envipco

Annual Report 2016

Contents

We have made strong progress during 2016 in pursuit of our goal to establish the company as the Global #2 provider of automated solutions for the recovery of used beverage containers. We continue to rely on Focus, Innovation and Execution to realize this goal.

Focus: We have prioritized our efforts and initiatives in the North American market. We are the established #2 RVM machine and service provider in this market as we continue year on year market share gains. We have also prioritized the European deposit markets with particular emphasis on the Swedish market initially along with a clear executable roadmap to enter other Nordic and West European deposit markets including the largest market of Germany. We support our partners on new market development initiatives, especially tied to mandatory deposit schemes as evidenced by recent legislation in New South Wales, Australia. We also support certain non-deposit markets where there are sustainable business models as demonstrated in France and Greece.

Innovation: Our investments have placed us at the forefront of technology leadership for the RVM industry. Our U48 and Flex platforms incorporate state of the art technologies and are proven market performers in single feed RVM technology. Our Quantum technology promises to change the RVM paradigm based on overwhelming consumer preference for bulk feed handling of used beverage containers. The challenges of bulk feed handling of deposit containers were always seen as just too difficult. Envipco developed and launched the Quantum platform in conjunction with Returpack, the Swedish deposit organisation in 2015. Considerable ongoing developments and improvements were made in platform during 2016 whereby the platform is now ready for accelerated placements in the Swedish market along with other markets. The revolutionary nature of Quantum is well protected by IP and will have first to market advantage for some time. Envipco places a high value on securing and protecting its Intellectual Property Rights. During April 2016, Envipco was granted a patent by the German patent office after filing for a utility model in 2007. This specific IP covers a method for how security labels are created and interpreted; which we believe is being allegedly used by several parties in Germany in compliance with the German deposit system. Envipco is currently seeking enforcement proceedings against potential infringers.

Execution: Envipco's unwavering customer first approach and attention to detail continue to yield high customer satisfaction levels. In North America, sustained market share gains remain the measure of executional excellence. In Europe, the progress being made in the Swedish market demonstrates our innovation leadership and ability to compete with a dominant competitor. Success in Sweden positions the company for expansion into other European and North American deposit markets through this innovative technology. Envipco is fully supporting our established Australian distributor/partner, who is well positioned and prepared for the New South Wales deposit legislation beginning 1 December 2017. RVM machines will be a key part of the necessary compliance under the legislation.

Overall, 2016 demonstrated the company is on a sustained path to revenue growth and improving profitability. Revenues increased 11.7% to €33.11m, operating profit improved 10.4% to €1.38m and EBITDA improved 22% to €4.56m (without one-time gain in 2015 of €0.56m). The 2016 operating profit was significantly impacted by Swedish market start-up activities and IP enforcement cost in the German market. Without these cost, 2016 operating profit would have been €3.03m for the year. In 2016 we continued our market share gains in North America, we built our Swedish organisation, we brought our revolutionary Quantum platform to market readiness and we positioned the company to benefit from new deposit legislation in Australia. We are excited about our future prospects as we Focus, Innovate and Execute to the benefit of our customers, our employees and our shareholders.

B. Gool. Santchurn

Financial Highlights

	2016	2015
Continuing operations		
Revenues	€33.11m	€29.63m
Gross profit margin	35.19%	35.55%
Net profit (loss) before taxes	€1.12m	€1.48m
Net profit (loss) after taxes after minority	€5.24m	€1.42m
EBITDA	€4.56m	€4.31m
Earnings (loss) per share	€1.46	€0.39
Equity		
Shareholder's equity	€23.45m	€17.60m
Liquidity ratio (current assets / current liabilities)	1.62	1.73
Total assets	€40.75m	€32.74m

General

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands. Envipco Holding N.V. and its subsidiaries listed on page 25 consist of the Group (hereafter the Group).

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

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

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

Key Developments

The Group's key developments during 2016 were as follows:

a) The company grew revenues in 2016 by 11.7% to €33.11m from €29.63m in 2015.
b) The company increased gross profit for 2016 to €11.65m from €10.54m in 2015.
c) Operating profit before one-time gain in 2015 (€0.56m) increased in 2016 to €1.38m from €1.25m in 2015. EBITDA increased 22% in 2016 to €4.56m (excluding the one-time gain in 2015), which is €0.14m higher due to reclassification of depreciation.
d) Net profit after taxes increased substantially in 2016 to €5.24m from €1.42m in 2015 due to capitalisation of approximately €4.00m of tax loss carry-forwards in 2016 not previously recognised.
e) The company was granted a full patent by the German Patent office that covers a method for how security labels are created and interpreted.

Results

Total revenues increased 11.7% in 2016 to €33.11m. The North America revenue increase was only 4.7% as machine sales declined €1.70m from 2015 due to delayed installations with one of our major customers. The North America recurring revenue from RVM machine lease, service and container throughput income grew 12.8% as a result of our increasing RVM machine installation base. Our Europe revenues increased 350% to €2.70m from €0.60m in 2015. The Europe increase resulted from our Swedish market launch combined with increased RVM sales to our French and Greek distributors.

Operating profit before one-time gain in 2015 increased by 10.4% to €1.38m in 2016. Operating performance improvements were achieved despite substantial cost of €1.10m incurred in launch of the Swedish market and an additional cost of €0.55m related to IP enforcement activities in Germany.

Shareholder's equity increased to €23.45m (after adjusting for €0.12m for treasury shares) in 2016 from €17.60m in 2015. This increase was favorably impacted by capitalisation of approximately €4.00m of tax loss carry-forwards resulting from expected sustained profit performance in future years of a Group's subsidiary. This subsidiary still has additional tax loss carry-forwards of €7.80m that may be subject to capitalisation in future years.

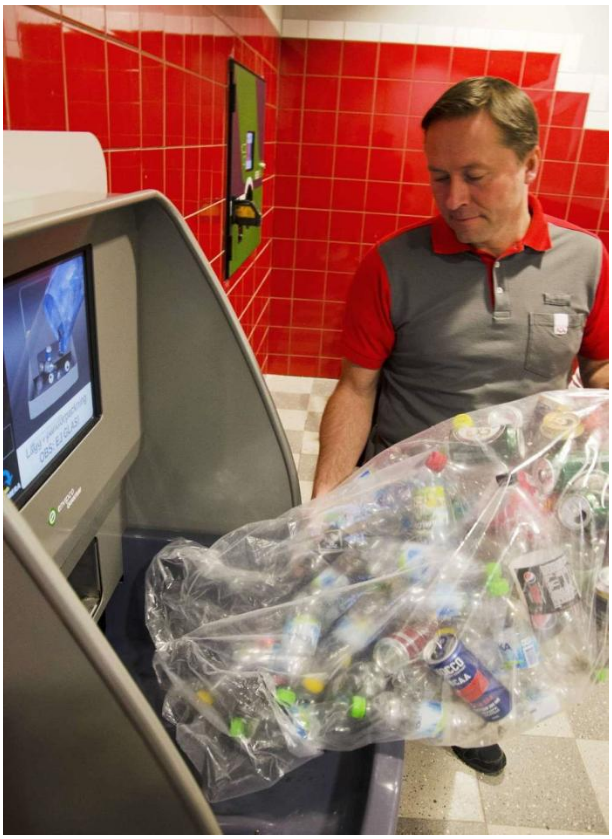
North America

Our North America market had steady performance in 2016 with continuing market share gains achieved by placement of over 500 RVMs. While RVM machine sales were down €1.70m in 2016 compared to 2015, our overall revenue grew 4.7% as a result of our increased recurring revenue generated from our installed base of leased and sold machines. The reduced machine sales were a result of delayed installations with one of our major customers. We expect these delayed installations to be recovered over the next two years. Based on long-term contracts that we are executing against, we expect continuing market share gains

over the next several years. Our U48 RVM platform continues to be a proven winner in sustaining market share gains. The Flex platform is well suited to small shops and drug store chains that are increasingly looking for potential RVM solutions. Our bulk feed Quantum platform has the potential to be a market disruptor leading to accelerated market share gains. This platform is especially well suited to large retailers with high redemption volumes. Based on the positive developments and overwhelming consumer response to bulk feed container handling in the Swedish market, we are now preparing to launch this platform in the North American market in 2017. Technology leadership, sales execution and strong customer relationships will sustain North America sales growth and profit increases.

Europe

Our Europe revenues increased substantially in 2016 to €2.70m from €0.60m in 2015. Our major focus has been on the Swedish market where we launched both the Quantum and Flex platforms and also established a sales and service subsidiary in 2015. Significant Swedish investment and cost has been incurred in building the organization, market development activities and ongoing technology upgrades. During 2016, this has negatively impacted profitability by approximately €1.10m. Platform upgrades and improvements have been completed whereby the platform is fully meeting performance expectations. Based on the overwhelming consumer preference for bulk feed technology and the demonstrated platform performance, we are building a strong 2017 order book for both outdoor and indoor installations. We expect significant sales growth and profit improvement for Sweden in 2017. Continued positive developments in Sweden are expected to create opportunities in the other Nordic deposit markets along with the largest European deposit market of Germany.



In addition to Sweden, we had meaningful RVM sales to our distributors in France and Greece in 2016. While these markets have no mandatory deposit legislation, there have been positive developments in financial support mechanisms intended to drive increased recycling rates. Our distributors have been successful in leveraging these mechanisms to create sustainable RVM placements in the market. Our distributors remain optimistic to continuing these developments; resulting in increasing RVM placements in the market.

