the approval of EER's board of directors, and, under certain circumstances, may require the approval of the shareholders of EER and are subject to the receipt of applicable permits and approvals. In addition, any dividend or distribution from EER requires the approval of the directors of EER. As such, RVB may be limited in its ability to fully realize the synergies and other benefits of the EER Transaction.

EER relies on external funding for the commercialization of its technology and services.

As part of its business model, EER may enter into joint projects with third parties for the establishment of waste treatment facilities that would implement EER's technology. The estimated cost of establishing such plants ranges between tens of millions to hundreds of millions US dollars. Therefore, EER's partners, and in some cases EER itself, might need to raise significant funds on a project by project basis. External financing may not be available on a timely basis, at an attractive cost of capital, or at all. In addition, EER and/or its partners may face difficulties in raising funds for their joint projects, since EER's Plasma Gasification-Melting (PGM) technology, has not yet proven itself commercially in the field of municipal solid waste and medical waste and, therefore, senior lenders or equity providers may be reluctant to extend funds for such projects. Moreover, some of EER's target markets have previously been adversely affected by global economic slowdowns and recessions which have led to reduced consumer and governmental spending. Current and future economic slowdowns and recessions may have an adverse effect on EER's and its partners' ability to raise capital or debt at an attractive cost of capital. Consequently, EER and/or its potential partners may face difficulty to raise sufficient funds to take on new projects or establish new plants and thus EER may not be able to introduce its technology to the relevant markets. In addition, any such external financing may be dilutive to us or may require us to grant a lender a security interest in our or EER's assets.

EER may require additional funding for its ongoing operations and for the commercialization of its technology and services

EER's current day to day operations require substantial amounts of financial resources. As of the date of this annual report, EER has no source of income, and it has not yet established and operated a commercial plant which implements its technology. There is no assurance that EER will be able to raise external financing on a timely basis, at an attractive cost of capital, or at all. If adequate external financing on acceptable terms is not available, EER may not be able to continue its operations, develop its technology or market its technology and services.

EER's ability to commercialize its technology depends on collaboration with third parties

EER's business strategy includes entering into cooperative arrangements with third parties for establishing plants and marketing EER's technology and services worldwide. There is no certainty that EER will be able to negotiate such arrangements on acceptable terms, if at all, or that such arrangements will be successful in yielding commercially viable products. If EER is unable to establish such arrangements, it would require additional working capital to undertake such activities on its own and would require extensive marketing expertise that EER does not currently possess. In addition, EER could encounter significant delays in introducing its technology into certain markets or find that penetrating such markets would not be feasible without, or would be adversely affected by the absence of, such arrangements. To the extent that EER enters into such joint venture arrangements, its revenues will depend upon the robustness, stability and efforts of third parties. There is no certainty that any such arrangements will be successful.

EER operates in a competitive market, and its technology has not yet proven itself commercially in the field of solid waste and medical waste

EER's Plasma Gasification-Melting (PGM) technology has been developed to convert solid waste into synthesis gas and products suitable for construction materials or other uses. The core of the technology was developed at the Kurchatov Institute in Russia. This technology has been used for more than two decades for the treatment of low and intermediate level radioactive waste in Russia. The PGM technology is applicable for treatment of, among others, municipal solid waste (MSW), municipal effluent sludge, industrial waste and medical waste. The waste treatment market is a conservative market and new technologies are not easily accepted. Therefore, traditional applied technologies in the treatment of solid waste still enjoy greater market recognition compared to PGM technology and other advanced technologies, and some companies that offer solutions based on these traditional technologies have substantial experience in establishing and operating waste treatment facilities and greater financial capabilities compared to EER. In addition there is no certainty that potential customers will prefer the technology of EER over the technologies of EER's competitors, either those using traditional technologies or those using other kinds of advanced technologies for waste treatment. Additionally, the development of a more effective or cheaper technology by a competitor will have an adverse effect on EER.

Moreover, Plasma based, gasification based and Plasma gasification based technologies are implemented by different companies for the treatment of municipal solid waste (MSW), municipal effluent sludge, industrial waste and medical waste for more than a decade. Some of the prominent competitors in the field of PGM include Thermoselect, Ebara, S4 Energy Solution, Alter NRG and Plasco Energy Group. Most of these companies enjoy greater financial capabilities compared to EER, and some of them are located in Europe or in Canada and the U.S., and thus they are geographically closer to the EER's target markets.

EER faces uncertainty relating to the costs of potential projects and the pricing of its services

EER currently faces uncertainty relating to the pricing and construction costs of solid waste treatment facilities, and its marketing costs. Failure to assess its future costs correctly could result in substantial losses to EER. When calculating the profitability of potential projects, EER makes several assumptions relating to its expected income from waste treatment fees (Tipping Fees) and energy sales, as well as its expected capital and operational costs. These assumptions are based on the existing prices in the relevant markets, and, among others, the existence of certain governmental subsidies and incentive plans for "green" technologies. Price reductions or changes in such governmental subsidies and incentive plans in these markets may affect the profitability of potential project and may result in losses to EER.

EER may encounter engineering difficulties relating to the scale up its technology

As of the date of this annual report, EER has not yet established and operated a commercial plant that implements its technology. The testing and demonstrations of EER's technology are done mostly in EER's demonstration facility in Israel and are limited in their duration due to the restrictions contained in EER's operating license. While demonstrations conducted in recent years have proven that EER's technology is feasible for commercial use, EER may face unforeseeable challenges and engineering difficulties and may not be able to successfully scale up its technology for commercial use.

EER's research and development activity is conducted in collaboration with third parties, and its success depends on their efforts

As of the date of this annual report, some of the research and development activity relating to EER's technology is conducted at EER and the Royal Institute of Technology of Sweden, in collaboration with EER. Some research and development activity is also conducted in collaboration with additional third parties. The successful development of EER's technology depends on the resources, stability and efforts of such third parties. In the event that such third parties discontinue their collaboration with EER that could adversely affect EER's research and development capabilities.

Changes in the legislation, standards and regulations relating to EER's field of operations may adversely affect its operations and profitability

EER's business activity is regulated by environmental laws and regulations in the markets in which it operates. More specifically, EER's business activity is bound by the provisions of the Israeli Clean Air Law, the Israeli Hazardous Substances Law (and the Hazardous Waste License obtained in connection therewith) and additional environmental laws and regulations. In addition, EER's international business activity is expected to be subject to international and regional conventions and directives, as well as local laws, regulations and standards, relating to environmental, hazard control, medical and radioactive waste treatment, and other aspects that may be related to the establishment and operation of waste treatment facilities. EER spends substantial amounts of cash in order to comply with these regulations. Any changes in legislation, standards and regulations or any policy changes undertaken by various authorities pertaining to environmental protection under the jurisdictions EER operates in could have a significant effect on the activity of EER.

Intellectual property is extremely important to EER's business, and its inability to protect its intellectual property would harm EER's competitive position

As of December 31, 2011, EER has had nine active families of patent applications and patents. In addition to patents, EER relies on confidentiality agreements and similar mechanisms to protect its know-how and intellectual property, the core of which was historically developed at the Kurchatov Institute in Russia. These measures are limited in terms of their effectiveness in protecting EER's intellectual property and could therefore prove inadequate in limiting unauthorized use of EER's know-how. Additionally, such measures do not guarantee that other parties may not claim rights in certain know-how that is being used by EER in its research and development activities. There is also no assurance that pending patent applications will be approved, that any patents will be broad enough to protect EER's technology, will provide it with competitive advantages or will not be challenged or invalidated by third parties, or that the patents of others will not have an adverse effect on EER's ability to do business.

EER's business may suffer if EER becomes involved in disputes or protracted negotiations regarding its intellectual property rights or the intellectual property rights of third parties

EER is subject to the risk of adverse claims and litigation alleging infringement by EER of the intellectual property rights of others. There are increasing numbers of patents and patent applications in EER's industry. Third parties may assert infringement claims in the future, alleging infringement by EER's current or future technology or applications. EER may institute or otherwise be involved in litigation to protect its registered patents and/or trade secrets or know-how, challenge the validity of proprietary rights of others or defend against alleged infringement by EER of proprietary rights of others. This type of litigation is costly and diverts management's attention from its day-to-day responsibilities of running EER's business. In addition, an adverse determination in such litigation could:

- limit the value of EER's trade secrets or know how;
- subject EER to significant liabilities to third parties;
- require EER to seek licenses from third parties; or
- prevent EER from commercializing and marketing its technology and service, any of which could have a material adverse effect on EER's business, financial condition and results of operations.

EER has received grants from the Office of the Chief Scientist in Israel, and it is therefore obligated to pay certain royalties to the Israeli government from sales of its products, and it is bound by the provisions of the Israeli Research and Development Law

EER has received grants from the government of Israel through the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor, or the Office of the Chief Scientist, for the financing of a portion of its research and development expenditures in Israel, pursuant to the Encouragement of Industrial Research and Development Law 5744-1984, or the R&D Law. Under the R&D Law, royalties on the revenues derived from sales of products (and related services) developed (in all or in part) according to, or as a result of, the Office of the Chief Scientist funded plans are payable to the Israeli government, at annual rates which are determined under the Encouragement of Industrial Research and Development Regulations (Rate of Royalties and Rules for the Payment thereof), 1996, or the R&D Regulations, up to the aggregate amount of the grants received by the Office of the Chief Scientist, plus annual interest (as defined in the R&D Regulations). Any intellectual property developed using the Office of the Chief Scientist funds must be fully and originally owned by the Israeli company which received such funds. The R&D Law restricts the ability to transfer abroad know-how funded by the Office of the Chief Scientist. Transfer of such know-how to a foreign entity requires prior approval from the Office of the Chief Scientist, and is subject to payment of a redemption fee to the Office of the Chief Scientist calculated according to formulas provided under the R&D Law. As of the date of this annual report, EER has received a total of NIS 1.7 million (approximately US\$0.4 million), out of which an amount of NIS 1.5 million (approximately US\$0.35 million) has not yet been repaid by EER.

If EER transfers outside of Israel know-how and technology, which were developed according to, or as a result of, the Office of the Chief Scientist funded plans, without obtaining the approval of the Office of the Chief Scientist, it may also be subject to criminal charges. In recent years, the government of Israel has accelerated the rate of repayment of the Office of Chief Scientist grants and may further accelerate them in the future. These restrictions on transferring technologies and/or manufacturing outside of Israel continue to apply even after EER have repaid any grants, in whole or in part.

EER's dependence on a single Facility, which does not operate continuously, magnifies the risk of an interruption in its business operations

As of the date of this annual report, EER does not own any other facility other than a facility, located near the village of Y'bllin, in Northern Israel (the "**Y'bllin Facility**"). The Y'bllin Facility, according to its permit, can operate only few times a year. The current business license relating to the operation of the Y'bllin Facility, which is subject to certain conditions set forth by the Israeli Ministry of Environmental Protection, is valid until July 15, 2012. The business license must be renewed on an annual basis. In the event that EER is unable to renew its business license, or if EER will not be able to meet the conditions of the new license, it could have a significant effect on its activity.

In addition, in September 2007, EER has entered into a lease agreement with respect to the ground on which the Y'bllin Facility is located (the "**Lease Agreement**"). The original term of the Lease Agreement was three years, and EER had an option to extend the term of the rent for additional two years. EER has exercised the option in 2010, and consequently the term of the Lease Agreement was extended until July 2012. Pursuant to the terms of the Lease Agreement, the Y'bllin Facility is the property of EER, and EER is responsible for disassembling the Y'bllin Facility and removing it from the property at the end of the lease period. As of the date of this annual report, the parties are negotiating the extension of the lease period, however, there is no certainty that the term of the Lease Agreement will be extended beyond July 2012. The disassembly and the transfer of the Y'bllin Facility to another location may require substantial investments, and may not be economically feasible for EER. Therefore, if the Lease Agreement is not extended beyond 2012, that could have a significant adverse affect on EER's business activity. In addition, any event affecting the Y'bllin Facility, including natural disaster, labor stoppages or armed conflict, or EER's lack of financial resources to operate the plant, may disrupt or indefinitely discontinue EER's research and development, operational and marketing capabilities and could significantly impair its business.

Because of EER's small size, it depends on a small number of employees who possess both executive and technical expertise, and the loss of any of these key employees would hurt EER's ability to implement its business strategy and to compete effectively in its target markets

Because of EER's small size and its reliance on employees with either executive or advanced technical skills, its success depends significantly upon the continued contributions of its officers and key personnel. All of EER's key management and technical personnel have unique expertise, which might be in high demand among its competitors, and the loss of any of these individuals could cause EER's business to suffer.

In addition, EER had a dependency on the knowledge and efforts of Mr. Moshe Stern. Mr. Stern was the original founder of EER, and is responsible for the establishment and maintenance of most of EER's business relationships and collaborations. Until the closing of the EER Transaction, Mr. Stern was the chief executive officer of EER. Following the closing of the EER Transaction, Mr. Stern resigned from his position as the chief executive officer of EER and since November 1, 2011 the Services Agreement between Mr. Stern and the Company was terminated.

EER might not be able effectively manage its growth

If the commercialization of EER's technology and services is successful, EER's business will need to grow. Continued growth would subject EER to numerous challenges, including, among others, implementing appropriate operational and financial systems and controls, and increasing and training its manpower within a short period of time to cope with the EER's administrative, marketing, engineering and operational needs. EER's expected growth may place significant demands on its management and require financial and operational resources. If EER is unable to manage its growth, its business, financial condition and results of operations could be harmed.

ITEM 4. Information on the Company

A. History and Development of the Company

Our legal and commercial name is R.V.B. Holdings Ltd. Our office is located at Platinum House, 21 Ha'a'rba'ah St., Tel Aviv, 64739, Israel, and our telephone number is +972 (3) 684-5500.

We were incorporated as an Israeli corporation under the name B.V.R. Systems (1998) Ltd. ("**BVR**"), in January 1998 to receive all of the assets and liabilities of the defense-related business of BVR Technologies Ltd., or BVR-T, in accordance with the terms of a reorganization plan. The reorganization plan was consummated, and BVR commenced operations as of January 1, 1998. In January 2010, we changed our name to R.V.B. Holdings Ltd. Our corporate governance complies with the Israeli Companies Law, 1999, as amended (the "**Companies Law**").

On July 19, 2009, we entered into an asset purchase agreement with Elbit Systems Ltd., or Elbit, whereby Elbit acquired substantially all of our assets and business for cash consideration of approximately US\$34 million and assumed substantially all of our business related liabilities (the "**Elbit Transaction**"). The sale of our business to Elbit was completed on November 19, 2009. For more information related to the Elbit Transaction see "Item 10C. Material Contracts" below.

On March 24, 2010, Greenstone exercised its option to purchase from Aviv Tzidon and A.O. Tzidon (1999) Ltd., a company wholly owned by Aviv Tzidon (collectively: "**Tzidon**"), the control of the Company. As part of the closing of the option exercised by Greenstone, A.O. Tzidon (1999) Ltd. purchased from HSN General Managers Holdings Limited Partnership ("**HSN**") all of its holdings in the Company, namely 20,000,000 of our Ordinary Shares, which constitute part of the shares sold by Tzidon to Greenstone, at a price per share of US\$0.215 and an aggregate consideration of US\$4,300,000, pursuant to a share purchase agreement between HSN and Tzidon, dated February 6, 2011. On March 15, 2011, pursuant to an agreement entered into by and among Greenstone and Tzidon on December 12, 2010 and the option awarded to Greenstone to purchase up to 65% but not less than 50.14% of our issued share capital as of that date, Tzidon sold to Greenstone: (i) 76,680,848 of our ordinary shares, constituting 65% of our issued and outstanding share capital as of that date (not taking into account 1,040,000 of our dormant shares); and (ii) 1,800,000 options exercisable into 1,800,000 of our ordinary shares (such option expired in November 2011).

On August 22, 2011, our shareholders approved the EER Transaction (following an approval by our audit committee and board of directors), together with the Additional SPA. As of January 12, 2012, we completed the multi closings of the EER Transaction and purchased 7,996,210 EER shares from Greenstone, our controlling shareholder at that date and Accord and 8,048,958 EER shares from other EER shareholders and issued a total of 113,825,252 RVB shares. Following such closings there is one shareholder who holds 200,000 shares of EER (constitutes approximately 1% of EER share capital) other than the Company and Mazal (which is party to the Option Agreement with the Company). For information regarding the EER Transaction and the Additional SPA, see "Item 7.B. Related Party Transactions – The EER Transaction" in this annual report.

From October 1998 until March 2001, our ordinary shares traded on the NASDAQ National Market. Between March 2001 and February 2003, our ordinary shares traded on the NASDAQ Small Cap Market under the symbol BVRSF. From February 2003 until March 2010 our ordinary shares quoted on the Over the Counter Bulletin Board under the symbol BVRSF.OB. Since March 2010, our ordinary shares have been quoted on the Over the Counter Bulletin Board under the symbol, RVBHF.OB which reflects our name change to R.V.B. Holdings Ltd.

Capital Expenditures

We had no material capital expenditures during the years 2011 and 2010. Our capital expenditures totaled in approximately US\$0.2 million in the year ended December 31, 2009.

B. Business Overview

General

On August 31, 2011, we completed the EER Transaction (on January 12, 2012, both closings of EER Transaction were completed), following which, EER has become our subsidiary. For additional information, see "Item 7.B. Related Party Transactions – The EER Transaction" in this annual report.

Below is a description of EER's business. As of the date of this annual report, we do not have any other business activity besides EER's business.

EER's industry

With the rapid growth in the world's population, the waste generation volume is becoming an increasing concern around the world. The world's population is producing approximately 2.5 billion tons of municipal solid waste (MSW) each year. Certain factors, such as the rate of growth in the general population, improvements in the quality of life and continuous increase in the global GNP, contribute to the accelerated growth in the production of MSW. In order to cope with the constant growth in the production of waste, the global waste management industry is undergoing certain changes, among which the transfer from traditional waste disposal methods to a resource recovery processes. In light of these changes, the development of new technology is required in order to convert certain types of waste into recycled materials or energy.

Nations around the world vary in their progress towards the facilitation of these changes. Countries like Germany, Japan, Denmark and the Netherlands, which are characterized as 'mature markets' already have clear regulatory, fiscal and policy frameworks in place for such matters, and over the last few years, they placed substantial investments in the development of modern waste treatment solutions. On the other hand, some countries, like UK, Italy, Spain, Greece, Canada, Australia, some Gulf Arab States and parts of East and South East Asia, are characterized as immature markets. These countries are expected to show rapid growth in the amount of waste treatment over the next ten to fifteen years, due to the increase of new regulations which aim to direct the waste streams from traditional

waste treatment methods, such as landfill and incineration, to the alternative technology sector. Other countries, as some EU Member States, some countries in the Middle East, South Africa, Latin America and the Caribbean, are characterized as embryonic markets. In these countries, there is little governmental investment in the development or the adoption of "green" advance technologies, and the relevant regulation is considered obsolete. The US, one of EER's primary target markets, can be divided into different categories, some US states are mature, some are emerging and some are embryonic.

There are currently three main waste treatment methods, employed by different companies and governments around the world:

- **Recycling** - Recycling is the process of sorting waste and reusing the items from which utility can still be derived. This method is not always economically feasible, as it requires substantial amount resources for sorting waste. In addition, large percent of waste is not recyclable.
- **Landfill** - the most traditional and common method, which involves disposal of waste by burial in landfill sites. This method, though it is common, is a main factor for pollution of air, ground and underground water. Therefore, in recent years, some countries, such as Germany, Austria, Belgium, the Netherlands, and Switzerland, have banned the disposal of untreated waste in landfills and some other countries have set up time frame for banning landfilling.
- **Waste to Energy (WTE)** - this method is divided into three main methods: biological, physical and thermal. The thermal treatment is divided to three main processes: Incineration, Thermal Gasification/ Pyrolysis and Plasma Gasification. The Incineration process has a lot of disadvantages, such as the emission of toxic gases and ashes which require additional separate treatment, and therefore the Thermal process such as gasification or plasma gasification is more attractive.

The waste to energy market

Each year, approximately 170 million tons of municipal solid waste is treated in about 900 waste treatment facilities around the world. The WTE market was estimated to be worth US\$7 billion in 2010, and its estimated annual growth is 6-10%. Thus, the WTE market is expected to be worth about US\$ 27 billion in 2021.

The main entrance barriers to the solid waste market include acquisition and development costs, licensing costs, depending on local regulation in each country in which the technology is implemented, facilities establishment Costs, Large competitors and willingness of finance institutions to finance the establishment of facilities based on new technologies.

The global economic crisis has caused, among others, to a decrease in the investments in the advanced technologies, including new emerging technologies such as the PGM technology. According to EER's estimation, in spite of the recovery from the crisis during 2009 through 2011, it is still very difficult for EER and its customers to obtain financing for its activity and facilities from private investors and especially from institutional investors.

Competition

Many companies around the world are in the business of developing advanced technologies for the treatment of solid waste, and such companies can compete with EER in its target markets. Some of these companies use different variations of the plasma gasification technology, and some use other WTE technological solutions.

Below is a description of the main new thermal treatment technologies (NTTT), which EER's competitors are developing:

- **Gasification technology** - thermal reaction under a lack of oxygen which creates fuel gas, which causes an early heat of the waste and a process which increases the energetic efficiency.
- **Pyrolysis technology** - a similar process to the Gasification. The waste is first processed in an early process for the creation of refuse derived fuel.
- **Plasma technology** - Gasification of the materials with the highest temperatures (approximately 800 degrees) under special conditions.
- **Thermal Hydrolysis technology** - technology based on "cold incineration ". This technology cannot be used for treatment of solid waste.
- **Hybrid facilities** - technologies combined facilities. The PGM technology belongs to this technology.

These are the main advantages of the PGM technology:

- **Decreased operating costs** due to the combination of three processes in one union continuous process.

- Decreased operating costs due to the fact that the pollution level in this technology is lower, compared to other technologies.

- The ability to handle a wide spectrum of waste without the necessity of any preliminary sorting or treatment.
- The solid residue of the process is an environmentally benign material which can be used as raw material in construction.

In addition, Pursuant to EER's estimation, its ability to prove the implementation of the PGM technology by a demonstration facility may provide it a competitive advantage compared to the other NTTTT.

EER's major competitors in the field of waste treatment include:

- Thermoselect – a Swiss origin Pyrolysis/Gasification technology, which has been implemented in Japan by JFE and licensed in the US by IWT. Thermoselect has several commercial installations in Japan that are processing selective portion of municipal solid waste (“MSW”) and industrial waste.
- JFE is a large Japanese engineering company, active in various waste treatment areas, also with own proprietary solutions.
- Ebara – a Japanese gasification technology with several installations in Japan for MSW.
- Westinghouse (AlterNRG) – Plasma Arc technology, implemented by AlterNRG, a Canadian listed company. There are several installations of AlterNRG in Japan.
- Plasco Energy – a Canadian plasma arc technology company, aiming for MSW conversion. To the best of our knowledge, Plasco Energy has raised significant funds to establish its first commercial facility and to support a vast worldwide business development activity related to waste treatment.
- InEntech (S4) – MIT Plasma technology. Significant funds were invested in the technology so far. Several installations are located in Asia and one in US. It has formed together with Waste Management, a joint venture, for the implementation of its technology.

Other companies in the field include, Nippon Steel (Japan), Entech, S4 Energy Solution, GEM, Enerkem, Nexterra and OE, that mostly have gasification technology for specific waste streams.

Material Agreements

The Kurchatov Institute Agreement

On June 6, 2000, EER Ltd., has entered into an agreement with the Kurchatov Institute, which was amended on February 12, 2002 (the “**Kurchatov Agreement**”) (the agreement and the rights and obligations of EER Ltd. thereunder were later assigned to EER). Under the terms of the Kurchatov Agreement, Kurchatov Institute assigned and transferred to EER Ltd. all then present and future intellectual property rights and know-how related to the Y'bllin Facility (which was designed, manufactured and constructed by EER) and to the Additional Projects (as defined below) (collectively, the “**IP Rights**”). According to the Kurchatov Agreement, EER Ltd. shall cover all the expenses related to the assigning, registration and recordation of the IP Rights. According to the Kurchatov Agreement, The Kurchatov Institute shall fully cooperate with EER Ltd. for the purposes of utilizing the PGM technology with regard to Municipal Solid Waste (“**MSW**”), Medical Waste (“**MW**”), Low Radio Active Waste (“**LRAW**”) and PGM Compatible Industrial Waste (“**IW**”), including, but not only, for the designing and construction of plants and installations by EER Ltd., its licensee(s) and/or other purposes (the “**Additional Projects**”). Upon EER’s request, the Kurchatov Institute shall assign to EER any know-how or intellectual property rights relating to such technologies to be used outside the territories comprising the former Soviet Union, provided the financial and other legal and reasonable interests of the Kurchatov Institute have been satisfied. The Kurchatov Institute and its affiliates shall exclusively work with EER Ltd. on any of the aforementioned applications of the PGM Technology, and shall not assist, directly or indirectly, any individual or entity to engage in any activity in the fields of SMW, MW, LRAW and IW. In addition, the Kurchatov Institute undertook to provide EER Ltd. its know-how and experienced highly qualified specialists in order to obtain the required scientific and technical qualifications in the works related to the Projects, as will be mutually agreed by the parties. In consideration for Kurchatov Institute’s undertakings under the Kurchatov Agreement, EER shall pay Kurchatov Institute a royalty in the amount of 1% of the purchase price actually received by EER from the sale of the Additional Projects.

The PyroGenesis Agreement

On December 5, 2005, EER entered into an agreement for the purchase of equipment with PyroGenesis Inc. (“**PyroGenesis**” and the “**PyroGenesis Agreement**”), under which EER purchased from PyroGenesis a Non-Transferred Arc Plasma Torch System (the “**Equipment**”) which was installed in the Y'bllin Facility, for an aggregate amount of US\$810,000 (the “**Purchase Price**”). The Purchase price did not include spare and wear parts, and certain other components. Pursuant to the PyroGenesis Agreement, PyroGenesis was provided with a right of first refusal for the supply of any and all future torch systems required by EER.

The Radon Center Agreement

On December 28, 2005, EER entered into an agreement on partnership, R&D collaboration and joint activity with the Radon Center (the “**Radon Agreement**”), under which the parties agreed to enter into a scientific cooperation, including research and experiment actions, relating to the Technology. According to the Radon Agreement, EER may use, from time to time, Radon Center’s test facility for Low Radio Active Waste treatment, in order to perform experiments and demonstrations. The original term of the Radon Agreement was 5 years, and it has not been renewed. However, even though the Radon agreement expired, EER and the Radon Center continue their collaboration.

The Lease Agreement

In September 2007, EER entered into the Lease Agreement with Naser Recycling Ltd. (the “**Naser**”), with respect to the ground on which the Y'bllin Facility is located. The original term of the Lease Agreement was three years, and EER had an option to extend the term of the rent for additional two years. EER has exercised the option in 2010, and consequently the term of the Lease Agreement was extended until July 2012. The rent for the entire extension period (NIS 600,000 in the aggregate, not including VAT (approximately US\$175 thousands)) was paid in advance. This amount is based on a monthly fee of NIS 25,000, which is approximately US\$7 thousands. Pursuant to the terms of the Lease Agreement, the Y'bllin Facility is the property of EER, and EER is responsible for disassembling the Y'bllin Facility and removing it from the property at the end of rental period. As of the date of this annual report, the parties are negotiating the extension of the lease period, however, there is no certainty that the term Lease Agreement will be extended beyond July 2012.

The Primus Agreement

In February 2008, EER entered into an exclusive representation agreement with Primus Security & Consulting, LLC (“**Primus**” and the “**Primus Agreement**”), pursuant to which Primus shall provide strategic consulting and intermediary services related to identifying and accessing parties in the U.S. and in other countries, that might be interested in long-term relationships with EER, for the utilization of EER's Technology. According to the Primus Agreement, Primus had the exclusive right to market and sell projects using EER's Technology, which expired in December 2011, following which the parties will negotiate and decide whether or not to extend it for additional period. Primus is entitled to a monthly fee of US\$10,000, and is also entitled to additional payments following certain events, including (but not limited to) the closing and the successful establishment of joint ventures introduced by Primus, successful raise of capital for projects by Primus and certain events related to EER's subsidiary in Texas. In addition, Primus is entitled to receive up to 15% of the shares awarding distribution rights (without voting rights) of any U.S. subsidiary formed by EER to accommodate projects introduced by Primus. The Primus Agreement expired in December 2011.

KTH Agreement

On June 4, 2009, EER entered into a cooperation agreement with KTH, Royal Institute of Technology of Sweden (the “**KTH Agreement**”). Under the terms of the KTH Agreement, which is valid for a term of 5 years, KTH undertook to provide EER with technical and scientific support in the ongoing development of the PGM process, including full access to laboratories and facilities of KTH. In the event that EER requests KTH to perform any particular project, EER shall send to KTH a specific work order, specifying the tasks to be performed and the consideration to be paid to KTH for performance of such work. The parties agreed that EER shall have and retain all rights and interests in the PGM process. Any publication of work by KTH which is related to or involving the cooperation between the parties shall require the prior written consent of EER.

The SNC Agreement

On September 15, 2010, EER entered into a memorandum of understanding (the “**SNC MOU**”) with SNC-Lavalin Engineers & Constructors Inc. (“**SLE&C**”) which, to the best of EER’s knowledge, is a private company and a subsidiary of SNC-Lavalin Group Inc., a company whose shares are listed for trade on the Toronto Stock Exchange, Canada (“**SNCL-G**”), and among the leading engineering

and construction corporations in the world. The SNC MOU establishes methods of cooperation between EER and SLE&C in respect to projects aimed at exploiting PGM Technology. According to the SNC MOU, the parties will cooperate in identifying projects where technology can be applied to the PGM, bidding implementation, establishment and operation. In the event that the parties are not able to reach an understating regarding the cooperation on a particular project, the interested party will be allowed to do so on its own, while the other will be obligated to refrain from acting on it, unless such party: (i) can establish that it was aware of such project, prior to its identification by the other party, and had determined to pursue such project independently; or (ii) obtains the consent of the other party. Each party shall bear its own cost of pursuing such project and all related expenses until a definitive contract with a client is signed and comes into effect. The parties agreed that none of SLE&C, any client or third party will obtain any rights in the Technology, unless expressly agreed in writing by EER. The SNC MOU may be terminated upon a 30 day prior notice and terminates automatically on December 31, 2012.

The LOI with Approved Storage & Waste Hauling Inc.

On January 25, 2011, EER entered into a letter of intent with Approved Storage & Waste Hauling Inc. ("**ASWH**" and the "**ASWH LOI**"), relating to the formation of a joint venture for an initial pilot project (the "**Pilot Project**"). According to the ASWH LOI, the Pilot Project will process Regulated Medical Waste in an initial capacity of 15-30 short tons per day, and will be owned by a newly formed U.S. company mutually owned by EER and ASWH. The terms of the Pilot Project would be determined in a definitive agreement, the closing of which shall be 45 days from the expiration date of the LOI. EER and ASWH agreed on certain terms to be included in the definitive agreement, which relate, among other things, to pricing, investment, legal structure and ownership of the Pilot Project. According to the ASWH LOI, the definitive agreement would also include provisions relating to exclusivity on certain geographic areas. According to its terms, the ASWH LOI shall have terminated on December 31, 2011, but it was extended until December 31, 2012. EER and ASWH are currently working to identify location for the project to be built, following which EER and ASWH will work with the local and state regulatory bodies to prepare the permitting package for the project.

