Annual Report 2017

--this document is signed digitally--

Contents

Chief Executive Officer's Statement

The year 2017 has been a successful year as we continued to focus and execute on our market priorities in both North America and Europe. It has been an even more interesting year in that it seems we have arrived at a real tipping point with regard to new Container Deposit Systems schemes "CDS" in several European markets. With the ever-increasing consumption of beverages in plastic containers, there is a clear and growing demand that the plastic container pollution be addressed. Driven by floating continents of plastic in our oceans, mountains of plastic in our landfills and stagnating recycling rates, the call for action is building. This call is being led by NGOs, the United Nation, the European Union and other governments. CDSs are well proven in Germany, Sweden, Norway, Finland, Denmark and elsewhere to guarantee high recovery rates for used beverage containers.

There are serious legislative discussions in Scotland, Wales, England, Cyprus and Malta to adopt CDS schemes in the next 12-18 months. What has changed though is the normal industry opponents to CDS have dropped or muted their opposition. The most important of these opponents is the retailers where in the UK they have come out in support of CDS. Major beverage companies have dropped their steadfast opposition to CDS. Waste management companies that operate the curbside systems have engaged with how they may participate in CDS schemes. With strong consumer support, activist and government engagement and the change in industry opposition, the prospects for new CDS schemes looks very encouraging. There are also a number of active discussions in other European markets including France, the Netherlands and Spain.

Envipco has extensive experience in all aspects of CDS from RVM technology, to logistics, to information management. Envipco is a strong #2 competitor in the established North American market against the Global #1. Envipco has steadily gained market share in North America with excellent customer relationships, technology leadership and superior service delivery. We have successfully entered the European market in Sweden against the dominant Global supplier. The European deposit markets have traditionally been developed around the handling of refillable containers. The market has shifted almost entirely to one-way containers and the new CDS initiatives are targeting this package.

Envipco has the most comprehensive line up of RVM's for one-way containers. Our U48 single feed RVM competes with the leading supplier as demonstrated in the North American market. Our Flex platform is ideally suited for the smaller shops and handles all containers in one machine at a very attractive price point. I believe that there is no competitive offering to Flex. Our most innovative and exciting platform is Quantum, which provides high speed, revolutionary bulk feed handling of beverage containers. It also incorporates a very versatile digital platform with latest technology. Our entry to the Swedish market was predicated on the launch of Quantum. Quantum has been a resounding success in the Swedish market with Returpak (The Swedish Deposit System) installing and committing to over 30 outdoor systems. We are gaining traction with the retailer community in both the indoor and outdoor configurations. We are increasingly seeing retailer interests in moving to outdoor Quantum locations and being able to reclaim instore retail space now dedicated to bottle return. Quantum has a consumer-friendly outdoor enclosure that has been proven in winter conditions. Consumer preference for bulk-feed handling over single feed RVMs is overwhelming. Quantum is driving increased container returns of over 100% on average.

Our technology line-up, our strong service and support reputation, fair pricing policy places us in a strong position to compete in new deposit markets. We have Flex for the small shop, U48 to compete head to head on traditional single feed RVMs and the revolutionary Quantum for high speed bulk container handling. Quantum more importantly provides the retailer the flexibility for outdoor installation eliminating the need for instore renovation and loss of retail space. The demand for RVM machines in new CDS markets could exceed 50,000 in the next several years.

The potential of new CDS schemes in Europe makes it imperative that Envipco undertake the necessary activities and investments to ensure that we are well represented competitively. Envipco plans to build on the North America and Swedish success and leverage this into strong representation in new markets. We are planning to expand our European head office, expand our business development resources, engage in legislative discussions and engage in retailer presentations and pilots. At the same time, we are preparing in scaling up our engineering and manufacturing capabilities to guarantee delivery of significant RVM quantities at the onset of new deposit markets. The company will be evaluating plans and financing scenarios to undertake the necessary investments to ensure our participation in these exciting market opportunities.

Continued execution in our established markets while preparing for the wave of new deposit markets will certainly position the company for sustained long-term performance to the benefit of our customers, our employees and our shareholders.

B. Gool Santchurn

Financial Highlights

	2017	2016
Continuing operations		
Revenues	€34.05m	€33.11m
Gross profit margin	35.59%	35.19%
Net profit (loss) before taxes	€0.66m	€1.12m
Net profit (loss) after taxes after minority	€(2.54m)	€5.24m
EBITDA	€4.25m	€4.56m
Earnings (loss) per share	€(0.69)	€1.46
Equity		
Shareholder's equity	€20.60m	€23.45m
Liquidity ratio (current assets / current liabilities)	1.84	1.62
Total assets	€35.05m	€40.75m

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 27 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.

Report of the Board of Directors

Key Developments

The Group's key developments during 2017 were as follows:

a) Revenues grew in 2017 by 2.8% to €34.05m from €33.11m in 2016.
b) Gross profit increased 4.0% for 2017 to €12.12m from €11.65m in 2016. For the year 2017, gross profit margin improved to 35.6% from 35.2% in 2016.
c) EBITDA declined 6.8% in 2017 to €4.25m from €4.56 in 2016. The decline is attributable to increased operating expenses around European market activities along with increased IP enforcement legal cost.
d) Net profit (loss) after taxes declined to a loss of €(2.54m) in 2017 from a profit of €5.24m in 2016. This decline principally resulted from changes in USA tax law and expected timing on utilization of tax loss carryforwards.
e) Strong growth in Sweden with continuing adoption of the company's revolutionary bulk-feed Quantum platform.
f) Sale of 240,000 treasury shares that generated €1.97m of proceeds used for European expansion.
g) Significant increase in prospects for new Container Deposit Systems in Europe tied to growing awareness and activism to address plastic container pollution.