Rest of World

ROW revenue, which currently reflects the Australian market, was €0.27m for 2016 compared to €0.23m in 2015. The New South Wales government introduced container deposit legislation that was originally intended to be implemented July 2017; which date was subsequently revised to 1 December 2017. Envipco's established distributor in this market is participating in a tender process to be a network operator which includes building collection infrastructure. RVMs will be an integral part of the infrastructure. We are preparing to fully support our distributor as they are already a proven supplier of RVM services in the territory and have the knowledge and experience to provide the required collection infrastructure. We expect meaningful RVM sales in the Australian market during 2017.

Non-Deposit Markets

Envipco has extensive experience with non-deposit schemes and the associated challenges to secure financial support mechanisms necessary for their long-term viability. We have seen some progress during 2016 with developments in France and Greece through our distributors in these markets. We are encouraged by these developments as we continue to evaluate market opportunities considerate of industry partnerships and sustainable business models.

Intellectual Property

Envipco maintains a strong patent portfolio along with the commitment to protect our intellectual property. During the year, a significant patent was granted in April 2016 by the German Patent office pertaining to a method for how container security labels are created and interpreted. This patent arises from a previously granted utility patent in 2007. The company is pursuing its IP rights against various alleged infringers in the German market. We have incurred approximately €0.55m with regard to legal professionals, experts and court cost during 2016. We have a high degree of confidence that our IP rights are being infringed upon and we are committed to protect and defend it further at a significant cost in 2017.

Overall Outlook

We are confident that the organisational, and technology investments, the disruptive nature of bulk feed technology and our demonstrated execution; all support a strong expectation for continuing market growth and significantly improving profitability for the future.

Liquidity

Group generated €4.55m cash from its operating activities for the year 2016 versus €3.61m during 2015. Cash flows used in investing activities were €5.36m for the year 2016 (2015: €6.09m). The 2016 outflows were funded mostly by cash generated from operations during the year. Net cash flows from financing activities were €1.38m for the year 2016 (2015: €1.52m).

Managing Risks

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

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

Stichting Employees Envipco Holding ('the New Foundation')

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

- Mr Dick Stalenhoef
- Mr Guy Lefebvre

Summary as of 31 December 2016 of Issued Share Capital	**2016**	**2015**
Common stock of €0.50 nominal value per share:		
Opening and Closing balance	3,837,607	3,837,607

The new foundation holds 240,000 treasury shares of the Company as of 31 December 2016 and 2015.

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

Substantial Shareholding

The Group has been notified of, or is aware of the following 3% or more interests at 31 December 2016 and 2015.

	31 December			
	2016		2015	
	Number of Shares	Percentage	Number of Shares	Percentage
A Bouri/Megatrade International SA	2,558,568	66.67%	2,558,568	66.67%
G Garvey/EV Knot LLC	234,013	6.10%	234,013	6.10%
B Santchurn/Univest Portfolio Inc	140,480	3.66%	140,480	3.66%
Douglas Poling/GD Env LLC	200,000	5.21%	200,000	5.21%
Stichting Employees Envipco Holding	240,000	6.25%	240,000	6.25%

Directors and their Interests

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

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

Executive:
Mr Bhajun Santchurn
Mr Christian Crépet

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

	31 December			
	2016		2015	
	Number of Shares	Percentage	Number of Shares	Percentage
A Bouri/Megatrade International SA	2,558,568	66.67%	2,558,568	66.67%
G Garvey/EV Knot LLC	234,013	6.10%	234,013	6.10%
B Santchurn/Univest Portfolio Inc	140,480	3.66%	140,480	3.66%
C Crepet	6,456	0.17%	6,456	0.17%
D D'Addario	80,451	2.10%	80,451	2.10%
TJM Stalenhoef	600	0.02%	600	0.02%

Remuneration of the Members of the Management Board

The Board of Directors is comprised of five non-executive and two executive directors. The total remuneration was €674,000 in 2016, as compared to 2015 of €613,000 for the prior year (see note 9).

There is an employment contract in place for Mr. Bhajun Santchurn. A loan was granted to Mr. Christian Crepet, a director in 2012 for €20,000 and is repayable by 31 December 2017 (see note 27).

Remuneration Policy of the Board of Directors and Senior Executives:

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

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

Corporate Governance

Dutch Corporate Governance Code

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

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

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

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

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

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

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

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

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

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

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

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

General Meetings of Shareholders and Voting Rights

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

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

Explanatory notes on article 10 of the takeover directive

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

As at 31 December 2016 and 2015 Envipco had issued 3,837,607 ordinary shares. Stichting Employees Envipco Holding holds 240,000 shares of the Company at a nominal value of €0.50, which are treated as treasury shares in consolidation. There are no physical share certificates issued, except for entries in the shareholders register. The Articles of Association do not provide for any limitation on the transferability of the ordinary shares.

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

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

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

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

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

The issue of new shares shall be by a resolution of the General Meeting of Shareholders and subject to the provisions of Article 5 of the Articles of Association.

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

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

Dutch Squeeze-out Proceedings

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

Corporate Social Responsibility

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

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

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

Internal Controls

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

The Management Board

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

Currently the Company does not have any female members in the Management Board. The Company shall be making efforts to appoint female members to its Board at the expiry of current term of the existing members.

Audit Committee

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

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

Nomination

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

Representation

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

Meeting

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

Articles of Association

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

Auditors

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

Post Balance Sheet Events

Details of the post balance sheet events are given on page 49 of the notes to the consolidated financial statements.

Board Responsibility Statement

In accordance with best practice II.1.5 of the Dutch corporate governance code of December 2016, the Board of Directors confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirms that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so. The financial statements fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures.
It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations.

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

-the annual financial statements for the year 2016 give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Company and its consolidated entities;

-the directors' report gives a true and fair view of the position of the Company and its related entities whose financial information has been consolidated in the annual financial statements as at the balance sheet date 31 December 2016 and of their state of affairs during the financial year 2016;

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

w.s. Gregory Garvey
Chairman

w.s. Alexandre Bouri

w.s. Dick Stalenhoef

w.s. Guy Lefebvre

w.s. Bhajun Santchurn

w.s. Christian Crepet

w.s. David D'Addario

26 April 2017

Consolidated Statement of Comprehensive Income for the year ended 31 December

(in thousands of euros)

	Note	2016		2015	
Revenue	(6)	33,114		29,635	
Cost of revenue		(19,257)		(17,365)	
Leasing depreciation		(2,204)		(1,734)	
Gross profit			**11,653**		**10,536**
Selling expenses	(7)	(1,261)		(898)	
General and administrative expenses	(7&9)	(9,065)		(8502)	
Other income/(expenses):					
- Miscellaneous income/(expenses)	(8)	49		118	
- Contract settlement income	(10)	-		560	
Operating result			**1,376**		**1,814**
Financial expense	(11)	(260)		(234)	
Financial income	(11)	25		35	
Exchange gains/(losses)		(26)		(133)	
Result before taxes			**1,115**		**1,482**
Income taxes	(12)	4,136		(67)	
			4,136		(67)
Net results			**5,251**		**1,415**
Other comprehensive income					
Items that will be reclassified subsequently to profit and loss					
Exchange differences on translating foreign operations		733		1,196	
Other movements		-		1	
Total other comprehensive income			733		1,197
Total comprehensive income			**5,984**		**2,612**

Consolidated Statement of Comprehensive Income for the year ended 31 December

(in thousands of euros)	Note	2016	2015
Profit attributable to :			
Owners of the parent			
Profit/(loss) for the period		5,241	1,417
		5,241	1,417
Non-controlling interest			
Profit/(loss) for the period		10	(2)
		10	(2)
Total			
Profit/(loss) for the period		5,251	1,415
		5,251	1,415
Total comprehensive income attributable to :			
Owners of the parent		5,974	2,614
Non-controlling interest		10	(2)
		5,984	2,612
Number of weighted average shares used for calculation of EPS (exclude treasury shares)			
- Basic	(13)	3,597,607	3,597,607
- Diluted	(13)	3,597,607	3,597,607
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year			
Basic (euro)		1.46	0.39
Fully diluted (euro)		1.46	0.39

Consolidated Balance Sheet as at 31 December After Appropriation of Result

(in thousands of euros)

	Note	2016		2015	
Assets					
Non-current assets					
Intangible assets	(14)	5,034		4,308	
Property, plant and equipment	(15)	11,042		9,864	
Financial assets	(16)	219		496	
Deferred tax assets	(17)	5,269		936	
Total non-current assets			21,564		15,604
Current assets					
Inventory	(18)	7,645		7,510	
Trade and other receivables	(19)	10,120		8,840	
Cash and cash equivalents	(20)	1,416		789	
Total current assets			**19,181**		**17,139**
Total assets			**40,745**		**32,743**

Consolidated Balance Sheet as at 31 December After Appropriation of Result

(in thousands of euros)

	Note	2016		2015	
Equity	(21)				
Share capital		1,919		1,919	
Share premium		52,853		52,853	
Retained earnings		(36,618)		(41,739)	
Translation reserves		5,298		4,565	
Equity attributable to owners of the parent			23,452		17,598
Non-controlling interest			29		19
Total equity			23,481		17,617
Liabilities					
Non-current liabilities					
Borrowings	(22)	5,227		5,072	
Other liabilities	(22)	214		120	
Total non-current liabilities			5,441		5,192
Current liabilities					
Borrowings	(22)	2,011		541	
Trade creditors		6,510		6,702	
Accrued expenses	(25)	2,645		2,324	
Provisions	(23)	267		119	
Tax and social security		390		248	
Total current liabilities			11,823		9,934
Total liabilities			17,264		15,126
Total equity and liabilities			**40,745**		**32,743**