The Mid West LOI

On March 21, 2011, EER entered into a letter of intent (the "**Mid-West LOI**") with a third party located in the U.S. (the "**US Company**"), for the purposes of developing, constructing and operating PGM facilities in five states in the U.S. using EER's Technology (the "**Facilities**"). Under the terms of the Mid-West LOI, the US Company will forward to EER all relevant data regarding EER's plan to develop and operate a PGM facility in one out of the five states (the "**First Project**"). Per the US Company's request, EER shall provide with all necessary information regarding the Technology, subject to appropriate confidentiality undertakings by the US Company. The US Company shall grant to EER an equity position equal to 14.25% of its then fully diluted share capital (the "**US Company Shares**"). In exchange for such shares, EER shall produce a Preliminary Engineering Design study for the First Project (the "**Study**"), which cost shall not exceed US\$3,000,000. If the cost exceeds such amount, EER shall not be entitled to additional shares. The US Company shares shall only be transferred to EER upon completion of the Study. The Study will comprise at least 45% of the total work and expense required for the completed front end engineering design for the First Project. Such completed front end engineering design or any further study to be performed by EER shall be funded through the finance raised by the US Company in connection with the First Project. The US Company shall be responsible for obtaining and maintaining all the relevant licenses, permits and approvals from any relevant authority in order to establish and operate the First Project, and EER will be responsible to provide any technical and financial data to meet these requirements. EER shall grant an exclusive license to the US Company to operate all facilities in the five states. The US Company is responsible for obtaining financing for the construction of the first Project. EER shall receive a royalty equal to 5% of the total revenues generated from sale of syngas and tipping fees of the first Plant. All the above mentioned understandings are preliminary and were subject to the execution of a definitive agreement between the parties. The Mid West LOI expired on January 31, 2012 and as of the date of this annual report the parties are negotiating new terms and conditions.

The Greenstone-EER Management Service Agreement

On February 13, 2002, EER entered into a management service agreement with Urdan Industries Ltd. (currently Greenstone) (the "**Greenstone Agreement**"), pursuant to which Greenstone undertook to provide EER with management services, office services, accountant services and office rental in accordance with EER needs. In consideration for such services, EER undertook to pay Greenstone the sum of NIS 20,000 per month (plus VAT) linked to the Consumer Price Index (in this section – "**the management fees**"), as of January 2002 (approximately NIS 24,000 as of the date of this annual report). The term of the management agreement was set at one year, at the end of which the agreement will be renewed automatically for additional one-year periods, and may be terminated by one month's notice by either party. From the end of 2004 to December 31, 2010, services were provided by Accord and management fees were paid to them, and as of January 1, 2011 the services are provided by Leader Holdings and Investments Ltd. (the parent company of Greenstone; "**Leader**"), and the management fees were paid to Leader.

Following the completion of the EER Transaction, this management agreement was assigned by Leader to Greenstone.

Regarding the management services agreement between the Company and Greenstone, see "Item 7.B. Major Shareholders and Related Party Transactions" below.

The Houston Project

Since 2008, EER has been working on the establishment of a medical waste facility located in La Porte, Texas (in the area of Houston, Texas) which can handle 25 tons of waste per day (the "**Houston Facility**"). In October 2010, EER has secured an option to purchase or lease the land on which Houston Facility is to be located. This option has been expired and EER is searching for a new site. In September 2010, EER received a permit by rule (PBR) from the Texas State environmental authority which is due to the low emission from the PGM process exempts EER from the need to obtain full federal type 5 air permit. The PBR permits EER to begin construction of the Houston project. In addition, in November 2009 EER received waiver of the Texas State health authority, according to which EER's PGM process is deemed an approved technology for the treatment of municipal waste, and therefore EER does not have to go through an additional microbiological testing procedure.

The PBR allow EER to begin construction on the Houston project however, in order to fully operate the Houston Project, EER still needs to obtain a registration document for untreated waste. EER is in the process of obtaining the registration document.

The final license required to operate the Houston project is a registration document of the untreated waste scheduled to arrive at the facility.

The Plazma MOU

In May, 2011, EER and SLE&C, have entered into a memorandum of understanding (the "**Plazma MOU**") with Zaklad Zagospodarowania Odpadow "PLAZMA" Sp.z. o.o ("**Plazma**"), a Polish company, pursuant to which EER, SLE&C and Plazma shall cooperate for the purpose of designing, engineering, constructing and operating a waste treatment facility, based on EER's Technology, in Poland. Plazma will work exclusively with EER and SLE&C on the development of the facility, with EER acting as the technology provider and SLE&C as consultant and provider of certain engineering services. Plazma shall be solely responsible for constructing the facility in Poland, including, but not limited to, obtaining finance, obtaining all necessary licenses and regulatory approvals, and preparing a business plan and a financial model for the facility. EER and SLE&C have agreed to assist and provide necessary information during the process. EER has also agreed to consider taking an equity position in the project. The scope of work to be performed by EER in connection with the project shall be agreed upon by the parties. According to the Plazma MOU, the parties shall negotiate and enter into a definitive agreement within twelve months of the date of the Plazma MOU, or else the Plazma MOU shall expire.

The Orgrez Project

During December 2011, EER entered into an agreement with a company based in the Czech Republic regarding a feasibility study work to be performed by EER with regard to the design, engineering, construction and operation of a hazardous waste treatment facility at an estimated cost of approximately \$25 million (the "**Orgrez Project**"). In consideration for the performance of the study work, EER shall be entitled to a total sum of US\$125,000, payable in three payments. A down payment of US\$63,000 was received in December 2011 and recorded as revenue in the reported period. An additional payment of US\$31,000 was received subsequently and an additional payment of US\$31,000 is expected with the completion of the work by EER. The companies are advancing towards the completion of the feasibility study. Once evaluated, the parties will discuss how to advance the Orgrez Project.

Research and Development

EER's research and development activity is conducted in Israel, at the Royal Institute of Technology of Sweden (under the KTH Agreement), and at SNC (under the SNC Agreement). In 2007, the development stage of the Technology has ended, and EER is currently working on improvements to the Technology.

In 2004, the Chief Scientist Office at the Ministry of Industry, Trade and Labor, approved EER's request to receive financial assistance for research and development in connection with the products of EER. The approval was conditioned on abiding by the provisions of the Israeli R&D Law, including, among others, payment of royalties from the sale of products developed with the assistance of the Chief Scientist up to a 100% refund of the grant amounts received by EER. Under the terms of the R&D Law, any intellectual property developed using the Office of the Chief Scientist funds must be fully and originally owned by the Israeli company which received such funds. The R&D Law restricts the ability to transfer abroad know-how funded by the Office of the Chief Scientist. Transfer of such know-how to a foreign entity requires a prior approval from the Office of the Chief Scientist, and is subject to payment of a redemption fee to the Office of the Chief Scientist calculated according to formulas provided under the R&D Law.

As of the date of this annual report, EER has received a total of NIS 1.7 million (approximately US\$0.4 million), out of which an amount of NIS 0.22 million (approximately US\$0.06 million) has been repaid to date by EER.

Intellectual Property

As of December 31, 2011, EER has had nine active families of patent applications and patents, as describes below:

- *Apparatus for Processing Waste.* This application generally describes the overall plant, comprising waste input means, a waste processing chamber to hold a column of waste, one or more plasma torches, a control system, and post processing means. A patent has been granted in the U.S., Europe (validated in 13 countries), Israel, India, Japan, Korea, Argentina, Singapore, Taiwan and Hong Kong. The application is awaiting examination in Thailand.
- *System and Method for Removing Blockages in a Waste Converting Apparatus.* This application repeats the description of the processing chamber and describes the problems of blockage that can arise during operation of the system due to incomplete breakdown of the waste into gaseous and liquid products. A patent has been granted in the U.S., Europe (validated in 10 countries), Israel, India, Korea, Argentina, Singapore, Taiwan, Thailand, and Hong Kong. The application is awaiting examination in Japan.
- *Apparatus for Processing Waste with Distribution/Mixing Chamber for Oxidising Fluid.* The description and claims are mainly concerned with the shape of the vertical shaft processing chamber, which is constructed such that it does not have a uniform cross-section but is provided with a transition between its upper and lower parts. Patents have been granted in the U.S., Europe (validated in 13 countries), Israel, Argentina, Singapore, Taiwan, Hong Kong, India, Japan, and Korea. The application is awaiting examination in Thailand.
- *System and Method for Decongesting Waste Disposal Apparatus.* The principal claims in this application are directed towards the presence of a fluxing agent inlet to provide flux to overcome the decongestion problems. A patent has been granted in the US, Europe (validated in 10 countries), Israel, India, Korea, Argentina, Singapore, Taiwan and Hong Kong. Japan and Thailand have been abandoned.
- *Recycling System for a Waste Processing Plant.* This application is related to the post processing system of the waste processing plant, i.e. to the part of the plant whose job it is to collect and purify the gaseous products that exit the processing chamber so that they can either be stored for reuse or safely released to the atmosphere. A patent has been granted in the US, Israel, China, Korea, Singapore, and Taiwan. The examination has begun in Japan, India, and Europe. The application is awaiting examination in Thailand and Hong Kong.
- *Control System for a Waste Processing Apparatus.* This application describes and claims a control system for operating an air lock arrangement used to introduce the waste into the top of the processing chamber. A patent has been granted in the US, Israel, Europe (validated in 13 countries), China, Singapore, Taiwan, Japan and Korea. The examination has begun in India. The application has been abandoned in Hong Kong.
- *Transceiver Unit, Apparatus, System and Method for Detecting the Level of Waste in a Furnace.* The application describes and claims a unique microwave transducer assembly that is used as a sensor to determine the level of the waste inside the feeding conduit that extends into the vertical shaft of the processing chamber. A patent has been granted in Singapore. All other applications have been abandoned.
- *System for Controlling the Level of Potential Pollutants in a Waste Treatment Plant.* This application describes and claims a system placed at the entrance to the waste treatment plant for sorting the waste entering the plant according to the concentration of specified chemicals in the waste. A patent has been granted in the US, Europe (Validation in 4 countries) Israel, Singapore, China, Australia and Taiwan. An examination has begun in Japan. The application is awaiting examination in Canada, India, Korea, and Hong Kong.
- *An Improved Plasma Torch for Use in a Waste Processing Chamber.* This application describes and claims an improved plasma torch design. The unique feature of the torch is a sleeve that surrounds the portion of the torch that extends into the processing chamber. A patent has been granted in Israel, Europe (validated in 6 countries), and Singapore. The application has been allowed in Australia. The examination has begun in China and Japan. The application is awaiting examination in Canada, Taiwan, US, India, Korea and Hong Kong.

Government Regulations

The Encouragement of Industrial Research and Development Law, 5744-1984

EER has received grants from the government of Israel through the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor, or the OCS, for the financing of a portion of its research and development expenditures in Israel, pursuant to the Encouragement of Industrial Research and Development Law 5744-1984, or the R&D Law. Under the R&D Law, royalties on the revenues derived from sales of products (and related services) developed (in all or in part) according to, or as a result of, the OCS funded plans are payable to the Israeli government, at annual rates which are determined under the Encouragement of Industrial Research and Development Regulations (Rate of Royalties and Rules for the Payment thereof), 1996, or the R&D Regulations, up to the aggregate amount of the grants received by the Office of the Chief Scientist, plus annual interest (as defined in the R&D Regulations). Any intellectual property developed using the OCS funds must be fully and originally owned by the Israeli company which received such funds. The R&D Law restricts the ability to transfer abroad know-how funded by the Office of the Chief Scientist. Transfer of such know-how to a foreign entity requires prior approval from the Office of the Chief Scientist, and is subject to payment of a redemption fee to the OCS calculated according to formulas provided under the R&D Law. As of the date of this annual report, EER has received a total of NIS 1.7 million (approximately US\$0.4 million), out of which an amount of NIS 1.5 million (approximately US\$0.35 million) has not yet been repaid by EER.

C. Organizational Structure

We currently own 78% of EER's share capital and 99.1% of its voting rights (as a result of the Voting Agreement as described below), which, as of the date of this annual report, is our only subsidiary. Greenstone beneficially owns approximately 37.43% of our outstanding share capital (excluding 1,040,000 dormant shares held by us). As of the date of this annual report, Leader is the holder of 51.5% of the equity interest of Greenstone and beneficially (indirectly through other of its subsidiaries) owns 2.7% of our outstanding share capital (excluding 1,040,000 dormant shares held by us).

D. Property, Plant and Equipment

We currently do not have any material fixed assets. EER, our subsidiary owns the Y'bllin Facility. EER is leasing the ground on which the Y'bllin Facility is located. The Y'bllin Facility is capable of treating up to 20 metric ton per day of solid waste. According to the terms of Y'bllin Facility's current business license, the plant is allowed to treat unsorted municipal solid waste. As of the date of this annual report, the plant does not produce any commercial products. For additional information, see "Item 3.D. Risk Factors – Risks relating to EER – EER's dependence on a single Y'bllin Facility magnifies the risk of an interruption in its business operations", in this annual report.

Item 5. Operating and Financial Review and Prospects

General

The following operating and financial review and prospects should be read in conjunction with "Item 3.A Selected Financial Data" and our consolidated financial statements and accompanying notes appearing elsewhere in this annual report. Our financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board or IFRS, which differ in certain respects from U.S. Generally Accepted Accounting Principles, or U.S. GAAP. Following our January 1, 2008 adoption of IFRS, we are no longer required to reconcile our financial statements prepared in accordance with IFRS to U.S. GAAP.

On August 31, 2011, we completed the EER Transaction following which EER has become our subsidiary. As of January 12, 2012, we completed the multi closings of the EER Transaction and purchased a 7,996,210 EER shares from Greenstone, our controlling shareholder at that date, and Accord and 8,048,958 EER shares from other EER shareholders and issued a total of 113,825,252 RVB shares and, as of the date of this annual report, we hold 78% of EER's share capital (72.6% on a fully-diluted basis) and 99.1% of EER's voting rights (as a result of the Voting Agreement as described below).

Since RVB had no business activity as of the date of the closing of the EER Transaction, and thus does not meet the definition of a Business under IFRS 3, and since the majority of the shareholders of RVB following the closing of the EER Transaction are former shareholders of EER, the EER Transaction does not meet the definition of a 'Business Combination' under IFRS 3. For accounting purposes, the EER Transaction together with the Additional SPA is treated as a capital transaction of EER. For more details regarding the accounting treatment of the EER transaction see "Critical Accounting Policies" below.

Critical Accounting Policies

The preparation of the consolidated financial statements, in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These are management's best estimates based on experience, various facts, external circumstances, reasonable assumption and historical data. Actual results could differ from those estimates.

Following is a discussion of the accounting policies that involve a high degree of judgment and the methods of their application. For a further description of RVB's material accounting policies, please read Note 2 to RVB's financial statements for the year ended December 31, 2011, starting on page F-1 of this annual report.

Accounting treatment of the EER Transaction:

The Company was the legal purchaser in the EER Transaction; however, as of the date of the EER Transaction, the Company had no business activity (was a "shell company"), and therefore it did not meet the definition of a 'Business' under IFRS 3. In addition, following the multi closings of the EER Transaction, the majority of the Company's shareholders are former shareholders of EER, and therefore, the EER Transaction did not meet the definition of a 'Business Combination' under IFRS 3. Consequently, for accounting purposes, the EER Transaction is treated as a capital transaction of EER.

Accordingly, the following accounting treatment has been applied:

- The assets and liabilities of EER, the legal subsidiary, are recognized and measured in the consolidated financial statements at their pre-transaction carrying amounts;
- The accumulated losses and other equity balances recognized in the consolidated financial statements reflect the accumulated loss and other equity balances of EER as of August 31, 2011. However, the equity structure appearing in the consolidated financial statements reflects the equity structure of the Company, including the equity instruments issued under the EER Transaction;
- Comparative numbers are based upon the consolidated financial statements of EER for the years ended December 31, 2010 and 2009.
- The balance of non-controlling interests in the consolidated statements represents mainly Mazal's equity rights in EER.
- The assets and the liabilities of the Company as of the date of the closing of the EER Transaction were added to all of the above (mainly cash and cash equivalents).

Property, Plant and Equipment

Property, plant and equipment (currently, only the Y'bllin Facility) represent a significant proportion of the asset base of the Company. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to RVB's financial position and performance.

The useful lives of these assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. The useful lives are based on historical experience as well as anticipation of future events, which may impact their life, such as changes in technology.

Intangible Assets

Intangible assets with finite useful lives (acquisition and development costs of know-how to implement new technology for the treatment of solid waste, bio-medical waste and low and intermediate radioactive waste) are carried at cost less accumulated amortization and accumulated impairment losses. The know-how is depreciated over a period of 12.5 years, based on the remaining useful life of the main patent registered thereto as of the date of commencement of depreciation.

Impairment of Long-Lived Assets

The Company periodically evaluates the net realizable value of long-lived assets, including other intangible assets and tangible fixed assets, relying on a number of factors, including business plans and projected future cash flows.

Assets that are subject to amortization are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

A. Results of Operations

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010.

The loss for 2011 amounted to US\$6.2 million, decreasing US\$1.4 million from the US\$7.6 million loss in 2010, mainly due to decrease of financial expenses.

Revenues

The revenues for 2011 amounted to US\$0.06 million derived from the study work produced by EER in connection with the Orgrez Project as described above.

Operating expenses and facility maintenance

Operating and facility maintenance expenses in 2011 amounted to US\$2.5 millions similar to US\$2.6 million in 2010. It should be noted that during these years the Y'bllin Facility have not been operated.

Marketing expenses

Marketing expenses in 2011 amounted to US\$1.2 million, similar to US\$1.3 million in 2010.

General and Administrative Expenses

General and administrative expenses in 2011 amounted to US\$1.8 million, similar to 2010.

Financing Expenses, Net

Financing expenses, net, in 2011 amounted to US\$0.8 million compared to financing expenses, net, of US\$1.9 million in 2010. The decrease in financing expenses during 2011 was mainly due to the conversion of all of EER shareholders debts and loans to EER shares at the closing date of the EER transaction.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

The loss for 2010 amounted to US\$7.6 million, increasing US\$0.3 million from the US\$7.3 million loss in 2009. The increase in the loss stemmed from an increase in EER's financing expenses net of a decrease in current expenses, as set forth below.

Operating expenses and facility maintenance

Operating and facility maintenance expenses in 2010 amounted to US\$2.6 million compared to US\$3.0 million in 2009. The decrease in expenses during 2010 was primarily due to the operation of the Y'bllin facility in 2009 and the departure of employees.

Marketing expenses

Marketing expenses in 2010 amounted to US\$1.3 million, similar to expenses in 2009.

General and Administrative Expenses

Administrative and general expenses in 2010 amounted to US\$1.8 million compared to US\$1.9 million in 2009. The decrease in expenses during 2010 primarily stemmed from wage cuts and the departure of employees.

Financing Expenses, Net

Financing expenses, net, in 2010 amounted to US\$1.9 million compared to financing expenses, net, of US\$1.2 million in 2009. The increase in financing expenses during 2010 was mainly due to additional bank loans taken in the third quarter of 2009.

Impact of Inflation and Devaluation on Results of Operations, Liabilities and Assets

The following table presents information about the rate of inflation in Israel, the rate of devaluation of the NIS against the dollar, and the rate of inflation in Israel adjusted for the devaluation:

Year ended December 31	Israeli inflation % rate	Devaluation of the NIS rate %	Israeli inflation adjusted for devaluation %
2007	3.4	(9.0)	12.4
2008	3.8	(1.1)	4.9
2009	3.9	(0.7)	4.6
2010	2.7	(6)	8.7
2011	2.2	7.7	(5.5)

Devaluation of the NIS in relation to the dollar has the effect of reducing the dollar amount of any of our expenses or liabilities payable in NIS, unless those expenses or payables are linked to the dollar or to another currency. This devaluation also has the effect of decreasing the dollar value of any asset that consists of NIS or receivables payable in NIS, unless the receivables are linked to the dollar or to another currency. Conversely, any increase in the value of the NIS in relation to the dollar has the effect of increasing the dollar value of any unlinked NIS assets and the dollar amounts of any unlinked NIS liabilities and expenses.

Because exchange rates between the NIS and the dollar fluctuate continuously, exchange rate fluctuations as recently experienced in Israel and, particularly larger periodic devaluations or revaluations, will have an impact on our profitability and period-to-period comparisons of our results. In 2010 and 2011, the devaluation of the dollar against the NIS exceeded the rate of inflation in Israel, and we experienced an increase in the dollar cost of our operations in Israel.

We currently conduct our business in Israel and a significant portion of our expenses are in NIS. We therefore expect to continue to be affected by changes in the prevailing NIS/U.S. dollar exchange rate in the future. Further as we are exploring business opportunities around the world, our investment in prospective businesses may be denominated in non U.S. dollar currencies, and due to the fluctuations in the exchange rates in recent years, we cannot anticipate the impact that the prevailing exchange rate will have on our future investments.

The effects of foreign currency re-measurements are reported in our consolidated financial statements in the statement of operations.

Effective Corporate Tax Rate

The Israeli corporate tax rate applicable to Israeli resident companies in 2011 is 24% (to be increased to 25% in 2012). Prior to the enactment of the Law for Changing the Tax Burden in Israel (the "Tax Change Law"), the corporate tax rates were scheduled to be reduced to 23% in 2012 and ultimately to 18% by 2016. This scheduled gradual reduction in corporate tax rates was abolished. Instead, the Tax Change Law provides that the corporate tax rate will be increased to 25% in 2012.

B. Liquidity and Capital Resources

Cash flows used in operating activities during 2011 amounted to US\$2.5 million. Cash flows during 2011 were mainly used to finance EER's current expenses.

There have been no cash flows that were used for or provided by investment activities during 2011.

Cash flows arising from financing activities during 2011 amounted to US\$8.0 million. Cash flows during the reporting period stemmed from proceeds from the EER transaction (actually the Company's cash balance as of the date of the completion of the EER transaction which, for accounting purposes, was treated as a capital transaction of EER, as mentioned above).

As of the date of this annual report, EER has no material revenues and has negative cash flows from operating activities, a working capital deficiency and continued current losses and therefore reliance on short-term credit and fund raise.

On June 29, 2011, we declared a cash dividend (the "**Dividend**"), in the amount of US\$0.0848 per ordinary share of RVB, which was to be paid to our shareholders as of record as of the close of business on August 30, 2011, contingent upon and subject to the closing of the EER Share Purchase Agreement. The Dividend was paid in September 2011.

C. Research and Development, Patents and Licenses

EER devotes significant time, efforts and financial resources to research and development activity which is conducted in collaboration with third parties. EER's research and development activity is conducted in Israel, at the Royal Institute of Technology of Sweden (under the KTH Agreement), and at SNC (under the SNC Agreement). Also, as of December 31, 2011, EER has had nine active families of patent applications and patents.

D. Trend Information

Not applicable.

E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements which have or are reasonably likely to have a material current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources of our Company.

F. Tabular Disclosure of Contractual Obligations

As of December 31, 2011, we had no contractual obligations of the type required to be disclosed in this section.

G. Safe Harbor

All information included in Item 5.E of this Item is deemed to be a “forward looking statement” as that term is defined in the statutory safe harbors, except for historical facts. The safe harbor provided in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 shall apply to all forward-looking information provided in Item 5.E and F of this Item.

ITEM 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table lists the name, age and position held by our executive officer and directors, as of April 1, 2012:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Ofar Sandelson	57	Chief Executive Officer
Yitzhak Apeloig	52	Director and Chairman of the Board of Directors
Yair Fudim	62	Director
Jonathan Regev ⁽¹⁾	47	External Director
Alicia Rotbard ⁽¹⁾	62	External Director
Gedaliah Shelef ⁽¹⁾	51	Independent Director
Ofar Naveh	40	Chief Financial Officer

(1) Member of the Company's audit committee

Ofar Sandelson is serving as Chief Executive Officer (CEO) of our Company and EER since January 2012. Mr. Sandelson has over 25 years of executive management experience, leading global high tech companies. From 2010 till 2011, Mr. Sandelson was the CEO of BrightView Systems Ltd., a thin film solar defect detection system. From 2008 through 2010, Mr. Sandelson was leading the private fund's Cleantech investments at Aurum Ventures focused on solar applications, water applications, and water treatment. Prior to joining Aurum, Mr. Sandelson was the CEO of CogniTens from 2005 to 2008, a global leader in comprehensive dimensional measurement solutions for companies such as Toyota, Honda, Mazda, General Motors and Ford. He successfully led CogniTens to a strategic acquisition by Hexagon (the leading global measurement technology group). From 2002 to 2005, while residing in the U.S., Mr. Sandelson was the President and CEO of two medical devices companies, Lifewatch Inc. and Instromedix (companies of Card Guard AG). Mr. Sandelson joined Card Guard after 14 years as a senior executive with Orbotech (NASDAQ: ORBK), a world leader of automated inspection systems for printed circuit boards and flat panels display. In his last position at Orbotech Mr. Sandelson was the executive VP and Co- President of the PCB Division. Mr. Sandelson studied Physics and Chemistry in Montreal Canada.

Yitzhak Apeloig is serving as a director of our Company and the chairman of our board of directors since March 2011. Mr. Apeloig serves as chairman of the board of directors of Leader Holdings & Investments Ltd, Greenstone Industries Ltd., E.E.R. Environmental Energy Resources (Israel) Ltd. and Polar Communications Ltd. Mr. Apeloig is serving as a chairman of the board of directors and CEO of Anigad Ltd. since 2005. From 2003 to 2005 Mr. Apeloig served as chairman of the board of directors of Telit Communications PLC and its main subsidiary Dai Telecom SPA, located in Italy. From 2001 to 2003 Mr. Apeloig served as CEO of Polar Infrastructures Ltd. From 1994 to 2001 Mr. Apeloig served as CFO and member of board of management of Polar Investments Ltd. From 1992 to 1994 Mr. Apeloig served as CFO and member of board of management of Magal Security Systems Ltd. Mr. Apeloig is, among others, a member of the board of directors of the following companies: A.H.N.A Investments and Developments Ltd., M.G.A.R Computerized Collection Center Ltd., Leader Hanpakot (1993) Ltd, Leader Croatia B.V, Pricicity Ltd., Dip Tech Ltd., Fomat Ltd, Technomatica Ltd., and Photo Me International PLC. Mr. Apeloig holds a B.A. in Accounting and Economics from the Tel Aviv University.

Yair Fudim is serving as a director of our Company since March 2011. Mr. Fudim has been serving as Chief Executive Officer of Leader Holdings & Investments Ltd. since April 1991 and as Chief Executive Officer of Greenstone Industries Ltd. since February 2010. Mr. Fudim has served as chairman of the board of directors of Leader Capital Markets Ltd., and has been a member of the board of directors of the following companies, among others: Leader Hanpakot (1993) Ltd., Leader Financial Analysis (1999) Ltd., Leader Trust Company Ltd., Leader & Co Investment House Ltd., Leader & Co Finance (2001) Ltd., Leader & Co Capital Ltd., Leader Financial Assets Management (2005) Ltd., Leader & Co Asset Management Ltd., Leader Resources Ltd., Leader Resources Trustees Ltd., Leader

Real Estate (2006) Ltd., Polar Communications Ltd., Koonras Technologies Ltd., E.E.R. Environmental Energy Resources (Israel) Ltd., Yariv Assets and Holdings (1980) Ltd., Zimmcor Alubin (1973) Ltd., RonRom Consulting Services Ltd. Mr. Fudim holds a B.A. in Economics and an MBA from the Hebrew University of Jerusalem.

Alicia Rotbard is serving as our external director since July 2008. In 1989 Ms. Rotbard founded DOORS Information Systems, Inc. and she served as its Chief Executive Officer until 2002. Since 1989 she has served as President and Chief Executive Officer of Quality Computers Ltd. and from 1980 to 1985, she served as Deputy General Manager of the Tel-Aviv Stock Exchange, managing its computer department and operations. Ms. Rotbard holds a B.Sc. in Mathematics and Physics from the Hebrew University of Jerusalem.

Jonathan Regev is serving as our external director since April 2010. Since 2007, Mr. Regev has been serving as Chief Executive Officer of Abnet Communications Ltd. From 2004 to 2006, Mr. Regev served as the Chief Financial Officer of Oblicore Inc. From 2000 to October 2004, Mr. Regev worked at Amdocs Management Limited in various positions including as Chief Operating Officer and Chief Financial Officer of Amdocs' CRM Division. From 1998 to 2000, Mr. Regev worked as the Director of Corporate Treasury, Budget Control and Chief Financial Officer Deputy of Nilit Ltd. From 1995 to 1997 he worked as the Controller and Director of Corporate Economics of the Strauss Group in Israel and from 1992 to 1995, Mr. Regev worked as Head of Industrial Control and Economic Department of the Manufacturing Division of Tadiran Electrical Appliances Ltd. Mr. Regev holds an M.A. in Economics from the Technion-Israel Institute of Technology and a Bs. in Physics from the Tel Aviv University.

Gedaliah Shelef is serving as a director of our Company since March 2011 and was classified by the Company as an independent director on January 2012. Mr. Shelef has served as executive director of Environmental System Ltd. since 1991. Mr. Shelef has served as a professor emeritus of the Technion-Israel Institute of Technology (the "Technion") since 2004. From 1968 to 1971 Mr. Shelef served as Chief Sanitary Engineer and Head of the Division of Environmental Health of the Ministry of Health, Israel. From 1990 to 1992 Mr. Shelef served as a member of the advisory committee of the U.S. Environmental Protection Agency. From 1981 to 2004 Mr. Shelef served as head of the Environmental Laboratory and Research Group at the Technion. From 1972 to 1992 Mr. Shelef served as a member of the board of director or the board of governors of the following companies and institutes, among others: National Building Research Institute (1988-1990) and Tahal Consulting Engineers Ltd. (1989-1993), Coastal and Marine Engineering Research Institute of the Technion and the Port Authority (1985-1990), Coastal and Marine Engineering Research Institute of the Technion and the Port Authority (1985-1990), Transportation Research Institute of the Technion and the Ministry of Transportation (1985-1990), Technion (1983-1985), International Association of Water Pollution Research (1976-1980), Israel Oceanographic and Limnological Research Company Ltd (1971-1976). Mr. Shelef holds a Ph.D. in Hydraulics and Sanitary Engineering from the University of California, Berkley.

Ofer Naveh is serving as Chief Finance Officer (CFO) of our Company since November 2011. Mr. Naveh serves as the Director of Finance of Greenstone Industries Ltd. and served as the Director of Finance of Polar Communications Ltd. till April 1, 2012. From 2005 to 2010, Mr. Naveh served as a controller of S.R Accord Technologies Ltd. From 2000 to 2005, Mr. Naveh served as an Audit Manager in KPMG Somekh Chaikin. Mr. Naveh is a member of the board of directors of the following companies: S.R Accord Ltd., Koonras Technologies Ltd. and Zimkor Alubin (1973) Ltd. Mr. Naveh holds a B.A. in Accounting and Economics from Tel Aviv University.