Results

Total revenues increased 2.8% in 2017 to €34.05m. North American revenues were flat in 2017 compared to 2016. In local currency, the 2017 North American revenue was up 2.0% when taking effect of the Euro to USD currency conversion. European revenues were up 45.0% in 2017 to €3.91m from €2.70m in 2016. Sweden was up 138.0% in 2017 to €2.61m. Gross profit increased 4.0% in 2017 to €12.12m.

Net profit before tax declined to €0.66m in 2017 from €1.12m in 2016. The decline is attributable to increased operating expenses for the year 2017 of 9.4% to €11.30m. Approximately €0.60m of the increase relates to expanded manufacturing capability, improved systems and processes and expanded market specific R&D in our German operation. Holding expenses increased by €0.30m related to increased IP legal cost and increased R&D amortization expense.

Net profit (loss) after tax declined to a loss of €(2.54m) in 2017 compared to a profit of €5.24m in 2016. For 2017, taxes increased to an expense of €3.20m from an income of €4.14m in 2016. In 2016, the company recognized a €4.0m tax loss carry-forward. In October 2017, the USA passed tax reform legislation that significantly reduced the corporate tax rate from 35% to 21%. This tax rate change necessitated an overall review of the associated tax asset. As part of this review, the company evaluated the tax rate, accelerated depreciation provisions, anticipated operational investments and potential timing tied to new container deposit legislation. While we anticipate that the tax loss carry-forwards will be fully realized in the future, we have adjusted the asset carrying value for the tax rate changes and potential timing.

EBITDA for the year 2017 declined to €4.25m from €4.56m in 2016. The decline is attributable to increased operational expenses in our German operation as discussed above.

Shareholders' equity declined to €20.6m at year end 2017 compared to €23.5m at year end 2016. Shareholders' equity in 2017 was positively impacted by issuance of 240,000 treasury shares that generated €1.97m in proceeds and by €0.66m from operating performance. Shareholders' equity was negatively impacted by €2.3m in currency translation adjustments and by the tax asset adjustments of €3.2m of capitalisation in future years.

North America

Our North America market performed well in 2017. Revenue of €30.14 in 2017 was flat with 2016; revenue was up in local currency for the year by 2.0%. North America program services revenue was up 1.0% in local currency for 2017 while RVM machine sales was up 9.6%. The company launched our bulk feed technology "Quantum" in the Michigan market during the third quarter of 2017. Customer reception and technology performance has been very positive. We anticipate additional Quantum placements in 2018 with our launch retailer. In addition, we are engaged in a number of other market opportunities for introduction of Quantum in 2018. The North American business is expected to continue to perform well with sustained market share gains and profit performance based on execution against our long-term contracts and also realization of new market opportunities provided by Quantum and Flex.

Europe

Our Europe revenues increased 45.0% in 2017 to €3.91m from €2.70m in 2016. Sweden performed well in 2017 with a 138.0% increase in revenue to €2.61m. The Swedish market performance continues to prove the disruptive nature of our bulk feed Quantum platform. With strong consumer preference, significant deposit container volume increases and the flexibility for outdoor installations; Quantum is a clear winner. We have continued expansion with Returpak and now have installed and committed over 30 outdoor installations. The retailer community is taking note of Quantum's success as we are engaged in an increasing number of retailer discussions for both indoor and outdoor Quantum installations. We expect continued positive developments in Sweden during 2018 will lead to new Nordic market opportunities and also establish the case for expansion into Germany.

Revenues for the non-deposit markets of Greece and France in 2017 declined to €1.29m from €1.60 in 2016. Our distributor activity in these markets remains strong as they build on their established relationships and mechanisms to support new RVM placements. This activity is further supported by discussions in each market surrounding container deposit schemes.

As discussed in the Chief Executive Officer's Statement, there has been a real change in the prospects for new Container Deposit System "CDS" legislation in a number of European markets. The most advanced of these seems to be in the United Kingdom, Scotland and Wales. Envipco has extensive experience in all aspects of CDS and also has an unparalleled technology suite of single and bulk feed RVMs. The outlook for our European business is very strong given our performance against the market leader in Sweden and especially the prospects for new CDS markets.

Rest of World

ROW revenue, which currently reflects the Australian market was zero for the full year 2017 compared to €0.27m for the full year 2016. The recently implemented deposit legislation by the Australian Government of New South Wales (NSW) resulted in a system that has reduced reliance and benefits than traditionally result from RVM machines. This impact is from fewer collection points and no RVM compaction for logistic efficiencies and duplicate container redemption security. This efficiency of this model is being constantly challenged by several parties. We are also engaged with our distributor in the Queensland and Western Australian container deposit discussions where we anticipate a more traditional use of RVM machines.

Intellectual Property

Envipco maintains a strong patent portfolio along with the commitment to protect our intellectual property. The company is continuing IP enforcement activities in Germany related to a patent granted by the German Patent office that covers a method for how security labels are created and interpreted. The company has incurred legal cost of €0.68m in 2017 compared to €0.50m in 2016. Our granted patent had been also challenged by a nullity action filed at the German Patents office in early 2016. The German patents office recently issued a preliminary decision on the nullity case that argued our IP claim offers no innovation. We are strongly contesting this preliminary decision, which we believe will be overturned due to several arguments filed in court. The company expects to continue to incur cost on this matter in defense of our IP rights, as it believes it will prevail in asserting infringements of its IP.