Consolidated Cash Flow Statement for the year ended 31 December

(in thousands of euros)

	Note	2016		2015	
Cash flow from operating activities					
Operating result		1,376		1,814	
Adjustments for :					
Depreciation and amortisation	(14/15)	3,195		2,442	
Interest received		25		35	
Interest paid		(260)		(234)	
Changes in trade and other receivables		(625)		(2,267)	
Changes in inventories		791		(572)	
Changes in provisions		147		(3)	
Changes in trade and other payables		(17)		2,464	
Cash generated from operations			4,632		3,679
Income taxes (payment)/refund			(82)		(65)
Net cash flow from operating activities			**4,550**		**3,614**
Investing activities					
Investment in intangible fixed assets	(14)	(1,422)		(1,158)	
Investment in property, plant & equipment	(15)	(3,941)		(5,272)	
Proceeds from sale of assets		-		344	
Net cash flow used in investing activities			**(5,363)**		**(6,086)**
Financing activities					
Changes in borrowings – proceeds	(22)	12,384		8,545	
Changes in borrowings – repayments	(22)	(11,003)		(7,027)	
Net cash flow from financing activities			**1,381**		**1,518**
Net increase/(decrease) in cash and cash equivalents			**568**		**(954)**
Opening position as at 1 January			789		1,779
Foreign currency differences on cash and cash equivalents			(5)		-
Foreign currency differences and other changes			64		(36)
Closing position as at 31 December			1,416		789
The closing position consists of:					
Cash and cash equivalents	(20)		1,416		789
			1,416		789

Consolidated Statement of changes in Equity for the year ended 31 December

(in thousands of euros)

	Share capital	Share premium	Retained earnings	Translation Reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	**1,919**	**52,853**	**(43,154)**	**3,369**	**14,987**	**18**	**15,005**
Changes in equity for 2015							
Net profit/(loss) for the year	-	-	1,417	-	1,417	(2)	1,415
Other comprehensive income for the year							
-Currency translation adjustments	-	-	-	1,196	1,196	-	1,196
-Other movements	-	-	(2)	-	(2)	3	1
Total comprehensive income for the year	-	-	1,415	1,196	2,611	1	2,612
Balance at 31 December 2015	**1,919**	**52,853**	**(41,739)**	**4,565**	**17,598**	**19**	**17,617**
Changes in equity for 2016							
Net profit/(loss) for the year	-	-	5,241	-	5,241	10	5,251
Other comprehensive income for the year							
-Currency translation adjustments	-	-	-	733	733	-	733
Total comprehensive income for the year	-	-	5,241	733	5,974	10	5,984
Other movements	-	-	(120)	-	(120)	-	(120)
Balance at 31 December 2016	**1,919**	**52,853**	**(36,618)**	**5,298**	**23,452**	**29**	**23,481**

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

(1) General information

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands, with its registered address at Utrechtseweg 102, 3818 EP Amersfoort, The Netherlands (Chamber of Commerce number: 33304225). The company is incorporated in Amsterdam.
Envipco Holding N.V. and Subsidiaries (“the Group” or “Envipco”) are engaged principally in Recycling in which it develops, manufactures, assembles, leases, sells, markets and services a line of “reverse vending machines” (RVMs) in the USA, Europe, Australia and the Far East.

These Financial Statements have been approved for issue by the Board of Management on 26 April 2017 and are subject to approval by the shareholders at the Annual General Meeting of Shareholders. All amounts are in thousands of euros unless stated otherwise.

Deposit redemption programs

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

(2) Summary of significant accounting policies

Basis of preparation

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

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

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

New standards, amendments and interpretations applicable as of 1 January 2016

The Company has adopted the following new standards with a date of initial application of 1 January 2016:

- Disclosure Initiative (Amendments to IAS 1);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Equity Method in Separate Financial Statements (Amendments to IAS 27);
- Annual Improvements 2012-2014 Cycle.

Disclosure Initiative (Amendments to IAS 1) aims at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments clarify the role of materiality, aggregation and subtotals in primary financial statements, and the structure of the notes to the financial statements. The Group evaluated the impact of each of the Disclosure Intiative and concluded that it was not material.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:
- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. There is no material impact on the Group's financial statements and it is in compliance for 2016.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:
- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.
The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). There is no material impact on the Group's financial statements and it is in compliance for 2016.

Equity Method in Separate Financial Statements (Amendments to IAS 27) amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. There is no material impact on the Group's financial statements and it is in compliance for 2016.

Annual Improvements 2012-2014 Cycle makes amendments to the following standards:
- IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

IFRS 5, 7 and 19 are not applicable to the Group. There is no material impact on the Group's financial statements for IAS 34 and it is in compliance for 2016.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not adopted early by the Group:

IFRS 9 Financial instruments replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers.
In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize the revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5 step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 - Leases. IFRS 16, which is not applicable to service contracts, but only applicable to leases or lease components of a contract, defines a lease as a contract that conveys to the customer (lessee) the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of leases assets separately from interest on lease liabilities in the income statement. As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. The Group is currently evaluating the method of implementation and impact of adoption on its Consolidated Financial Statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The Group is still investigating the impact of the standard on the financial statements.

Transfers of Investment Property (Amendments to IAS 40) clarifies the accounting for transfers of property to, or from, investment property. The Group is still investigating the impact of the standard on the financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle makes minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures. The Group is still investigating the impact of the standard on the financial statements.

IFRIC 22 Currency Transactions and Advance Consideration addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency, the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income, and the prepayment asset or deferred income liability is non-monetary. The Group is still investigating the impact of the standard on the financial statements.

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

Consolidated cash flow statement

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

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

Consolidation

Basis of consolidation

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

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

The consolidated balance sheets comprise the financial statements of the Group and its subsidiaries as at 31 December 2016.

Subsidiaries

Subsidiaries are all entities (including single economic entities) where the Group has control over an investee, it is classified as a subsidiary. The company controls an investee, if all three of the following elements are present:

- power over the investee
- exposure to variable returns from the investee and
- the ability of the investor to use its power to affect those variable returns.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Non-controlling interest:

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

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

Envipco Finance Company Limited – London, United Kingdom – 100%
Envipco Automaten GmbH, Westerkappeln, Germany – 100%
Envipco Pickup & Processing Services Inc., Delaware, U.S.A. – 99.85%
Environmental Products Corporation, Delaware, U.S.A. – 99.85%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Envipco A.S., Oslo, Norway – 100%
Envipco N.D. Inc., Delaware, U.S.A. – 99.85%
Envipco Sweden A.B., Borlange, Sweden – 100%
Stichting Employees Envipco Holding owns 240,000 shares of Envipco Holding N.V. (EHNV) and is controlled by EHNV. The Board of Stichting Employees Envipco Holding consists of 2 members of the Management Board of Envipco Holding N.V. It is a foundation and its function is to administer an Employee Share Option scheme, which has not been finalised.

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

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

Segment reporting

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

Foreign currencies

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

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

Revenue

General

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

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

Service revenue

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

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

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

Sale of goods

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

Leasing revenue

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

Cost of revenue

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

Leases

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

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

Deferred tax

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

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

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

Intangible assets

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

General and administrative expenses in the consolidated statement of comprehensive income (page 16) include the amortisation charge for intangible assets.

(a) Goodwill

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

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

(b) Patents, licenses and concessions (see page 15 for amortisation included in general and administrative expenses)

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

Concessions relating to RVM distribution rights in the USA Midwest market are recognised and amortised over the life of the contract.

(c) Research and development (see page 15 for research and development expenses included in general and administrative expenses).

Research costs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the product so that it will be available for use;
– management intends to complete the product and use or sell it;
– there is an ability to use or sell the product;
– it can be demonstrated how the product will generate probable future economic benefits;
– adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
– the costs attributable to the product during its development can be reliably measured.

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Cash and cash equivalents

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

Trade receivables

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

Inventory

The Group's US subsidiary changed its accounting policy on valuation of inventory in 2016 to a weighted average actual cost method (WAAC) from a standard costing method used in 2015 to reflect a more real time cost. This would help management's evaluation of the Group's performance on a periodic basis. The impact of this change in accounting policy for 2015 was approximately €13,000. Product inventory is valued at the lower of cost or net realisable value based on a weighted average actual cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.
Spare parts inventory is valued at the lower of historical cost, or net realisable value. Appropriate consideration is given to excessive inventory levels, product deterioration and other factors when establishing the net realisable value.

Equity

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

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

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

Provisions

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

Borrowings

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

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

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

Trade creditors and other current liabilities

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

Employee benefit plans

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

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

Deferred income

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

(3) Critical accounting estimates and judgments

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

Legal proceedings

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

Income taxes

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

Deferred tax valuation

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

Goodwill impairment testing

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

Allowance for inventory obsolescence

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

Intangible assets

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

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

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

Property, plant and equipment

The Group estimates useful lives of its assets as follows:

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

(4) Capital management

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

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

(5) Financial Risk Management

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

Credit risk

Credit risk arises from the possibility of asset impairment occurring because counterparties are not able to meet their obligations in transactions mainly involving trade receivables. While the Group's trade receivables are mostly exposed to credit risk, the exposure to concentrations of credit risk is limited due to the diverse geographic areas and industries covered by its operations. The Group has exposure to credit risk and is dependent on three major customers (see table below) for its sales and receivables in 2016 for 50% of its revenues and 37% of its receivables and in 2015, 39% of its revenues and 26% of receivables. In the normal course of business, the Group provides credit to clients, provides credit evaluations of these clients, and maintains an impairment provision for credit losses. Cash and cash equivalents are held with reliable counterparties.