B. Compensation

No compensation was paid or is payable to persons who served as our executive officers for the year ended December 31, 2011.

Members of our board of directors, other than our external directors and independent director, do not receive cash compensation for their service on the board of directors or any committee of the board of directors. The total amount paid or payable to our external directors and independent director for the year ended December 31, 2011 was approximately US\$90 thousands.

In March, 2011, our audit committee and board of directors resolved that, as of the date of Ms. Rotbard election as an external director of the Company, the Company's external directors (Alicia Rotbard and Jonathan Regev) shall be paid the maximum amount allowed under the Companies Regulations (Rules regarding Compensation and Expense Reimbursement of External Directors), 2000 (the "**Regulations**"), currently, an annual fee of approximately NIS 60 thousands and a participation fee of approximately NIS 3 thousands per meeting.

On March 27, 2011, our audit committee and board of directors approved, in accordance with the Israeli Companies Regulations (Relieves for Transactions with Interested Parties), 2000, that Mr. Gedaliahu Shelef shall be entitled to compensation equal to the "Maximum Amount" under the Regulations.

On August 22, 2011, our shareholders approved (following the approval of our audit committee and board of directors), among others: (i) the grant to each of our directors, Gedaliah Shelef, Alicia Rotbard and Jonathan Regev, options to purchase 900,000 ordinary shares of the Company, with an exercise price of US\$0.2145 per (adjusted for future dividend). The options are granted under the 2011 Plan; and (ii) the grant to Yair Fudim, of options to purchase RVB shares representing, on a Fully Diluted Basis (as defined in the Management Agreement between RVB and Greenstone, dated July 14, 2011 (the "**Management Agreement**"), i.e. assuming exercise of the Put Option (as defined below) by Mazal Resources B.V. ("**Mazal**") and excluding: (i) options granted to directors, officers and employees of RVB or its affiliates or EER, after the execution of the Services Agreement between RVB, Mr. Moshe Stern and M. Stern Holding Ltd. ("**Stern Holding**"), a company under Mr. Stern's control, dated July 3, 2011 ("the "**Services Agreement**"); (ii) options granted to Greenstone pursuant to the Management Agreement; and (iii) options granted pursuant to the Services Agreement ("**Fully Diluted Basis**"), approximately 0.3% of RVB's issued and outstanding share capital as of the date of the grant, with an exercise price of US\$ 0.2145 per share (adjusted for future dividend). The options shall become vested and exercisable, in accordance with the Vesting Schedule (as defined below). Such options to purchase ordinary shares of the Company were granted on January 5, 2012, following the completion of the multi-closing EER Transaction.

For information regarding options to purchase our ordinary shares, issued to certain officers and members of our board of directors, see "Item 6.E. Directors, Senior Management and Employees - Share Ownership" below.

C. Board Practices

Our Articles of Association provide for a board of directors of not less than two and no more than nine members. Each director, with the exception of the external directors, is elected to serve until the next annual general meeting of shareholders, and so long as an annual general meeting is not convened, unless their office is vacated prior thereto in accordance with the provisions of our Articles of Association and the Companies Law.

The Companies Law provides that a person, who is, directly or indirectly subordinated to the chief executive officer of a public company, may not serve as the chairman of its board of directors. In addition, neither the chief executive officer nor his relative is eligible to serve as chairman of the board of directors (and vice versa), unless such nomination was approved by a majority of the company's shareholder for terms not exceeding three years each, and either: (i) such majority included at least two thirds of the voting shareholders (the votes of abstaining shareholders shall not be included in the number of the said total votes) which are not controlling shareholders and have no personal interest in the decision; or (ii) the aggregate number of shares voting against the proposal did not exceed 2% of company voting shareholders.

Our Articles of Association provide that any director may, by written notice, appoint another person to serve as an alternate director and may cancel such appointment. According to the Companies Law, a person may not serve as an alternate director for more than one director and a person who is already serving as a director, a person who is not qualified to be appointed as a director, or a person who is already serving as an alternate director for another director may not serve as an alternate director. To our knowledge, no director currently has appointed any other person as an alternate director.

External Directors

Under the Companies Law, companies incorporated under the laws of Israel whose shares have been offered to the public in or outside of Israel are required to appoint no less than two external directors. The Companies Law provides that a person may not be *appointed* as an external director if the person is a relative of a controlling shareholder or if the person or the person's relative, partner, employer or anyone to whom that person is subordinate to, whether directly or indirectly, or any entity under the person's control, has, as of the date of the person's appointment to serve as external director, or had, during the two years preceding that date, any affiliation with the company, any entity controlling the company, any relative of the company's controlling shareholder or any entity controlled by the company or by its controlling entity; and in the event that the company does not have a controlling shareholder or a shareholder holding 25% or more of the voting rights in the company - any affiliation to the chairman of the board of directors, to the general manager (chief executive officer), to a shareholder holding 5% or more of the company's shares or voting rights, or to the senior financial officer as of the date of the person's appointment.

The term “affiliation” under the Companies Law includes:

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an office holder, excluding service as a director in a private company prior to the first offering of its shares to the public if such director was appointed as a director of the private company in order to serve as an external director following the initial public offering.

Without derogating from the above, a person may not *serve* as an external director if the person or the person’s relative, partner, employer, someone to whom he is subordinated, directly or indirectly, or any entity under the person’s control has business or professional relationship with an entity which an affiliation with is prohibited as detailed above, even if such relationship are not ordinarily (excluding negligible relationship). In addition, a person who received compensation other than the compensation permitted by the Companies Law may not serve as an external director.

The term “relative” is defined as a spouse, sibling, parent, grandparent, descendant, spouse’s descendant, spouse’s sibling and spouse’s parent and the spouse of each of the foregoing.

The term “office holder” is defined as a general manager, chief business manager, deputy general manager, vice general manager, or any other person assuming the responsibilities of any of the foregoing positions, without regard to such person’s title, director or manager directly subordinate to the general manager.

No person can serve as an external director if the person’s position or other business creates, or may create, a conflict of interests with the person’s responsibilities as a director or may otherwise interfere with the person’s ability to serve as a director. If at the time an external director is appointed all current members of the board of directors, who are not controlling shareholders or their relatives, are of the same gender, then the external director to be appointed must be of the other gender. In addition, a person who is a director of a company may not be elected as an external director of another company if, at that time, a director of the other company is acting as an external director of the first company. A person cannot be appointed as an external director if he is an employee of the Israel Securities Authority or of the Israeli stock exchange.

A person shall be qualified to serve as an external director only if he or she possesses accounting and financial expertise or certain professional qualifications. At least one external director must possess accounting and financial expertise and the other external directors are to possess professional qualifications as defined by regulations to the Companies Law. Financial and accounting expertise require such external director to possess a high level of understanding in business matters, such that he or she can read and understand financial statements in depth and be able to raise issues with respect to the manner in which the financial data is presented therein. A company’s board of directors is to determine such candidate’s qualifications based on his or her education, experience and skills regarding financial and control matters in companies of similar size and in a similar industry and knowledge of preparation and approval of financial statements under the Companies Law and the Israeli Securities Laws, 1968.

The regulations promulgated under the Companies Law define an external director with requisite professional qualifications as a director who satisfies one of the following requirements: (1) the director holds an academic degree in either economics, business administration, accounting, law or public administration, (2) the director either holds an academic degree in any other field or has completed another form of higher education in the company’s primary field of business or in an area which is relevant to his or her office as an external director in the company, or (3) the director has at least five years of experience serving in any one of the following, or at least five years of cumulative experience serving in two or more of the following capacities: (a) a senior business management position in a company with a substantial scope of business, (b) a senior position in the company’s primary field of business or (c) a senior position in public administration.

According to the Companies Law, the board of directors of a public company must establish the minimum number of board members that are to have accounting and financial expertise while considering, inter alia, the nature of the company, its size, the scope and complexity of its operations and the number of directors.

Until the lapse of two years from termination of office, a company, its controlling shareholder or a corporation controlled by the controlling shareholder may not grant that former external director, nor his spouse or children, any benefits, either directly or indirectly,

including the prohibition to engage one of the persons above to serve as an office holder at the company or at a corporation controlled by the controlling shareholder, nor employ or receive services from that person, either directly or indirectly, including through a corporation controlled by that person. The abovementioned prohibition also applies for a relative who is not the former external director's spouse or children - until the lapse of one year period from the date that the external director has ceased to act as an external director.

External directors are to be elected by a majority vote at a shareholders' meeting, provided that either:

- The total number of votes for the appointment of the external directors, excluding abstentions, shall include the votes of at least a majority of the shares represented at the meeting in person or by proxy, which are not held by controlling shareholders of the company nor by shareholders who have a personal interest in the appointment (excluding a personal interest which did not result from the shareholder's relationship with the controlling shareholder); or
- The total number of votes against the appointment of the external directors, among the non-controlling shareholders of the company, shall not exceed 2% of the aggregate voting rights in the company.

An external director is entitled to compensation and reimbursement of expenses as provided in regulations promulgated under the Companies Law and is otherwise prohibited from receiving any compensation, directly or indirectly, in connection with services provided as an external director, except for certain exculpation, indemnification and insurance provided by the company, as specifically allowed by the Companies Law.

An independent director is defined as an external director or a director who meets the following conditions and who is appointed or classified as such according to the Companies Law: (i) the conditions for his or her appointment as an external director (as described above) are satisfied and the audit committee approves the director having satisfied such conditions; and (ii) he or she has not served as a director of the company for over nine consecutive years with any interruption of up to two years of his or her service not being deemed a disruption to the continuity of his or her service. An independent director is entitled to compensation and reimbursement of expenses similar to such entitlement of an external director, as stated above.

We compensate our two external directors and our independent director in accordance with regulations promulgated under the Companies Law.

The initial term of an external director is three years and may be extended, subject to certain circumstances and conditions, for two additional terms of three years. An external director may be removed by the same special majority of the shareholders required for his or her election, if he or she ceases to meet the statutory qualifications for appointment or if he or she violates his or her fiduciary duty to the company. An external director may also be removed by order of an Israeli court if the court finds that the external director is permanently unable to exercise his or her office, has ceased to meet the statutory qualifications for his or her appointment, has violated his or her fiduciary duty to the company, or has been convicted by a court outside Israel of certain offenses detailed in the Companies Law.

If the vacancy of an external directorship causes a company to have fewer than two external directors, the company's board of directors is required under the Companies Law to call a special general meeting of the company's shareholders as soon as possible to appoint such number of new external directors so that the company thereafter has two external directors.

Each committee of a company's board of directors, which exercises board powers, is required to include at least one external director and the audit committee must include all of the company's external directors and one of which should be its chairman.

At the Company's annual general meeting held on July 10, 2008, we appointed Ms. Alicia Rotbard to serve as external director and on August 22, 2011, our annual general meeting of shareholders re-appointed Ms. Rotbard to serve as external director. In April 2010, pursuant to the decision of an extraordinary meeting of shareholders, we appointed Jonathan Regev as an external director of the Company. On January 5, 2012, our board of directors, following the approval of our audit committee, approved the classification of Prof. Gedaliah Shelef as an independent director under the Companies Law.

Exculpation, Insurance and Indemnification of Directors and Officers

Under the Companies Law, an Israeli company may not exempt an office holder from liability with respect to a breach of his fiduciary duty, but may exempt in advance an office holder from his or her liability to the company, in whole or in part, with respect to a breach of his duty of care, provided, that the company is so permitted under its articles of association.

Office Holder Insurance

Our Articles of Association provide that, subject to the provisions of the law, we may enter into a contract for the insurance of the liability of any of our office holders with respect to:

- a breach of his or her duty of care to us or to another person;
- a breach of his or her fiduciary duty to us, provided that the office holder acted in good faith and had reasonable basis to believe that the act would not harm us; or
- a monetary obligation imposed on him or her in favor of another person.

Any other matter in respect of which it is permitted or will be permitted under applicable law to insure the liability of an Office Holder in the Company, including, without limitation, matters referenced in Section 56H(b)(1) of the Securities Law.

Indemnification of Office Holders

Our Articles of Association provide that we may indemnify an office holder against:

- a monetary obligation imposed on him or her or incurred by him or her in favor of another person pursuant to a judgment, including a judgment given in settlement or a court approved settlement or an arbitrator's award concerning an act performed in his or her capacity as an office holder;

- Reasonable legal fees, including attorney's fees, incurred by the office holder in consequence of an investigation or proceeding filed against him by an authority that is authorized to conduct such investigation or proceeding, provided that such investigation or proceeding (i) concludes without the filing of an indictment against the office holder or (ii) concluded with the imposition of a monetary payment on the office holder in lieu of criminal proceedings, but the criminal offense in question does not require the proof of criminal intent, all within the meaning of the Law or in connection with a financial sanction;

- reasonable litigation costs, including attorneys' fees, incurred by the office holder or charged to him or her by a court, in proceedings we institute against him or her or instituted on our behalf or by another person, or in a criminal charge from which he or she was acquitted, or a criminal charge in which he or she was convicted for a criminal offense that does not require proof of intent, in each case relating to an act performed in his or her capacity as an office holder; and

- Any other obligation or expense in respect of which it is permitted or will be permitted under the statutes to indemnify an office holder, including, without limitation, matters referenced in Section 56H(b)(1) of the Securities Law.

- In addition, our Articles of Association provide that we may give an advance undertaking to indemnify and may retroactively indemnify an office holder therein with respect to certain matters as detailed in the Articles of Association.

- Limitations on Insurance and Indemnification.

The Companies Law provides that a company may not indemnify an office holder nor enter into an insurance contract which would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his or her fiduciary duty unless the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the office holder of his or her duty of care if the breach was done intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- any act or omission done with the intent to derive an illegal personal benefit; or
- any fine levied against the office holder.

In addition, under the Companies Law, indemnification of, and procurement of insurance coverage for, our office holders must be approved by our audit committee and our board of directors and, in specified circumstances, by our shareholders.

We have obtained liability insurance for our directors and officers.

Audit Committee

Our audit committee is comprised of Jonathan Regev, Alicia Rotbard and Prof. Gedaliah Shelef. The audit committee is responsible, among other things, to assist the board of directors in fulfilling its responsibility for oversight of the quality and integrity of accounting, auditing and financial reporting practices of the Company. Under the Companies Law, the board of directors of a public company must establish an audit committee. The audit committee must consist of at least three directors and must include all of the company's external directors and the majority of its members must be "independent" (as defined below). The chairman of the audit committee must be an external director. The following individuals may not be members of the audit committee: (i) the chairman of the board of directors, (ii) any director employed by the company, its controlling shareholder or by an entity controlled by the controlling shareholder, (iii) a director who regularly provides services to the company, its controlling shareholder or any entity controlled by the controlling shareholder, (iv) any director whose main source of income comes from the company's controlling shareholder, or (v) the company's controlling shareholders or any of their relatives. The members of the audit committee are also required to meet the independence requirements established by the SEC in accordance with the requirements of the Sarbanes-Oxley Act. Whoever is disqualified from serving as member of the audit committee may not be present at the audit committee meetings, unless the chairman of the audit committee determined that such person is required to be present at the meeting or if such person applies to one of the exemptions under the Companies Law.

Our audit committee provides assistance to our board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting and internal control functions by pre-approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal control over financial reporting. The audit committee also oversees the audit efforts of our independent accountants and takes those actions as it deems necessary to satisfy itself that the accountants are independent of management. The audit committee is also responsible for evaluating the Company's internal audit program and the performance of the Company's internal auditor and the resources at his/her disposal and creating procedures relating to the employees' complaints regarding deficiencies in the administration of the Company. Under the Companies Law, the audit committee is required to identify deficiencies in the management of the company, including by consulting with the internal auditor or the independent accountants, and recommending remedial actions to the board of directors, and is responsible for reviewing and approving certain related party transactions, as described below. The audit committee may not approve such a related party transaction unless at the time of approval a quorum is presented at the meeting at which the approval was granted. The quorum for the audit committee is the majority of the members of the audit committee, provided that the majority of the independent directors are present and at least one of which is an external director.

The audit committee is also responsible for the determination of whether certain related party actions and transactions are "material" or "extraordinary" for purposes of the requisite approval procedures; assess the scope of work and compensation of the company's independent accountant; and to assess the company's internal audit system and the performance of its internal auditor.

Internal auditor

Under the Companies Law, the board of directors of a public company must appoint an internal auditor based on the recommendation of the audit committee. Our internal auditor is Mr. Yehuda Ezra, C.P.A (Isr) of Ezra Yehuda Management Services Ltd. The role of the internal auditor is, among other things, to examine whether a company's actions comply with applicable law and orderly business procedure. Under the Companies Law, the internal auditor may not be an interested party, an office holder or a relative of an interested party or of an office holder, nor may the internal auditor be the company's independent auditor or its representative.

An "interested party" is defined in the Companies Law as (i) a holder of 5% or more of the issued share capital or voting power in a company, (ii) any person or entity who has the right to designate one or more directors or to designate the general manager (chief executive officer) of the company, or (iii) any person who serves as a director or as the general manager (chief executive officer) of the company.

D. Employees

The following table sets forth for the last three fiscal years, the number of our employees engaged in the specified activities. Data reported for 2009 reflects the Company's employees as of November 19, 2009, the closing date of the Elbit Transaction:

Activity	Year ended December 31,		
	2011	2010	2009
Production & Research and Development	-	-	111
Marketing and Sales	-	-	4

Administration and Management	-	-	13
Total	<u>-</u>	<u>-</u>	<u>128</u>

EER, our only subsidiary, employs 14 employees in Israel.

In January 2012, the board of directors of our Company approved the appointment of Mr. Ofer Sandelson as the Company's Chief Executive Officer (CEO) as of January 8, 2012. Mr. Sandelson is the only employee of the Company as of the date of this annual report.

We are subject, like all Israeli employers, to labor laws and regulations in Israel. These laws principally concern matters like paid annual vacation, paid sick days and other conditions of employment. In addition, Israeli law generally requires severance pay, which may be funded by managers' insurance described below (or by other funds), upon the retirement or death of an employee or termination of employment, subject to the provisions of the law. Provisions for severance pay amount to approximately 8.33% of wages. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which is broadly parallel to the United States Social Security Administration. These amounts also include payments by the employee for national health insurance. The total payments to the National Insurance Institute are equal to approximately 16.25% of the wages (up to a specified amount), of which the employee contributes approximately 66% and the employer contributes approximately 34%. As above stated, currently we have no employees.

We and any Israeli employees we may employ in the future will be subject to certain provisions of the general collective bargaining agreements between the Histadrut, the General Federation of Labor in Israel, and the Coordination Bureau of Economic Organizations, including the Industrialists Association, by order of the Israel Ministry of Labor and Welfare.

We have engaged a third party outsourcing financial services firm to assist us with the preparation of our annual report, our financial statements and with maintaining certain internal control and adequate documentation for our internal controls over financial reporting under the supervision of our Chief Executive Office.

E. Share Ownership

As of April 1, 2012 none of our directors and executive officers beneficially own more than 1% of our outstanding equity securities.

Beneficial ownership of shares is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Ordinary shares that are subject to warrants or options that are presently exercisable or exercisable within 60 days of the date of April 1, 2012 are deemed to be outstanding and beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage of any other person.

Employee Share Option Plan

On June 29, 2011, our board of directors approved our 2011 share options plan (the "**2011 Plan**"). Under the 2011 Plan, we may grant to any of our and our affiliates' (i.e. present or future companies that either control or controlled by RVB) employees, officers and directors options to purchase our ordinary shares. The total number of the shares reserved for issuance under the 2011 Plan was set up to be 5% of the issued and outstanding share capital of RVB as of January 1 of each year. The options under the 2011 Plan shall become vested and exercisable, in accordance with the following vesting schedule: (i) 33% of the options shall vest on the first anniversary of the date of grant; and (ii) 8.375% of the options shall vest on the last business day of each subsequent fiscal quarter following the first anniversary of the date of grant, such that any option shall become fully vested and exercisable by the third anniversary of the date of grant (the "**Vesting Schedule**").

As of the date of this annual report, our Company granted to seven of its and its affiliates employees options to purchase 25,793,156 ordinary shares of the Company with an exercise price of US\$ 0.2145 per share (adjusted for future dividend), (including 10,000,000 options to the Company's CEO), according to the 2011 plan.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth certain information regarding the beneficial ownership of our Ordinary Shares as of April 1, 2012 by each person or entity known to own beneficially more than 5% of our outstanding ordinary shares based on information provided to us by the holders or disclosed in public filings with the Securities and Exchange Commission.

Name	Number of Ordinary Shares Beneficially Owned ⁽¹⁾	Percentage of Outstanding Ordinary Shares ⁽²⁾
Greenstone Industries Ltd. ⁽³⁾ 21 Ha'arba'ah St. Tel Aviv, 64739, Israel	86,731,038	37.43%
S.R Accord Ltd. Platinum House 21 Ha'arba'ah St. Tel Aviv, 64739, Israel	20,054,893	8.66%
EBN Korea Ltd. Seoul Center Building 91-1 Sogong-Dong Jung-Gu, Seoul M5 100-070	15,231,571	6.57%
Makoto Takahashi 3-1-2-511, Shinyokohama, Kohokuku, Yokohama, Japan	23,445,975 ⁽⁴⁾	10.12%
Mazal resources B.V. Rietlandpark, 125 DT Amsterdam P7 1019	52,425,000 ⁽⁵⁾	18.45%

(1) Shares beneficially owned include shares that may be acquired pursuant to options that are exercisable within 60 days of April 1, 2012.

(2) Based on 231,685,787 ordinary shares of RVB outstanding as of April 2, 2012 (not taking into account 1,040,000 dormant shares held by RVB).

(3) The information is based on Amendment no. 7 to Schedule 13D filed by Greenstone, on January 17, 2012. The total number of RVB shares beneficially owned by Greenstone (i.e. 86,731,038), consists of (i) 76,680,848 RVB shares held by Greenstone; (ii) 10,050,190 RVB shares issuable under an option granted to Greenstone. Greenstone has sole dispositive power solely with respect to items (i) and (ii) above. This number is excluding the 6,252,207 ordinary shares of RVB held by Polar Communications Ltd. which is controlled by Leader, Greenstone's controlling shareholder.

(4) The information is based on Schedule 13G filed by Mr. Makoto Takahashi, on January 23, 2012. Mr. Takahashi beneficially holds the ordinary shares of RVB through the following companies: (i) Capital Catalyzer Japan Ltd. which holds 4,045,183 ordinary shares of the RVB, (ii) EER Japan Inc. which holds 6,465,750 ordinary shares of RVB, and (iii) Alma Inc. which holds 12,935,042 ordinary shares of RVB. Mr. Takahashi is the owner of 50% of the outstanding shares of EER Japan Inc. and of 20% of the outstanding shares of Alma Inc., and is, therefore, considered a controlling shareholder of such companies. Catalyzer Japan Ltd is a wholly-owned subsidiary of Alma Inc.

(5) The information is based on Amendment no. 6 to Schedule 13D filed by Mazal Resources B.V., on December 13, 2011. Mazal has a put option to sell ordinary shares of EER to RVB in exchange for issuing 52,425,000 ordinary shares of RVB. As of the date of its report, Mazal didn't own any shares of R.V.B.

As of April 2, 2012, there were a total of 4 registered holders of our ordinary shares with addresses in the United States (other than CEDE & Co.). Such United States holders were, as of such date, the registered holders of 2,996,075 ordinary shares representing approximately 1.29% of our outstanding share capital. The number of registered holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held by a U.S. nominee company, CEDE & Co., which held approximately 11.01% of our outstanding ordinary shares as of said date.

B. Related Party Transactions

The EER Transaction

On August 22, 2011, our shareholders approved the EER Transaction (following an approval by our audit committee and board of directors), together with the Additional SPA. At that meeting, our shareholders also approved the grant to Mr. Yair Fudim, of options to purchase ordinary shares of the Company representing, on a Fully Diluted Basis, approximately 0.3% of the Company's issued and outstanding share capital as of the date of grant, with an exercise price of US\$0.2145 per share (adjusted for future dividend), which shall become vested and exercisable in accordance with the Vesting Schedule. These options were granted on January 5, 2012.

On January 12, 2012 (the "**Closing Date**"), we completed the multi-closing EER Transaction and purchased 7,996,210 EER shares from Greenstone, our controlling shareholder at that date, and Accord and 8,048,958 EER shares from other EER shareholders. Following such closings there is one shareholder who holds 200,000 shares of EER (constitutes approximately 1% of EER share capital) except the Company and Mazal (which is side to the Option Agreement with the Company).

Below is description of the EER Transaction, including a summary of the terms and conditions of the EER Share Purchase Agreement, the Option Agreement, the Voting Agreement (as defined below) and the Services Agreement, and the actions that took place at the Closing Date in connection therewith:

(i) At the Closing Date, pursuant to the EER Share Purchase Agreement, we acquired all of EER's shares held by Greenstone (6,274,760 ordinary shares of EER), for a total cash consideration of US\$15,686,900. In addition, we acquired all of EER's share capital held by Accord (1,721,450 ordinary shares of EER), in exchange for 20,054,893 RVB shares (each EER share was exchanged for 11.65 ordinary RVB shares);

(ii) The EER Share Purchase Agreement sets forth, among others, that prior to the Closing Date, we will cause Bank Leumi L'Israel Ltd., to release Greenstone, Accord and S.R. Accord Technologies Ltd., from all their obligations according to guarantees provided by them to the bank, with regard to the EER's debt of US\$714,000 (principal) as of July 3, 2011 (US\$408,000 (principal) as of the date of this annual report). As of the date of this annual report, the Company has signed a letter of guarantee instead of the guarantors;

(iii) In addition, pursuant to the EER Share Purchase Agreement, we were provided with the opportunity, until the lapse of 24 months following the Closing Date, to make an investment from time to time in EER's share capital in an aggregate amount of up to US\$8,000,000 by purchasing EER ordinary shares at a price of US\$2.5 per share. Since the closing date and until December 31, 2011 the Company has made an investment in a total amount of approximately US \$1.5 million. Subsequent to December 31, 2011, the Company has invested in EER's share capital an additional amount of approximately \$0.5 million;

(iv) Pursuant to the Option Agreement between the Company and Mazal, dated July 3, 2011 (the "**Option Agreement**"), we granted Mazal an option to sell to RVB or to whom RVB may direct, no later than December 31, 2016, Mazal's holdings in EER, in exchange of RVB shares at the same exchange ratio applied for the purchase of EER's shares pursuant to the Share Purchase Agreement (the "**Put Option**"), and Mazal granted us the option to buy all of Mazal's holdings in EER, upon the occurrence of certain reorganization events on or prior to December 31, 2016 (the "**Call Option**"). The terms and conditions of the Option Agreement shall apply, where applicable, to the 150,000 options to purchase EER shares, which the general meeting of shareholders of EER approved to grant to Mr. Stern, in June 2011;

(v) Pursuant to the Voting Agreement between Greenstone and Mazal, dated July 3, 2011 (the "**Voting Agreement**"), Greenstone and Mazal agreed to coordinate the voting of RVB shares held by such parties, including with respect to the appointment of directors to the board of directors of RVB. The Voting Agreement was terminated as of November 29, 2011 pursuant to a termination agreement between Greenstone and Mazal, dated November 29, 2011;

(vi) Pursuant to the Shareholders Agreement, Mazal undertook to vote its EER shares in the same manner as then voted on such matter by RVB and/or as instructed by RVB in its sole discretion. The Shareholders Agreement also contains certain provisions concerning rights of first refusal, pursuant to which, if Mazal proposes transfer in any way any of the Mazal EER shares, to one or more third parties except to a permitted transferee, then RVB shall have a right of first refusal with respect to such transfer;

(vii) Pursuant to the Management Agreement, Greenstone will provide RVB with management and accounting services, for a total consideration of NIS 25,000 per month plus VAT, and, in addition, options to purchase ordinary shares of the Company representing, on a Fully Diluted Basis, approximately 3.5% of the Company's issued and outstanding share capital as of the date of grant, with an exercise price of US\$0.2145 per share (adjusted for future dividend), which shall become vested and exercisable in accordance with the Vesting Schedule. The options described in this paragraph, which number was set upon the additional closing of the Additional SPA dated January 12, 2012 at 10,050,190 were granted on such closing date; and

(viii) Pursuant to the Services Agreement, Stern Holding will provide business development services to RVB, for a total monetary consideration of NIS 50,000 per month plus VAT, as well as certain expenses. In addition, according the Services Agreement, Stern Holding shall options to purchase ordinary shares of the Company representing, on a Fully Diluted Basis, approximately 3.5% of the Company's issued and outstanding share capital as of the date of grant, with an exercise price of US\$0.2145 per share (adjusted for future dividend), which shall become vested and exercisable in accordance with the Vesting Schedule. The Services Agreement was terminated as of November 1, 2011 pursuant to a termination agreement by and among the parties, dated November 29, 2011. Therefore the options described in this paragraph will not be granted.

Following the completion of the EER Transaction, EER has become our subsidiary.

For information regarding options to purchase our ordinary shares, issued to certain officers and members of our board of directors, see "Item 6.B. Directors, Senior Management and Employees - Compensation" above.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. Financial Information

A. Consolidated Statements and Other Financial Information

The Financial Statements required by this item are found at the end of this annual report, beginning on page F-1.

Legal Proceedings

HarTech Settlement Agreement

In May 2009, we initiated legal action in Tel Aviv District Court against HarTech Systems Limited ("**HarTech**"), HarTech Technologies Limited, Mr. Ofer Har, and three employees of the HarTech companies (the "**Defendants**") for infringement of our intellectual property rights relating to our simulation and live training software. Our action sought to enjoin the Defendants from further breach of our intellectual property rights. Our initial claim requested damages for infringement in the amount of approximately US\$2.5 million (NIS 10 million) as well as additional costs and injunctive relief.

In June 2009, we requested that the court require the Defendants to deposit the source code of the disputed intellectual property in escrow. The source code was deposited in escrow in exchange for a bank guarantee of approximately US\$13,000 (NIS 50,000).

In August 2009, HarTech filed a counterclaim seeking recovery for non-payment of fees due under a consulting agreement between the Company and HarTech in the amount of approximately US\$241,000 (NIS 907,000) as well as damages to the Defendant's reputation, stemming from our lawsuit, in the amount of approximately US\$660,000 (NIS 2,500,000).

In January 2011, we entered into a settlement agreement with HarTech and the Defendants whereby the parties settled all claims against one another, and pursuant to which, HarTech will pay us an aggregate amount of US\$180,000 in two equal installments, the first have been paid on June 1, 2011 and the second installment to be paid no later than June 1, 2012.

Significant Changes

There have been no material changes in our financial position since December 31, 2010 except as otherwise disclosed in this annual report.