Overall Outlook

The company sees a very positive outlook for the business considerate of sustained North America performance, continued market execution in Sweden, continued expansion in the European non-deposit markets and the significant potential for expansion tied to new container deposit legislation in Europe.

Envipco has the experience and technology to be a significant player in these new European market opportunities. The company has demonstrated technology leadership and its' ability to compete with a dominant competitor in the Swedish market. Our revolutionary bulk-feed "Quantum" continues to show strong consumer preference and this combined with the most complete offering of single-feed RVMs well positions the company for market success. The company is currently evaluating plans and financing scenarios to undertake the necessary near-term (two year) investments to ensure our participation in these exciting market opportunities.

The company has adequate bank facilities/credit lines in place, along with shareholders' support to fund our current market activities. As noted above, the company is evaluating additional financing in support of expanded European market opportunities.

Liquidity

Group generated €3.18m cash from its operating activities for the year 2017 versus €4.55m during 2016. Cash flows used in investing activities were €3.72m for the year 2017 (2016: €5.36m). The 2017 outflows were funded mostly by cash generated from operations during the year along with €1.97m generated from the sale of the treasury shares. Net borrowings decreased by €0.90m during the year 2017 compared to an increase of €1.38m in 2016.

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 2017 of Issued Share Capital	**2017**	**2016**
Common stock of €0.50 nominal value per share:		
Opening and Closing balance	3,837,607	3,837,607

The new foundation held 240,000 treasury shares of the Company as of 31 December 2016 which were sold during the year 2017.

For more details please refer to note 20 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 2017 and 2016.

	31 December			
	2017		2016	
	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	155,480	4.05%	140,480	3.66%
Douglas Poling/GD Env LLC	200,000	5.21%	200,000	5.21%
Stichting Employees Envipco Holding	0	0.00%	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			
	2017		2016	
	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	155,480	4.05%	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 €742,000 in 2017, as compared to 2016 of €674,000 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 2018 (see note 26).

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

The Dutch Corporate Governance Code of December 2016 effective 1 January 2017 (the "Code") was complied with. The Code contains principles and 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.

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 2017 and 2016 Envipco had issued 3,837,607 ordinary shares. Stichting Employees Envipco Holding held 240,000 shares of the Company at a nominal value of €0.50, which were sold during the year 2017.

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.

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 53 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 2017 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 2017 and of their state of affairs during the financial year 2017;

-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

27 April 2018

Consolidated Income Statement for the year ended 31 December

(in thousands of euros)

	Note	2017		2016	
Revenue	(6)	34,049		33,114	
Cost of revenue		(19,743)		(19,257)	
Leasing depreciation		(2,188)		(2,204)	
Gross profit			**12,118**		**11,653**
Selling expenses	(7)	(1,174)		(1,261)	
General and administrative expenses	(7&9)	(10,123)		(9,065)	
Other income/(expenses):					
- Miscellaneous income/(expenses)	(8)	9		49	
Operating result			**830**		**1,376**
Financial expense	(10)	(299)		(260)	
Financial income	(10)	3		25	
Exchange gains/(losses)		128		(26)	
Result before taxes			**662**		**1,115**
Income taxes	(11)	(3,201)		4,136	
			(3,201)		4,136
Net results			**(2,539)**		**5,251**
Other comprehensive income					
Items that will be reclassified subsequently to profit and loss					
Exchange differences on translating foreign operations		(2,279)		733	
Other movements		(7)		-	
Total other comprehensive income			(2,286)		733
Total comprehensive income			**(4,825)**		**5,984**

Consolidated Statement of Comprehensive Income for the year ended 31 December

(in thousands of euros)	Note	2017	2016
Profit attributable to :			
Owners of the parent			
Profit/(loss) for the period		(2,540)	5,241
		(2,540)	5,241
Non-controlling interest			
Profit/(loss) for the period		1	10
		1	10
Total			
Profit/(loss) for the period		(2,539)	5,251
		(2,539)	5,251
Total comprehensive income attributable to :			
Owners of the parent		(4,826)	5,974
Non-controlling interest		1	10
		(4,825)	5,984
Number of weighted average shares used for calculation of EPS (exclude treasury shares)			
- Basic	(12)	3,655,315	3,597,607
- Diluted	(12)	3,655,315	3,597,607
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year			
Basic (euro)		(0.69)	1.46
Fully diluted (euro)		(0.69)	1.46

Consolidated Balance Sheet as at 31 December After Appropriation of Result

(in thousands of euros)

	Note	2017		2016	
Assets					
Non-current assets					
Intangible assets	(13)	5,548		5,034	
Property, plant and equipment	(14)	9,184		11,042	
Financial assets	(15)	72		219	
Deferred tax assets	(16)	1,737		5,269	
Total non-current assets			16,541		21,564
Current assets					
Inventory	(17)	7,044		7,645	
Trade and other receivables	(18)	9,677		10,120	
Cash and cash equivalents	(19)	1,788		1,416	
Total current assets			**18,509**		**19,181**
Total assets			**35,050**		**40,745**

Consolidated Balance Sheet as at 31 December After Appropriation of Result

(in thousands of euros)