Credit risk (continued)

	2016		2015	
	Revenue	Accounts receivable	Revenue	Accounts receivable
Concentration of credit risk				
Customer 1	26%	16%	24%	16%
Customer 2	14%	14%	15%	10%
Customer 3	10%	7%	-	-
Others	50%	63%	61%	74%
Total	100%	100%	100%	100%

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

The credit rating of customer 1 is determined by Fitch at AA.

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

		€'000 Current	€'000 31-60 Days	€'000 61-90 Days	€'000 >90 Days	€'000 TOTAL
2016	Europe	859	-	-	958	1,817
	United States	6,269	1,254	389	391	8,303
		7,128	**1,254**	**389**	**1,349**	**10,120**
2015	Europe	482	-	-	190	672
	United States	6,320	1,485	300	63	8,168
		6,802	**1,485**	**300**	**253**	**8,840**

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in meeting its obligations as they fall due. The Group's policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations in a timely manner. The executive directors follow prudent liquidity risk management by maintaining sufficient cash, enforcing strict credit policy and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Liquidity is managed closely by pursuing receivable collections in the USA and also by keeping the committed credit lines in place. The following are the Group's contractual maturities of financial liabilities:

Liquidity risk (continued)

		€'000 In 1 Year	€'000 1-2 Years	€'000 2-5 Years	€'000 > 5 Years	€'000 TOTAL
2016	**Europe**					
	Operational leases & payables	1,937	-	-	214	2,151
	United States					
	Operational leases & payables	8,279	255	254	-	8,788
	Bank debt & finance leases	2,011	3,317	299	1,641	7,268
	Total liabilities and future non-cancellable leases (rents)	**12,227**	**3,572**	**553**	**1,855**	**18,207**
	Future non-cancellable leases (rents)	(434)	(255)	(254)	-	(943)
		11,793	**3,317**	**299**	**1,855**	**17,264**
2015	**Europe**					
	Operational leases & payables	1,321	-	-	-	1,321
	United States					
	Operational leases & payables	8,230	624	(17)	60	8,897
	Bank debt & finance leases	541	5,072	-	-	5,613
	Total liabilities and future non-cancellable leases (rents)	**10,092**	**5,696**	**(17)**	**60**	**15,831**
	Future non-cancellable leases (rents)	(311)	(325)	(62)	**(7)**	(705)
		9,781	**5,371**	**(79)**	**53**	**15,126**

Market risk

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

- Currency risk

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

- Sensitivity analysis

A 5% strengthening of US Dollar against the Euro would have increased the profit after tax by €102,000 (2015: €156,000) and would result in net increase in equity of €102,000 (2015: €156,000) and a 5% decline in US Dollar against the Euro would have had an equal but opposite effect on the basis that all other variables remain constant.

- Interest rate risk

The Group's interest rate risk arises from selected long term borrowings. Such borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group tries to minimize its interest rate risk on these borrowings by negotiating a fixed interest rate for the borrowings and by applying hedging on interest rate swaps. The Group has no interest rate swaps. However, the Group evaluated its exposure to interest rate risk based on its long term debt (see note 22) and concluded that a reduction in interest rate by 0.25% would have increased the profit after tax by €12,000 (2015: €11,000) and an increase in interest rate by 0.25% would have decreased the profit after tax by €12,000 (2015: €11,000).

- Price risk

The Group does not have an exposure to price risk.

(6) Segment information

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

(in thousands of euros)

				2016				2015
	Europe	North America	Rest of World	Total	Europe	North America	Rest of World	Total
Revenues								
Recycling - RVM								
Sale of goods	2,702	3,303	269	6,274	295	5,002	234	5,531
Service revenue	-	17,502	-	17,502	-	15,636	-	15,636
Leasing revenue	-	9,338	-	9,338	-	8,160	-	8,160
Non-operating segments								
Sale of goods	-	-	-	-	308	-	-	308
Total	**2,702**	**30,143**	**269**	**33,114**	**603**	**28,798**	**234**	**29,635**

				2016				2015
	Europe	North America	Rest of World	Total	Europe	North America	Rest of World	Total
Gross assets								
Recycling - RVM	1,729	33,085	-	34,814	385	26,448	-	26,833
Non-operating segments	5,931	-	-	5,931	5,910	-	-	5,910
Total	**7,660**	**33,085**	**-**	**40,745**	**6,295**	**26,448**	**-**	**32,743**

				2016				2015
	Europe	North America	Rest of World	Total	Europe	North America	Rest of World	Total
Segment Results								
Recycling - RVM	(522)	6,856	160	6,494	(427)	2,774	(8)	2,339
Non-operating segments	(1,253)	-	-	(1,253)	(924)	-	-	(924)
Total	**(1,775)**	**6,856**	**160**	**5,241**	**(1,351)**	**2,774**	**(8)**	**1,415**

6) Segment information (continued)

	2016 Europe	2016 North America	2016 Rest of World	2016 Total	2015 Europe	2015 North America	2015 Rest of World	2015 Total
Gross Liabilities								
Recycling – RVM	1,229	15,113	-	16,342	422	13,806	-	14,228
Non-operating segments	922	-	-	922	898	-	-	898
Total	**2,151**	**15,113**	**-**	**17,264**	**1,320**	**13,806**	**-**	**15,126**

	2016 Europe	2016 North America	2016 Rest of World	2016 Total	2015 Europe	2015 North America	2015 Rest of World	2015 Total
Property, Plant & Equipment and Intangibles Additions								
Recycling - RVM	11	3,285	-	3,296	18	5,027	-	5,045
Non-operating segments	1,383	-	-	1,383	1,190	-	-	1,190
Total	**1,394**	**3,285**	**-**	**4,679**	**1,208**	**5,027**	**-**	**6,235**

	2016 Europe	2016 North America	2016 Rest of World	2016 Total	2015 Europe	2015 North America	2015 Rest of World	2015 Total
Depreciation & Amortisation								
Recycling – RVM	12	2,491	-	2,503	19	2,038	-	2,057
Non-operating segments	692	-	-	692	535	-	-	535
Total	**704**	**2,491**	**-**	**3,195**	**554**	**2,038**	**-**	**2,592**

The revenues and non-current assets of the Company's country of domicile i.e. Netherlands were respectively €230,000 (2015: €308,000) and €16,683,000 (2015: €14,260,000).

RVM segment leasing depreciation of €2,204,000 (2015: €1,734,000) in North America is included in cost of revenue.

There were non-cash expenses other than depreciation and amortisation such as provisions (see note 23).

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

(7) Expenses

Selling expenses

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

(7) Expenses (continued)

General and administrative expenses

General and administrative expenses include depreciation expenses for an amount of €865,000 (2015: €703,000), research and development costs of €1,133,000 incurred by the US and German subsidiaries (2015: €606,000), payments made under operating leases of €596,000 (2015: €546,000), and bad debt charge of €9,000 (2015: credit €20,000).
The fee paid to the Group's auditors for the following services is included in general expenses and can be specified as follows:

BDO Audit & Assurance to the company and subsidiaries

	BDO Audit & Assurance B.V.	Other BDO Network	Total 2016	BDO Audit & Assurance B.V.	Other BDO Network	Total 2015
	€'000	€'000	€'000	€'000	€'000	€'000
Audit fee of financial statements	107	165	272	96	122	218
Other audit engagement	-	-	-	-	-	-
Tax-related advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
	107	**165**	**272**	**96**	**122**	**218**

(8) Other income/(expenses)

Other income in 2016 included profit on sale of equipment of €49,000 (2015: €118,000). Also refer to note 10 for information on contract settlement income and the patent sale.

(9) Employee benefit expense

	2016	2015
	€'000	€'000
Salaries	9,228	8,471
Social security expenses	551	473
Pension expenses	48	45
	9,827	**8,989**

	2016	2015
Average number of employees		
North America	138	147
Europe	13	10
Total	**151**	**157**

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2016 was €674,000 (2015: €613,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Total
2016				
B. Santchurn	558	7	-	565
C. Crepet	-	-	-	-
G. Garvey	61	-	-	61
T.J.M. Stalenhoef	38	-	-	38
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D’Addario	-	-	-	-
Total	**667**	**7**	**-**	**674**
2015				
B. Santchurn	493	17	3	513
C. Crepet	-	-	-	-
G. Garvey	54	-	-	54
T.J.M. Stalenhoef	36	-	-	36
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D’Addario	-	-	-	-
Total	**593**	**17**	**3**	**613**

A loan to Mr. Christian Crepet, a director, of €20,000 given in 2012 is repayable with interest at euribor plus 1%, originally repayable by 31 December 2016 and has been extended for repayment by 31 December 2017.

(10) Contract settlement

In July 2015 one of US subsidiaries’ subcontractors for material handling in New York, USA breached its contract. In September 2015, a settlement agreement was reached where the subcontractor agreed to pay €560,000 as compensation to the US subsidiary. This payment was received on 16 September 2015 and recorded as other income.

(11) Financial expense and income

The financial expense and income are fully in respect of borrowings.