Dividend Policy

We have no dividend policy. On June 29, 2011, we declared a Dividend, in the amount of US\$0.0848 per ordinary share of RVB, which was to be paid to our shareholders as of record as of the close of business on August 30, 2011, contingent upon and subject to the closing of the EER Share Purchase Agreement. The closing of the EER Transaction, on August 31, 2011, satisfied the condition precedent for the payment of the Dividend. The Dividend was paid in September 2011.

ITEM 9. The Offer and Listing

A. Offer and Listing Details

Our Ordinary Shares are quoted on the Over the Counter Bulletin Board under the symbol RVBHF.OB.

The following table sets forth, for the periods indicated, the range of high and low sales prices of our Ordinary Shares:

	High	Low
<u>Yearly highs and lows</u>		
<u>2007</u>		
Year ending December 31, 2007	US\$0.24	US\$0.14
<u>2008</u>		
Year ending December 31, 2008	US\$0.20	US\$0.11
<u>2009</u>		
Year ending December 31, 2009	US\$0.26	US\$0.05
<u>2010</u>		
Year ending December 31, 2010	US\$0.18	US\$0.05
<u>2011</u>		
Year ending December 31, 2011	US\$0.20	US\$0.04
<u>Quarterly highs and lows</u>		
<u>2010</u>		
First Quarter	US\$0.17	US\$0.08
Second Quarter	US\$0.18	US\$0.12
Third Quarter	US\$0.16	US\$0.09
Fourth Quarter	US\$0.15	US\$0.05
<u>2011</u>		
First Quarter	US\$0.18	US\$0.12
Second Quarter	US\$0.18	US\$0.15
Third Quarter	US\$0.20	US\$0.04
Fourth Quarter	US\$0.14	US\$0.06
<u>2012</u>		
First Quarter	US\$0.12	US\$0.02
<u>Monthly highs and lows</u>		
March 2012	US\$0.12	US\$0.10
February 2012	US\$0.11	US\$0.10
January 2012	US\$0.12	US\$0.02
December 2011	US\$0.12	US\$0.06
November 2011	US\$0.13	US\$0.10
October 2011	US\$0.14	US\$0.07

B. Plan of Distribution

Not applicable.

C. Markets

Our Ordinary Shares traded on the Nasdaq Capital Market until February, 2003 under the ticker symbol BVRSF. Our Ordinary Shares were then delisted from the Nasdaq Capital Market after we failed to comply with its required listing standards. Our Ordinary Shares traded on the Over-the-Counter Bulletin Board under the symbol "BVRSF.OB" from February, 2003 until March 2010. Following the Elbit Transaction and our name change to R.V.B. Holdings Ltd, we changed our ticker symbol and on March 2, 2010, our Ordinary Shares began trading on the Over-the-Counter Bulletin Board under the symbol "RVBHF.OB".

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Objects and Purposes

We are a public company registered under the Companies Law as R.V.B. Holdings Ltd (formerly B.V.R. Systems (1998) Ltd.), registration number 52-004362-1. We adopted new Articles of Association on August 22, 2011. Pursuant to Article 4.2 of our Articles of Association, our objective is any purpose stated in the Company's memorandum of association and to engage in any lawful activity.

Transactions Requiring Special Approval

The Companies Law requires that an office holder disclose to the company any personal interest that he or she may have, and all related material information known to him or her, in connection with any existing or proposed transaction by the company. The disclosure is required to be made promptly and in any event, no later than the board of directors meeting in which the transaction is first discussed. If the transaction is an extraordinary transaction, the office holder must also disclose any personal interest held by his or her relative.

An "office holder" is defined in the Companies Law as a general manager, chief business manager, deputy general manager, vice general manager, any person assuming the responsibilities of any of the foregoing positions without regard to such person's title and a director or any manager who is directly subject to the general manager.

The Companies Law imposes a duty of care and a fiduciary duty on all office holders of a company. The duty of care requires an office holder to act with the level of care which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes a duty to use reasonable means to obtain:

- information on the appropriateness of a given act or action to be approved or performed by the officer holder by virtue of his or her position; and
- all other important information pertaining to such an act or action.

The fiduciary duty requires an office holder to act in good faith for the interests of the company and includes a duty to:

- refrain from any conflict of interest between the performance of the office holder's duties in the company and his or her personal affairs;
- refrain from any activity that is competitive with the company;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or herself or for others; and
- disclose to the company any information or documents relating to a company's affairs which the office holder has received due to his or her position as an office holder.

Each person listed in the table under "Item 6 – Directors, Senior Management and Employees – A. Directors and Senior Management" is an office holder.

Under the Companies Law, a "personal interest" is defined as the personal interest of a person in an action or in a transaction of the company, including the personal interest of such person's relative or the interest of any other corporate body in which the person and/or such person's relative is a director or general manager, a 5% shareholder or holds 5% or more of the voting rights, or has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from the fact of holding shares in the company. A personal interest also includes a personal interest of a person who votes according to a proxy of another person, even

if the other person has no personal interest, and a personal interest of a person who gave a proxy to another person to vote on his behalf – all whether the discretion how to vote lies with the person voting or not.

Under the Companies Law, an extraordinary transaction is a transaction:

- not in the ordinary course of business;
- not on market terms; or
- likely to have a material impact on the company's profitability, assets or liabilities.

Under the Companies Law, once an office holder complies with the above disclosure requirement, the board of directors may approve the transaction, unless the company's articles of association provide otherwise. A transaction that is adverse to the company's interest may not be approved. If the transaction is (i) an extraordinary transaction with an office holder or a third party in which the office holder has a personal interest, or (ii) an engagement by the company with an office holder who is not a director regarding his or her service and terms of employment, including an undertaking to indemnify, exculpate or insure such office holder, then it must be approved by the audit committee, before the board approval. In the event that an amendment is made to an existing engagement with an office holder, such amendment does not require board approval to the extent that it is immaterial to the existing engagement. Transaction between a company and its directors regarding such directors' service and terms of employment, including with respect to exculpation, indemnification or insurance, including compensation for non-directorial duties in the company, require the approval of each of the audit committee, the board of directors and the shareholders, in that order.

Extraordinary transactions of a public company with its controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, and the terms of engagement of the company, directly or indirectly, with a controlling shareholder or a controlling shareholder's relative (including through a corporation controlled by a controlling shareholder), regarding the company's receipt of services from the controlling shareholder, and if such controlling shareholder is also an office holder or an employee of the company, regarding his or her terms of engagement and employment, require the approval of the audit committee, the board of directors and the shareholders of the company. The shareholders approval must satisfy either of the following criteria:

- the majority must include a majority of the total votes of shareholders who are present and voting at the meeting and who have no personal interest in the transaction (the votes of abstaining shareholders shall not be included in the number of the said total votes); or
- the total of opposition votes, among the shareholders who are present at the meeting and who have no personal interest in the transaction, shall not exceed 2% of the aggregate voting rights in the company.

In addition, any extraordinary transaction with a controlling shareholder or in which a controlling shareholder has a personal interest with a term of more than three years, requires the abovementioned approval every three years; unless, with respect to transactions not involving the receipt of services or compensation, the audit committee has determined that a longer term is reasonable under the circumstances.

A person who has a personal interest in a matter which is considered at a meeting of the board of directors or the audit committee may not be present at this meeting or vote on this matter. However, if the chairman of the board of directors or the chairman of the audit committee has determined that the presence of an office holder with a personal interest is required, such office holder may be present at the meeting. Notwithstanding the foregoing, a director who has a personal interest may be present at the meeting and vote on the matter if a majority of the directors or members of the audit committee have a personal interest in the approval of such transaction. If a majority of the directors has a personal interest in a transaction, such transaction requires approval of the shareholders of the Company.

Under the Companies Law, the disclosure requirements which apply to an office holder also apply to a controlling shareholder of a public company. A shareholder is presumed to have "control" of the company and thus to be a controlling shareholder of the company if the shareholder holds 50% or more of the "means of control" of the company. "Means of control" is defined as (1) the right to vote at a general meeting of a company or a corresponding body of another corporation; or (2) the right to appoint directors of the corporation or its general manager. For the purpose of approving transactions with controlling shareholders, the term also includes any shareholder that holds 25% or more of the voting rights in a public company if no other shareholder owns more than 50% of the voting rights in the company. For purposes of determining the holding percentage stated above, two or more shareholders who have a personal interest in a transaction that is brought for the company's approval are deemed as joint holders.

The Companies Law requires that every shareholder that participates, in person, by proxy or by voting instrument in a vote regarding a transaction with a controlling shareholder, must indicate in advance or in the ballot whether or not that shareholder has a personal interest in the vote in question. Failure to so indicate will result in the invalidation of that shareholder's vote.

For information concerning the direct and indirect personal interests of certain of our office holders and principal shareholders in certain transactions with us, see "Item 7.B. – Major Shareholders and Related Party Transactions – Related Party Transactions."

Directors' Compensation

Under the Companies Law, all arrangements as to compensation of office holders who are not directors require approval of the board of directors. Arrangements as to compensation of directors also require audit committee approval, prior to board approval, as well as shareholders approval.

Under regulations promulgated under the Companies Law regarding payment of compensation to external directors, compensation of external directors shall be comprised of annual compensation and a per meeting payment ranging as stated in the regulations. These amounts are adjusted twice a year in accordance with the Israeli consumer price index. With regard to a company which shares are traded in an exchange outside of Israel, and is subject to laws which impose upon the external directors duties which exceed the duties imposed upon them under Israeli law, the maximum amount payable to the external directors is NIS 115,400 per annum and NIS 3,470 per meeting. The approval of the shareholders of the Company is required for such compensation, unless it is between the maximum and fixed amounts set forth in these regulations. Alternatively, the compensation of external directors may be linked to the compensation of other directors subject to certain restrictions. Additionally, external directors may be entitled to an additional compensation in stock (including by way of granting options to purchase the Company's stock), provided that such compensation is granted within the framework of a stock incentive plan applicable to all other directors and further provided the amount of stock granted or purchasable shall not fall below the lowest amount granted to any other director and shall not exceed the average amount of stock granted to all other directors. These regulations allow an increased compensation to external directors who are considered "expert external directors" under these regulations.

Directors' Borrowing Powers

Our board of directors may from time to time, in its discretion, cause the Company to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Such borrowing powers may be exercised by a majority of the board of directors in accordance with our Articles of Association.

Rights attached to our Shares

Dividend Rights. Our Board of Directors may decide on a distribution, subject to the provisions set forth under the Companies Law and our Articles of Association. Under the Companies Law, dividends may be paid out of net earnings, as calculated under that law, for the two years preceding the distribution of the dividend and retained earnings, provided that there is no reasonable concern that the dividend will prevent the company from satisfying its existing and foreseeable obligations as they become due.

Voting Rights. Holders of Ordinary Shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders. These voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. The Ordinary Shares do not have cumulative voting rights in the election of directors. As a result, holders of Ordinary Shares that represent more than 50% of the voting power have the power to elect all the directors to the exclusion of the remaining shareholders.

Liquidation Rights. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of Ordinary Shares in proportion to their respective holdings. This liquidation right may be affected by the grant of preferential dividends or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Redemption Provisions. We may, subject to applicable law, issue redeemable preference shares and redeem the same.

Capital Calls. Under our memorandum of association and the Companies Law, the liability of our shareholders is limited to the par value of the shares held by them.

Preemptive, First Refusal and Co-Sale Rights. All outstanding Ordinary Shares are validly issued, fully paid and non-assessable and do not have preemptive rights, rights of first refusal or co-sale rights.

Transfer of Shares. Fully paid Ordinary Shares are issued in registered form and may be transferred pursuant to our Articles of Association, unless such transfer is restricted or prohibited by another instrument and subject to applicable securities laws.

Modification of Rights

Unless otherwise provided by our Articles of Association, rights attached to any class may be modified or abrogated by a resolution adopted in a general meeting approved by an ordinary majority of the voting power represented at the meeting in person or by proxy and voting thereon, subject to the sanction of a resolution passed by an ordinary majority of the shares of such class present and voting as a separate general meeting of the holders of such class.

Shareholders' Meetings and Resolutions

The quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person or by proxy, who hold or represent between them at least 25% of the outstanding voting shares, unless otherwise required by applicable rules. A meeting adjourned for lack of a quorum generally is adjourned to one day thereafter at the same time and place or any other day, time and place as the board may designate. At such reconvened meeting the required quorum consists of any number shareholders present in person or by proxy.

Under the Companies Law and our Articles of Association, all resolutions of our shareholders require a simple majority of the shares present, in person or by proxy, and voting on the matter.

Under the Companies Law, each and every shareholder has a duty to act in good faith in exercising his rights and fulfilling his obligations towards us and other shareholders, and to refrain from abusing its power in the company, such as in voting in the general meeting of shareholders on the following matters:

- any amendment to the articles of association;
- an increase of our authorized share capital;
- a merger; or
- approval of certain actions and transactions that require shareholder approval.

In addition, each and every shareholder has the general duty to refrain from depriving other shareholders of their rights.

The remedies generally available upon a breach of contract will also apply to a breach of the shareholder duties mentioned above, and in the event of discrimination against other shareholders, additional remedies are available to the injured shareholder.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under a company's articles of association, has the power to appoint or prevent the appointment of an office holder, or any other power with respect to a company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

Our annual general meetings are held once in every calendar year at such time (within a period of not more than fifteen months after the last preceding annual general meeting) and at such place as determined by our board. All general meetings other than annual general meetings are called special meetings. Our board may, whenever it thinks fit, convene a special meeting at such time and place as it determines, and shall be obligated to do so upon a requisition in writing in accordance with the Companies Law.

Limitation on Owning Securities

The ownership of our Ordinary Shares by nonresidents of Israel is not restricted in any way by our memorandum of association and Articles of Association or the laws of the State of Israel, except for citizens of countries, which are in a state of war with Israel, who may not be recognized as owners of our Ordinary Shares.

Acquisitions under Israeli Law

Merger

The Companies Law permits merger transactions if such merger was approved by each of the merging companies' board of directors and, unless certain requirements described under the Companies Law are met, a majority of each merging companies shareholders.

The board of directors of a merging company is required pursuant to the Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that as a result of a proposed merger, the surviving company will not be able to satisfy its obligations towards its creditors, taking into account the financial condition of the merging companies. If the board of directors has determined that such a concern exists, it may not approve a proposed merger. Following the approval of the board of directors of each

of the merging companies, the board of directors of the merging companies must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares voting at the shareholders meeting (excluding abstentions) that are held by parties other than the other party to the merger, any person who holds 25% or more of the means of control of the other party to the merger or any one on their behalf including their relatives or corporations controlled by any of them, vote against the merger. In addition, if the target entity has more than one class of shares, the merger must be approved by each class of shareholders.

If the transaction would have been approved but for the separate approval of each class of shares or the exclusion of the votes of certain shareholders as provided above, a court may still rule that the company has approved the merger upon the request of holders of at least 25% of the voting rights of a company. The court will not approve such merger unless the court holds that the merger is fair and reasonable, taking into account the appraisal of the merging companies' value and the consideration offered to the shareholders.

Under the Companies Law, each merging company must send a copy of the proposed merger plan to its secured creditors. Unsecured creditors are entitled to receive notice of the merger, as provided by the regulations promulgated under the Companies Law. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the target company. The court may also give instructions in order to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger was filed with the Israeli Registrar of Companies and 30 days from the date that shareholder approval of both merging companies was obtained.

Full tender offer

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's issued and outstanding share capital, is required by the Companies Law, to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company.

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the same class for the purchase of all of the issued and outstanding shares of the same class.

If the shareholders who do not respond to or accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class of shares, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will be accepted if the shareholders who do not accept it hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares.

If the shareholders who did not respond or accept the tender offer hold at least 5% of the issued and outstanding share capital of the company or of the applicable class of shares, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition the Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may determine in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

The description above regarding a full tender offer shall also apply, with necessary changes, when a full tender offer is accepted and the offeror has also offered to acquire all of the company's securities.

Special tender offer

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of at least 25% of the voting rights in the company. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company.

Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company.

These requirements do not apply if the acquisition (i) occurs in the context of a private offering, on the condition that the shareholders meeting approved the acquisition as a private offering whose purpose is to give the acquirer at least 25% of the voting rights in the company if there is no person who holds at least 25% of the voting rights in the company, or as a private offering whose purpose is to give the acquirer 45% of the voting rights in the company, if there is no person who holds 45% of the voting rights in the company; (ii) was from a shareholder holding at least 25% of the voting rights in the company and resulted in the acquirer becoming a holder of at least 25% of the voting rights in the company; or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company.

The special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the special tender offer is accepted by a majority of the votes of those offerees who gave notice of their position in respect of the offer; in counting the votes of offerees, the votes of a holder of control in the offeror, a person who has personal interest in acceptance of the special tender offer, a holder of at least 25% of the voting rights in the company, or any person acting on their or on the offeror's behalf, including their relatives or companies under their control, are not taken into account.

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention.

An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages resulting from his acts, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

If a special tender offer was accepted by a majority of the shareholders who announced their stand on such offer, then shareholders who did not respond to the special offer or had objected to the special tender offer may accept the offer within four days of the last day set for the acceptance of the offer.

In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it and any corporation controlled by them shall refrain from making a subsequent tender offer for the purchase of shares of the target company and may not execute a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

C. Material Contracts

Elbit Transaction

On July 19, 2009, we entered into an Asset Purchase Agreement with Elbit Systems Ltd., whereby Elbit acquired substantially all of our assets and business for a cash consideration of approximately US\$34 million and to assume substantially all of our business related liabilities. The purchase price of US\$34 million was based on the assumption that the purchased projects were balanced, or consistent with the presented stage of execution.

The shares of our Singapore based wholly-owned subsidiary, BVR S Pacific PTE were included in the assets bought by Elbit.

An amount of US\$1,500,000 was placed in escrow for a period of 120 days following the November 19, 2009 closing date of the Elbit Transaction (the "Closing Date"), at which time the parties would determine the actual adjustment amount, if any, of up to the US\$1.5 million held in escrow. In March 2010, the Company received a letter from Elbit which claimed that, according to the terms of the escrow agreement and the Asset Purchase Agreement, Elbit was entitled to a purchase price adjustment of nine hundred seventy thousand five hundred forty U.S. Dollars (US\$970,540) from the money held in escrow. We disputed Elbit's claim and on November 21, 2010, entered into an agreement with Elbit pursuant to which we paid Elbit US\$242,635 as full and final settlement of adjustment of the projects. The balance of the escrow amount was released to us.

The Asset Purchase Agreement included representations and warranties made by us for the benefit of Elbit, with respect to our structure and various aspects of our business. These representations and warranties generally survived for a period of eighteen (18) months from the November 19, 2009 closing date of the Elbit Transaction. As a guarantee for such representations and warranties we issued a pledge in favor of Elbit in an amount of US\$1,500,000, pursuant to a pledge agreement entered into between us and Elbit, executed as of the Closing Date. On November 21, 2010 we entered into an amendment to the Asset Purchase Agreement such that the survival period of the representations of the warranties was amended until November 21, 2010, and the pledge agreement was cancelled and the US\$1,500,000 pledge to the benefit of Elbit was released.

As at the Closing Date, there were certain assets that were unable to be transferred to Elbit (“**Non-Transferable Assets and Liabilities**”). Therefore we entered into an agreement with Elbit, regarding such Non-transferable Assets and Liabilities which stipulates that until such Non-transferable Assets and Liabilities are able to be transferred to Elbit, we shall provide Elbit with the benefit of each of the non-transferable assets and Elbit shall satisfy or perform any liability, back-to-back with our obligations. Both parties agreed that Elbit shall be responsible for the fulfillment of the undertaking under any contract with respect to non-transferable assets and shall provide the products and/or services, via the Company. As of the date hereof there is one agreement that is subject to this back-to-back agreement.

The foregoing description of the Asset Purchase Agreement is only a summary and does not purport to be complete and is qualified by reference to the full text of the Asset Purchase Agreement filed by us as Exhibit 4.1 of Item 19, of our annual report on form 20-F for the year ending 2009 incorporated by reference herein.

For a summary of our other material contracts, including the EER Transaction, see: “Item 7 – Major Shareholders and Related Party EER Transactions – B. Related Party EER Transactions.”

D. Exchange Controls

Under current Israeli regulations, we may pay dividends or other distributions in respect of our Ordinary Shares either in non-Israeli or Israeli currencies. If we make these payments in Israeli currency, they will be freely converted into non-Israeli currencies at the rate of exchange prevailing at the time of conversion. Because exchange rates between the NIS and the dollar continuously fluctuate, a U.S. shareholder will be subject to the risk of currency fluctuations between the date when we declare NIS-denominated dividends and the date we pay them in NIS. See “— Item 3. Key Information — D. Risk Factors.”

Non-residents of Israel may freely hold and trade our securities pursuant to the general permit issued under the Israeli Currency Control Law, 1978. Neither our memorandum of association, Articles of Association nor the laws of the State of Israel restrict the ownership of our Ordinary Shares by non-residents in any way, except with respect to citizens of countries which are in a state of war with Israel.

E. Taxation

HOLDERS OF OUR ORDINARY SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE UNITED STATES, ISRAELI OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ORDINARY SHARES, INCLUDING, IN PARTICULAR, THE EFFECT OF ANY FOREIGN, STATE OR LOCAL TAXES.

Israeli Tax Considerations and Government Programs

The following is a summary of the current tax structure applicable to companies in Israel, with special reference to its effect on us. The following also contains a discussion of certain Israeli and United States tax consequences to purchasers of our Ordinary Shares and certain Israeli Government programs benefiting us. To the extent that the discussion is based on new tax legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed in the discussion will be accepted by the tax authorities in question. The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

General Corporate Tax Structure

Israeli companies are generally subject to corporate tax at a rate of 24% in 2011. Prior to the enactment of the Law for Changing the Tax Burden in Israel (the "Tax Change Law"), the corporate tax rates were scheduled to be reduced to 23% in 2012 and ultimately to 18% by 2016. This scheduled gradual reduction in corporate tax rates was repealed. Instead, the Tax Change Law provides that the corporate tax rate will be increased to 25% in 2012.

Special Provisions Relating to Taxation under Inflationary Conditions

The Income Tax Law (Inflationary Adjustments), 1985, generally referred to as the "Inflationary Adjustments Law", was designed to deal with taxation issues caused by rapid inflation. Under the Inflationary Adjustments Law, taxable results of Israeli companies up to and including the year 2007 were measured on a real basis, taking into account the rate of change in the Israeli Consumer Price Index.

On February 26, 2008 the Income Tax Law (Inflationary Adjustments) (Amendment No. 20) (Restriction of Period of Application) – 2008 (the "Amendment") was approved by the Israeli Parliament. According to the Amendment, the Inflationary Adjustments Law will no longer be applicable subsequent to the 2007 tax year, subject to certain transitional provisions which their objectives are to prevent distortion of the taxation calculations.

Capital Gains Tax on Sales of Our Ordinary Shares

Capital gains tax is imposed on the disposal of capital assets by an Israeli resident and on the disposal of such assets by a non-Israel resident, if those assets are either: (i) located in Israel; (ii) shares or rights to shares in an Israeli resident company, or (iii) represent, directly or indirectly, rights to assets located in Israel. The Israeli Income Tax Ordinance, 1961 [new version] (the "**Ordinance**") distinguishes between "Real Capital Gain" and "Inflationary Surplus". The Real Capital Gain on the disposition of a capital asset is the amount of total capital gain in excess of Inflationary Surplus. Inflationary Surplus is generally computed on the basis of the increase in the Israeli Consumer Price Index between the date of purchase and the date of disposal of the capital asset.

Real Capital Gain generated by a company is generally subject to tax at the corporate tax rate (24% in 2011, increased to 25% in 2012). As of 2012, the Real Capital Gain accrued by individuals on the sale of our ordinary shares will be taxed at the rate of 25% due to the enactment of the Tax Change Law, which came into force in January 1, 2012 (up from 20% in 2011). However, if the individual shareholder is a "Controlling Shareholder" (i.e., a person who holds, directly or indirectly, alone or together with another, 10% or more of one of the Israeli resident company's "means of control" (including, among others, the right to company profits, voting rights, the right to the company's liquidation proceeds and the right to appoint a company director) at the time of sale or at any time during the preceding 12 month period)), such gain will be taxed at the rate of 30% (25% in 2011).

Individual and corporate shareholders dealing in securities in Israel are taxed at the tax rates applicable to business income - 25% for corporations in 2012 (up from 24% in 2011) and a marginal tax rate of up to 48% for individuals in 2012 (up from 45% in 2011).

Notwithstanding the foregoing, capital gains generated from the sale of our securities by a non-Israeli shareholder may be exempt under the Ordinance from Israeli taxes provided that all the following cumulative conditions are met: (i) the securities were purchased upon or after the registration of the securities on a stock exchange (this requirement generally does not apply to shares purchased on or after January 1, 2009); (ii) the seller of the securities does not have a permanent establishment in Israel to which the generated capital gain is attributable; and (iii) if the seller is a corporation, less than 25% of its means of control are held, directly and indirectly, by Israeli resident shareholders. In addition, the sale of the securities may be exempt from Israeli capital gain tax under the provisions of an applicable tax treaty. For example, the Convention between the Government of the United States of America and the Government of Israel with respect to Taxes on Income (the "Israel-U.S. Double Tax Treaty") exempts U.S. residents from Israeli capital gains tax in connection with such sale, provided that: (i) the U.S. resident owned, directly or indirectly, less than 10% of the Israeli resident company's voting power at any time within the 12-month period preceding such sale; (ii) the seller, if an individual, has been present in Israel for less than 183 days (in the aggregate) during the taxable year; and (iii) the capital gain from the sale was not generated through a permanent establishment of the U.S. resident in Israel.

Either the purchaser of the securities, the stockbrokers who effected the transaction or the financial institution holding the traded securities through which the payment to the seller is made is obligated, subject to the above-referenced exemptions, to withhold tax on the Real Capital Gains resulting from a sale of securities at the rate of 25% in 2012 in respect of a corporation and/or an individual (the withholding tax rate applicable to individuals had been 20% in 2011).

A detailed return, including a computation of the tax due, must be filed and an advance payment must be paid on January 31 and June 30 of each tax year for sales of securities traded on a stock exchange made in the 6 months period prior to each of the aforementioned filing dates. However, if all tax due was withheld at source according to applicable provisions of the Ordinance and the regulations promulgated thereunder, the return does not need to be filed and no advance payment is required. Capital gains are also reportable on an annual income tax return.

Taxation of Dividends

As of January 1, 2012, a distribution of dividends from income derived during any period for which the Israeli company is not entitled to reduced tax rates applicable to an Approved Enterprise/Benefited Enterprise/ Preferred Enterprise under the Law for the Encouragement of Capital Investments-1959, to an Israeli resident individual, will generally be subject to tax at a rate of 25%. However, a 30% tax rate will apply if the dividend recipient is a “Controlling Shareholder” (as defined above) at the time of distribution or at any time during the preceding 12 months period. If the recipient of the dividend is an Israeli resident corporation, such dividend will be exempt from tax in Israel provided that the income from which such dividend was distributed was derived or accrued within Israel.

The aforementioned rates may be reduced by an applicable double tax treaty. Thus, under the Israel – U.S. Double Tax Treaty the following rates will apply in respect of dividends distributed by an Israeli resident company to a U.S. resident: (i) if the U.S. resident is a corporation which holds during that portion of the taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10% of the outstanding shares of the voting stock of the Israeli resident paying corporation and not more than 25% of the gross income of the Israeli resident paying corporation for such prior taxable year (if any) consists of certain type of interest or dividends – the tax rate is 12.5%, (ii) if both the conditions mentioned in section (i) above are met and the dividend is paid from an Israeli resident company's income which was entitled to a reduced tax rate applicable to an Approved Enterprise/ Benefited Enterprise/Preferred Enterprise – the tax rate is 15%, and (iii) in all other cases, the tax rate is 25%. The aforementioned rates under the Israel U.S. Double Tax Treaty will not apply if the dividend income has been derived through a permanent establishment of the U.S. resident in Israel.

Our company is obligated to withhold tax, upon the distribution of a dividend attributed to an Approved Enterprise's/Privileged Enterprise's/Preferred Enterprise's income, from the amount distributed, at the following rates: (i) Israeli resident corporations – 15%, (ii) Israeli resident individuals – 15%, and (iii) non-Israeli residents – 15% (4% under the Ireland Track), subject to a reduced tax rate under the provisions of an applicable double tax treaty. If the dividend is distributed from an income not attributed to the Approved Enterprise/ Privileged Enterprise/Preferred Enterprise, the following withholding tax rates will apply: (a) for securities which are registered and held by a clearing corporation: (i) Israeli resident corporations – 0%, (ii) Israeli resident individuals – 25%/30% (the 30% tax rate shall apply if the dividend recipient is a “Controlling Shareholder” (as defined above) at the time of the distribution or at any time during the preceding 12 months period), and (iii) non-Israeli residents - 25%, subject to a reduced tax rate under the provisions of an applicable double tax treaty; (b) in all other cases: (i) Israeli resident corporations – 0%, (ii) Israeli resident individuals – 25%/30% (the 30% tax rate shall apply if the dividend recipient is a “Controlling Shareholder” (as defined above) at the time of the distribution or at any time during the preceding 12 months period), and (iii) non-Israeli residents - 25%/30% as referred to above with respect to Israeli resident individuals, subject to a reduced tax rate under the provisions of an applicable double tax treaty.

United States Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax consequences to a “U.S. Holder” (as defined below) of the acquisition, ownership, and disposition of our ordinary shares. This discussion assumes that you hold your ordinary shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code. This discussion does not purport to be a complete analysis of all of the potential United States federal income tax consequences that are relevant to a particular U.S. Holder's acquisition, ownership, or disposition of our ordinary shares in light of such holder's particular circumstances, nor does it address the United States federal income tax consequences to holders subject to special tax rules, including without limitation: banks and financial institutions; brokers; dealers in securities or currencies; traders in securities that elect to use a mark-to-market method of accounting for their securities holdings; tax-exempt entities; insurance companies; persons liable for alternative minimum tax; persons that actually or constructively own or have owned 10% or more of our voting shares; persons that hold ordinary shares as part of a straddle or a hedge, constructive sale, synthetic security, conversion, or other integrated transaction; partnerships and other pass-through entities (and persons holding their ordinary shares through a partnership or other pass-through entity); U.S. Holders whose functional currency is not the U.S. dollar; expatriates and former long-term residents of the United States; and persons that are not U.S. Holders. In addition, this discussion does not address the tax consequences arising under the tax laws of any state, local, or non-United States jurisdiction or under United States federal tax laws other than United States federal income tax laws.

If any entity that is classified as a partnership for United States federal income tax purposes holds ordinary shares, the tax treatment of a partner in such partnership will depend upon the status of the partner and the activities of the partnership. An entity that is classified as a partnership for United States federal income tax purposes and persons holding ordinary shares through such a partnership are urged to consult their own tax advisors regarding the United States federal income tax consequences of the acquisition, ownership, and disposition of our ordinary shares.

No legal opinion from U.S. legal counsel or ruling from the U.S. Internal Revenue Service, or IRS, has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of our ordinary shares. This discussion is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this discussion.