	Note	2017		2016	
Equity	(20)				
Share capital		1,919		1,919	
Share premium		54,822		52,853	
Retained earnings		(39,157)		(36,618)	
Translation reserves		3,019		5,298	
Equity attributable to owners of the parent			20,603		23,452
Non-controlling interest			22		29
Total equity			20,625		23,481
Liabilities					
Non-current liabilities					
Borrowings	(21)	4,142		5,227	
Other liabilities	(21)	217		214	
Total non-current liabilities			4,359		5,441
Current liabilities					
Borrowings	(21)	1,356		2,011	
Trade creditors		6,236		6,510	
Accrued expenses	(24)	1,755		2,645	
Provisions	(22)	236		267	
Tax and social security		483		390	
Total current liabilities			10,066		11,823
Total liabilities			14,425		17,264
Total equity and liabilities			**35,050**		**40,745**

--this document is signed digitally--

Consolidated Cash Flow Statement for the year ended 31 December

(in thousands of euros)

	Note	2017		2016	
Cash flow from operating activities					
Operating result		830		1,376	
Adjustments for:					
Depreciation and amortisation	(13/14)	3,287		3,195	
Interest received		3		25	
Interest paid		(299)		(260)	
Changes in trade and other receivables		(320)		(625)	
Changes in inventories		136		791	
Changes in provisions		(31)		147	
Changes in trade and other payables		(605)		(17)	
Cash generated from operations			3,001		4,632
Income taxes (payment)/refund			177		(82)
Net cash flow from operating activities			**3,178**		**4,550**
Investing activities					
Investment in intangible fixed assets	(13)	(1,142)		(1,422)	
Investment in property, plant & equipment	(14)	(2,573)		(3,941)	
Net cash flow used in investing activities			**(3,715)**		**(5,363)**
Financing activities					
Proceeds from sale of shares		1,969		-	
Changes in borrowings – proceeds	(21)	3,548		12,384	
Changes in borrowings – repayments	(21)	(4,447)		(11,003)	
Net cash flow from financing activities			**1,070**		**1,381**
Net increase/(decrease) in cash and cash equivalents			**533**		**568**
Opening position as at 1 January			1,416		789
Foreign currency differences on cash and cash equivalents			(134)		(5)
Foreign currency differences and other changes			(27)		64
Closing position as at 31 December			1,788		1,416
The closing position consists of:					
Cash and cash equivalents	(19)		1,788		1,416
			1,788		1,416

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

(in thousands of euros)

	Share capital	Share premium	Legal Reserve	Retained earnings	Translation Reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	**1,919**	**48,237**	**4,616**	**(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
-Other movements	-	-	-	-	-	-	-	-
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**	**48,237**	**4,616**	**(36,618)**	**5,298**	**23,452**	**29**	**23,481**
Changes in equity for 2017								
Net profit/(loss) for the year	-	-	-	(2,540)	-	(2,540)	1	(2,539)
Other comprehensive income for the year								
-Currency translation adjustments	-	-	-	-	(2,279)	(2,279)	-	(2,279)
-Other movements			-	1		1	(8)	(7)
Total comprehensive income for the year	-	-	-	(2,539)	(2,279)	(4,818)	(7)	(4,825)
Sale of treasury shares	-	1,969	-	-	-	1,969	-	1,969
Legal reserve	-	(488)	488	-	-	-	-	-
Balance at 31 December 2017	**1,919**	**49,718**	**5,104**	**(39,157)**	**3,019**	**20,603**	**22**	**20,625**

Please refer to note 20 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 Arnhemseweg 10, 3817 CH 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 Directors on 27 April 2018 and are subject to adoption 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 amoritsed costs. 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 2017

The Company has adopted the following new standards with a date of initial application of 1 January 2017:
- Disclosure Initiative (Amendments to IAS 7);
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12);
- Annual Improvements 2014-2016 Cycle.

Disclosure Initiative (Amendments to IAS 7) aims at clarifying IAS 7 for improved disclosure about an entity's financing activities. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows and non-cash changes. The Group evaluated the impact of each of the Disclosure Initiatives and concluded that it was in compliance.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) IAS 12 Income Taxes: The amendments aim to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decreases the fair value of a debt instrument below cost. The Group has evaluated the standard and concluded that it was not material.

Annual Improvements 2014-2016 Cycle makes amendments to the following standards:
- IFRS 1 — First Time Adoption of Financial Reporting Standards: deletes short-term exemptions for first time adopters.
- IFRS 12 — Disclosure of Interest in Other Entities: Clarifies that disclosure requirements apply to an entity's interests irrespective of whether they are classifies as held for sale or as discontinued operations per IFRS 5.
- IAS 28 — Investments in Associates and Joint Ventures: Clarifies an entity's ability to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit and loss, separately for each associate or joint venture at initial recognition of the associate or joint venture.

IFRS 1, 12 and IAS 28 amendments are not applicable to the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 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 clarification and measurements of financial assets, which are to be classified into one of the categories i.e. amortised cost or fair value through other comprehensive income or fair value through profit or loss. The Group is evaluating the impact for implementation in future years.

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. The Group is evaluating the effect of IFRS 15 and is implementing as of 1 January 2018.

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 will be evaluating the impact for implementation in future years.

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 will be evaluating the impact for implementation in future years.

IFRS 2 Classification and Measurements of Share-based Payment Transactions (Amendments to IFRS 2)
IASB issued following changes to IFRS 2:
- The accounting for the effects of vesting conditions on the measurement of a cash settled share-based payment.
- The classification of share-based payments transactions with a net settlement feature for with-holding tax obligations.
- The accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are not applicable to the Group as there were no share-based payments in 2017.

Transfers of Investment Property (Amendments to IAS 40) clarifies the accounting for transfers of property to, or from, investment property. The Group will be evaluating the standard for implementation in future years, if applicable.