(12) Income taxes

Effective tax rate

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

(12) Income taxes (continued)

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

		2016		2015
		€'000		€'000
Profit/(loss) before tax		1,115		1,482
Taxation (charge)/credit statutory rate	25%	(279)	25%	(371)
Tax (charge) credit for different statutory tax rates on foreign subsidiaries		-		-
Effect of unused losses for which no deferred tax asset has been recognised		408		304
Effect of recognising deferred tax asset for which previously no tax has been recognised (USA)		4,007		-
Effective income tax	-371%	**4,136**	5%	**(67)**

None of the items of other comprehensive income is included in income taxes. See note 17.

Current and deferred tax income/ (expense)

	2016	2016	2015	2015
	€'000 This Period	€'000 **Total**	€'000 This period	**€'000** **Total**
Current				
- USA	4,007	**4,007**	(67)	**(67)**
- Netherlands	129	**129**	-	**-**
Total	4,136	**4,136**	(67)	**(67)**

The deferred tax income was favorably impacted by capitalisation of approximately €4.00m of tax loss carry-forwards resulting from expected profits in future years of a Group's subsidiary.

Available tax losses totaling €26,641,000 (2015: €27,331,000), expire as follows: €4,042,000 in 2019, €4,705,000 in 2020, €2,899,000 in 2021, €12,381,000 in the years 2022 through 2028, €1,413,000 in 2034 and €1,201,000 in 2035. Tax losses where no deferred tax has been recognised amounted to €11,899,000.

(13) Earnings per share

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

(13) Earnings per share (continued)

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

	2016	2015
	€'000	€'000
	Total Operations	Total Operations
Numerator		
Earnings/(loss) used in basic and diluted EPS	**5,241**	**1,417**
Denominator		
	'000	'000
Weighted average number of shares used in basic and diluted EPS	**3,597**	**3,597**

Basic and diluted earnings per share for 2016 and 2015 have been calculated using the weighted-average number of current ordinary shares of 3,597,607 (exclusive of 240,000 treasury shares). Treasury shares have been deducted to calculate the outstanding shares.

(14) Intangible assets

(in thousands of euros)

	Goodwill	Patents, licenses & concessions	Development costs	Total
At 1 January 2015				
Cost	146	1,120	4,749	6,015
Accumulated amortisation	-	(991)	(1,389)	(2,380)
Net carrying amount	**146**	**129**	**3,360**	**3,635**
Changes to net carrying amount in 2015				
Additions	-	132	1,058	1,190
Disposals	-	(32)	-	(32)
Amortisation	-	(56)	(510)	(566)
Development costs impaired				
Currency translation differences	17	8	-	25
Reclassification cost-fully depreciated	-	(449)	-	(449)
Reclassification depreciation-fully depreciated	-	505	-	505
Total changes in 2015	**17**	**108**	**548**	**673**
At 31 December 2015				
Cost	163	779	5,807	6,749
Accumulated amortisation and impairment	-	(542)	(1,899)	(2,441)
Net carrying amount	**163**	**237**	**3,908**	**4,308**
Changes to net carrying amount in 2016				
Additions	-	80	1.342	1,422
Disposals	-	(28)	-	(28)
Amortisation	-	(75)	(634)	(709)
Currency translation differences	6	35	-	41
Reclassification cost-fully depreciated	-	-	-	-
Reclassification depreciation-fully depreciated	-	-	-	-
Total changes in 2016	**6**	**12**	**708**	**726**
At 31 December 2016				
Cost	169	866	7,149	8,184
Accumulated amortisation and impairment	-	(617)	(2,533)	(3,150)
Net carrying amount	**169**	**249**	**4,616**	**5,034**

Goodwill

No impairment charges were recognised on any goodwill during the period. All goodwill as per 31 December 2016 and 2015 relates to goodwill of one Cash Generating Unit in the RVM segment, which was tested for any impairment, based on its value in use, by using present value of discrete cash flows for next three years and the present value of the terminal cash flow with the following assumptions: cost of capital 10.52%, working capital requirement 10% of revenue and terminal cash flow growth rate of 2.5%. Recoverable amount of goodwill is €3,334,000.

Patents, licenses & concessions

All concessions are being amortised with a useful life of 7 years.

Development costs

All capitalised development costs relate to internally developed assets in respect of new product range namely Quantum Outdoor and Indoor, new Flex, and Flex HDS for the existing and new markets. All materials, labour and overhead costs directly attributable to these projects have been capitalised. €1,343,000 (2015: €1,058,000) of the development costs was capitalised in 2016. Fully developed assets are amortised over their expected useful lives, which is 7 years, evaluated on a periodic basis. The largest individual asset included in the development cost has a book value of €1,057,000 (2015: €1,351,000). Management reviewed the capitalised development costs as of 31 December 2016 and decided that no impairment was necessary.

Key projects under development during 2016 included Quantum Indoor (now called Quantum Indoor Mark II), new Flex and e-Portal.

(15) Property, plant and equipment

(in thousands of euros)	Reverse Vending machines	Land & Buildings	Plant & Machinery	Vehicles & equipment	Total
At 1 January 2015					
Cost	13,065	1,437	1,165	1,554	17,221
Accumulated depreciation	(8,962)	(182)	(684)	(1,337)	(11,165)
Net carrying amount	**4,103**	**1,255**	**481**	**217**	**6,056**
Changes to net carrying amount in 2015					
Additions	5,759	27	357	64	6,207
Disposals/transfers to inventory	(935)	-	(126)	(69)	(1,130)
Depreciation	(1,734)	(61)	(144)	(86)	(2,025)
Currency translation	531	145	55	25	756
Reclassification cost	-	378	(519)	(731)	(872)
Reclassification depreciation	-	(378)	488	762	872
Total changes in 2015	**3,621**	**111**	**111**	**(35)**	**3,808**
At 31 December 2015					
Cost	18,420	1,987	932	843	22,182
Accumulated depreciation	(10,696)	(621)	(340)	(661)	(12,318)
Net carrying amount	**7,724**	**1,366**	**592**	**182**	**9,864**
Changes to net carrying amount in 2016					
Additions	3,100	504	19	318	3,941
Disposals/transfers to inventory	(656)	-	(12)	(3)	(671)
Depreciation	(2,204)	(42)	(158)	(82)	(2,486)
Currency translation	290	90	(39)	53	394
Reclassification cost	-	3	(134)	(46)	(177)
Reclassification depreciation	-	(3)	134	46	177
Total changes in 2016	**530**	**552**	**(190)**	**286**	**1,178**
At 31 December 2016					
Cost	21,154	2,584	766	1,165	25,669
Accumulated depreciation	(12,900)	(666)	(364)	(697)	(14,627)
Net carrying amount	**8,254**	**1,918**	**402**	**468**	**11,042**

(16) Financial assets

	2016 €'000	2015 €'000
Schedule of movement of financial assets		
At beginning of year	496	-
Additions	-	496
Releases	(277)	-
At 31 December	**219**	**496**

(17) Deferred tax assets

	2015 €'000 Asset	2015 €'000 Liability	2015 €'000 Net	2015 €'000 (Charge)/credit profit & loss	2015 €'000 (Charge)/credit Equity
Recognised tax asset for unused losses	936	-	936	-	-
At 31 December	**936**	**-**	**936**	**-**	**-**

	2016 €'000 Asset	2016 €'000 Liability	2016 €'000 Net	2016 €'000 (Charge)/credit profit & loss	2016 €'000 (Charge)/credit Equity
Recognised tax assets for unused losses	5,269	-	5,269	4,007	-
At 31 December	**5,269**	**-**	**5,269**	**4,007**	**-**

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

One of the Group subsidiaries has recognised a deferred tax asset of approximately €4.00m in 2016 based on its next three year's projected profits of €14.74m. Consequently, it will have remaining tax losses of €7.80m where no deferred tax has been recognised.

Overview of changes in tax losses

Current and deferred tax income/ (expense)

	2016 €'000 This Period	2016 €'000 **Total**	2015 €'000 This period	2015 **€'000** **Total**
Current				
- USA	4,007	**4,007**	(67)	**(67)**
- Netherlands	129	**129**	-	**-**
Total	4,136	**4,136**	(67)	**(67)**

The deferred tax income was favorably impacted by capitalisation of approximately €4.00m of tax loss carry-forwards resulting from expected sustained profit performance in future years of a Group's subsidiary.

(18) Inventory

	2016	2015
	€'000	€'000
Finished goods	1,910	1,407
Raw material and parts	7,433	7,894
Work in progress	85	13
Provision for obsolescence	(1,783)	(1,804)
	7,645	**7,510**

In 2016 inventory usage amounting to €11,470,000 (2015: €9,802,000) has been included in the cost of revenue.

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

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

Schedule of movement of provision for obsolescence

	2016	2015
	€'000	€'000
At beginning of period	1,804	1,441
Additions	-	193
Release of provision	(67)	-
Exchange gains/(losses)	46	170
At end of period	**1,783**	**1,804**

The increase/ (decrease) in provisions relating to raw materials is effected through cost of revenue. Total book value of items included in the provision is €3,566,000 (2015: €3,608,000).

(19) Trade and other receivables

	2016	2015
	€'000	€'000
Trade receivables	8,595	7,801
Other receivables	398	785
Prepaid expenses	445	9
Loan receivable - affiliate	682	245
Trade and other receivables	**10,120**	**8,840**

(19) Trade and other receivables (continued)

A loan to an affiliate under common control of the majority shareholder of €346,000 given during the year (2015: €336,000) is repayable without interest by 30 November 2017.