This discussion is based on the Code, the Treasury regulations thereunder, or the Treasury Regulations, administrative pronouncements and interpretations, and judicial decisions, all as currently in effect as of the date hereof. These authorities are subject to change, repeal, or revocation, possibly on a retroactive basis, which could result in United States federal income tax consequences that differ from those discussed below.

For purposes of this discussion, you are a “U.S. Holder” if you are a beneficial owner of ordinary shares and you are for United States federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation or other entity taxable as a corporation that is created or organized under the laws of the United States, any state thereof or any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) a trust if (a) a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust, or (b) that has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person.

Each prospective investor is urged to consult its own tax advisors regarding the tax consequences of the acquisition, ownership, and disposition of ordinary shares under United States federal, state, local, non-United States, and other tax laws.

Taxation of Distributions on Ordinary Shares

Subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any actual or deemed distribution by us (including any Israeli taxes withheld therefrom) with respect to your ordinary shares will be included in your gross income as a dividend to the extent such distribution is paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. A distribution in excess of our current and accumulated earnings and profits will first be treated as a tax-free return of capital to the extent of your adjusted tax basis in our ordinary shares. Thereafter, to the extent that such distribution exceeds your adjusted tax basis in our ordinary shares, the distribution will be treated as gain from the sale or exchange of such ordinary shares. We do not intend to determine our earnings and profits on the basis of United States federal income tax principles. Therefore, you should expect that a distribution will be treated as a dividend for United States federal income tax reporting purposes. Corporate U.S. Holders generally will not be allowed a deduction under Section 243 of the Code for dividends received on our ordinary shares and thus will be subject to tax at the rate applicable to their taxable income.

If you are a non-corporate U.S. Holder, including an individual, dividends you receive in taxable years beginning before January 1, 2013, will be subject to United States federal income tax at the rates applicable to capital gains, provided that (i) we are a “qualified foreign corporation” and (ii) holding period and other requirements are satisfied. A qualified foreign corporation includes a non-United States corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program and that the United States Treasury Department has determined to be satisfactory for purposes of the qualified dividend provisions of the Code. The United States Treasury Department has determined that the income tax treaty between Israel and the United States (the “**Treaty**”) is satisfactory for purposes of the qualified dividend provisions of the Code. In addition, a foreign corporation not otherwise treated as a qualified foreign corporation shall be so treated with regard to any dividend paid by such corporation if the stock with respect to which the dividend is paid is readily tradable on an established securities market in the United States. A qualified foreign corporation does not include a non-United States corporation that is a PFIC for the taxable year in which a dividend is paid or that was a PFIC for the preceding taxable year. Accordingly, dividends on our ordinary shares will be eligible for these lower rates of taxation, provided that: (i) we are not a PFIC for the taxable year the dividend is paid or for the preceding taxable year, (ii) we are eligible for the benefits of the Treaty or our ordinary shares are readily tradable on an established securities market in the United States, and (iii) you satisfy holding period and other requirements. You should consult your own tax advisors regarding the application of these rules.

Any tax withheld under Israeli law with respect to distributions on our ordinary shares at a rate not exceeding the rate provided in the Treaty is, subject to a number of complex limitations, permitted to be claimed as a foreign tax credit against your United States federal income tax liability or as a deduction for United States federal income tax purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends on our ordinary shares will be foreign source income and will constitute either “passive category income” or “general category income.” The rules relating to United States foreign tax credits are complex and the availability of a foreign tax credit depends on numerous factors. You should consult your own tax advisors concerning the application of the United States foreign tax credit rules with regard to your particular circumstances.

The gross amount of distributions paid in New Israeli Shekels will be included by each U.S. Holder in gross income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the distributions are paid, regardless of whether the payment is in fact converted into U.S. dollars on such date. If you convert such New Israeli Shekels into U.S. dollars on the date of the payment, you should not be required to recognize any foreign currency gain or loss with respect to the receipt of the New Israeli Shekel distributions. If instead you convert such New Israeli Shekels into U.S. dollars at a later date, any currency gain or loss realized from the conversion of the New Israeli Shekels will be treated as United States source ordinary income or loss.

Taxation of Dispositions of Ordinary Shares

Subject to the PFIC rules discussed below, upon a sale or other taxable disposition of ordinary shares, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount realized and your adjusted tax basis in our ordinary shares. Your adjusted tax basis in our ordinary shares will be the cost to you of such shares, as determined under United States federal income tax principles. For taxable years beginning before January 1, 2013, capital gain from the sale or other taxable disposition of ordinary shares held by a non-corporate U.S. Holder, including an individual, will be taxed at a maximum rate of 15% if such ordinary shares have been held for more than one year and certain requirements are met. Beginning in 2013, the maximum tax-rate applicable to long-term capital gains currently is scheduled to rise to 20%. If the U.S. Holder's holding period on the date of the taxable disposition is one year or less, such gain or loss will be a short-term capital gain or loss. Short-term capital gains generally are taxed at the same rates applicable to ordinary income. The deductibility of capital losses is subject to limitations. The gain or loss generally will be gain or loss from sources within the United States for United States foreign tax credit limitation purposes. You are urged to consult with your own tax advisor regarding the sourcing of gain or loss recognized on the sale of ordinary shares.

Passive Foreign Investment Company Consequences

Special United States federal income tax rules apply to United States persons that own shares of a PFIC. A non-United States corporation will be classified as a PFIC for United States federal income tax purposes for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries, either at least 75% of such corporation's gross income (including its pro rata share of the gross income of any company in which it is considered to own 25% or more of the shares by value) is "passive income," (the "Income Test") or on average at least 50% of the gross value of its assets during such tax year (including its pro rata share of the assets of any company in which it is considered to own 25% or more of the shares by value) is attributable to assets that produce, or are held for the production of, passive income. For this purpose, passive income includes, among other things, dividends, interest, certain rents and royalties, and gain from the disposition of property that produces such income. If we are classified as a PFIC for any taxable year in which a U.S. Holder has held our ordinary shares, we will continue to be classified as a PFIC with respect to such U.S. Holder for any subsequent taxable year in which such U.S. Holder continues to hold our ordinary shares, even if our income or assets would not cause us to be a PFIC in such subsequent taxable year, unless an exception applies.

If we are classified as a PFIC at any time that you hold our ordinary shares, you could be subject to additional taxes and a special interest charge in respect of gain recognized on the sale or other disposition of such ordinary shares and upon the receipt of "excess distributions" (as defined in the Code). In addition, no distribution that you receive from us would qualify for taxation at the preferential rate discussed in "—Taxation of Distributions on Ordinary Shares" above, if we were a PFIC for the taxable year of such distribution or for the preceding taxable year.

If we were a PFIC in any year, as a U.S. Holder, you would be required to file an annual return on United States IRS Form 8621 regarding your ordinary shares. You should consult with your own tax advisor regarding reporting requirements with regard to your ordinary shares.

To mitigate the adverse United States federal income tax consequences of the PFIC tax regime, you are permitted to make a "mark to market" election and thereby agree for the year of the election and each subsequent taxable year to recognize ordinary gain or loss (but only to the extent of prior ordinary gain) based on the increase or decrease in market value for such taxable year, provided that our ordinary shares are "marketable." We believe that our ordinary shares should qualify as marketable stock (although there can be no assurance that this will continue to be the case). If you make the mark-to-market election, your tax basis in our ordinary shares will be adjusted to reflect any such ordinary gain or loss recognized for the year of the election and each subsequent taxable year. You should consult your own tax advisor regarding the making of a mark-to-market election.

Under United States federal income tax law, a U.S. person that owns shares of a PFIC is permitted to make a “qualified electing fund” election (a “QEF” election) to be taxed currently on such person’s pro rata share of the PFIC’s ordinary earnings and net capital gain, whether or not such earnings or gain is distributed in the form of dividends or otherwise. However, in order for you to make a QEF election with respect to our ordinary shares, we would have to provide information regarding your pro rata share of our ordinary earnings and net capital gain. We currently do not intend to provide such information in the event we are classified as a PFIC.

Due to the complexity of the PFIC rules and the uncertainty of their application in many circumstances, you should consult your own tax advisors concerning the United States federal income tax consequences of holding our ordinary shares if we were a PFIC in any taxable year, with regard to your particular circumstances.

Information Reporting and Backup Withholding

Unless an exception applies, information reporting will apply with respect to:

- dividend payments or other taxable distributions made to you within the United States, and
- the payment of proceeds to you from the sale of ordinary shares effected at a United States office of a broker (and under certain circumstances at a non-United States office of a broker).

Additionally, backup withholding will apply to such payments if you are a U.S. Holder that is not an exempt recipient and you:

- fail to timely provide an accurate taxpayer identification number,
- are notified by the IRS that you have failed to report all interest and dividends required to be shown on your United States federal income tax returns, or
- in certain circumstances, fail to comply with other applicable requirements of the backup withholding rules.

A U.S. Holder that does not provide a correct taxpayer identification number could also be subject to penalties imposed by the IRS. If backup withholding applies to you, under current law 28% of the gross amount of any payments made to you with respect to our ordinary shares will be withheld and paid over to the IRS.

Backup withholding is not an additional tax. Rather, any amounts withheld from payments to you under the backup withholding rules will be allowed as a credit against your United States federal income tax liability and any excess refunded to you, provided the required information is timely furnished by you to the IRS and other requirements are met. You should consult your own tax advisor regarding the application of backup withholding with regard to your particular circumstances, the availability of an exemption from backup withholding, and the procedure for obtaining such an exemption, if available.

Recent Legislative Developments

U.S. federal income tax legislation enacted during 2010 requires certain U.S. Holders that are individuals, estates or trusts to pay up to an additional 3.8% tax on, among other things, interest, dividends and capital gains for taxable years beginning on or after January 1, 2013. In addition, U.S. federal income tax legislation enacted during 2010 generally requires a U.S. individual to report to the IRS certain interests owned by such individual in stock or securities issued by a non-U.S. person (such as our ordinary shares), if the aggregate value of all such interests exceeds \$50,000. This new reporting requirement applies for taxable years beginning after March 18, 2010. Failure to report information required under this legislation could result in substantial penalties. You are urged to consult your own tax advisor regarding the effect, if any, of this legislation on your ownership and disposition of our ordinary shares.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts.

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934 (Exchange Act), as amended, applicable to foreign private issuers and fulfill the obligation with respect to such requirements by filing reports with the Securities and Exchange Commission. You may read and copy any document we file with the Securities and Exchange Commission without charge at the Securities and Exchange Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material may be obtained by mail from the Public Reference Branch of the Securities and Exchange Commission at such address, at prescribed rates. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the Securities and Exchange Commission as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. A copy of each report submitted in accordance with applicable United States law is available for public review at our principal executive offices.

I. Subsidiary Information

Not applicable.

ITEM 11. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of changes in the value of a financial instrument caused by fluctuations in interest rates, equity prices and foreign currency exchange rates.

Interest Rate Risk

We are subject to market risk from exposure to changes in interest rates relating to borrowings under our loan agreements. The interest rate on these borrowings is based on LIBOR.

Assuming that interest rates would have increased (decreased) by 2% and other parameters remained constant, the effect would be that the Company's loss for the year ended on December 31, 2011 would have increased (decreased) by approximately \$10.

Equity Price Risk

As of December 31, 2011, we did not have any marketable securities that were recorded at fair value. Hence there was no exposure to equity price risk.

Foreign Currency Exchange Risk

We are exposed to financial market risk associated with changes in foreign currency exchange rates.

As of December 31, 2011, we had cash in New Israeli Shekels (NIS) or in funds linked thereto in the amount of US\$360 thousand (out of US\$ 6,751 thousands in cash and cash equivalents that we had in total). Market risk is estimated as the potential decrease in fair value resulting from a hypothetical 5% increase in the year-end dollar exchange rate. Assuming such increase in the dollar exchange rate, the fair value of our cash and cash equivalents would decrease by US\$17 thousand.

As of December 31, 2011, we had accounts receivable in New Israeli Shekels (NIS) or in funds linked thereto in the amount of US\$148 thousand. Market risk is estimated as the potential decrease in fair value resulting from a hypothetical 5% increase in the year-end dollar exchange rate. Assuming such increase in the dollar exchange rate, the fair value of our accounts receivable would decrease by US\$7 thousand.

As of December 31, 2011, we had accounts payable in New Israeli Shekels (NIS) or in funds linked thereto in the amount of US\$630 thousand. Market risk is estimated as the potential increase in fair value resulting from a hypothetical 5% decrease in the year-end dollar exchange rate. Assuming such a decrease in the Dollar exchange rate, the fair value of our accounts payable would increase by US\$30 thousand.

As of December 31, 2011, we had other payable in New Israeli Shekels (NIS) or in funds linked thereto in the amount of US\$569 thousand. Market risk is estimated as the potential increase in fair value resulting from a hypothetical 5% decrease in the year-end dollar exchange rate. Assuming such a decrease in the dollar exchange rate, the fair value of our accounts payable would increase by US\$27 thousand.

In addition, most of our expenses are denominated in NIS. Market risk is estimated as the potential increase in fair value resulting from a hypothetical 5% decrease in the year-end dollar exchange rate. Assuming such a decrease in the dollar exchange rate, the total of our expenses would increase by US\$90 thousand.

ITEM 12. Description of Securities Other Than Equity Securities

Not applicable.

PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies

None.

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

ITEM 15. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our chief executive officer and chief financial officer to allow timely decisions to be made regarding required disclosure. Our management, including our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) of the Exchange Act of 1934) as of December 31, 2011. Based on such review, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of December 31, 2011.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our chief executive officer and chief financial officer are responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Exchange Act Rules 13a-15(f) and 15d-15(f).

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS). Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Our management, including our chief executive officer and chief financial officer assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this annual report. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Their assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control over financial reporting.

In conducting the management's evaluation of the effectiveness of its internal control over financial reporting, the Company's management determined that the purchase, by the Company, of approximately 77% of the issued and outstanding share capital of EER, which its initial closing was completed on August 30, 2011, would be excluded from the 2011 internal control assessment, as permitted by the Securities and Exchange Commission. Accordingly, as of December 31, 2011 approximately 86% and 72% of the consolidated net and total assets, respectively, were excluded from management's evaluation of the effectiveness of internal control over financial reporting.

Based on that assessment, our management concluded that as of December 31, 2011 the Company's internal control over financial reporting was effective.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the Dodd-Frank Act, passed in 2010, which eliminated the requirements for non-accelerated filers.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting identified with the evaluation thereof that occurred during the period covered by this annual report that have materially affected, or are reasonable likely to materially affect our internal control over financial reporting.

ITEM 16. Reserved

ITEM 16A. Audit Committee Financial Expert

Our board of directors has determined that Alicia Rotbard is our audit committee financial expert and is independent as defined by the applicable SEC regulations.

ITEM 16B. Code of Ethics

Our company has adopted a code of ethics, which applies to all employees, officers and directors, including our chief executive officer and our principal accounting officer or controller or other persons performing similar functions. Copies of our code of ethics are available free of charge at our executive offices upon request.

ITEM 16C. Principal Accountant Fees and Services

Somekh Chaikin, a member firm of KPMG International ("**Somekh Chaikin**"), was the principal accountants for the Company until the Company's shareholders dismissed them from service on August 22, 2011, and Brightman Almagor Zohar & Co., a member firm of Deloitte Touche Tohmatsu Limited ("**Deloitte**"), was engaged as principal accountants. The decision to change accountants was recommended by the audit committee of the board of directors (see Amendment No. 1 to the Company's shell company report on Form 20-F filed with the Securities and Exchange Commission on March 19, 2012).

The following table presents fees for professional audit services rendered by Deloitte for the audit of the Company's consolidated annual financial statements for the years ended December 31, 2011, and for other services rendered.

	<u>2011</u> (In thousands)
Audit Fees (1)	\$40
Audit-Related Fees (2)	-
Tax Fees (3)	-

- (1) Audit fees consist of fees for professional services rendered for the audit of the Company's Consolidated Financial Statements and review of financial statements and services normally provided by the independent auditor in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees are fees principally for assurance and related services that are not reported under Audit Fees.
- (3) Tax fees consist of tax compliance fees for the preparation of original and amended tax returns, claims for refunds and tax advice.

The following table presents fees for professional audit services rendered by Somekh Chaikin for the audit of the Company's consolidated annual financial statements for the years ended December 31, 2010, and for other services rendered.

	<u>2010</u> (In thousands)
Audit Fees (1)	\$65
Audit-Related Fees (2)	-
Tax Fees (3)	-

- (1) Audit fees consist of fees for professional services rendered for the audit of the Company's Consolidated Financial Statements and review of financial statements and services normally provided by the independent auditor in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees are fees principally for assurance and related services that are not reported under Audit Fees.
- (3) Tax fees consist of tax compliance fees for the preparation of original and amended tax returns, claims for refunds and tax advice.

Pre-approval Policies and procedures

The audit committee approves all audits, audit-related services, tax services and other services provided by our independent auditors. Any services provided by our independent auditors that are not specially included within the scope of the audit must be pre-approved by our audit committee prior to any engagement.

ITEM 16D. Exemptions from the Listing and Standards of Audit Committees

Not applicable.

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Purchases of Equity Securities by the Issuer

On January 26, 2011, we repurchased 1,040,000 Ordinary Shares held by former employees, in consideration for the payment of \$0.23 per Ordinary Share, for a total consideration of approximately \$240 thousands, of which approximately \$187 thousands was invested by them in the company upon exercise of the options (exercise price per share of \$0.18).

Purchases of Equity Securities by an Affiliated Purchaser

No purchases of our equity securities were made in 2011 by an affiliated purchaser.

Item 16F. Change in Registrant's Certifying Accountant

See Amendment No. 1 to the Company's shell company report on Form 20-F filed with the Securities and Exchange Commission on March 19, 2012.

Item 16G. Corporate Governance

Not applicable.

PART III

ITEM 17. Financial Statements

Not applicable.

ITEM 18. Financial Statements

- (i) Financial Statements of RVB as of and for the year ended December 31, 2011 (filed herewith);

ITEM 19. Exhibits

The exhibits filed with or incorporated into this annual report are listed on the index of exhibits below.

<u>Exhibit No.</u>	<u>Description</u>
1.1	Memorandum of Association of Registrant (incorporated by reference to Exhibit 1.1 to the Registrant's shell company report on Form 20-F, filed on September 7, 2011);
1.2	Articles of Association (incorporated by reference to Exhibit 1.2 to the Registrant's shell company report on Form 20-F, filed on September 7, 2011);
4.1	Share Purchase Agreement among the Registrant, Greenstone Industries Ltd., S.R. Accord Ltd., Mazal Resources B.V. and E.E.R. Environmental Energy Resources (Israel) Ltd., dated July 3, 2011 (incorporated by reference to Appendix A of Exhibit 99.1 to the Registrant's Form 6-K, filed on July 20, 2011);
4.2	Form of additional Share Purchase Agreement between the Registrant and certain E.E.R. Environmental Energy Resources (Israel) Ltd. shareholders (incorporated by reference to Appendix B of Exhibit 99.1 to the Registrant's Form 6-K, filed on July 20, 2011);
4.3	Option Agreement between the Registrant and Mazal Resources B.V., dated July 3, 2011(incorporated by reference to Appendix C of Exhibit 99.1 to the Registrant's Form 6-K, filed on July 20, 2011);
4.4	Voting Agreement between Greenstone Industries Ltd. and Mazal Resources B.V., dated July 3, 2011 (incorporated by reference to Exhibit 99.3 to the Registrant's Form 6-K, filed on July 20, 2011);
4.5	Termination Agreement between Greenstone Industries Ltd. and Mazal Resources B.V., dated November 29, 2011 (filed herewith);
4.6	Translation of a Services Agreement between the Registrant, Mr. Moshe Stern and M. Stern Holding Ltd., dated July 3, 2011 (incorporated by reference to Exhibit 99.4 to the Registrant's Form 6-K, filed on July 20, 2011);
4.7	Translation of a Termination of Services Agreement between the Registrant, Mr. Moshe Stern and M. Stern Holding Ltd., dated November 29, 2011 (filed herewith);
4.8	Management Agreement between the Registrant and Greenstone, dated July 14, 2011(incorporated by reference to Exhibit 99.5 to the Registrant's Form 6-K, filed on July 20, 2011);
4.9	Shareholders' Agreement between the Registrant and Mazal, dated July 3, 2011(incorporated by reference to Exhibit 99.6 to the Registrant's Form 6-K, filed on July 20, 2011);
4.10	Asset Purchase Agreement between the Registrant and Elbit Systems Ltd. dated July 19, 2010(incorporated by reference to Exhibit 4.1 to the Registrant's annual report on Form 20-F, filed on June 29, 2010);
4.11	The Registrant's 2011 Share Option Plan (incorporated by reference to Exhibit 4.9 to the Registrant's shell company report on Form 20-F, filed on September 7, 2011);
4.12	Form of Indemnification Agreement (incorporated by reference to Appendix G of Exhibit 99.1 to the Registrant's Form 6-K, filed on July 20, 2011);
8.1	List of Subsidiaries (filed herewith);
12.1	Certification of Chief Executive officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith);
12.2	Certification required of Chief Financial officer by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith);
13.1	Certification of Chief Executive officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith);
13.2	Certification of Chief Financial officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith);

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

R.V.B. HOLDINGS LTD.

By: /s/ Ofer Sandelson

Ofer Sandelson
Chief Executive Officer

By: /s/ Ofer Naveh

Ofer Naveh
Chief Financial Officer

Date: April 30, 2012

R.V.B. HOLDINGS LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

R.V.B. HOLDINGS LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of directors and Shareholders of

R.V.B. HOLDINGS LTD.

We have audited the accompanying consolidated statements of financial position of **R.V.B. Holdings Ltd.** and its subsidiary (hereafter - "the group") as of December 31, 2011 and 2010 and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2011. These consolidated financial statements are the responsibility of the Group's management and Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2011 and 2010 and the results of its operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2011, in accordance with International Financial Reporting Standards (IFRS).

Brightman Almagor Zohar & Co.
Certified Public Accountants (Isr.)
A member firm of Deloitte Touche Tohmatsu Limited

Tel Aviv, March 21 2012

TEL AVIV - MAIN OFFICE	RAMAT GAN	JERUSALEM	HAIFA	BEER SHEVA	EILAT
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Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

R.V.B. HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As of December 31	
		2011	2010
		\$ in thousand	
Assets			
Current assets			
Cash and cash equivalents	5	6,751	57
Accounts receivable	6	238	248
Loan provided	8	-	218
Total current assets		6,989	523
Non-current assets			
Loan provided	8	-	274
Fixed assets, net	9	12,505	13,967
Intangible assets, net	10	3,521	3,931
Total non-current assets		16,026	18,172
Total assets		23,015	18,695
Liabilities and equity			
Current liabilities			
Loans from banks and others	12	603	4,529
Convertible shareholders' loans	12	-	4,339
Accounts payable and accruals	11	630	623
Total current liabilities		1,233	9,491
Non-current liabilities			
Loans from banks	12	102	-
Shareholders' loans	12	-	4,240
Options at fair value through profit and loss	7c(4)	158	210
Liability to the Office of the Chief Scientist	15b	411	442
Liability in respect of dismantling and vacating fixed assets	2h	133	76
Total non-current liabilities		804	4,968
Equity attributable to owners of the Company		17,076	4,236
Non-controlling interests		3,902	-
Total equity		20,978	4,236
Total liabilities and equity		23,015	18,695

Yitzhak Apeloig
Chairman of the Board

Ofer Sandelson
CEO

Ofer Naveh
CFO

Approval date of the financial statements: March 21, 2012.

The accompanying notes are an integral part of the consolidated financial statements.

R.V.B. HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the year ended December 31		
		2011	2010	2009
		\$ in thousand		
Revenues	15a(13)	63	-	-
Expenses				
Operating expenses and facility maintenance	18	2,526	2,590(*)	2,962(*)
Marketing expenses	19	1,200	1,256	1,251
Administrative and general expenses	20	1,759	1,793(*)	1,910(*)
Other expenses		-	98	-
Total expenses		<u>5,485</u>	<u>5,737</u>	<u>6,123</u>
Loss from ordinary activities		(5,422)	(5,737)	(6,123)
Financing income	21	54	17	29
Financing expenses	21	<u>(878)</u>	<u>(1,917)</u>	<u>(1,213)</u>
Total financing expenses, net		<u>(824)</u>	<u>(1,900)</u>	<u>(1,184)</u>
Loss for the year		<u>(6,246)</u>	<u>(7,637)</u>	<u>(7,307)</u>
Total comprehensive loss for the period		<u>(6,246)</u>	<u>(7,637)</u>	<u>(7,307)</u>
Loss and total comprehensive loss attributable to:				
Owners of the Company		(5,950)	(7,637)	(7,307)
Non-controlling interests		<u>(296)</u>	<u>-</u>	<u>-</u>
		<u>(6,246)</u>	<u>(7,637)</u>	<u>(7,307)</u>
Loss per share (in \$)				
Basic and diluted loss per share	17	<u>(0.029)</u>	<u>(0.041)</u>	<u>(0.041)</u>

(*) Reclassified.

The accompanying notes are an integral part of the consolidated financial statements.

R.V.B. HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2011

	<u>Share capital</u>	<u>Premium on shares</u>	<u>Receipts on account of options</u>	<u>Capital reserve from transactions with shareholders</u>	<u>Capital reserve in respect of share-based payments and equity component of convertible loans</u>	<u>Accumulated losses</u>	<u>Attributable to owners of the Company</u>	<u>Non-controlling interests</u>	<u>Total</u>
	\$ in thousand								
Balance as of January 1, 2011	4,906	34,078	173	161	6,063	(41,145)	4,236	-	4,236
Changes during 2011									
Share-based payment	-	-	-	-	1,220	-	1,220	-	1,220
Termination of employee options	-	2,852	-	-	(2,852)	-	-	-	-
Equity component of convertible loans	-	1,013	-	-	-	-	1,013	-	1,013
Conversion of shareholder's debts	1,445	15,128	-	(161)	(3,393)	-	13,019	-	13,019
Issuance of ordinary shares – EER Transaction	25,692	(20,862)	(173)	-	(1,038)	-	3,619	4,117	7,736
Change in non-controlling interests in respect of change in holding in a subsidiary	-	(81)	-	-	-	-	(81)	81	-
	<u>27,137</u>	<u>(1,950)</u>	<u>(173)</u>	<u>(161)</u>	<u>(6,063)</u>	<u>-</u>	<u>18,790</u>	<u>4,198</u>	<u>22,988</u>
Loss for the year	-	-	-	-	-	(5,950)	(5,950)	(296)	(6,246)
Total comprehensive	-	-	-	-	-	(5,950)	(5,950)	(296)	(6,246)

loss for the year									
Balance as of December 31, 2011	<u>32,043</u>	<u>32,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,095)</u>	<u>17,076</u>	<u>3,902</u>	<u>20,978</u>

The accompanying notes are an integral part of the consolidated financial statements.

R.V.B. HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended December 31, 2010

	<u>Share capital</u>	<u>Premium on shares</u>	<u>Receipts on account of options</u>	<u>Capital reserve from transactions with shareholders</u> <u>\$ in thousand</u>	<u>Capital reserve in respect of share-based payments and equity component of convertible loans</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance as of January 1, 2010	12	35,786	-	161	5,519	(33,508)	7,970
Changes during 2010							
Distribution of bonus shares	4,777	(4,777)	-	-	-	-	-
Issuance of shares	117	2,538	173	-	-	-	2,828
Share-based payment	-	-	-	-	518	-	518
Equity component of convertible loans	-	531	-	-	16	-	547
Share-based payment in respect of guarantees received from shareholders	-	-	-	-	10	-	10
	<u>4,894</u>	<u>(1,708)</u>	<u>173</u>	<u>-</u>	<u>544</u>	<u>-</u>	<u>3,903</u>
Loss for the year	-	-	-	-	-	(7,637)	(7,637)
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,637)</u>	<u>(7,637)</u>
Balance as of December 31, 2010	<u>4,906</u>	<u>34,078</u>	<u>173</u>	<u>161</u>	<u>6,063</u>	<u>(41,145)</u>	<u>4,236</u>

The accompanying notes are an integral part of the consolidated financial statements.

R.V.B. HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

For the year ended December 31, 2009

	<u>Share capital</u>	<u>Premium on shares</u>	<u>Capital reserve from transactions with shareholders</u>	<u>Capital reserve in respect of share-based payments and equity component of convertible loans</u>	<u>Accumulated losses</u>	<u>Total</u>
	\$ in thousand					
Balance as of January 1, 2009	12	35,786	161	2,891	(26,201)	12,649
Changes during 2009						
Share-based payment				927		927
Equity component of convertible loans	-	-	-	552	-	552
Share-based payment in respect of guarantees received from shareholders	-	-	-	1,149	-	1,149
	-	-	-	2,628	-	2,628
Loss for the year	-	-	-	-	(7,307)	(7,307)
Total comprehensive loss for the year	-	-	-	-	(7,307)	(7,307)
Balance as of December 31, 2009	12	35,786	161	5,519	(33,508)	7,970

The accompanying notes are an integral part of the consolidated financial statements.

R.V.B. HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended on December 31		
	2011	2010	2009
	\$ in thousand		
<u>Cash flows from operating activity</u>			
Loss for the year	(6,246)	(7,637)	(7,307)
Adjustments required to present cash flows from operating activity (Appendix A)	3,703	4,364	4,316
Net cash used in operating activity (*)	(2,543)	(3,273)	(2,991)
<u>Cash flows from investment activity</u>			
Receipt of insurance refunds	-	-	225
Investment in fixed assets	(2)	(2)	(254)
Net cash used in investment activity	(2)	(2)	(29)
<u>Cash flows from financing activity</u>			
EER Transaction (Note 7d(1))	7,977	-	-
Repayment of bank loans	(204)	-	-
Short-term credit, net	-	-	2,250
Issuance of shares	-	3,023	-
Proceeds from shareholders loans	1,466	-	500
Net cash provided by financing activity	9,239	3,023	2,750
Increase (decrease) in cash and cash equivalents	6,694	(252)	(270)
Balance of cash and cash equivalents at the start of the year	57	309	579
Balance of cash and cash equivalents at end of the year	6,751	57	309
(*) Including cash interest payments in the amount of	22	55	46
(*) Including cash interest receipts in the amount of	51	7	1

The accompanying notes are an integral part of the consolidated financial statements.

R.V.B. HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Appendix A – Adjustments required to present the cash flows from operating activity

	For the year ended on December 31		
	2011	2010	2009
	\$ in thousand		
Income and expenses not involving cash flows:			
Depreciation and amortization	1,874	1,906	1,944
Increase in liabilities in respect of employee benefits	-	15	-
Interest accrued on loans and others, net	706	1,153	684
Transformation of loan into grant	701	391	390
Loss arising on financial liabilities designated at fair value through profit or loss	(52)	15	-
Bonus in respect of options to shareholders in connection with the provision of a guarantee	432	704	457
Share-based payments	422	518	927
	<u>4,083</u>	<u>4,702</u>	<u>4,402</u>
Changes in asset and liability items:			
Increase in accounts receivable	(14)	(8)	(61)
Decrease in accounts payable and accruals	(366)	(330)	(25)
	<u>(380)</u>	<u>(338)</u>	<u>(86)</u>
	<u>3,703</u>	<u>4,364</u>	<u>4,316</u>

The accompanying notes are an integral part of the consolidated financial statements.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

- a. R.V.B. Holdings Ltd. (formerly B.V.R Systems (1998) Ltd.) (the "Company") is an Israeli company incorporated in Israel (the Company changed its name on January 12, 2010 subsequent to the Elbit Transaction – see below).