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 nonmonetary. The Group has evaluated the standard and has determined that there is no material impact on its financial statements for 2017.

IFRIC 23 Uncertainty over Income Tax Treatments: IFRIC 23 addresses previous lack of guidance in IAS 12 as to uncertainty over how tax treatments should affect the accounting for income taxes. IFRIC has addressed the existence of diversity in practice of various issues as the recognition and measurements of a tax liability or asset in circumstances where there is uncertainty in the application of the tax law concern. The Group will be assessing the impact, if any, of this interpretation for future years.

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. 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 2017.

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 (SEEH) 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, if applicable.

In 2017, the Company sold 240,000 treasury shares which were held by Stichting Employees Envipco Holding and realised the proceeds.

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 17) 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 17 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 17 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.

- Page 22 legal reserve is made for capitalised development costs.

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 uses a weighted average actual cost method (WAAC) for valuation of inventory. 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 21).

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 publicly 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 16).

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 13.

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 21. 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 2017 for 39% of its revenues and 29% of its receivables and in 2016, 50% of its revenues and 37% 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.

	2017		2016	
	Revenue	Accounts receivable	Revenue	Accounts receivable
Concentration of credit risk				
Customer 1	25%	15%	26%	16%
Customer 2	10%	7%	14%	14%
Customer 3	4%	7%	10%	7%
Others	61%	71%	50%	63%
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
2017	Europe	1,016	-	-	871	1,887
	United States	5,090	1,492	258	950	7,790
		6,106	**1,492**	**258**	**1,821**	**9,677**
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**

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:

		€'000 In 1 Year	€'000 1-2 Years	€'000 2-5 Years	€'000 > 5 Years	€'000 TOTAL
2017	**Europe**					
	Operational leases & payables	1,804	-	-	217	2,021
	United States					
	Operational leases & payables	7,350	571	168	-	8,089
	Bank debt & finance leases	1,342	2,375	424	1,357	5,498
	Total liabilities and future non-cancellable leases (rents)	**10,496**	**2,946**	**592**	**1,574**	**15,608**
	Future non-cancellable leases (rents)	(444)	(571)	(168)	-	(1,183)
		10,052	**2,375**	**424**	**1,574**	**14,425**
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**

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 €75,000 (2016: €102,000) and would result in net increase in equity of €75,000 (2016: €102,000) 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 21) and concluded that a reduction in interest rate by 0.25% would have increased the profit after tax by €11,000 (2016: €12,000) and an increase in interest rate by 0.25% would have decreased the profit after tax by €11,000 (2016: €12,000).

- 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:

(6) Segment information (continued)

(in thousands of euros)

	2017 Europe	2017 North America	2017 Rest of World	2017 Total	2016 Europe	2016 North America	2016 Rest of World	2016 Total
Revenues								
Recycling - RVM								
Sale of goods	3,906	6,360	-	10,266	2,702	3,303	269	6,274
Service revenue	-	14,783	-	14,783	-	17,502	-	17,502
Leasing revenue	-	9,000	-	9,000	-	9,338	-	9,338
Non-operating segments								
Sale of goods	-	-	-	-	-	-	-	-
Total	**3,906**	**30,143**	**-**	**34,049**	**2,702**	**30,143**	**269**	**33,114**

	2017 Europe	2017 North America	2017 Rest of World	2017 Total	2016 Europe	2016 North America	2016 Rest of World	2016 Total
Gross assets								
Recycling - RVM	2,106	26,430	-	28,536	1,729	33,085	-	34,814
Non-operating segments	6,514	-	-	6,514	5,931	-	-	5,931
Total	**8,620**	**26,430**	**-**	**35,050**	**7,660**	**33,085**	**-**	**40,745**

	2017 Europe	2017 North America	2017 Rest of World	2017 Total	2016 Europe	2016 North America	2016 Rest of World	2016 Total
Segment Results								
Recycling - RVM	(651)	(428)	-	(1,079)	(522)	6,856	160	6,494
Non-operating segments	(1,460)	-	-	(1,460)	(1,253)	-	-	(1,253)
Total	**(2,111)**	**(428)**	**-**	**(2,539)**	**(1,775)**	**6,856**	**160**	**5,241**

	2017 Europe	2017 North America	2017 Rest of World	2017 Total	2016 Europe	2016 North America	2016 Rest of World	2016 Total
Gross Liabilities								
Recycling – RVM	1,058	12,403	-	13,461	1,229	15,113	-	16,342
Non-operating segments	964	-	-	964	922	-	-	922
Total	**2,022**	**12,403**	**-**	**14,425**	**2,151**	**15,113**	**-**	**17,264**

6) Segment information (continued)

Property, Plant & Equipment and Intangibles Additions	Europe	North America	Rest of World	Total 2017	Europe	North America	Rest of World	Total 2016
Recycling - RVM	23	2,577	-	2,600	11	3,285	-	3,296
Non-operating segments	1,384	-	-	1,384	1,383	-	-	1,383
Total	**1,407**	**2,577**	**-**	**3,984**	**1,394**	**3,285**	**-**	**4,679**

Depreciation & Amortisation	Europe	North America	Rest of World	Total 2017	Europe	North America	Rest of World	Total 2016
Recycling – RVM	12	2,457	-	2,469	12	2,491	-	2,503
Non-operating segments	818	-	-	818	692	-	-	692
Total	**830**	**2,457**	**-**	**3,287**	**704**	**2,491**	**-**	**3,195**

The revenues and non-current assets of the Company's country of domicile i.e. Netherlands were respectively €0,000 (2016: €230,000) and €21,886,000 (2016: €24,778,000).