Estimates of the recoverability of trade receivables are based on the most reliable evidence available at the time the estimates are made. As these estimates are continuously evaluated, it is common that in the normal course of business, circumstances that previously caused trade receivables to be impaired no longer exist resulting in reversals of impairment charges. Trade receivables are shown net of bad debt provisions of €369,000 and €348,000 at the end of years 2016 and 2015 respectively.

Schedule of movement of bad debts	2016	2015
	€'000	€'000
At beginning of period	348	330
Additions	9	-
Write-off	-	(20)
Translation adjustment	12	38
At end of period	**369**	**348**

(20) Cash and cash equivalents

	2016	2015
	€'000	€'000
Cash at bank and in hand	1,416	789
Cash and cash equivalents	**1,416**	**789**

(21) Shareholders' equity

Share Capital

Authorised and Issued Share Capital

	2016 Ordinary Shares	2015 Ordinary Shares
Number of authorised shares	8,000,000	8,000,000
Authorised share capital	€ 4,000,000	€ 4,000,000
Number of outstanding shares on 1 Jan	3,837,607	3,837,607
Number of shares on 31 Dec	3,837,607	3,837,607
Issued share capital	€ 1,918,803.50	€ 1,918,803.50
Nominal value	€ 0.50	€ 0.50

Stichting Employees Envipco Holding holds 240,000 treasury shares of the Company at a nominal value of €0.50, which is treated as treasury shares. There is one vote for each ordinary share.

Share premium reserve

For full detailed movements in share premium reserve please refer to the consolidated statement of changes in equity on Page 20.

Retained earnings

At the Company's Annual General Meeting of the Shareholders it will be proposed to include the 2016 net result to retained earnings.

Translation reserve

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

(22) Non-current liabilities

	2016	2015
	€'000	€'000
Borrowings	**5,227**	**5,072**

	2016	2015
	€'000	€'000
Other liabilities	214	120
	214	**120**

Other liabilities include a loan to Stichting Employees Envipco Holding of €120,000 (2015: €120,000) and to the majority shareholder of €94,000.

Borrowings

	2016	2015
	€'000	€'000
Environmental Products Corporation (EPC) has borrowing facility from a third party lender for $11,740,000 of which a maximum of $7,000,000 as a line of credit (LOC) is capped based on eligible inventory and accounts receivables and is repayable after 2 years with interest and $2,500,000 as a Term Loan, repayable within 5 years with interest at 3.85% and $2,240,000 as a new Mortgage facility, repayable (based on a 20 year amortisation) within 10 years including interest at 5.50% with a balloon payment in year 2024. Additional loan facility of $2,175,000 was secured in December 2015 and subsequently received in 2016 repayable within 4 years after the drawdown date with interest at FHLB classic rate plus 2.5%. The LOC is renewable annually for a term of another 2 years. These loans are collateralised by a fixed and floating charge on all assets of EPC and guaranteed by the Company. Net borrowing costs deducted is €29,000 (2015: €32,000).	5,227	5,072
Total	**5,227**	**5,072**

The debt covenants for the USA subsidiaries have been met during the year and in 2015.

Total debt repayable inclusive of borrowing costs of €29,000 (2015: €32,000) is €7,267,000 (2015: €5,645,000)**.**

(22) Non-current liabilities (continued)

Future payments under long term borrowings	2016	2015
	€'000	€'000
Current	2,011	541
Due between 1 to 5 years	3,675	3,489
> 5 years	1,552	1,583
Total borrowings	**7,238**	**5,613**

The increased amount of the current portion of the debt was on account of a reclassification in the facility from non-current to current by $958k as of 31 December 2016.

Schedule of movement	2016	2015
	€'000	€'000
At beginning of period	5,613	3,512
Increase	12,384	8,633
(Decrease)	(11,003)	(6,969)
Translation effect	244	437
At end of period	**7,238**	**5,613**

(23) Provisions

	2016	2015
	€'000	€'000
Warranty provisions	267	119
	267	**119**

Movement of warranty provisions

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

	2016	2015
	€'000	€'000
Beginning of period	119	123
Additions	148	-
Releases	-	(4)
End of period	**267**	**119**

(24) Employee benefit plans

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

For the year ended 31 December 2016, expenses relating to defined contribution plans amounted to €48,000 (2015: €45,000).

(25) Accrued expenses

	2016	2015
	€'000	€'000
Payroll and vacation accruals	1,356	1,402
Other accrued expenses	1,289	922
	2,645	**2,324**

(26) Commitments and contingencies

Operating lease commitments where a Group Company is the lessee

The future minimum lease payments under non-cancellable operating leases as of 31 December 2016 and 2015 were as follows:

	2016	2015
	€'000	€'000
Current	434	311
Between 2 to 5 years	509	394
	943	**705**

The leases relate to plant and equipment, office machines and vehicles. Rent expenses for the year ended 31 December 2016 were approximately €596,000 (2015: €546,000).

Operating lease commitments where a Group Company is the lessor:

The future minimum lease payments receivable under non-cancellable RVM operating leases as of 31 December 2016 and 2015 were as follows:

	2016	2015
	€'000	€'000
Current	3,165	2,403
Between 2 to 5 years	7,863	5,945
	11,028	**8,348**

Lease revenues from RVMs for the year ended 31 December 2016 were approximately €3,955,000 (2015: €3,130,000).

Legal proceedings

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

During April 2016, Envipco was granted a patent by the German patent office after filing for a utility model in 2007. This specific IP covers a method for how security labels are created and interpreted; which we believe is being allegedly used by several parties in Germany in compliance with the German deposit system. Envipco is currently seeking enforcement proceedings against potential infringers.

Loans

Please refer to note 22.

(27) Related party transactions

Transactions and relations with an affiliate are explained in note 19. €3,000 of interest was charged to the income statement on the average outstanding loans payable in 2016 with interest at euribor plus 2% (2015: €2,000) to Mr. Alexandre Bouri, the majority shareholder. A payable to Mr. Bouri at year end was the €94,000 (2015: €91,000). During 2016, a loan of €346,000 was granted to an affiliate under common control of the majority shareholder without interest and repayable by 30 November 2017. The balance receivable at year end from this affiliate was €682,000 (2015: €336,000).

(27) Related party transactions (continued)

The key management personnel comprised of the Management Board (refer to Note 9 for further details regarding transactions with related parties as well). A loan was granted to Mr. Christian Crepet, a director, in 2012 for €20,000 (outstanding €21,000) repayable with interest at euribor plus 1%, originally on 31 December 2016 and was extended to be repayable by 31 December 2017.

Group companies enter into transactions with each other in the normal course of business. These transactions are eliminated in consolidation. Net research and development costs invoiced by Germany and USA were €1,342,000 (2015: €1,058,000) to the Holding company, which was capitalised. R&D expensed by the US and German subsidiaries were €1,133,000 (2015: €606,000). The Group companies charge interest on intercompany loans. No interest is charged on the intercompany current account balances. The Holding Company also charges a management fee to its subsidiaries.

The Holding company provided a guarantee of $11,740,000 in 2016 and 2015 to the USA subsidiary's lender, TD Bank N.A., for the credit facilities.

On 31 December 2014, the Company entered into an an agreement to borrow $2,500,000 from one its US subsidiaries for three years with interest payable half yearly, at 3.5% per annum, subject to the US lender approval. This amount was subsequently treated as return of capital to the parent in 2015.

The Group companies had the following intra-group transactions:

	2016	2015
	€'000	€'000
Goods and services	5,848	6,554
Other charges and services	1,158	914
Research and development	1,132	308
	8,138	**7,776**

Joint operation

Environmental Products Corporation (EPC), a US subsidiary, executed an agreement on 22 December 2009 for the evaluation and pilot of innovative recycling concepts in selected US non-deposit markets. The pilot employs new proprietary technology developed by Envipco for large scale collection of PET and aluminum beverage containers. According to IFRS 11, the investment has been treated as a joint operation. A pilot closure agreement was since signed on 20 October 2014. The Group's share of additional post closing expenses in 2016 amounted to €0 and the closing costs in 2015 were €48,000. The Group's share of results and equity has been included in these financial statements. The Group's share of the assets and liabilities at the balance sheet date amounted to €26,000 (2015: €26,000) having recognised 50% share of the remaining intangibles i.e reimagine trademark.

Post balance sheet events

There are no post balance sheet events.

Significant non-cash transactions

There were no non-cash transactions other than depreciation and amortisation. See note 26 for commitments and contingencies, which are non-cash transactions.