On November 19, 2009, after receipt of all required approvals, the Company sold substantially all of its assets and liabilities, including the brand name "B.V.R", to Elbit Systems Ltd. (NASDAQ: ESLT) ("Elbit"), for a total cash consideration of approximately \$34.27 million (the "Elbit Transaction").

Prior to the Elbit Transaction, the Company was engaged in developing, manufacturing and marketing advanced training and computer-based simulation systems for military applications.

- b. On March 24, 2010, Greenstone Industries Ltd. ("Greenstone") exercised its option to purchase from Aviv Tzidon and A.O. Tzidon (1999) Ltd., a company wholly owned by Aviv Tzidon (collectively: "Tzidon"), the control of the Company. Pursuant to an agreement entered into by and among Greenstone and Tzidon on December 12, 2010 and the option awarded to Greenstone to purchase up to 65% but not less than 50.14% of the Company's issued share capital as of that date, Tzidon sold to Greenstone: (i) 76,680,848 of the Company's ordinary shares, constituting 65% of the Company's issued and outstanding share capital as of that date (not taking into account 1,040,000 dormant shares); and (ii) 1,800,000 options exercisable into 1,800,000 ordinary shares of the Company which expired during November 2011.

- c. In July 2011, the Company entered into the following agreements, in connection with the purchase of E.E.R. Environmental Energy Resources (Israel) Ltd.'s ("EER") shares by the Company: (i) a share purchase agreement by and among the Company, Greenstone, S.R Accord Ltd. ("Accord"), Mazal Resources B.V. ("Mazal") and EER (the "EER Share Purchase Agreement"); (ii) an option agreement between the Company and Mazal (the "Option Agreement"); (iii) a voting agreement between Greenstone and Mazal (the "Voting Agreement"); (iv) a shareholders' agreement between the Company and Mazal (the "Shareholders Agreement"); (v) a services agreement between the Company, Mr. Moshe Stern (EER's former CEO; "Stern") and M. Stern Holding Ltd. ("Stern Holding"), a company under Stern's control (the "Services Agreement"); and (vi) a management agreement between the Company and Greenstone (the "Management Agreement") (collectively, the "EER Transaction").

On August 22, 2011, the Company's shareholders approved the EER Transaction (following an approval by the Company's audit committee and board of directors), together with an additional share purchase agreement, to be entered into between the Company and certain EER shareholders who would elect to join the EER Transaction and sell their holdings in EER to the Company, in exchange for original shares of the Company (the "Additional SPA"). On August 31, 2011, the EER Transaction was completed and the Company purchased a total of 7,996,210 EER shares from Greenstone and Accord (see note 7b(1)).

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL (continued):

c. (continued):

On October 11, 2011 an initial closing of the Additional SPA was completed with certain EER shareholders. At this closing, the Company issued a total of 38,066,489 ordinary shares of the Company in exchange for a total of 3,267,510 EER shares from these certain EER shareholders.

On January 12, 2012, an additional closing of the Additional SPA with other EER shareholders who elected to become parties to the Additional SPA was completed. At this additional closing the Company issued a total of 55,703,870 ordinary shares of the Company, in exchange for 4,781,448 EER shares of these certain EER shareholders.

As of the date of these Financial Statements RVB holds 78% of EER's share capital (72.6% on a fully-diluted basis) and 99% of EER's voting rights.

For additional information regarding the EER Transaction, see Note 7b.

d. Accounting treatment of the EER Transaction:

Although in the EER Transaction, mentioned in paragraph 1c above, the Company is the legal purchaser of the rights in EER, the Company had no business activity ("Shell Company") as of the date of the EER transaction and thus does not meet the definition of a Business under IFRS 3, and since the majority of the shareholders of the Company after the completion of transaction (including the completion of the Additional SPA) will be former shareholders of EER, this transaction does not meet the definition of a 'Business Combination' under IFRS 3. For accounting purposes the transaction is treated as a capital transaction of EER.

Accordingly, the following accounting treatment has been applied in respect of the transaction:

- The assets and liabilities of the legal subsidiary, EER, are recognized and measured in the consolidated financial statements at their pre-transaction carrying amounts;
- The accumulated losses and other equity balances recognized in the consolidated financial statements reflect the accumulated loss and other equity balances of EER as of August 31, 2011. However, the equity structure appearing in the consolidated financial statements reflects the equity structure of the Company, including the equity instruments issued under the transaction;
- Comparative numbers are based upon the consolidated financial statements of the legal subsidiary, EER for the years ended December 31, 2010 and 2009.
- The balance of non-controlling interests in the consolidated statements represents mainly Mazal's equity rights in EER.
- The assets and the liabilities of the Company as at the date of the closing of the transaction were added to all of the above (mainly cash and cash equivalents).

See also note 7d.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL (continued):

e. Description of EER and its operations:

EER was incorporated in Israel on May 21, 2000, as a private company limited by shares. EER owns know-how and rights in the field of solid waste treatment through the use of Plasma-Gasification-Melting (PGM) technology, an innovative approach to waste treatment, which can be implemented, among others, for the treatment of municipal waste, medical waste and low and intermediate level radioactive waste (the “PGM Technology” or the “Technology”).

In early 2007, EER completed the construction of a Facility in Yblin, Israel (containing systems similar to those found in a commercial facility) to make use of the Technology for the treatment of municipal waste (the "Yblin Facility"). The Yblin Facility, according to its permit, can be operate only few times a year. At the start of 2008, the Company began depreciating the facility after a successful first year of trial running.

Over the years 2007-2009, several demonstrations were held using the Yblin Facility.

See also note 7 below.

f. Definitions:

The Company	- R.V.B. Holdings Ltd.
The Group	- The Company and its Subsidiaries (as defined below)
Subsidiaries	- Companies in which the Company holds 50% or more of its voting rights or have the right to appoint half or more of the members of the Board of Directors, and the financial statements of which are consolidated with those of the Company.
Related parties	- As defined in IAS 24.
CPI	- The Consumer Price Index, as published by the Central Bureau of Statistics.
Dollar	- A United States dollar

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations published by the International Accounting Standards Board (“IASB”).

b. Presentation of the statement of financial position

The Company’s assets and liabilities in the statement of financial position are classified according to current and non-current items. The Company’s operating cycle period is 12 months.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

c. Basis for the preparation of the financial statements:

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

d. Analysis of the expenses recognized in profit and loss

The Company's expenses in the statement of comprehensive income are presented based on the function of expenses within the entity.

e. Foreign currency:

(1) Functional currency and operating currency:

The currency of the main economic environment in which the Group operates is the US dollar (hereinafter – "the functional currency").

(2) Translation of transactions that are not in the functional currency

In the preparation of the financial statements, transactions carried out in currencies other than the Company's functional currency (hereinafter – "foreign currency") are recorded at the exchange rates in effect on the dates of the transaction. At each reporting period, monetary items stated in foreign currency are translated according to the exchange rates in effect at that date; non-monetary items that are measured in terms of historical cost are translated according to the exchange rates in effect at the time of the transaction in connection with the non-monetary item.

(3) The method of recording exchange rate differences

Exchange rate differences (primarily in respect of monetary balances that are not in the functional currency) are recognized in the income statement in the period in which they occurred.

f. Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, which include short-term bank deposits (up to three months from date of deposit) that are not restricted as to withdrawal or use and the period to maturity of which did not exceed three months at time of investment.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Consolidated financial statements

(1) General

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(2) Non-controlling interest

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(3) Regarding the accounting treatment of the EER transaction see note 1d above.

h. Fixed assets:

A fixed asset is a tangible item, which is held for use in manufacture or the supply of goods or services, or rent for others, which is forecasted to be used for more than one period. The Company presents its fixed asset items according to the cost model.

Under the cost model, fixed asset items are presented in the balance sheet at cost (net of received investment grants), net of accumulated depreciation and less accumulated impairment losses. The cost includes the cost of acquisition of the asset as well as costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Any component of a fixed-asset item having a cost that is significant in relation to the total cost of the asset shall be depreciated separately. The depreciation is carried out systematically over the estimated useful life of the asset by the straight line method from the time at which the asset is ready for its intended use. In the opinion of the Company's management, no significant residual value is expected at the end of the useful life.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

h. Fixed assets (continued):

The annual rates of depreciation are as follows:

	<u>Useful life</u>	<u>Depreciation rates</u>
		<u>%</u>
Buildings	12.5	8
Construction and miscellaneous	12.5	8
Plasma, compressors and bellows	12.5	8
Machinery and equipment	12.5	8
Pipelines	12.5	8
Crane and reactor	12.5	8
Faucets and electricity	10	10
Steam boilers	5	20
Furniture and office equipment	3-17, mainly 3	6-33 (mainly 33%)

The depreciation method and the useful life of an asset are reviewed by the Company's management at the end of each financial year. Changes are treated as changes in estimates and accounted for prospectively.

Profit or loss created as a result of the sale or retirement of an asset is determined according to the difference between the proceeds from the sale of this asset and its book value, and carried to the statement of income.

The cost of replacing a part of a fixed asset item is recognized as an increase in the book value of that item when incurred, if it is expected that the future financial benefit embodied in the items will flow to the Group and that its cost can be measured reliably. Routine maintenance costs are expensed when incurred.

Liability in respect of costs for dismantling and removing an item and restoring the site on which the asset is located:

The cost of a fixed-asset item includes, among others, costs to dismantle and remove the item and to restore the site on which the asset is located, for which the Company incurred an obligation, when the item was purchased or as a result of the use of this item during a certain period, that is not for the purpose of manufacturing inventory during that period.

- Changes in said liability regarding the end of the period of depreciation of the item will be deducted from or added to the asset during the period in which they occurred.
- Changes in said liability deriving from the passage of time are recognized in the statement of income as a financing cost as incurred.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Intangible assets except for goodwill:

Intangible assets are identifiable non-monetary assets that lack a physical entity.

The Company has intangible assets with a definite life.

Intangible assets with a definite useful life are amortized on the straight line basis over its estimated useful life subject to impairment tests. The change in the useful life assessment of an intangible asset with a finite life is accounted for prospectively.

The useful life during which intangible assets with a finite useful life (know-how) are amortized is 12.5 years, based, among others, on the period of the registered patent on said know-how.

The Company's intangible costs are recognized and measured in accordance with the way they were created, as follows:

An intangible asset that has been created internally, as a result of the Company's development activities (or the development stage of an internal project) in respect of know-how for the treatment of waste is recognized, net of investments and participation grants, when all the conditions below have been met:

- (1) There is a technical feasibility that the asset will be completed, thus making it available for use or sale;
- (2) The company intends to complete the asset and use it or sell it;
- (3) The company is capable of completing the asset and using or selling it;
- (4) The asset is expected to generate future economic benefits;
- (5) The company has available technical, financial and other resources for completing the development of the asset and for using or selling the asset; and
- (6) The development costs that are attributed to the asset can be reliably measured.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Intangible assets that were created internally are amortized using the straight line method over their useful life, and are presented at cost, less amortization and any accumulated impairment losses.

Concerning the grants received from the Chief Scientist and royalties paid in respect thereof, see note 2n.

j. Impairment of intangible assets except for goodwill :

The company reviews - at each balance sheet date - whether any events have occurred or changes in circumstances have taken place, which might indicate that there has been an impairment of fixed assets and intangible assets. When such indicators of impairment are present, the company estimates the recoverable amount of the assets in order to measure the amount of impairment loss that was created, if any. When it is not possible to assess the recoverable amount of a single asset, the group estimates the recoverable value of the cash-generating unit to which that asset belongs. Joint assets are also allocated to single cash-generating units if a reasonable and consistent basis for such allocation can be identified.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Impairment of intangible assets except for goodwill (continued):

If the joint assets cannot be allocated to single cash-generating units on the said basis, the joint assets are allocated to the smallest groups of cash-generating units in respect of which a reasonable and consistent basis for allocation can be identified.

The recoverable amount is measured in relation to the Company's value, which is derived from investments in the Company's capital.

If an impairment loss recognized in previous periods is reversed, the carrying value of the asset (or the cash-generating unit) is increased back to the estimated recoverable amount but not higher than the carrying value of the asset (or the cash-generating unit) that would have existed if an impairment loss would not have been recognized in respect thereof in previous periods. The reversal of an impairment loss is immediately recognized in the statement of income.

k. Financial assets:

(1) General

Financial assets are recognized in the balance sheet when the Company becomes a party to the contractual terms of the instrument. Where the purchase or sale of an investment is effected under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, the investment is recognized and derecognized on a trade (the date on which the Company undertook to buy or sell an asset).

Investments in financial instruments are initially measured at fair value plus transaction costs, except for those financial assets classified at fair value through profit or loss, where the transaction costs are carried to the income statement.

The Company's financial assets are loans and receivables. The classification is dependent on the nature and purpose of holding the financial asset and is determined at the initial date of recognition of the financial asset.

As for the publication of IFRS 9 "Financial Instruments", see note 3b.

(2) Loans and receivables

Deposits, loans and other receivables with fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. The value of these financial assets is not materially different than their fair value.

(3) Impairment of financial assets:

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely impacted.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Financial assets (continued):

(3) Impairment of financial assets (continued):

Indicators of impairment may include:

- (1) Significant financial difficulties by the issuer or the debtor;
- (2) Failure to meet the current payments of the principal or interest;
- (3) Expectation that the debtor will face bankruptcy or reorganization of his debts.

If in a subsequent period the amount of the impairment loss decreases, and the decrease can be related objectively to an event which occurred after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss up to the extent of the initial impairment.

Such reversal of the impairment loss is limited in amount, such that the book value of the investment in the asset on the date on which the impairment loss was reversed shall not exceed the amount of the depreciated cost of the asset that would have existed on that date had the impairment not been previously recognized.

The carrying value of all financial assets is amortized in respect of impairment losses.

l. Financial liabilities and equity instruments issued by the Company:

(1) Classification as a financial liability or an equity instrument

Non-derivative financial instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of direct issuing costs.

Financial liabilities of the Company are measured in accordance with their classification as other financial liabilities, at amortized cost (not at fair value through profit and loss).

(2) Loans convertible into shares of the Company

Loans convertible into shares of the Company, the principal and/or interest payments in respect thereof which are not linked to a currency other than the functional currency, or the Consumer Price Index, constitute a compound financial instrument. On the date of receipt of the loans with a conversion option, the convertible loan components are separated, while the liability component is presented under long-term liabilities and the equity component is presented under shareholders' equity. The fair value of the liability component is determined based on the acceptable interest rate in a market of financial instruments with similar characteristics, which do not include a conversion option. The remaining proceeds in respect of the convertible loans are attributed to the conversion option inherent therein and are presented in the shareholders' equity under "equity component of convertible loans". This component is recognized and included in the equity and is not re-measured during subsequent periods. The issuing costs are allocated relative to the components of the compound financial instrument in accordance with the allocation of the proceeds.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial liabilities and equity instruments issued by the Company (continued):

(3) Options to purchase Company shares

a. Proceeds from the issuance of options to purchase Company shares, which confer upon their holder the right to acquire a fixed number of ordinary shares in return for a fixed amount of cash, are presented in shareholders' equity under "Receipts on account of options".

b. Proceeds from the issuance of options to purchase Company shares, which confer upon their holder the right to acquire a fixed number of ordinary shares in return for a variable amount of cash, are presented under current liabilities, and are classified as liabilities at fair value through profit and loss. In this respect, an exercise amount linked to the Consumer Price Index or to foreign currency is considered a variable amount. Regarding the accounting treatment of financial liabilities at fair value through profit and loss, see note 21.(4).

(4) Financial liabilities at fair value through profit and loss

A financial liability is classified at fair value through profit and loss if it is held for trading purposes or designated as a financial liability at fair value through profit and loss.

The Company's financial liabilities, which are included in this category, include options for the purchase of Company shares at an exercise price linked to the Consumer Price Index and/or foreign currency and derivative equity instruments of the Company.

A financial liability is classified as held for trading purposes if:

- (1) It was primarily created for the purpose of repurchase in the near future; or
- (2) It constitutes part of a portfolio of identifiable financial instruments, which are jointly managed by the Company, which have a proven pattern of generating profits in a short period; or
- (3) It is a non-designated derivative, which is effective as a hedging instrument.

Financial liabilities at fair value through profit and loss are presented at fair value. Each profit or loss arising from changes in fair value is recognized in profit and loss. The net profit or loss, which is recognized in the statement of income, includes interest paid in respect of the financial liability. On the date of initial recognition, transaction costs are included in the statement of income.

(5) Other financial liabilities

Other financial liabilities (credit, loans, and accounts payable) are initially measured at fair value, net of transaction costs. The value of these financial liabilities is not materially different than their fair value.

(6) Interest-free loans from shareholders

A loan received is presented on the initial recognition date at fair value, while the difference between the amount of the loan and its fair value is carried to shareholders' equity.

Regarding the accounting treatment of said loans, see note 12.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Leasing of real estate by the Company

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

n. Government grants and grants from the office of the Chief Scientist

Grants received from the Chief Scientist (prior to the Amendment to IAS 20), which EER is required to repay with the addition of interest payments, provided the conditions associated with the grant are met, and which do not constitute forgivable loans, are recognized on the date of initial recognition, the amount to be repaid is presented as a liability at its nominal value without reflecting the benefit that arises from the capitalization of the grant at a capitalization rate that reflects the level of risk of the research and development project.

o. Provisions:

A provision is recognized if, as a result of a past event, the group has a present legal or constructive obligation, and it is probable that an outflow of economic benefits, which can be estimated reliably, will be used to settle the obligation.

The amount recognized as a provision, reflects management's best estimate of the amount required in order to settle the obligation on the balance sheet date, whilst taking into account the risks and uncertainties connected with the obligation. When the provision is measured using the forecasted cash flows in order to settle the liability, the book value of the provision is the current value of the forecasted cash flows.

When the entire amount or a portion thereof, which is required to settle the commitment at the balance sheet date is expected to be recovered by a third party, the Group recognizes the asset, in respect of said recovery, up to the amount of the recognized provision, only when it is virtually certain that the indemnification will be received and that it can be reliably measured.

p. Share-based payments:

Share-based payments to employees and others that provide similar services, which are settled in equity instruments of the Group, are measured at fair value on the grant date. On the grant date, the Company measures the fair value of the granted equity instruments by using the Black and Scholes model. If the equity instruments granted to them have not vested until these employees have completed a defined period of service, have met performance conditions or defined market conditions are met, the company recognizes the share-based payment transactions in its financial statements over the vesting period against an increase in its shareholders' equity, under "Capital reserve in respect of share-based payment". At each balance sheet date, the Company estimates the number of equity instruments that are expected to vest. Any change in the estimate relative to previous periods is recognized in the income statement over the remaining vesting period.

In share-based payment transactions that are settled in equity instruments, which relate to a guarantee provided by the shareholders, the expense in respect of the guarantee received and the corresponding increase in the shareholders' equity are presented at the value of the equity instruments granted on the date the guarantee was provided, by using the Black and Scholes model, and is recognized in the income statement over the period of the guarantee.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Taxes on income

In view of losses for tax purposes accrued by the Company and given the fact that as of the reporting date there was no certainty as to the realization of these losses in the foreseeable future, the Company does not recognize deferred taxes in respect of carry-forward losses and in respect of temporary differences in the value of certain revenues and expenses, between the financing reporting and the reporting for tax purposes.

r. Employee benefits:

(1) Post-employment benefits

In accordance with labor laws and labor agreements in Israel and in line with the Company's practices, the Company is required to pay severance pay to dismissed employees, and in some cases, to employees that resign from their employment voluntarily.

The Company has defined contribution plans in accordance with Section 14 of the Israeli Severance Pay Law. In respect of these plans, the actuarial and economic risks are not imposed on the Company. In said plans, during the employment period, an entity makes fixed payments to a separate entity without having a legal or constructive obligation to make additional payments if the fund has not accumulated sufficient amounts. Deposits with the defined contribution plan are included as an expense at the date of the deposit, parallel to receiving services from the employee. The Company makes deposits with pension funds and insurance companies in respect of its liabilities to pay severance pay to some of its employees on a current basis.

(2) Short-term employee benefits

Short-term employee benefits include wages, vacation days, sick leave, recreation and deposits with the National Insurance Institute, which are paid within one year of the period in which the employee provides the related service. These benefits are recognized as an expense upon the provision of services.

(3) Regarding a loan provided to Stern see note 8.

s. Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and others (See Note 17).

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Exchange rates and linkage basis:

- (1) Balances in or linked to foreign currency are presented according to the representative exchange rate published by the Bank of Israel at the balance sheet date.
- (2) Balances linked to the CPI are presented according to the CPI for the last month of the reporting period.
- (3) Data in respect of changes in the CPI and the dollar's exchange rate are as presented as follows:

	The dollar's	CPI in Israel	
	Exchange rate	Actual CPI	Known CPI
	(NIS to 1 \$)	Points	Points
Date of the financial statements			
As of December 31, 2011	3.821	110.3	110.3
As of December 31, 2010	3.549	108.0	107.6
Rate of change			
		Change in %	
For the year ended December 31, 2011	7.66	2.2	2.5
For the year ended December 31, 2010	(5.99)	2.7	2.3
For the year ended December 31, 2009	(0.71)	3.9	3.8

u. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 –NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS):

a. New and revised IFRS applied with no material effect on the consolidated financial statements:

The following new and revised IFRS have been adopted in these consolidated financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

(1) Amendments to IFRS 3, "Business Combinations"

IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 Share-based Payment at the acquisition date ('market-based measure').

(2) Amendments to IAS 32, "Classification of Rights Issues"

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

(3) IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

The Interpretation provides guidance on the accounting methods for the extinguishment of a financial liability by the issuance of equity instruments. Specifically, under IFRIC 19, equity instruments issuance under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit and loss.

(4) Amendment to IAS 1, "Presentation of Financial Statements"

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.

(5) Amendment to IFRS 7, "Financial Instruments: Disclosures" (The nature and extent of liquidity risk arising from financial instruments)

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 –NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued):

b. New and revised IFRS in issue but not yet effective:

(1) IFRS 9, "Financial Instruments"

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit and loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit and loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit and loss was presented in profit and loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

At this stage the Group's management is unable to estimate the effect of this interpretation on its financial position and operating results.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 –NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued):

b. New and revised IFRS in issue but not yet effective (continued):

- (2) The Group has not applied the following new and revised IFRS that have been issued but are not yet effective. None of these are expected to have a material impact on the consolidated financial statements of the Group:
- Amendments to IFRS 7, "Disclosures – Transfers of Financial Assets" (1); "Offsetting Financial Assets and Financial Liabilities" (2)
 - IFRS 9, "Financial Instruments" (5)
 - IFRS 10, "Consolidated Financial Statements" (2)
 - IFRS 11, "Joint Arrangements" (2)
 - IFRS 12, "Disclosure of Interests in Other Entities" (2)
 - IFRS 13, "Fair Value Measurement" (2)
 - IAS 32, "Financial Instruments: Presentation" (6)
 - Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income" (3)
 - Amendments to IAS 12, "Deferred Tax – Recovery of Underlying Assets" (4)
 - IAS 19 (as revised in 2011), "Employee Benefits" (2)
 - IAS 27 (as revised in 2011), "Separate Financial Statements" (2)
 - IAS 28 (as revised in 2011), "Investments in Associates and Joint Ventures" (2)
- (1) Effective for annual periods beginning on or after July 1, 2011.
(2) Effective for annual periods beginning on or after January 1, 2013.
(3) Effective for annual periods beginning on or after July 1, 2012.
(4) Effective for annual periods beginning on or after January 1, 2012.
(5) Effective for annual periods beginning on or after January 1, 2015.
(6) Effective for annual periods beginning on or after January 1, 2014.

NOTE 4 – CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the Company's accounting policy, which is described in note 2 above, the Company is required in certain cases to use accounting judgment regarding estimates and assumptions in connection with the book value of assets and liabilities that are not necessarily found in other sources. The related estimates and assumptions are based on past experience and other factors which are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accordingly:

- Each annual reporting period, the management reviews the estimated useful life of the Yblin facility it owns.
- (1) This assessment also takes into account the Company's estimates regarding the likelihood of renewal of the lease agreements for the land on which the said facility is located, see note 9a, an estimate which remained unchanged in 2011. See also note 15a(2).

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued):

- Management continuously reviews the likelihood of recovery of intangible assets (know-how) it has developed, in accordance with the forecasted income from these assets, which is determined based on economic assessments made by the Company.

- Management exercises discretion in choosing adequate assessment techniques for financial instruments, which have no quoted price in an active market. The assessment techniques used by management are those applied by market participants. The fair value estimate of financial instruments that are not listed for trading in an active market includes several assumptions, which are not supported by observed market rates and prices.

NOTE 5 – CASH AND CASH EQUIVALENTS

Composed as follows:

	As of December 31	
	2 0 1 1	2 0 1 0
	\$ in thousand	
In Dollars	6,392	4
In New Israel Shekels (NIS)	359	53
	<u>6,751</u>	<u>57</u>

NOTE 6 – ACCOUNTS RECEIVABLE

Composed as follows:

	As of December 31	
	2 0 1 1	2 0 1 0
	\$ in thousand	
Institutions	28	23
Employees	17	14
Prepaid expenses	103	207
Others (*)	90	4
	<u>238</u>	<u>248</u>

- (*) During 2009, the Company filed a complaint against Hartech Systems Ltd. (“Hartech”), HarTech Technologies Ltd., Mr. Ofer Har, and three employees of the HarTech companies, in the Tel Aviv District Court. In August 2009, HarTech filed a counterclaim against the Company.

In January 2011 a settlement agreement was reached with Hartech, according to which both parties dropped their mutual claims and Hartech agreed to pay the Company \$180 thousand secured by a bank guarantee, in two equal installments, in June 2011 (received) and in June 2012.

The balance as of December 31, 2011 includes a receivable amount of \$90 thousand.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – SUBSIDIARY

a. General

As of December 31, 2011 the Company's only subsidiary is EER.

As mentioned in note 1c above, as of January 12, 2012, RVB completed the multi-closing of EER Transaction in which it acquired all of EER shares held by Greenstone and Accord, and the majority of EER shares held by certain other EER shareholders, and holds 78% of EER's share capital (72.6% on a fully-diluted basis) and 99% of EER's voting rights.

Regarding the accounting treatment of the EER transaction see note 1d above.

b. The EER Transaction

Below is a description of the EER Transaction, including a summary of the terms and conditions of the EER Share Purchase Agreement, the Option Agreement, the Voting Agreement and the Services Agreement, and the actions that took place at the closing of the EER transaction on August 31, 2011, (the "Closing Date") in connection therewith:

1. At the Closing Date, pursuant to the EER Share Purchase Agreement, the Company acquired all of EER's shares held by Greenstone (6,274,760 ordinary shares of EER), for a total cash consideration of US\$ 15,686,900. In addition, the Company acquired all of EER's share capital held by Accord (1,721,450 ordinary shares of EER), in exchange for 20,054,893 ordinary shares of the Company (each EER share was exchanged for 11.65 ordinary shares of the Company);

2. The EER Share Purchase Agreement sets forth, among others, that prior to the Closing Date, the Company will cause Bank Leumi LE-Israel B.M, to release Greenstone, Accord and S.R. Accord Technologies Ltd. (together – "the guarantors"), from all their obligations according to guarantees provided by them to the bank, with regard to EER's debt of US\$ 714,000 (principal) as of July 3, 2011. As of the date of these financial statements the Company has signed a letter of guarantee instead of the guarantors (see also note 15a(3) below) ;

3. In addition, pursuant to the EER Share Purchase Agreement, the Company was provided with the opportunity, before the lapse of 24 months following the Closing Date, to make an investment from time to time in EER's share capital in an aggregate amount of up to US\$ 8,000,000 by purchasing EER ordinary shares at a price per share of US\$ 2.5. Since the closing date and until December 31, 2011 the Company has made an investment in a total amount of approximately \$1.5 million. Subsequent to the financial statements date the Company has invested in EER's share capital an additional amount of approximately \$0.5 million ;

4. Pursuant to the Option Agreement, the Company granted Mazal an option to sell to the Company or to whom the Company may direct, no later than December 31, 2016, Mazal's holdings in EER, in exchange for shares of the Company at the same exchange ratio applied for the purchase of EER's shares pursuant to the Share Purchase Agreement (the "Put Option"), and Mazal granted the Company the option to buy all of Mazal's holdings in EER, upon the occurrence of certain reorganizational events on or prior to December 31, 2016 (the "Call Option").

The terms and conditions of the Option Agreement shall apply, where applicable, to the 150,000 options to purchase EER shares, which the general meeting of shareholders of EER approved to grant to Stern, on June 2011 (see also note 7c.6 (e) below);



R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – SUBSIDIARY (continued)

b. The EER Transaction (continued)

5. Pursuant to the Voting Agreement, Greenstone and Mazal agreed to coordinate the voting of the Company shares held by such parties, including with respect to the appointment of directors to the board of directors of the Company. On November 29, 2011 the parties signed an agreement regarding the termination of the Voting Agreement;

6. Pursuant to the Shareholders Agreement, Mazal undertook to vote with its EER shares in the same manner as then voted on such matter by the Company and/or as instructed by the Company in its sole discretion. The Shareholders Agreement also contains certain provisions concerning rights of first refusal, pursuant to which, if Mazal proposes transfer in any way any of the Mazal EER shares, to one or more third parties except to a permitted transferee, then the Company shall have a right of first refusal with respect to such transfer;

7. Pursuant to the Management Agreement, Greenstone will provide the Company with management and accounting services, for a total consideration of NIS 25,000 per month plus VAT, and in addition, options to purchase ordinary shares of the Company representing, on a fully diluted basis, approximately 3.5% of the Company's issued and outstanding share capital as of the date of grant ((the number of the options described in this paragraph, was set upon the additional closing of the Additional SPA dated January 12, 2012 at 10,050,190 and were granted on such closing date), with an exercise price of US\$ 0.2145 per share (adjusted for future dividends), which shall become vested and exercisable in accordance with the Vesting Schedule (see note 16d(3) below). The parameters used in the calculation of the fair value of the options are a share price of \$0.09, an exercise price of US\$0.2145 per share, the expected volatility of companies operating in this field - 32%, the life of the option – 5 years and a risk-free interest of 1%; The fair value of these options is immaterial.

8. Pursuant to the Services Agreement, Stern Holding will provide business development services to RVB, for a total monetary consideration of NIS 50,000 per month plus VAT, as well as certain expenses. In addition, according the Services Agreement, Stern Holding shall receive options to purchase ordinary shares of the Company in quantities and conditions similar to those of Greenstone as described above. On November 29, 2011 the parties signed an agreement regarding the termination of the Services Agreement, effective as of November 1, 2011.