RVM segment leasing depreciation of €2,188,000 (2016: €2,204,000) in North America is included in cost of revenue.

There were non-cash expenses other than depreciation and amortisation such as provisions (see note 22).

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.

General and administrative expenses

General and administrative expenses include depreciation expenses for an amount of €1,028,000 (2016: €865,000), research and development costs of €1,455,000 incurred by the US and German subsidiaries (2016: €1,133,000), payments made under operating leases of €569,000 (2016: €596,000), and bad debt charge of €236,000 (2016: charge €9,000).

The fee paid to the Group's auditors for the following services is included in general expenses and can be specified as follows:

Grant Thornton Assurance B.V. to the company and subsidiaries

	Grant Thornton Assurance B.V.	Other Grant Thornton Network	Total 2017	BDO Audit & Assurance B.V.	Other BDO Network	Total 2016
	€'000	€'000	€'000	€'000	€'000	€'000
Audit fee of financial statemen	101	126	227	107	165	272
Other audit engagement	-	-	-	-	-	-
Tax-related advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
	101	**126**	**227**	**107**	**165**	**272**

(8) Other income/(expenses)

Other income in 2017 included profit on sale of equipment of €9,000 (2016: €49,000).

(9) Employee benefit expense

	2017	2016
	€'000	€'000
Salaries	9,643	9,228
Social security expenses	455	551
Pension expenses	48	48
	10,146	**9,827**

	2017	2016
Average number of employees		
North America	147	138
Europe	23	13
Total	**160**	**151**

--this document is signed digitally--

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2017 was €742,000 (2016: €674,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Total
2017				
B. Santchurn	610	8	3	621
C. Crepet	10	-	-	10
G. Garvey	59	-	-	59
T.J.M. Stalenhoef	42	-	-	42
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	**731**	**8**	**3**	**742**
2016				
B. Santchurn	555	7	3	565
C. Crepet	-	-	-	-
G. Garvey	61	-	-	61
T.J.M. Stalenhoef	38	-	-	38
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	**664**	**7**	**3**	**674**

A loan to Mr. Christian Crepet, a director, of €20,000 given in 2012 (outstanding €11,000) is repayable with interest at euribor plus 1%, originally repayable by 31 December 2017 and has been extended for repayment by 31 December 2018. A sum of €10,000 was repaid during the year. A. Bouri, the majority shareholder, received €3,000 (2016: €3,000) as interest on the loan due him from the company.

(10) Financial expense and income

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

(11) 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:

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:

		2017		2016
		€'000		€'000
Profit/(loss) before tax		662		1,115
Taxation (charge)/credit - statutory rate	25%	(165)	25%	(279)
Tax (charge) credit for different statutory tax rates on foreign subsidiaries		-		-
Effect of unused losses for which no deferred tax asset has been recognised		165		408
Effect of derecognising deferred tax asset for which previously no tax has been recognised (USA)		(3,201)		4,007
Effective income tax	-483%	**(3,201)**	+371%	**4,136**

None of the items of other comprehensive income is included in income taxes. See note 16.

Current and deferred tax income/ (expense)

	2017	2017	2016	2016
	€'000 This Period	€'000 **Total**	€'000 This period	**€'000 Total**
Current				
- USA	(3,201)	**(3,201)**	4,007	**4,007**
- Netherlands	-	**-**	129	**129**
Total	(3,201)	**(3,201)**	4,136	**4,136**

The deferred tax income was unfavourably impacted by a charge of approximately €3.20m in 2017 due to tax legislation introduced in the USA, and favourably in 2016 by the capitalisation of tax loss carry-forwards resulting from expected profits in future years of a Group's US subsidiary.

Available tax losses totaling €32,531,000 (2016: €26,641,000), expire as follows: €3,941,000 in 2018, €4,040,000 in 2019, €4,313,000 in 2020, €2,657,000 in the years 2021, €12,591,000 from 2022 through 2028, €2,180,000 in 2034 and €2,807,000 in 2035. Tax losses where no deferred tax has been recognised amounted to €24,198,000.

(12) 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.

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

	2017	**2016**
	€'000	€'000
	Total Operations	Total Operations
Numerator		
Earnings/(loss) used in basic and diluted EPS	**(2,539)**	**5,241**
Denominator		
	'000	'000
Weighted average number of shares used in basic and diluted EPS	**3,655**	**3,597**

Basic and diluted earnings per share for 2017 have been calculated using the weighted-average number of current ordinary shares of 3,655,315 and 3,597,607 (exclusive of 240,000 treasury shares) for 2016. Treasury shares have been deducted to calculate the outstanding shares for 2016 only, since they were sold in 2017.

(13) Intangible assets

(in thousands of euros)	Goodwill	Patents, licenses & concessions	Development costs	Total
At 1 January 2016				
Cost	163	779	5,807	6,749
Accumulated amortization	-	(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)
Development costs impaired				
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**
Changes to net carrying amount in 2017				
Additions	-	129	1.255	1,384
Disposals	-	(15)	-	(15)
Amortisation	-	(66)	(766)	(832)
Currency translation differences	(21)	(2)	-	(23)
Reclassification cost-fully depreciated	-	-	-	-
Reclassification depreciation-fully depreciated	-	-	-	-
Total changes in 2017	**(21)**	**46**	**489**	**514**
At 31 December 2017				
Cost	148	978	8,404	9,530
Accumulated amortisation and impairment	-	(683)	(3,299)	(3,982)
Net carrying amount	**148**	**295**	**5,105**	**5,548**

Goodwill

No impairment charges were recognised on any goodwill during the period. All goodwill as per 31 December 2017 and 2016 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 11.33%, working capital requirement 10% of revenue and terminal cash flow growth rate of 2.5%. Recoverable amount of goodwill is €2,680,000.