Separate Company Balance Sheet at 31 December After Appropriation of Result

(in thousands of euros)

	Note	2016		2015	
Assets					
Fixed assets					
Intangible assets	(D)	4,835		4,116	
Investment in subsidiaries	(E)/(K)	19,259		12,933	
Loans to group companies	(F)	694		17	
			24,788		17,066
Current assets					
Inventory	(G)	-		209	
Receivables	(H)	866		558	
Cash and cash equivalents	(I)	218		1,002	
			1,084		1,769
Total assets			**25,872**		**18,835**
Equity and liabilities					
Shareholders' equity	(J)				
Share capital		1,919		1,919	
Share premium		48,237		48,945	
Legal reserve		4,616		3,908	
Retained earnings		(36,618)		(41,739)	
Translation reserve		5,298		4,565	
			23,452		17,598
Non-current liabilities					
Loans from group companies	(L)		742		392
Other non-current liabilities	(M)		988		86
Current liabilities					
Creditors and other liabilities			690		630
Tax and social security			-		129
Total equity and liabilities			**25,872**		**18,835**

Separate Company Income Statement
for the year ended 31 December

(in thousands of Euro)

	Note	2016		2015	
Revenues	(P)	230		308	
Cost of revenue		(261)		(85)	
Gross profit			**(31)**		**223**
Operating expenses	(Q)	(1,894)		(1,276)	
Other operating income	(R)	1,168		914	
Operating result			**(757)**		**(139)**
Financial expenses		(3)		(3)	
Financial income		23		35	
Exchange gains/(losses)		(54)		13	
Financial gains and losses	(S)		**(34)**		**45**
Results before tax			**(791)**		**(94)**
Tax on result from ordinary activities	(T)		129		-
Share of result from participating interests	(U)		5,903		1,511
Net result			**5,241**		**1,417**

(A) General information

Accounting principles used to prepare separate Company financial statements

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

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

Composition of shareholders' equity

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

(B) Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2016 was €674,000 (2015: €613,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Total
2016				
B. Santchurn	558	7	-	565
C. Crepet	-	-	-	-
G. Garvey	61	-	-	61
T.J.M. Stalenhoef	38	-	-	38
G. Lefebvre	10	-	-	10
A.Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	**667**	**7**	**-**	**674**
2015				
B. Santchurn	493	17	3	513
C. Crepet	-	-	-	-
G. Garvey	54	-	-	54
T.J.M. Stalenhoef	36	-	-	36
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	**593**	**17**	**3**	**613**

The Company has no formal bonus arrangements in place; granting bonuses for Board members is at the discretion of the Board of Directors on an ad hoc basis. A loan to Mr. Christian Crepet, a director of €20,000 (outstanding €21,000) given in 2012 is repayable with interest at euribor plus 1%, was originally due by 31 December 2016, and has now been extended for repayment by 31 December 2017.

(C) Research and developments costs

During the year research and development costs of €1,133,000 (2015: €606,000) incurred by the Company's US and German subsidiaries have been expensed.

(D) Intangible assets

(in thousands of euros)	Patents & licenses	Development costs	Total
At 1 January 2015			
Cost	675	4,749	5,424
Accumulated amortisation and impairment	(572)	(1,389)	(1,961)
Net carrying amount	**103**	**3,360**	**3,463**
Changes to net carrying amount in 2015			
Additions	131	1,058	1,189
Amortisation	(26)	(510)	(536)
Total changes in 2015	105	548	653
At 31 December 2015			
Cost	806	5,807	6,613
Accumulated amortisation and impairment	(598)	(1,899)	(2,497)
Net carrying amount	**208**	**3,908**	**4,116**
Changes to net carrying amount in 2016			
Additions	69	1,342	1,411
Amortisation	(58)	(634)	(692)
Total changes in 2016	11	708	719
At 31 December 2016			
Cost	875	7,149	8,024
Accumulated amortisation and impairment	(656)	(2,533)	(3,189)
Net carrying amount	**219**	**4,616**	**4,835**

Development costs

Major projects capitalised during the year included Quantum Indoor €972,000 (2015: €54,000), Flex Linux €265,000 (2015: €378,000) e-Port/e-Portal €112,000 (2015: €0) and Quantum Outdoor €0 (2015: €496,000). The Quantum Outdoor development was completed in 2015. See also note 14 for capitalised development costs of the Company. Management reviewed the capitalised development costs as of 31 December 2016 and determined that no impairment was necessary.

(E) Investment in subsidiaries

	2016	2015
	€'000	€'000
At beginning of year	12,933	12,179
Investments / Return of capital	(1,000)	(1,953)
Results of the group companies for the year	5,903	1,511
Exchange differences	733	1,196
Increase of loans in subsidiaries	690	-
At end of year	**19,259**	**12,933**

The above assets relate to the investments in Group companies.

(F) Loans to group companies

	2016	2015
	€'000	€'000
At beginning of year	17	36
Additions	677	-
Redemptions	-	(19)
At end of year	**694**	**17**

(G) Inventory

	2016	2015
	€'000	€'000
At beginning of year	209	-
Additions	-	209
Releases	(209)	-
At end of year	**-**	**209**

At year end in 2015, the value of Quantum Outdoor machines that remained in inventory was €209,000, which was sold in 2016. These machines had been valued at the lower of cost and net realisable value.

(H) Receivables

	2016	2015
	€'000	€'000
At beginning of year	558	219
Additions	346	339
Repayments	(38)	-
At end of year	**866**	**558**

The receivables include a loan to Mr. Christian Crepet, a director, of €20,000 (outstanding €21,000) given in 2012 and repayable with interest at euribor plus 1% by 31 December 2017. Also during 2013 a loan of €80,000 (outstanding €83,000) was granted to a director of an affiliate, under common control, with interest at euribor plus 1% originally repayable on 30 June 2016, now extended for repayment by 30 June 2017. €6,000 is in respect of VAT receivable (2015: €1,000), a receivable from an affiliate of €5,000, a loan from a US subsidiary employee of €69,000 with interest at euribor plus 1% repayable within 5 years, and the balance is a loan receivable of €682,000 (2015: €336,000) from an affiliate under common control of the majority shareholder.

(I) Cash and cash equivalents

	2016	2015
	€'000	€'000
Cash at bank and in hand	218	1,002
Cash and cash equivalents	**218**	**1,002**

(J) Shareholders' equity

At the General Meeting of the Shareholders, the Company's shareholders approved that the 2015 net results of the Company be transferred to the retained earnings.

Refer to Consolidated statement of changes in equity (page 20) and note 21 Shareholders' equity of the Company's consolidated financial statements for further information regarding the Company's shareholders' equity. Transactions and relations with the shareholders included €3,000 (2015: €2,000) of interest charged to the income statement on the average outstanding loans payable in 2016 with interest at euribor plus 2% to Mr. Alexandre Bouri, the majority shareholder. The balance payable at year end is €94,000 (2015: €91,000).

According to Book 2 of the Netherlands Civil Code, the Company is required to restrict part of its equity from distribution to shareholders, by forming a legal reserve equal to the amount it has capitalised for development costs. The equity enclosed in this legal reserve is not at the disposal of the General Meeting of Shareholders. Therefore, this amount cannot be distributed to shareholders until the capitalised development costs have been recognised in the profit and loss account. The capitalised development costs as at 31 December 2016 amounted to €4,616,000 (2015: €3,908,000). A legal reserve equaling these amounts has been created in both the years by decreasing the share premium reserve with these respective amounts. In the consolidated statement of changes in equity and note 21 of the consolidated financial statements the legal reserve is included in the share premium reserve.

(K) Subsidiaries and affiliates of Envipco

The company has the following subsidiaries:

Envipco Finance Company Limited – London, United Kingdom – 100%
Envipco Automaten GmbH, Westerkappeln, Germany – 100%
Envipco Pickup & Processing Services Inc., Delaware, U.S.A. – 99.85%
Environmental Products Corporation, Delaware, U.S.A. – 99.85%
Environmental Products Recycling Inc., Delaware, U.S.A. – 99.85%
Envipco A.S., Oslo, Norway – 100%
Envipco N.D. Inc., Delaware, U.S.A. – 99.85%
Envipco Sweden A.B., Borlange, Sweden – 100%

(L) Loans from group companies

	2016	2015
	€'000	€'000
At beginning of year	392	1,013
Additions	350	-
Repayments	-	(621)
At end of year	**742**	**392**

There are no intercompany loan agreements and hence no interest is charged on outstanding balances for the years 2016 and 2015 nor is there a definite repayment period for them.

(M) Non-current liabilities

	2016	2015
	€'000	€'000
Provison against investments	774	86
Other liabilities	214	-
	988	**86**

Refer to note 27 of the consolidated financial statements for transactions with related parties.

(N) Commitments and contingencies

The Company provided a guarantee of $11,740,000 in 2016 and 2015 to the USA subsidiary's lender TD Bank N.A.

(P) Revenue

	2016	2015
	€'000	€'000
Sale of goods	230	308
	230	**308**

The breakdown of net turnover by product type/sector is as follows:

	2016	2015
	€'000	€'000
Quantum Outdoor	230	308
	230	**308**

The breakdown of net turnover by geographical region is as follows:

	2016	2015
	€'000	€'000
Europe	230	308
	230	**308**

(Q) Operating expenses

During the year operating expenses of €1,894,000 (2015: €1,276,000) were incurred. This included amortisation cost of €692,000 (2015: €536,000), legal expenses of €550,000 (2015: €29,000), research and development expenses of €539,000 (2015:€308,000) and the balance was on account of compliance costs of the company, including the following:

	2016	2015
Wages & salaries	€'000	€'000
Wages and salaries	23	22
	23	**22**

(Q) Operating expenses (continued)

Average number of employees

During the 2016 financial year the average number of staff employed in the Company converted to equivalents, amounted to 1 person (2015 : 1 person)

The staffing level (average number of staff) can be divided into the following staff categories:

	2016	2015
General and administrative	1	1
Total number of employees	**1**	**1**

Depreciation and amortisation of tangible and intangible fixed assets

	2016	2015
	€'000	€'000
Amortisation of intangible fixed assets	692	536
	692	**536**

Other operating expenses	2016	2015
	€'000	€'000
Legal and professionsal charges	565	93
Research and development expenses	539	308
Compliance and other costs	88	221
Release of excess provisions	(120)	-
	1,072	**622**

Auditor's fees

The fees charges by the auditor's organisation as well as by BDO Audit & Assurances B.V., responsible for auditing the financial statements, can be specified as follows:

	2016	2015
	€'000	€'000
Audit of the financial statements	107	96
	107	**96**

(R) Other operating revenue

	2016	2015
	€'000	€'000
Management fee	568	414
Royalty fee	590	500
Other revenue	10	-
	1,168	**914**

(S) Financial income and expense

	2016	2015
	€'000	€'000
Interest and similar expenses	(3)	(3)
Interest and similar income	23	35
Exchange gains/(losses)	(54)	13
	(34)	**45**

(T) Tax on result from ordinary (business) activities

The tax on the result from ordinary activities, amounting to a credit of €129,000 (2015: €0) can be specified as follows:

	2016	2015
	€'000	€'000
Result from ordinary business activities	(791)	(94)
Result before taxes	(791)	(94)
Income tax using the appropriate tax rate in the Netherlands @ 25%	198	23
Tax effect of :		
Recognition of previously not recognised losses	(69)	(23)
Effective taxes	**129**	**0**

(U) Result of participations

	2016	2015
	€'000	€'000
Environmental Product Corporation, USA and Subsidiaries	7,617	2,638
Envipco Automaten GmbH	(1,388)	(1,111)
Envipco Sweden AB	(320)	(6)
Envipco AS, Norway	(3)	(5)
Envipco Finance Company Limited	(3)	(5)
	5,903	**1,511**

Transactions with related parties

Transactions and relations with the shareholders and affiliates are explained in notes 19 and 27 of the consolidated financial statements. €3,000 of interest was charged to the income statement on the average outstanding loans payable in 2016 with interest at euribor plus 2% (2015: €2,000) to Mr. Alexandre Bouri, the majority shareholder. A payable to Mr. Bouri at year end was the €94,000 (2015: €91,000). During 2016, a loan of €346,000 was granted to an affiliate under common control of the majority shareholder without interest and repayable by 30 November 2017. The balance receivable at year end from this affiliate was €682,000 (2015: €336,000).

Transactions with related parties (continued)

The key management personnel comprised of the Management Board (refer to Note 9 of the consolidated financial statements for further details regarding transactions with related parties as well). A loan was granted to Mr. Christian Crepet, a director, in 2012 for €20,000 (outsatnding €21,000) repayable with interest at euribor plus 1%, originally on 31 December 2016 and was extended to be repayable by 31 December 2017.

Group companies enter into transactions with each other in the normal course of business. These transactions are eliminated in consolidation. Net research and development costs invoiced by Germany and USA were €1,342,000 (2015: €1,058,000) to the Holding company. R&D expensed by the US and German subsidiaries were €1,133,000 (2015: €606,000). The Group companies charge interest on intercompany loans. No interest is charged on the intercompany current account balances. The Holding Company also charges a management fee to its subsidiaries.

On 31 December 2014, the Company entered into an agreement to borrow $2,500,000 from one its US subsidiaries for three years with interest payable half yearly, at 3.5% per annum, subject to the US lender approval. This amount was subsequently treated a return of capital to the parent in 2015.

The Holding company provided a guarantee of $11,740,000 in 2016 and 2015 to the USA subsidiary's lender, TD Bank N.A., for the credit facilities.

The Group companies had the following intra-group transactions:

	2016	2015
	€'000	€'000
Goods and services	5,848	6,554
Other charges and services	1,158	914
Research and development	1,132	308
	8,138	**7,776**

Post balance sheet events

There are no post balance sheet events.

Appropriation of result for the financial year 2015

The annual report 2015 was determined in the General Meeting of Shareholders held on 28 June 2016. The General Meeting of Shareholders has determined the appropriation of result in accordance with the proposal being made to that end.

Dividend distributions

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

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

Proposed appropriation of profit for the financial year 2016

The Board of Directors proposes that the profit for the financial year 2016 amounting to €5,241,000 will be taken to the retained earnings. The financial statements do reflect this proposal.

Amersfoort, 26 April 2017

w.s. Mr Gregory Garvey (Chairman)

w.s. Mr Alexandre Bouri	w.s. Mr Bhajun Santchurn
w.s. Mr Dick Stalenhoef	w.s. Mr David D’Addario
w.s. Mr Guy Lefebvre	w.s. Mr Christian Crépet

Statutory rules concerning appropriation of results

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

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

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

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

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

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

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

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

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

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

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

Statutory rules concerning appropriation of results (continued)

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

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

Auditor's report

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

Independent auditor's report

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

A. Report on the audit of the financial statements 2016

Our opinion

We have audited the financial statements 2016 of Envipco Holding N.V., based in Amersfoort. The financial statements include the consolidated financial statements and the company financial statements.

WE HAVE AUDITED	OUR OPINION
The consolidated financial statements which comprise: 1. the consolidated statement of financial position as at 31 December 2016; 2. the following consolidated statements for 2016: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion the enclosed consolidated financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.
The company financial statements which comprise: 1. the company balance sheet as at 31 December 2016; 2. the company profit and loss account for 2016; and 3. the notes comprising a summary of the applicable accounting policies and other explanatory information.	In our opinion the enclosed company financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at 31 December 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Basis for our opinion

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

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

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

Materiality
Based on our professional judgment we determined the materiality for the financial statements as a whole at € 561.000. The materiality is based on 1,7% of the revenue which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the group. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

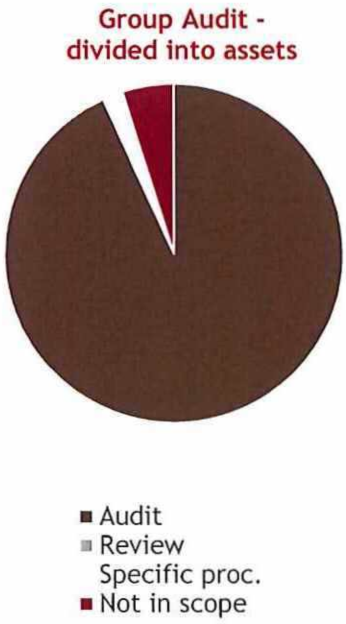
We agreed with the Board of Directors that misstatements in excess of € 28.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

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

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

To this extend we:
- performed audit procedures ourselves at group entities Envipco Holding N.V.;
- used the work of other auditors when auditing entity Environmental Products Corporation, Environmental Products Recycling Inc. and Envipco Pickup & Processing Services Inc. which audits were performed by auditors that are local BDO representatives;
- performed review procedures or specific audit procedures at other group entities.

For clarification purposes we hereby show our scope:



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

Our key audit matters

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

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

VALUATION OF CAPATALIZED R&D	OUR AUDIT APPROACH
The Company capitalizes research and development costs as disclosed in note 14 of the financial statements. A large part of the research and development costs relate to the development of innovative products for which market acceptance may differ from companies expectations, making management's assessment highly judgmental, specifically regarding the expected future sales of developed products. Therefore there is a significant risk that capitalized research and development costs for certain projects may not be recovered and hence need to be impaired. Due to the estimates involved in the determination of the valuation we consider this to be a key audit matter.	We challenged management's sales projections to assess the reasonableness of management's estimation of recoverability. Therefore we discussed the estimated product sales and related margins with management, assessed actual recovery for machines that are already available for sale, checked the arithmetic accuracy of the sub-ledger, including the amortization, and considered whether the estimated useful economic lives remained appropriate.

VALUATION OF INVENTORIES	OUR AUDIT APPROACH
Inventory is valued at the lower of cost or the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The group assessed parts of the inventory position that were no longer selling and determined if its carrying value was still acceptable as of 31 December 2016. For the valuation of inventory specific consideration is given to obsolete inventory levels in the RVM business, as the inventory for the RVM business comprises the majority of the Groups inventory. Due to the estimates involved in the determination of the inventory reserve we consider this to be a key audit matter.	The component auditor performed substantive analytical procedures on the inventory reserve by comparing year over year inventory reserve movement and inspecting physical inventory for obsolescence. In addition the component auditor performed specific testing on the amount of parts that management identified as no longer selling. The disclosure note relating to the inventory valuation is included in note 18 of the financial statements.

TAX POSITION	OUR AUDIT APPROACH
The Group has international operations and in the normal course of business management makes judgements and estimates in relation to tax issues and exposures. This is a key audit matter due to the Group operating in a number of tax jurisdictions and related complexities of transfer pricing exposure. Management made an estimate duo to future economic benefits for realization of deferred tax assets which Company believes is reasonable based on prognoses in the near future.	The Company retained a tax advisor to assist with the computation of the tax position and offer tax advice. BDO obtained a tax comfort letter from this tax advisor. Additionally, BDO tax advisors reviewed the tax comfort letter and discussed the tax comfort letter with the Company's tax advisor to assist us in auditing the tax position and assess the tax advisor's competence, capacities and objectivity. The disclosure note relating to the tax position is included in note 12 of the financial statements.

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- report of the Board of Directors;
- the other information on page 61.

Based on the procedures as mentioned below, we are of the opinion that the other information:

- is consistent with the financial statements and contains no material deficiencies;
- includes all information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

Management is responsible for the preparation of the other information including the preparation of the report of the Board of Directors and the other information on page 61 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement

We were appointed by the General meeting as auditor of Envipco Holding N.V. on 28 June 2016 and engaged by the General meeting in 2004 as of the audit for year 2004 and have operated as statutory auditor ever since that date.

D. Description of responsibilities for the financial statements

Responsibilities of management and Board of Directors for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

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

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

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Amstelveen, 26 April 2017

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

sgd.
drs. J.F. van Erve RA