Following the completion of the EER Transaction, the Company has become the controlling shareholder of EER. As of the date of these financial statements the Company owns approximately 78% of the share capital of EER (approximately 99% of its voting rights).

c. Additional information regarding EER

1. As mentioned above, at the closing date of the SPA, and as one of its closing conditions, all of EER's debts to its shareholders in a total amount of approximately \$13 million have been converted into shares of EER (this amount includes a repayment by Greenstone of EER's debt of approximately US\$2.25 million to the Union Bank of Israel Ltd.). See also note 15a (3), (4), and (8) below.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – SUBSIDIARY (continued)

c. Additional information regarding EER (continued)

2. The Board of Directors of EER approved, on several different dates, allotments of options to shareholders, employees and officers of EER (in this note – “the options”).

As of the date of these financial statements there are options (part of which can be exercised immediately and part of which over vesting periods) that were allotted to employees, officers and others, which confer approximately 10% (including options granted to U-Trend as described in note 7c(4) below) of the fully-diluted share capital of EER.

The fair value of the options, which was calculated in accordance with the B&S model, was recognized in EER’s statement of income over the vesting periods.

During the years ended December 31 2011, 2010 and 2009 EER recorded a total expense of approximately \$0.4 million, \$0.5 million, and \$0.9 million, respectively.

3. In January 2010 EER raised a total amount of \$2.14 million from Greenstone and other private investors.

Furthermore, Greenstone and the other investors were granted options to invest additional amounts in EER. These options were exercisable at the earlier of the completion of the first initial public offering by EER or two years from the date of completion of the Investment. Accordingly, these options expired during January 2012.

4. On July 22, 2010 an agreement was signed between EER and U-Trend (hereinafter – “the investment agreement” and “U-Trend”, respectively).

According to the investment agreement U-Trend invested in EER a total of NIS 4 million (approximately \$1.1 million) against the allotment of 400,000 shares of EER and 800,000 non-marketable options (each option shall be exercisable until July 31, 2014 to one share of EER for an exercise price of NIS 12.5, unlinked).

As of December 31, 2011 and 2010 the fair value of the option is NIS 605 thousand (approximately \$158 thousand) and NIS 745 thousand (approximately \$210 thousand) (options at fair value through profit and loss in the non current liabilities), respectively.

5. On May 18, 2011, a general and extraordinary meeting of EER authorized, among others, that subject to the completion of the EER transaction detailed in note 7b above (in this section - “the transaction”) and as of the date of closing thereof, the following actions are to be carried out simultaneously:

- (a) The right to convert loans received from several shareholders of EER, in the amount of approximately \$4.3 million to shares of EER, at a conversion price per one ordinary share of \$5.40239, and their conversion subject to the consent of these shareholders. These loans were converted to EER shares on the date of completion of the EER transaction.

- (b) The right to convert accrued interest to EER shares (in connection with converted loans) in the amount of \$0.17 million (commitment to several shareholders pursuant to an agreement from September 2005, interest accrued up to the date of conversion of the loans), at a conversion price per one EER ordinary share of \$5.40239, and their conversion subject to the consent of the relevant shareholders. These amounts were converted to EER shares on the date of completion of the EER transaction.



R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – SUBSIDIARY (continued)

c. Additional information regarding EER (continued)

5. (continued):

(c) To authorize investments in EER as set forth below:

An investment of \$1.4 million in the Company at a price of \$2.5 per share. The aforesaid investment

- funds were transferred by the guarantors for the purpose of repaying part of EER's loan from the bank, pursuant to a debt arrangement signed with the bank, as stated in note 15a (3).

- An investment by Greenstone amounting to no less than \$0.7 million at a price of \$2.5 per share. Approximately \$1 million has been actually invested by Greenstone pursuant to this section.

An investment by one of EER's existing shareholders at that date, in the amount of \$0.5 million at

- identical terms to the investment detailed in subsection 3.1 above. This amount was transferred to EER on May 24, 2011.

6. On June 30, 2011 a special general meeting of shareholders of EER approved the following resolutions:

(a) EER's engagement in the EER Share Purchase Agreement as detailed in note 7b.

(b) Subject to the completion of the EER Share Purchase Agreement, the termination of an agreement ("the Founders' agreement") dated April 6, 2000 between Greenstone, Accord and AMV Group (as defined in the Founders' agreement), as amended in the addendum from December 2003 between Greenstone, Accord, Mazal, Kestrel Pacific, EBN Korea Ltd and EER.

(c) Subject to the completion of the EER Share Purchase Agreement, the assignment by Leader Holdings and Investments Ltd ("Leader") to Greenstone of an agreement for management services dated February 13, 2002. Accordingly, since September 1, 2011 Greenstone is entitled to a monthly compensation from EER in the amount (as of December 31, 2011) of approximately NIS 25 thousands (approximately \$7 thousands) linked to the CPI.

Subject to the completion of the EER Share Purchase Agreement, the termination of the management agreement dated February 26, 2009 between Stern and a company he controls and EER.

(d) On August 31, 2011, following completion of the EER transaction, the parties signed an amendment to the management agreement. According to the amendment, the management agreement came to an end on that date and Stern ceased from giving services to EER. In addition Stern waived all the options ever exercised to him by EER except for 150,000 options as detailed in paragraph (e) below.

(e) The allotment of 150,000 options to Stern with no exercise price. The value of the benefit, which was calculated at a value per share of \$2.5, is \$0.4 million and was recognized by EER as an expense during the reporting period. See also note 7b(4) above.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – SUBSIDIARY (continued)

d. Assets and liabilities recognised at the date of the EER transaction

- (1) As described in note 1d above, for accounting purposes the EER transaction is treated as a capital transaction of EER.

Following are the assets and liabilities of the Company recognised at the date of the EER transaction:

	August 31,2011
	\$ in thousand
Current assets	
Cash and cash equivalents	7,977
Trade and other receivables	141
Current liabilities	
Short term loan	(192)
Accounts payable and accruals	(190)
	7,736

- (2) The non-controlling interest (21.7% ownership interest in EER) recognised at the date of the EER transaction was \$ 4,117 thousand.

NOTE 8 – LOAN PROVIDED

The agreement between EER and Stern settled the forgiveness of the loan provided to him by EER (in this note - "The Loan"):

- (1) 25% of the amount of the loan principal (which at that date amounted to a total of approximately \$0.6 million) with the addition of interest and linkage differentials accumulated until that date will become a grant at the end of each calendar year, from February 1, 2010 and until the end of the employment period (December 31, 2012), provided that employer-employee relations continue to exist between Stern and EER.
- (2) If Stern is dismissed by EER the outstanding loan will become a grant on the date of termination of employer-employee relations between Stern and EER, and EER will forgive the outstanding loan, including the interest and linkage differentials accumulated until that date.
- (3) The Company will gross up the amount of the grant given to the interested party, when and as it may be required by law.

Accordance with the above, on February 1, 2010, 25% of the principal of the loan to Stern, plus interest and linkage differences accrued up to that date became a grant.

During the second quarter of 2011 the agreement with Stern was revised such that the outstanding balance of the loan, which had not been waived, pursuant to the terms of the agreement, was waived on that date. Following the revision of the said agreement, the Company recognized an expense of approximately \$0.6 million.

See also note14e.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – FIXED ASSETS

a. Composition and changes:

	Furniture & equipment	Yblin Facility (*)	Total
	\$ in thousand		
<u>Cost</u>			
As of January 1, 2011	198	18,979	19,177
Changes in the accounting year -			
Additions	2	-	2
As of December 31, 2011	<u>200</u>	<u>18,979</u>	<u>19,179</u>
As of January 1, 2010	198	19,089	19,287
Changes in the accounting year -			
Additions	-	2	2
Disposals	-	(112)	(112)
As of December 31, 2010	<u>198</u>	<u>18,979</u>	<u>19,177</u>
<u>Accumulated depreciation</u>			
As of January 1, 2011	171	5,039	5,210
Changes in the accounting year -			
Additions	3	1,461	1,464
As of December 31, 2011	<u>174</u>	<u>6,500</u>	<u>6,674</u>
As of January 1, 2010	150	3,580	3,730
Changes in the accounting year -			
Additions	21	1,474	1,495
Disposals	-	(15)	(15)
As of December 31, 2010	<u>171</u>	<u>5,039</u>	<u>5,210</u>
Depreciated cost:			
As of December 31, 2011	<u>26</u>	<u>12,479</u>	<u>12,505</u>
As of December 31, 2010	<u>27</u>	<u>13,940</u>	<u>13,967</u>
The cost as of December 31, 2011 and 2010 includes:			
Capitalized expenses	-	2,348	2,348
Offset of a grant from the Chief Scientist of:	-	271	271

(*) As of January 1, 2008 and after completing the year of trial running of the Yblin facility for the treatment of solid waste ("the facility"), EER began depreciating the facility as stated in Note 2h.

b. Liens: see note 24.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 –INTANGIBLE ASSETS

a. Composition and changes:

	Know-how for The Implement of waste treatment technology \$ in thousand
<u>Cost</u>	
As of January 1, 2011	5,164
Changes in the accounting year - Additions	-
As of December 31, 2011	<u>5,164</u>
As of January 1, 2010	5,164
Changes in the accounting year - Additions	-
As of December 31, 2010	<u>5,164</u>
<u>Accumulated depreciation</u>	
As of January 1, 2011	1,233
Changes in the accounting year - Additions	410
As of December 31, 2011	<u>1,643</u>
As of January 1, 2010	822
Changes in the accounting year - Additions	411
As of December 31, 2010	<u>1,233</u>
Depreciated cost as of December 31, 2011	<u>3,521</u>
Depreciated cost as of December 31, 2010	<u>3,931</u>

- b.** The depreciation of intangible assets is presented in the statement of comprehensive income under administrative and general expenses.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – INTANGIBLE ASSETS (continued):

c. Material intangible assets:

The balance includes acquisition and development costs of know-how to implement new technology for the treatment of solid waste, bio-medical waste and low and intermediate radioactive waste.

As of January 1, 2008 and after completing one year of trial running of the Yblin facility for the treatment of solid waste ("the facility") the Company began depreciating the know-how, as stated in note 2h.

The know-how is depreciated over a period of 12.5 years, based on the remaining useful life of the main patent registered thereto as of the date of commencement of depreciation.

The Company has numerous patents, either registered or at various stages of application, in respect of said know-how.

d. Additional information:

For additional information, including the review of impairment of other intangible assets, see notes 2i and 2k.

For information on liens see note 24.

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUALS:

Composed as follows:

	As of December 31	
	2 0 1 1	2 0 1 0
	\$ in thousand	
Institutions, net (****)	334	-
Trade payables (***) (mainly in NIS)	67	81
Checks payable	3	8
Accrued expenses	76	131
Employees and institutions in respect of payroll (*)	102	228
Interest payable to shareholders (in dollars)	-	166
Related parties (**)	48	9
	<u>630</u>	<u>623</u>

(*) See also note 13.

(**) Current accounts payable in NIS.

(***) The average credit period provided by suppliers is Net 30, in respect of which the Group does not pay interest. The Group usually pays its suppliers within the credit period.

(****) See also note 14e.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – LOANS FROM BANKS AND OTHERS

a. Composition of financial liabilities measured at amortized cost:

	<u>Current liabilities</u>		<u>Non-current liabilities</u>		<u>Total</u>	
	<u>As of December 31</u>		<u>As of December 31</u>		<u>As of December 31</u>	
	<u>2 0 1 1</u>	<u>2 0 1 0</u>	<u>2 0 1 1</u>	<u>2 0 1 0</u>	<u>2 0 1 1</u>	<u>2 0 1 0</u>
	<u>\$ in thousand</u>					
Banks loans (1)	408	4,529	102	-	510	4,529
Shareholder's loans (2), (3)	-	-	-	4,240	-	4,240
Shareholder's convertible loans (3), (4)	-	4,339	-	-	-	4,339
Other loan (5)	195	-	-	-	195	-
Total financial liabilities measured at amortized cost	<u>603</u>	<u>8,868</u>	<u>102</u>	<u>4,240</u>	<u>705</u>	<u>13,108</u>

(1) See note 15a (3).

(2) See note 7c5 (a).

(3) As mentioned above, at the closing date of the share purchase agreement, and as one of its closing conditions, all of EER debts to its shareholders have been converted into shares of EER, including these loans.

(4) See note 15a (4).

(5) As of December 31, 2011, a loan in the amount of \$120 thousand (principal) is outstanding. Since October 2005 the loan bears a delayed interest of 10% a year. The loan is payable on demand.

b. Liens: see note 24.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – EMPLOYEE BENEFITS:

a. Composed as follows:

	As of December 31	
	2 0 1 1	2 0 1 0
	\$ in thousand	
Short-term employee benefits:		
Payroll, wages and social benefits	79	208
Short-term vacation	23	20
	<u>102</u>	<u>228</u>

b. Post-employment benefits:

(1) Defined contribution plan:

Plans in respect of severance pay

The Severance Pay Law in Israel requires the Company and its subsidiaries to pay severance pay upon dismissal of an employee or upon termination of employment in other certain circumstances. In principle, the Severance Pay Law in Israel stipulates that the severance pay amount equals the employee's last salary multiplied by the amount of years in which the employee was employed.

The Group applies to most of its employees Section 14 to the Israeli Severance Pay Act of, 1963, pursuant to which it is exempt from any severance pay liability, subject to it making certain monthly allocations to employees' pension plans, The Group deposits 81/3% of the monthly salary of its employees. The Group will not have a legal or constructive obligation to make additional payments if the plan does not have sufficient assets to pay the entire employee benefits relating to the employee's service during the current period and in previous periods.

The total amount of expenses recognized in the statement of income in respect of defined benefit plans in the year ended December 31, 2011 is NIS 178 thousand (2010: NIS 180 thousand, 2009: NIS 250 thousand).

(2) Additional information:

Paid vacation days

In accordance with the Israeli Annual Vacation Act of, 1951, the Group's employees are entitled to several paid vacation days in respect of each year of employment. Pursuant to said law, the number of vacation days per year to which each employee is entitled is determined in accordance with the seniority of said employee.

An employee is entitled, with the consent of the Company, to use the vacation days and accumulate up to 60 vacation days.

An employee terminating his employment before using his accumulated vacation leave is entitled to payment in respect of the balance of vacation leave.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – INCOME TAX

a. Amendments to the Income Tax Ordinance

- (1) On February 26, 2008, the Israeli legislature (the "Knesset") approved the third reading of the Income Tax Law (Adjustments for Inflation) (Amendment No. 20) (Limitation of Period of Application), 2008 (hereinafter – "the Amendment"), under which the application of the inflation adjustment law will end in the tax year 2007, while as of the tax year 2008, most of the provisions of the Law will be cancelled, with certain clauses remaining in effect as transition provisions so as to prevent distortions in tax calculations.

Pursuant to the amendment, in the tax year 2008 and thereafter, the adjustment of revenues for tax purposes shall no longer be calculated on a real basis. In addition, the linkage of amounts of depreciation on fixed assets and the amounts of carry forward losses for tax purposes to the CPI shall be discontinued, such that these amounts will be adjusted to the CPI until the end of the tax year 2007, and their linkage to the CPI shall be discontinued as of this date.

- (2) On July 23, 2009, the Israeli Law for Economic Efficiency (Legislative Amendments for Implementation of the Economic Plan for the years 2009 and 2010), 2009 (hereinafter – "the Arrangements law"), was published. Pursuant to the Arrangements law, corporate tax rates of 27%, 26% and 25% applicable to companies in the years 2008, 2009 and 2010, respectively, will be gradually reduced from 24% in the tax year 2011 to 18% in the tax year 2016.

- (3) On September 26, 2011 the Israeli social-economic reform committee headed by Professor Manuel Trachtenberg published its recommendations. On December 6, 2011, following the tax reform recommendations of the Trachtenberg Committee, the Knesset passed several changes to the Income Tax Ordinance regarding the reduction of tax burden (Legislative Amendments).

The main features of the new law regarding corporate income tax are as follows:

1. The planned gradual reduction of personal income tax rates and corporate income tax rates from 2012 is abolished.
2. The corporate income tax rate is increased to 25% in 2012.
3. The capital gains tax rates and betterment tax rate are increased to 25% in 2012.

- b. The Company and EER received final tax assessments (including assessments considered as final) through to the tax year 2007.

- c. The Company has carry forward tax losses in the amount of approximately NIS115 million (approximately \$30 million).
EER has carry forward tax losses in the amount of approximately NIS193 million (approximately \$50 million).

- d. In view of the losses for tax purposes and since the Company and EER does not anticipate any taxable income in the foreseeable future, the Company and EER have not recorded deferred tax assets in respect of carry forward losses.

- e. During June 2011 EER signed a withholding tax assessment agreement with the Israeli tax authorities in respect of the years 2007-2009 ("assessment agreement"). In accordance with the assessment agreement EER is required to pay a withholding tax difference totaling NIS 1.6 million (approximately \$0.4 million), mainly in connection with the loan provided to Stern as detailed in note 8 above. EER reached an agreement with the tax authorities to spread the said amount up to 24 payments.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – COMMITMENTS AND CONTIGENT LIABILITIES

a. Commitments:

(1) The Primus agreement

In February 2008, EER entered into an exclusive representation agreement with Primus Security & Consulting, LLC ("Primus" and the "Primus Agreement"), pursuant to which Primus shall provide strategic consulting and intermediary services related to identifying and accessing parties in the U.S. and in other countries, that might be interested in long-term relationships with EER, for the utilization of EER's Technology. According to the Primus Agreement, Primus has the exclusive right to market and sell projects using EER's Technology, which expired in December 2011, following which the parties will negotiate and decide whether or not to extend it for additional period. Primus is entitled to a monthly fee of US\$10,000, and is also entitled to additional payments following certain events, including (but not limited to) the closing and the successful establishment of joint ventures introduced by Primus, successful raise of capital for projects by Primus and certain events related to EER's subsidiary in Texas. In addition, Primus is entitled to receive up to 15% of the shares awarding distribution rights (without voting rights) of any U.S. subsidiary formed by EER to accommodate projects introduced by Primus. The Primus Agreement expired in December 31, 2011.

(2) Lease agreements

a. In September 2007, EER entered into a Lease Agreement with Naser Recycling Ltd. ("Naser"), with respect to the ground on which the Yblin Facility is located. The original term of the Lease Agreement was three years, and EER had an option to extend the term of the rent for an additional two years. EER exercised the option in 2010, and consequently, the term of the Lease Agreement was extended until July 2012. The rent for the entire extension period (NIS 600,000 in the aggregate, not including VAT (approximately US\$175 thousands)) was paid in advance.

This amount is based on a monthly fee of NIS 25,000, which is approximately US\$7 thousands. Pursuant to the terms of the Lease Agreement, the Yblin Facility is the property of EER, and EER is responsible for disassembling the Yblin Facility and removing it from the property at the end of rental period. As of the date of these financial statements the parties are negotiating the extension of the lease period.

It was further agreed that the iron construction and electricity room, which constitute part of the Yblin facility, would be pledged to secure EER's commitments pursuant to the lease contract, up to a sum of \$400,000.

b. In November 2011, EER entered into a rent agreement for its offices in Rosh Ha'ayin (replacing its previous offices) for a period of 7 years, including option periods, until November 14, 2018. The annual rent and maintenance fees are in the amount of NIS 150,000 (approximately \$40 thousand) linked to the Consumer Price Index and an increase of 4% per year from the third year forward.

Until November 2011 EER rented offices in Ramat-Gan and paid annual rent and maintenance fees in the amount of NIS 250 thousands linked to the Consumer Price Index (approximately \$70 thousands).

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – COMMITMENTS AND CONTIGENT LIABILITIES (continued):

a. Commitments (continued):

(3) Debt agreement with Bank Leumi

EER received loans from Bank Leumi Le-Israel B.M. ("The Bank") in an aggregate amount of approximately \$2.3 million. This amount was secured against guarantees of Greenstone, Accord and a subsidiary of Accord (the "Guarantors")

The guarantors were entitled to a guarantee fee at an annual rate of 2% of the amounts of the guarantees ("guarantee fees").

The guarantees gave each of the guarantors (separately) the right to invest in the share capital of EER the amounts provided by virtue of the guarantees, in whole or in part, with the addition of the guarantee fees that the guarantors are entitled thereto, in whole or in part, at a price of approximately \$5.4 per share.

The value of the right to invest in the share capital of the Company, was computed in accordance with the B&S model, and was accounted for as a pre-paid expense in respect of the guarantee fees, which were recognized in the income statement of EER over a period of one year – the contractual period. The guarantees were renewed by the guarantors for additional periods of one year each, until the completion of the EER transaction. On the date of completion of the EER transaction the guarantors were released from their guarantees.

On March 15, 2011, EER signed an agreement with the Bank, which regulates the repayment of certain debts and obligations of EER to the bank in the amount of \$2.3 million in connection with loans provided to it and to which the guarantors have guaranteed their repayment ("the debt agreement").

As part of the debt agreement, the guarantors paid the bank a total sum of approximately \$1.4 million.

EER also agreed to create specific liens in favor of the bank.

Regarding the signing by the Company of a letter of guarantee instead of the guarantors see note 7b (2) above.

In addition, RVB has undertaken not to demand, not to receive, not to collect and not to extract any amounts from EER out of or on account of capital notes and shareholder loans, dividends, management fees and additional payments, with the exception of specific agreed-on payments.

The loan is in dollars and was provided for a period of 24 months. The interest rate on the loan is LIBOR + 2.85% per annum. The loan principal is repayable in 7 consecutive quarterly payments from September 16, 2011 to March 16, 2013.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – COMMITMENTS AND CONTIGENT LIABILITIES (continued):

a. Commitments (continued):

(4) Convertible Loans

- a. During the years 2006 – 2008 EER received loans from the guarantors in a total amount of approximately \$3.6 million (including accrued interest) ("the loans").

Each of the guarantors had the right to convert the loan principal and interest in respect thereof to shares of EER ("the conversion right").

The conversion of the loans were set at a price not less than approximately \$5.4 per one share of EER, according to the conditions of the loans agreements.

The value of the right to convert loans into shares of EER was calculated as a residual, after determining the value of a similar loan without a conversion option (using a discount rate of 15%) added to the effective interest on the loan, and recognized in the statement of income over a period of one year – the contractual period. If the values at which EER carries out capital transactions have declined compared to the price of conversion of these loans to shares, than the capital component is carried to premium on shares in the statement of changes in equity.

The loans were renewed by the guarantors for additional periods of one year each, until the loans were converted into EER shares. As mentioned in note 7c(1) above, at the closing date of the share purchase agreement all of EER's debts to its shareholders were converted into shares of EER, including these shareholder loans.

- b. In January 2009, several of the Company's shareholders ("the lenders") extended EER a loan of \$0.5 million, which bore an annual interest rate of LIBOR+2.5%.

Each of the lenders had the right to convert the principal of the loan and the interest in respect thereof to ordinary shares of the Company. The conversion of the loans was to be at a price not less than approximately \$8.75 per one share of EER, according to the conditions of the loan agreements.

As mentioned in note 7c(1) above, at the closing date of the share purchase agreement all of EER's debts to its shareholders were converted into shares of EER, including this shareholder loan.

(5) The Kurchatov Institute Agreement

On June 6, 2000, EER entered into an agreement with the Kurchatov Institute, which was amended on February 12, 2002 (the "Kurchatov Agreement"). Under the terms of the Kurchatov Agreement, Kurchatov Institute assigned and transferred to EER Ltd. all then present and future intellectual property rights and know-how related to the Yblin Facility (which was designed, manufactured and constructed for EER by Kurchatov Institute's subsidiary under a separate agreement) and to the Additional Projects (as defined below) (collectively, the "IP Rights"). According to the Kurchatov Agreement, EER Ltd. shall cover all the expenses related to the assigning, registration and recordation of the IP Rights.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – COMMITMENTS AND CONTINGENT LIABILITIES (continued):

a. Commitments (continued):

(5) The Kurchatov Institute Agreement (continued)

According to the Kurchatov Agreement, the Kurchatov Institute shall fully cooperate with EER for the purposes of utilizing the PGM technology with regard to Municipal Solid Waste ("MSW"), Medical Waste ("MW"), Low and intermediate Radio Active Waste ("LRAW") and PGM Compatible Industrial Waste ("IW"), including, but not only, for the designing and construction of plants and installations by EER, its licensee(s) and/or other purposes (the "Additional Projects"). Upon EER's request, the Kurchatov Institute shall assign to EER any know-how or intellectual property rights relating to such technologies to be used outside the territories comprising the former Soviet Union, provided the financial and other legal and reasonable interests of the Kurchatov Institute have been satisfied. The Kurchatov Institute and its affiliates shall exclusively work with EER on any of the aforementioned applications of the PGM Technology, and shall not assist, directly or indirectly, any individual or entity to engage in any activity in the fields of MSW, MW, LRAW and IW. In addition, the Kurchatov Institute undertook to provide EER its know-how and experienced highly qualified specialists in order to obtain the required scientific and technical qualifications in the works related to the Projects, as was mutually agreed by the parties. In consideration for Kurchatov Institute's undertakings under the Kurchatov Agreement, EER shall pay Kurchatov Institute a royalty in the amount of 1% of the purchase price actually received by EER from the sale of the Additional Projects.

(6) The SNC Agreement

On September 15, 2010, EER entered into a memorandum of understanding (the "SNC MOU") with SNC-Lavalin Engineers & Constructors Inc. ("SLE&C") which, to the best of EER's knowledge, is a private company and a subsidiary of SNC-Lavalin Group Inc., a company whose shares are listed for trade on the Toronto Stock Exchange, Canada ("SNCL-G"), and who are among the leading engineering and construction corporations in the world. The SNC MOU establishes methods of cooperation between EER and SLE&C in respect to projects aimed at exploiting PGM Technology. According to the SNC MOU, the parties will cooperate in identifying projects where technology can be applied to the PGM, bidding implementation, establishment and operation. In the event that the parties are not able to reach an understanding regarding the cooperation on a particular project, the interested party will be allowed to do so on its own, while the other will be obligated to refrain from acting on it, unless such party: (i) can establish that it was aware of such project, prior to its identification by the other party, and had determined to pursue such project independently; or (ii) obtains the consent of the other party. Each party shall bear its own cost of pursuing such project and all related expenses until a definitive contract with a client is signed and comes into effect. The parties agreed that none of SLE&C, any client or third party will obtain any rights in the Technology, unless expressly agreed in writing by EER. The SNC MOU may be terminated upon a 30 day prior notice and terminates automatically on December 31, 2012.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – COMMITMENTS AND CONTINGENT LIABILITIES (continued):

a. Commitments (continued):

(7) Management service agreements

- On February 13, 2002, EER entered into a management service agreement with Urdan Industries Ltd. (currently Greenstone) (the "Greenstone Agreement"), pursuant to which Greenstone undertook to provide EER with management services, office services, accounting services and office rental in accordance with EER needs. In consideration for such services, EER undertook to pay Greenstone the sum of NIS 20,000 per month (plus VAT) linked to the Consumer Price Index (in this section – "the management fees"), as of January 2002 (approximately NIS 25,000 as of the date of this report). The term of the management agreement was set at one year, at the end of which the agreement will be renewed automatically for additional one-year periods, and may be terminated by one month's notice by either party. From the end of 2004 to December 31, 2010, services were provided by Accord and management fees were paid to them, and as of January 1, 2011 the services are provided by Leader Holdings and Investments Ltd (the parent company of Greenstone; "Leader"), and the management fees have been paid to Leader.

Following the completion of the EER Transaction, this management agreement was assigned by Leader to Greenstone.

- b. Regarding the management service agreement between the Company and Greenstone see note 7b (7) above.

(8) Greenstone guarantees

During the year 2009 Greenstone provided EER guarantees to a banking corporation, in respect of credit extended to EER by the banking corporation (hereinafter in this section – "the bank") up to a total amount equivalent to \$2.25 million (hereinafter in this section – "the guarantees"). Greenstone was entitled to a guarantee fee at an annual rate of 2% of the amounts of the maximum guaranteed amount.

On February 2011 part of the guarantees to the bank in an amount equivalent to \$1 million, were renewed for a period of one year.

The value of the right to invest in the share capital of EER, which was calculated using the B&S model, amounted to \$0.8 million and was treated as a prepaid expense in respect of the guarantee fee, which is charged to the statement of income over a one-year period – the term of the guarantee agreement.

The parameters that were used to calculate the fair value are: a share price of \$2.5, reflecting the value per share in the EER transaction, an exercise price of \$1.413, in accordance with the terms of the agreement, and the expected volatility of companies operating in this field abroad – 25%. The life of the option is one year, representing the contractual period of the guarantee, as aforesaid, and a risk-free dollar interest of 0.2% per annum.

As mentioned in note 7c (1) above, at the closing date of the share purchase agreement all of EER's debts to its shareholders were converted into shares of EER, including these guarantees (Greenstone has repaid EER's debt of approximately US\$2.25 million to the Bank).

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – COMMITMENTS AND CONTIGENT LIABILITIES (continued):

a. Commitments (continued):

(9) D&O insurance

Further to previous insurance policies, in September 2010 EER purchased a directors and officers liability insurance policy (in this section – “the policy”), which covers the liability of officers of the Company. The purchased policy has a liability limit of \$15 million per claim and cumulatively for the insurance period (in accordance with the terms of the policy), as well as a coverage for legal expenses in Israel in the amount of up to \$3 million. The annual premium paid by EER in respect of the policy totaled \$11,000.

- a. The policy is effective until August 31, 2011.

The insurance deductible paid by EER in respect of claims against officers of EER amounts to \$7,500 for claims in Israel and \$35,000 for claims in the US and/or Canada. The policy covers the insurance liability in respect of claims filed in and outside Israel, worldwide, including the US and Canada, pursuant to international laws and jurisdictions (the policy is interpreted in accordance with Israeli laws).

On March 24, 2011, the Company obtained directors’ and officers’ liability insurance for its officers and directors with coverage in an aggregate amount of US\$5 million until March 24, 2012 for a total premium of US\$30,000 and a directors’ and officers’ liability insurance for its officers and directors, regarding

- b. claims connected to acts committed prior to March 24, 2011, with coverage in an aggregate amount of US\$5 million until March 24, 2018 for a total premium of US\$79,550. These directors' and officers' liability insurance policies were reviewed and approved by the Company's Audit Committee and the Board of Directors and by the Company's shareholder's meeting.

(10) The LOI with Approved Storage & Waste Hauling Inc.