(13) Intangible assets (continued)

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 Indoor, e-Portal, Quantum Modular and New Recognition Systems for the existing and new markets. All materials, labour and overhead costs directly attributable to these projects have been capitalised. €1,255,000 (2016: €1,343,000) of the development costs was capitalised in 2017. 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 €1,567,000 (2016: €1,057,000). Management reviewed the capitalised development costs as of 31 December 2017 and decided that no impairment was necessary.

Key projects under development during 2017 included Quantum Indoor Mark II European and US versions and the e-Portal.

14) Property, plant and equipment

(in thousands of euros)

	Reverse Vending machines	Land & Buildings	Plant & Machinery	Vehicles & equipment	Total
At 1 January 2016					
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**
Changes to net carrying amount in 2017					
Additions	2,477	17	43	63	2,600
Disposals/transfers to inventory	(598)	-	-	(27)	(625)
Depreciation	(2,188)	(57)	(141)	(108)	(2,494)
Currency translation	(1,000)	(249)	(7)	(83)	(1,339)
Reclassification cost	-	(272)	(126)	164	(234)
Reclassification depreciation	-	272	126	(164)	234
Total changes in 2017	**(1,309)**	**(289)**	**(105)**	**(155)**	**(1,858)**
At 31 December 2017					
Cost	22,033	2,080	676	1,282	26,071
Accumulated depreciation	(15,088)	(451)	(379)	(969)	(16,887)
Net carrying amount	**6,945**	**1,629**	**297**	**313**	**9,184**

(15) Financial assets

	2017 €'000	2016 €'000
Schedule of movement of deposits with vendors		
At beginning of year	219	-
Additions	-	496
Releases	(147)	(277)
At 31 December	**72**	**219**

(16) Deferred tax assets

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

	2017 €'000 Asset	2017 €'000 Liability	2017 €'000 Net	2017 €'000 (Charge)/credit profit & loss	2017 €'000 (Charge)/credit Equity
Recognised tax assets for unused losses	1,737	-	1,737	(3,532)	-
At 31 December	**1,737**	**-**	**1,737**	**(3,532)**	**-**

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 de-recognised deferred tax assets of approximately €3.53m in 2017 based on its next three year's projected profits of €8.33m. Consequently, it will have remaining tax losses of €13.45m where no deferred tax has been recognised.

Overview of changes in tax losses

Current and deferred tax income/ (expense)

	2017 €'000 This Period	2017 €'000 **Total**	2016 €'000 This period	2016 **€'000** **Total**
Current				
- USA	(3,532)	**(3,532)**	4,007	**4,007**
Total	(3,532)	**(3,532)**	4,007	**4,007**

The deferred tax expense was recognized during the year due to the tax rate change and reevaluation of future profits of a Group's subsidiary.

(17) Inventory

	2017	2016
	€'000	€'000
Finished goods	1,524	1,910
Raw material and parts	7,219	7,433
Work in progress	-	85
Provision for obsolescence	(1,699)	(1,783)
	7,044	**7,645**

In 2017 inventory usage amounting to €13,369,000 (2016: €11,470,000) 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	2017	2016
	€'000	€'000
At beginning of period	1,783	1,804
Release of provision	(229)	(67)
Exchange gains/(losses)	145	46
At end of period	**1,699**	**1,783**

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 €3,398,000 (2016: €3,566,000).

(18) Trade and other receivables

	2017	2016
	€'000	€'000
Trade receivables	7,861	8,595
Other receivables	646	398
Prepaid expenses	479	445
Loan receivable – affiliate	691	682
Trade and other receivables	**9,677**	**10,120**

(18) Trade and other receivables (continued)

A loan to an affiliate under common control of the majority shareholder is due as of 31 December 2017 of €691,000 (2016: €682,000) and is repayable without interest by 31 December 2018.

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 €600,000 and €369,000 at the end of years 2017 and 2016 respectively.

Schedule of movement of bad debts	2017	2016
	€'000	€'000
At beginning of period	369	348
Additions	276	9
Translation adjustment	(45)	12
At end of period	**600**	**369**

(19) Cash and cash equivalents	2016	2015
	€'000	€'000
Cash at bank and in hand	1,788	1,416
Cash and cash equivalents	**1,788**	**1,416**

(20) Shareholders' equity

Share Capital

Authorised and Issued Share Capital

	2017 Ordinary Shares	2016 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 held 240,000 treasury shares of the Company at a nominal value of €0.50, which were sold during the year. There is one vote for each ordinary share.

(20) Shareholders' equity (continued)

Share premium reserve

For full detailed movements in share premium reserve please refer to the consolidated statement of changes in equity on Page 22.

Legal reserve

Movement in legal reserve is in respect of the capitalised development costs per note D of the notes to the Company Only Financial Statements.

Retained earnings

At the Company's Annual General Meeting of the Shareholders it will be proposed to include the 2017 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.

(21) Non-current liabilities

	2017	**2016**
	€'000	€'000
Borrowings	**4,142**	**5,227**

	2017	**2016**
	€'000	€'000
Other liabilities	217	214
	217	**214**

Other liabilities include a loan of Stichting Employees Envipco Holding of €120,000 (2016: €120,000).