On January 25, 2011, EER entered into a letter of intent with Approved Storage & Waste Hauling Inc. ("ASWH" and the "ASWH LOI"), relating to the formation of a joint venture for an initial pilot project (the "Pilot Project"). According to the ASWH LOI, the Pilot Project will process Regulated Medical Waste in an initial capacity of 15-30 short tons per day, and will be owned by a newly formed U.S. company mutually owned by EER and ASWH. The terms of the Pilot Project would be determined in a definitive agreement, the closing of which shall be 45 days from the expiration date of the LOI. EER and ASWH agreed on certain terms to be included in the definitive agreement, which relate, among other things, to pricing, investment, legal structure and ownership of the Pilot Project. According to the ASWH LOI, the definitive agreement would also include provisions relating to exclusivity on certain geographic areas. According to its terms, the ASWH LOI should have terminated on December 31, 2011, but was extended until December 31, 2012. EER and ASWH are currently working with the local and state regulatory bodies to prepare the permitting package for the project.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – COMMITMENTS AND CONTIGENT LIABILITIES (continued):

a. Commitments (continued):

The Mid West LOI

(11) On March 21, 2011 a letter of intent (the “Mid West LOI”) was signed between EER and a US-based company, which is primarily engaged in the construction of waste-to-energy facilities for the treatment of domestic trash (“the developer”), pursuant to which the parties plan to enter into binding agreements based on the principles outlined in the Mid West LOI, the highlights of which are set forth below:

(a) The parties will cooperate in the development, construction and operation in the US of waste treatment facilities based on the Company’s PGM technology.

(b) As part of the cooperation the parties will take steps to develop, build and operate the first facility which will treat 1,000 tons of waste per day (“the facility”). The costs involved in the construction of the facility are estimated at \$220 million.

(c) The developer is responsible for obtaining all the necessary approvals and permits for the construction and operation of the facility.

(d) The developer is responsible for obtaining the financing necessary to build the facility.

(e) In exchange for EER’s obligation to provide a license to use the technology and perform the initial engineering planning of the facility at an estimated cost of US \$3 million, EER shall be entitled to following consideration:

- Allotment of shares representing 14.25% of the developer’s fully diluted share capital on the allotment date.
- Royalties at the rate of 5% of the facility’s revenues.

The Mid West LOI expired on January 31, 2012 and the parties are negotiating regarding new terms and conditions.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – COMMITMENTS AND CONTINGENT LIABILITIES (continued):

a. Commitments (continued):

(12) The Plazma MOU

In May, 2011, EER and SLE&C, entered into a memorandum of understanding (the "Plazma MOU") with Zaklad Zagospodarowania Odpadow "PLAZMA" Sp.z. o.o ("Plazma"), a Polish company, pursuant to which EER, SLE&C and Plazma shall cooperate for the purpose of designing, engineering, constructing and operating a waste treatment facility, based on EER's Technology, in Poland. Plazma will work exclusively with EER and SLE&C on the development of the facility, with EER acting as the technology provider and SLE&C as consultant and provider of certain engineering services. Plazma shall be solely responsible for constructing the facility in Poland, including, but not limited to, obtaining finance, obtaining all necessary licenses and regulatory approvals, and preparing a business plan and a financial model for the facility. EER and SLE&C have agreed to assist and provide necessary information during the process. EER has also agreed to consider taking an equity position in the project. The scope of work to be performed by EER in connection with the project shall be agreed upon by the parties. According to the Plazma MOU, the parties shall negotiate and enter into a definitive agreement within twelve months of the date of the Plazma MOU, or else the Plazma MOU shall expire.

During December 2011 EER entered into an agreement with a company from the Czech Republic regarding (13) a feasibility study work to be performed by EER with regard to the design, engineering, construction and operation of a hazardous waste treatment facility at an estimated cost of approximately \$ 25 million.

In consideration for the performance of the study work, EER shall be entitled to a total sum of US \$125,000, payable in three payments. A down payment of US \$ 63,000 received in December 2011 and was recorded as revenue in the reported period.

An additional payment of US \$ 31,000 was received subsequent to the statement of financial position date and an additional payment of \$ 31,000 is expected with the completion of the work by EER. The companies are advancing towards the completion of the feasibility study. Once evaluated there will be discussions held on how to advance the project.

b. Contingent liabilities:

During 2004 the Israeli office of the Chief Scientist approved EER's application to obtain financial assistance for conducting research and development in connection with EER's products. The approval was contingent on the Company's compliance with the provisions of the Israeli Law of Encouragement of Research and Development in Industry, 1984, and on fulfillment of the terms of the approval that include, *inter alia*, the payment of royalties in respect of revenues from products developed with the assistance of the Chief Scientist.

As of the balance sheet date, EER has received grants in the amount of NIS 1.7 million, the liability in respect thereof was recorded in full in accordance with IAS 20 (before its amendment in 2008).

In August 2010 EER paid royalties of NIS 0.2 million to the office of the Chief Scientist.

In February 2012 EER paid royalties of NIS 0.02 million to the office of the Chief Scientist.

See also note 2n.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - SHAREHOLDERS' EQUITY

- a. The Company's ordinary shares are traded in the United States on the Over the Counter Bulletin Board (OTCBB) under the symbol RVBHF.OB.
- b.

	Issued and Outstanding	
	December 31	
	2011	2010
	Number of shares	
Balance as of January 1	118,900,535	117,970,535
Issuance of shares (*)	58,121,382	-
Exercise of share options	-	930,000
Balance as of December 31	<u>177,021,917</u>	<u>118,900,535</u>

Ordinary shares of NIS 1.00 par value each

(*) See also note 1c.

The authorized ordinary shares of the Company as of December 31, 2011 and 2010 was 400,000,000 shares with a value of NIS 1.00 per share.

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at general meetings of the Company.

c. Treasury stock

In January 2011 the Company purchased 1,040,000 shares of the Company from its former employees.

The rights attached to these Company shares are suspended until their re-issuance (dormant shares).

d. Share-based compensation

- In 2004, the Company granted Aviv Tzidon, the former Chairman of the Board of Directors, an option to purchase 9,000,000 ordinary shares of the Company at an exercise price per share of \$0.18, vesting in five equal periods subject, to Mr. Tzidon serving as an active Chairman of the Board of Directors. As mentioned above, in March, 2011, Aviv Tzidon sold to Greenstone, among other, 1,800,000 options which were outstanding and exercisable as of that date. These options expired during November 2011.
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- In 2009, the Company received \$3.5 million (the "Debenture Amount") based on a debenture agreement with Yuval Golan Investments Ltd. and Michael Golan Securities Holdings Ltd. (collectively the "Investor"), together with an option to purchase 3,000,000 Ordinary Shares of the Company, at an exercise price per share of \$0.18, exercisable for a period of five years. The repayment terms of the debenture were based on specific terms and conditions as detailed in the agreement, including a provision that required repayment in the event that the Company would be acquired while the debenture is still outstanding. In 2009, as a result of the Elbit transaction the Company repaid the debenture in the amount of \$4.55 million including accrued interest. As of December 31, 2011, the option granted as part of the debenture agreement is still outstanding.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - SHAREHOLDERS' EQUITY (continued)

On June 29, 2011, the Company's board of directors approved a share options plan (the "2011 Plan"). Under the 2011 Plan, the Company may grant to any of its and its affiliates' (i.e. present or future company that either controls or is controlled by the Company) employees, officers and directors options to purchase ordinary shares of the Company. The options under the 2011 Plan shall become vested and exercisable, in accordance with the following vesting schedule: (i) 33% of the options shall vest on the first anniversary of the date of grant; and (ii) 8.375% of the options shall vest on the last business day of each subsequent fiscal quarter following the first anniversary of the date of grant, such that all options shall become vested and exercisable by the third anniversary of the date of grant (the "Vesting Schedule").

3.

The options, granted under 2011 plan are allocated on behalf of the participant to a Trustee - under the provisions of the 102 Capital Gains Track and will be held by the Trustee for the period stated in Section 102 of the Israeli Income Tax Ordinance, 1961, as amended and the Israeli Income Tax Regulations (Tax Relieves in Allocation of Shares to Employees), 2003.

On January 2012, following the approval of the Company's audit committee and board of directors, the Company granted to seven of its and its affiliates employees options to purchase 25,793,156 ordinary shares of the Company with an exercise price of US\$ 0.2145 per share (adjusted for future dividend), (including 10,000,000 options to the Company's CEO), according to the 2011 plan.

On August 22, 2011, the Company's shareholders approved (following the approval of the Company's audit committee and board of directors), among others: (i) the grant to each of the Company's directors, Gedaliah Shelef, Alicia Rotbard and Jonathan Regev, options to purchase 900,000 ordinary shares of the Company, with an exercise price of US\$0.2145 per share (adjusted for future dividend). The options were granted under the 2011 Plan; and (ii) the grant to Yair Fudim, of options to purchase shares of the Company representing, on a fully diluted basis, approximately 0.3% of the Company's issued and outstanding share capital as of the date of the grant (actually 861,445 were granted), with an exercise price of US\$ 0.2145 per share (adjusted for future dividend). The options shall become vested and exercisable, in accordance with the Vesting Schedule. The options described in this paragraph were granted in January 2012.

4.

The parameters used in the calculation of the fair value of the options described above, are a share price of \$0.09 (regarding Yair Fudim) and 0.04\$ (regarding the other directors), an exercise price of US\$0.2145 per share, the expected volatility of companies operating in this field - 32%, the life of the option – 5 years and a risk-free interest of 1%. The fair value of these options is immaterial.

5.

Regarding options granted to Greenstone pursuant to the Management Agreement see note 7b (7) above.

6.

Regarding options granted to Mazal pursuant to the Option Agreement see note 7b (4) above.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – LOSS PER ORDINARY SHARE

The following table summarizes information related to the computation of basic and diluted loss per Ordinary Share for the years indicated:

	Year ended December 31,		
	2011	2010	2009
	\$ thousands		
Loss attributable to Ordinary Shares	(5,950)	(7,637)	(7,307)
	Shares (thousands)		
Weighted average number of Ordinary Shares used in basic and diluted loss per Ordinary Share calculation (*)	204,861	187,507	179,561
	\$		
Basic and diluted loss per Ordinary Share	(0.029)	(0.041)	(0.041)

(*) The number of shares as of the periods before the completion of the EER Transaction were adjusted according to the exchange ratio (11.65 shares of the Company for each share of EER) applied in the EER Transaction.

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

- Options granted to Greenstone pursuant to the Management Agreement see note 7b (7) above.
- Options granted to Mazal pursuant to the Option Agreement see note 7b (4) above.
- Additional options see note 16d above.

NOTE 18 – OPERATING EXPENSES AND FACILITY MAINTENANCE:

Composed as follows:

	For the year ended December 31		
	2011	2010	2009
	\$ in thousand		
Payroll and related expenses	671	648	757
Share-based payment	-	19	-
Car maintenance	68	86	88
Professional services	29	149	188
Maintenance of the facility's site	285	186	355
Depreciation and amortization (**)	1,464	1,495(*)	1,533(*)
Other	9	7	41
Total operating and facility maintenance results	2,526	2,590(*)	3,962(*)

(*) Reclassified

(**) See also notes 9 and 10 regarding the depreciation of the Yblin facility and know-how.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 – MARKETING EXPENSES AND BUSINESS DEVELOPMENT:

Composed as follows:

	For the year ended December 31		
	2011	2010	2009
	\$ in thousand		
Payroll and related expenses	109	121	204
Share-based payment	211	245	462
Loan which became a grant (see note 8)	351	196	195
Management fees (see note 23)	101	132	145
Car maintenance	1	3	17
Professional services	340	471	180
Overseas travel	84	61	41
Advertising and commission to agents	3	27	7
Total marketing expenses	1,200	1,256	1,251

NOTE 20 – ADMINISTRATIVE AND GENERAL EXPENSES:

Composed as follows:

	For the year ended December 31		
	2011	2010	2009
	\$ in thousand		
Payroll and related expenses	85	110	172
Share-based payment	211	254	462
Loan which became a grant (see note 8)	351	196	195
Management fees (see note 23)	240	209	217
Car maintenance	12	25	47
Professional services	252	248	104
Office maintenance	150	233	213
Depreciation and amortization	410	411(*)	411(*)
Taxes (**)	47	2	5
Other	1	105	84
Total administrative and general expenses	1,759	1,793(*)	1,910(*)

(*) Reclassified.

(**) See also note 14.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – FINANCING INCOME (EXPENSES), NET:

Composed as follows:

	<u>For the year ended December 31</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>\$ in thousand</u>		
Financing expenses			
Long-term loans	(83)	(98)	(110)
Short-term loans	(795)	(1,759)	(1,072)
Others	-	(60)	(31)
	<u>(878)</u>	<u>(1,917)</u>	<u>(1,213)</u>
Financing income			
Long-term loans	3	11	17
Short-term deposits	51	6	12
	<u>54</u>	<u>17</u>	<u>29</u>
	<u>(824)</u>	<u>(1,900)</u>	<u>(1,184)</u>

NOTE 22 – FINANCIAL INSTRUMENTS:

a. Capital management policy

The Company's capital structure consists of debt, which includes the loans described in note 12, credit from banks and other credit providers and the shareholders' equity, which includes issued share capital, capital reserve and retained earnings as described in the statement of changes in equity.

b. The main accounting policies

Details on the main accounting policies and the adopted accounting methods, including the terms for recognition, the measurement basis and the basis for recognizing revenue and expenses in connection with each group of financial assets, financial liabilities and capital instruments, are set forth in note 2.

c. Groups of financial instruments:

	<u>As of December 31</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$ in thousand</u>	
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>6,886</u>	<u>590</u>
Financial liabilities		
Financial liabilities measured at amortized cost	<u>1,879</u>	<u>14,249</u>
Financial liabilities at fair value through profit and loss	<u>158</u>	<u>210</u>

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 – FINANCIAL INSTRUMENTS (continued):

d. Objectives and policies concerning risk management

The Company's activities expose it to risks associated with various financial instruments, such as: market risks (including currency risks and risk of cash flows in respect of interest rates. The Company's risk management plan focuses on activities to minimize any potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance division in accordance with a policy determined from time to time by the board of directors. The finance division identifies and assesses financial risks. The board of directors lays down principles for the overall risk management, as well as sets the specific policy for certain exposure to risks, such as exchange rate risks, interest rate risks and credit risks.

e. Currency risk:

The Company also operates in currencies that are not its functional currency (dollar), mainly NIS, and it is exposed to currency risks as a result of changes in exchange rates of different currencies, mainly that of the NIS. The currency risk primarily emanates from current expenses in foreign currency (NIS).

During 2011 there was no change in the Company's exposure to currency risk or in the way the Group manages or measures the risk.

The carrying values of financial assets and liabilities in foreign currency are set forth in notes 5, 6, 11, and 15b.

Sensitivity analysis of foreign currency:

A positive figure in the table denotes an increase in the profit or loss or an increase in equity when the NIS appreciates against the dollar; or a decrease in the profit or loss and a decrease in shareholders' equity when the NIS depreciates against the dollar.

The effect of a 5% increase (decrease) in the NIS against the dollar (*)

	<u>The effect of the NIS</u>	
	<u>As of December 31</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$ in thousand</u>	
Profit or loss (**)	<u>41</u>	<u>47</u>

(*) Represents management's assessments regarding a reasonable change in the exchange rate. The sensitivity analysis was made with respect to the average exchange rate in 2011 and in 2010.

(**) As of the balance sheet date, balances not in the functional currency were immaterial. Sensitivity analyses were based on expenses in Israeli currency during the period of calculation.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 – FINANCIAL INSTRUMENTS (continued):

f. Interest rate risk:

The Group is exposed to an interest rate risk since Group companies extend and take loans at floating interest rates.

The Group's exposure to interest rates on financial assets and liabilities are described in the section on liquidity risk management which is set forth below.

During 2011 there was a material change in the Group's exposure to interest rate risk as a result of the conversion of EER's shareholders loans as mentioned above.

Sensitivity analysis of interest rates:

The sensitivity analysis is determined on the basis of exposure to interest rates of financial instruments at the balance sheet date. The sensitivity analysis on liabilities that bear a floating interest rate was prepared under the assumption that the amount of the liability as of the balance sheet date was the same throughout the reporting year.

Assuming that interest rates would have increased (decreased) by 2% and other parameters remained constant, the effect would be as follows (*):

- The Company's loss for the year ended on December 31, 2011 would have increased (decreased) by approximately \$10 thousands (2010: increased (decreased) by approximately \$ 240 thousands). The change primarily stems from the Group's exposure to interest rates relative to its loans at a floating interest rate; and,
- The shareholders' equity would have increased (decreased) at said amounts.

(*) A 2% change represents management's assessments concerning a reasonable change in the interest rate. The sensitivity analysis was calculated with respect to the Company's interest-bearing balances as of December 31 of the relevant year.

g. Liquidity risk management

The ultimate responsibility for liquidity risk management lays with the Board of Directors, which has outlined an appropriate work plan for the management of liquidity risks based on management's requirements for short-term, medium-term and long-term financing and liquidity. The Group manages liquidity risk by maintaining bank measures, loan measures and by continuously monitoring present and forecasted cash flows. See also note 1.

Risk and liquidity risk tables:

1. Financial liabilities that do not constitute derivative financial instruments

As for financial liabilities that do not constitute derivative financial instruments, see note 11 above.

2. Non-derivative financial assets

As for non-derivative financial assets, see notes 5, 6 and 7 above.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 – FINANCIAL INSTRUMENTS (continued):

h. Fair value of financial instruments:

The financial instruments of the Company mainly include cash and cash equivalents, deposits, accounts receivable, long-term loans provided, short-term credit from banks, accounts payable and accruals and long-term financial liabilities. Due to the nature of said financial instruments, their carrying value approximates their fair value, see below.

- (1) Financial instruments included under the current asset items – cash and cash equivalents, deposits and accounts receivable. The balance sheet value of these current assets as of December 31, 2011 is an approximation of their fair value.
- (2) Financial instruments included under current liabilities – short-term credit, accounts payable and accruals. The balance sheet value as of December 31, 2011 approximates the fair value.
- (3) Financial instruments included under long-term liabilities – the fair value of non-marketable liabilities at a floating interest rate – the balance sheet value as of December 31, 2011 approximates the fair value.

For the fair value measurement of its financial instruments, the Group classifies its financial instruments, which are measured in the statement of financial position at their fair value, in accordance with a scale that comprises the three levels below:

- | | |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1: | Quoted prices (unadjusted) in active markets for identical financial assets and liabilities. |
| Level 2: | Data that is not quoted prices that are included in Level 1, which are observed directly (i.e., prices) or indirectly (data derived from prices), for financial assets and liabilities. |
| Level 3: | Data for financial assets and liabilities that is not based on observed market data. |

The classification of financial instruments that are measured at fair value, is based on the lowest level, which is used substantially to measure the fair value of the entire instrument.

The Company has a financial instrument that is measured at fair value, options at fair value through profit and loss, at level 3, which as of December 31, 2011, amounted to \$ 158 thousand.

In respect of this instrument, in 2011 the Company recorded financing income of \$ 52 thousand.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 – TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

a. Transactions with interested parties and related parties:

The agreement between EER and Stern stipulates that as of January 1, 2009 EER would pay him and a company he controls wages and management fees, whose total cost to EER would be NIS 105,000 a month linked to the CPI (in this section – “the monthly payment”). As of July 2009, the agreement was

- (1) amended such that the monthly payment was reduced by 25%, i.e. to NIS 82,000. On August 31, 2011, following completion of the EER transaction, the parties signed an amendment to the management agreement. According to the amendment, the management agreement came to an end on that date and Stern ceased from giving services to EER.

See also notes 7b(8) and 7c(6)(d).

On January 2012, the board of directors of the Company approved the appointment of Mr. Ofer Sandelson as the Company's Chief Executive Officer (CEO) as of January 8, 2012. Mr. Sandelson is replacing Mr. Yair Fudim who shall continue to serve on the board of directors of the Company. Regarding options granted to Mr. Sandelson see note 16 above.

- (2)

In February 2002 EER and Greenstone entered into an agreement (in this section – “the management agreement”) for the provision of management services to EER, office services, accounting services and office space, in accordance with the Company’s needs as they shall be from time to time (in this section – “the services”). In return for the services, EER has undertaken to pay a total of NIS 20,000 a month (plus VAT) linked to the CPI (in this section – “the management fees”), as of January 2002. The term of the management agreement was set at one year, at the end of which the agreement would be renewed automatically for additional one-year periods, and may be terminated by one month’s notice by either party. From the end of 2004 to December 31, 2010, services were provided by Accord and management fees were paid to it, and as of January 1, 2011 the services were provided by Leader Holdings and Investments Ltd (the parent company of Greenstone; “Leader”), and the management fees were paid to Leader.

- (3)

Since September 1, 2011 Greenstone is entitled to the management fees from EER, see note 7c(6)(c).

- (4) Regarding the Management Agreement between the Company and Greenstone including options granted to Greenstone, see note 7b (7).

- (5) Regarding options granted to director's of the Company see note 16d(4).

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 – TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (continued):

- b. **The amounts recorded in respect of transactions with interested parties and related parties are presented below:**

	For the year ended December 31		
	2011	2010	2009
	\$ in thousand		
Management fees to Stern (excluding share-based payment)	<u>232</u>	<u>264</u>	<u>290</u>
Loan to Stern which became a grant (see note 8)	<u>702</u>	<u>392</u>	<u>390</u>
Management fees to Accord/ Leader	<u>54</u>	<u>77</u>	<u>72</u>
Management fees to Greenstone	<u>55</u>	<u>-</u>	<u>-</u>
Share-based payment to Stern	<u>422</u>	<u>444</u>	<u>847</u>
Financing expenses	<u>959</u>	<u>1,562</u>	<u>1,063</u>
Financing income	<u>3</u>	<u>11</u>	<u>17</u>

- c. **Balances with interested parties and related parties:**

	As of December 31	
	2011	2010
	\$ in thousand	
Outstanding loan to Stern (see note 8)	<u>-</u>	<u>492</u>
Long-term loans (see note 12)	<u>-</u>	<u>4,240</u>
Short-term convertible loans – see notes 12 and 15a(4)	<u>-</u>	<u>4,339</u>
Accounts payable and accruals (see note 11)	<u>48</u>	<u>174</u>

- d. For additional information, see also notes 7 and 15.

R.V.B. HOLDINGS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 – TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (continued):

e. Remuneration of key executives:

	For the year ended December 31		
	2 0 1 1	2 0 1 0	2 0 0 9
	\$ in thousand		
Short-term benefits	530	697	858
Share-based payment	422	485	904
	<u>952</u>	<u>1,182</u>	<u>1,762</u>

NOTE 24 – LIENS AND COLLATERAL

- a. EER registered several liens over its Yblin facility and intellectual property, unlimited in time to ensure compliance with the conditions related to the receipt of loans from shareholders as stated in note 15a. Since all of EER debts to its shareholders have been converted into shares of EER, these liens have been cancelled.
- b. As for a pledge given by EER to secure its commitments pursuant to the lease contract see note 15a(2).
- c. EER agreed to create specific liens in favor of bank Leumi as mentioned in note 15 a(3).
- d. As for guarantees provided by shareholders of EER, see note 15a (3) and (8).

TERMINATION AGREEMENT

This Termination Agreement (this “**Agreement**”) is made and entered into as of November 29, 2011, by and between **Greenstone Industries Ltd.**, an Israeli publicly listed company (“**Greenstone**”) and **Mazal Resources B.V.**, a company organized under the laws of the Netherlands (“**Mazal**”).

WHEREAS, Greenstone and Mazal entered into a that certain voting agreement, dated July 3, 2011, (the “**Voting Agreement**”), which was entered into pursuant to that certain Share Purchase Agreement, dated July 3, 2011, by and between Greenstone, Mazal, R.V.B. Holdings Ltd., S.R. Accord Ltd., S.R. Accord Technologies Ltd., and E.E.R Environmental Energy Resources (Israel) Ltd., (the “**SPA**”);

WHEREAS, Greenstone and Mazal wish to terminate the Voting Agreement;

NOW, THEREFORE, in consideration of the mutual premises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows.

1. As of the date hereof, the Voting Agreement is terminated and of no further force or effect and neither party has or shall have any further obligation or liability to the other party thereunder.

- Each party, individually and on behalf of any of its predecessors, successors, assigns, subsidiaries, officers, directors, shareholders, principals, agents, employees, affiliates, representatives, and all persons or entities connected with them (the “**Releasors**”), hereby release the other party and any of its predecessors, successors, assigns, subsidiaries, officers, directors, shareholders, principals, agents, employees, affiliates, representatives, and all persons or entities connected with them (the “**Releasees**”), who were, are or may be liable to the Releasors, of and from any and all claims, demands, counts, causes of action, obligations, liens, taxes, damages, losses, costs, attorneys’ fees, and expenses of every kind and nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, which the Releasors may have had, now has, or may hereafter have against the Releasees, by reason of any matter, cause or thing directly arising out of and/or connected with and/or related to the Voting Agreement or the termination thereof, and from any and all claims for incidental, consequential, ensuing and/or resulting damage therefrom.
- 2.

- For the avoidance of doubt, it is acknowledged and agreed that the execution of this Termination Agreement shall not constitute a default under, or (other than in respect of the Voting Agreement as provided hereunder) give rise to any rights of termination, amendment or cancellation of the SPA or the transaction contemplated thereunder or any rights or obligations of the Parties thereunder or any of the agreements and instrument made in connection therewith, including without limitation, as defined in the SPA, the Option Agreement, the Irrevocable Proxy, the Trust Agreement, the Shareholders Agreement and the agreement between M.Stern Holdings Ltd. (“**M.Stern**”) and E.E.R Environmental Energy Resources (Israel) Ltd. (“**EER**”), dated July 3, 2011, pursuant to which terms of the Option Agreement shall apply to shares of EER which shall be held by M.Stern following the exercise of options (as set forth therein).
- 3.

4. This Agreement shall be governed by, and construed in accordance with the laws of the State of Israel, without regard to conflict of law principles.

5. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by all the parties hereto.

6. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall be deemed to be one and the same instrument.

[Signature page of the Termination Agreement]

IN WITNESS WHEREOF, this Agreement is executed as of the date and year first above written.

Greenstone Industries Ltd.

/s/ Yitzhak Apeloig

By: Yitzhak Apeloig

Title: Chairman of the Board of Directors

/s/ Ofer Naveh

By: Ofer Naveh

Title: Director of Finance

Mazal Resources B.V.

/s/ Moshe Stern

By: Moshe Stern

Title: Authorized Signatory

[UNOFFICIAL FREE TRANSLATION TO ENGLISH]

Termination of Service Provider Agreement

Made and Signed on November 29, 2011 in Tel-Aviv

Between: **R.V.B. Holdings Ltd.**
 A Public Co. No. 520043621
 Of 21 Ha'arbaa St., Tel Aviv
 (Hereinafter: the "**Company**")

The First Party

And: **M. Stern Holdings Ltd.**
 A Private Co. No. 513040717
 Of 7 Jabotinsky St., Ramat Gan
 (Hereinafter: the "**Management Company**")

The Second Party

And: **Moshe Stern, ID No. 42609760**
 Of 16 Zamarot Str., Apartment 91, Herzliyah
 (Hereinafter: the "**Consultant**")

The Third Party

Whereas on July 3, 2011, the Company, the Management Company and the Consultant (collectively, the "**Parties**") entered into a Service Provider Agreement (the "**Agreement**"); and

Whereas the Parties wish to terminate the Agreement;

Therefore It Is Agreed, Stipulated and Declared Between the Parties as Follows:

1. The Parties notify of their mutual consent to terminate the Agreement.
2. The Parties hereby declare that the Agreement will be terminated as of November 1, 2011.
3. The Parties agree that the options to purchase shares of the Company which were granted to the Consultant pursuant to the Agreement will expire immediately upon the signing of this Termination of Service Provider Agreement.

The Management Company and the Consultant hereby declare that during the term of the Agreement, the Company paid them all of the payments due which they were entitled to receive pursuant to the terms of the Agreement, including, but not limited to, compensation for the services provided, reimbursement of any and all expenses and any other payment which they were entitled to from the Company. The Management Company and Consultant hereby declare that the Company has satisfied all of its obligations towards them.

The Parties hereby declare that they do not have nor will they have any claims and complaints against each other, their employees, management and shareholders, with regard to the Agreement and/or its termination, and they release each other, their employees, management and shareholders of and from any and all obligations towards each other with regard to the Agreement.

It is hereby clarified that with exception to the obligations of the Management Company and the Consultant with regard to confidentiality, non-competition and intellectual property which continue to remain in effect towards the Company, pursuant to Appendix A of the Agreement, and towards E.E.R. Environmental Energy Resources (Israel) Ltd. ("**EER**"), pursuant to Section 4 of the addendum to the Agreement, dated February 26, 2009, which was signed on August 31, 2011, between EER, the Consultant and the Management Company, the Management Company and/or the Consultant have no

other obligations, directly or indirectly, towards the Company and/or EER. The Company and EER hereby declare that the Management Company and the Consultant are not obligated or required to execute any action on their behalf, and the Company and/or EER shall have no such demand, at the present or in the future, towards the Management Company and the Consultant.

7. This agreement shall be governed by the laws of the State of Israel and proper venue shall be in Tel Aviv.
8. Any modification and/or cancellation of a provision of this agreement may be done only by a written instrument signed by all the Parties hereto.

In Witness Whereof the Parties Have Set Their Hand:

/s/ Yitzhak Apeloig

The Company
Name: Yitzhak Apeloig
Title: Chairman of the Board of Directors

/s/ Ofer Naveh

The Company
Name: Ofer Naveh
Title: Chief Financial Officer

/s/ Moshe Stern

The Consultant

/s/ Moshe Stern

The Management Company
Name: Moshe Stern
Title: Authorized Signatory

I hereby agree to the above stated in Section 6.

/s/ Yitzhak Apeloig

E.E.R. Environmental Energy Resources (Israel) Ltd.
Name: Yitzhak Apeloig
Title: Chairman of the Board of Directors

/s/ Yossef Hindi

E.E.R. Environmental Energy Resources (Israel) Ltd.
Name: Yossef Hindi
Title: Deputy Chief Executive Officer

LIST OF SUBSIDIARIES

Name of Subsidiary	Country of Incorporation
E.E.R. Environmental Energy Resources (Israel) Ltd. ("EER")	Israel
EER (Texas) Environmental Technologies, Inc. ⁽¹⁾⁽³⁾	Texas
Eco-Gamma LLC. ⁽²⁾⁽³⁾	Russia

(1) EER (Texas) Environmental Technologies, Inc. is a wholly owned subsidiary of EER.

(2) EER is the beneficially owner of 74% of Eco-Gamma LLC.

(3) As of the date of this annual report, the companies are not active.

CERTIFICATION

I, Ofer Sandelson, certify that:

1. I have reviewed this Annual Report on Form 20-F of R.V.B Holdings Ltd.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

2. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

3. The company's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

4. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Ofer Sandelson

Ofer Sandelson
Chief Executive Officer

Date: April 30, 2012

CERTIFICATION

I, Ofer Naveh, certify that:

1. I have reviewed this Annual Report on Form 20-F of R.V.B Holdings Ltd.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under (a) our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed (b) under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions (c) about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period (d) covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting (a) which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Ofer Naveh

Ofer Naveh
Chief Financial Officer

Date: April 30, 2012

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of R.V.B. Holdings Ltd. (the "Company") on Form 20-F for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Ofer Sandelson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. This Annual Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2012

/s/ Ofer Sandelson
Ofer Sandelson
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of R.V.B. Holdings Ltd. (the “Company”) on Form 20-F for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), I, Ofer Naveh, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. This Annual Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2012

/s/ Ofer Naveh
Ofer Naveh
Chief Financial Officer