(21) Non-current liabilities (continued)

Borrowings

	2017	2016
	€'000	€'000
Environmental Products Corporation (EPC) has borrowing facility from a third party lender for $11,415,000 of which a maximum of $3,000,000 as a line of credit (LOC) is capped based on eligible 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 2016 repayable within 4 years after the drawdown date with interest at FHLB classic rate plus 2.5%. A new loan of $4,000,000 was secured in May 2017 repayable over 4 years with interest at FHLB 48/48 amortizing rate plus 2%.The LOC is renewable annually for a term 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 €17,000 (2016: €29,000).	4,142	5,227
Total	**4,142**	**5,227**

The debt covenants for the USA subsidiaries have been met during the year and in 2016.

Total debt repayable inclusive of borrowing costs of €17,000 (2016: €29,000) is €5,515,000 (2016: €7,267,000).

Future payments under long term borrowings	2017	2016
	€'000	€'000
Current	1,356	2,011
Due between 1 to 5 years	4,142	3,675
> 5 years	-	1,552
Total borrowings	**5,498**	**7,238**

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	2017	2016
	€'000	€'000
At beginning of period	7,238	5,613
Increase	3,548	12,384
(Decrease)	(4,447)	(11,003)
Translation effect	(841)	244
At end of period	**5,498**	**7,238**

(22) Provisions

	2017	2016
	€'000	€'000
Warranty provisions	236	267
	236	**267**

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.

	2017	2016
	€'000	€'000
Beginning of period	267	119
Additions	-	148
Releases	(31)	-
End of period	**236**	**267**

(23) 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 2017, expenses relating to defined contribution plans amounted to €45,000 (2016: €48,000).

(24) Accrued expenses

	2017	2016
	€'000	€'000
Payroll and vacation accruals	560	1,356
Other accrued expenses	1,195	1,289
	1,755	**2,645**

(25) Commitments and contingencies

The future minimum lease payments under non-cancellable operating leases as of 31 December 2017 and 2016 were as follows:

	2017	2016
	€'000	€'000
Current	443	434
Between 2 to 5 years	739	509
	1,182	**943**

The leases relate to plant and equipment, office machines and vehicles. Rent expenses for the year ended 31 December 2017 were approximately €569,000 (2016: €596,000).

(25) Commitments and contingencies (continued)

The future minimum lease payments receivable under non-cancellable RVM operating leases as of 31 December 2017 and 2016 were as follows:

	2017	2016
	€'000	€'000
Current	2,898	3,165
Between 2 to 5 years	5,705	7,863
	8,603	**11,028**

Lease revenues from RVMs for the year ended 31 December 2017 were approximately €4,030,000 (2016: €3,955,000).

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 21.

(26) Related party transactions

Transactions and relations with an affiliate are explained in note 18. €3,000 of interest was charged to the income statement on the average outstanding loans payable in 2017 with interest at euribor plus 2% (2016: €3,000) to Mr. Alexandre Bouri, the majority shareholder. A payable to Mr. Bouri at year end was €97,000 (2016: €94,000). The balance receivable at year end from an affiliate under common control of the majority shareholder was €691,000 (2016: €682,000) and is repayable without interest by 31 December 2018.

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 €11,000) repayable with interest at euribor plus 1%, originally on 31 December 2017 and was extended to be repayable by 31 December 2018. A repayment of €10,000 was made during the year.

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 was €714,000 and USA was €541,000 (2016: Germany - €713,000 and USA - €629,000) to the Holding company, which was capitalised. R&D expensed by the US and German subsidiaries were €1,455,000 (2016: €1,133,000). 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. Please refer to note Q of the Company Only Financial Statements for details of management fee and royalty fee.

The Holding company provided a guarantee of $11,740,000 in 2017 and 2016 to the USA subsidiary's lender, TD Bank N.A., for the credit facilities.

The Company received funds during the year of €1,103,000 from one its US subsidiaries as return of capital.

The Group companies had the following intra-group transactions:

	2017	2016
	€'000	€'000
Goods and services	8,006	5,848
Other charges and services	1,153	1,158
Research and development	1,427	1,132
	10,586	**8,138**

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. The pilot was closed in 2015. The Group's share of the assets and liabilities at the balance sheet date amounted to €23,000 (2016: €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 25 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	2017		2016	
Assets					
Fixed assets					
Intangible assets	(D)	5,336		4,835	
Investment in subsidiaries	(E)/(J)	14,903		19,259	
Loans to group companies	(F)	1,627		694	
			21,866		24,788
Current assets					
Receivables	(G)	876		866	
Cash and cash equivalents	(H)	295		218	
			1,171		1,084
Total assets			**23,037**		**25,872**
Equity and liabilities					
Shareholders' equity	(I)				
Share capital		1,919		1,919	
Share premium		49,718		48,237	
Legal reserve		5,104		4,616	
Retained earnings		(39,157)		(36,618)	
Translation reserve		3,019		5,298	
			20,603		23,452
Non-current liabilities					
Loans from group companies	(K)		451		742
Other non-current liabilities	(L)		1,240		988
Current liabilities					
Creditors and other liabilities			743		690
Total equity and liabilities			**23,037**		**25,872**

Separate Company Income Statement
for the year ended 31 December

(in thousands of Euro)

	Note	2017		2016	
Revenues	(N)	-		230	
Cost of revenue		-		(261)	
Gross profit			**-**		**(31)**
Operating expenses	(P)	(2,890)		(1,894)	
Other operating income	(Q)	1,424		1,168	
Operating result			**(1,466)**		**(757)**
Financial expenses		(3)		(3)	
Financial income		3		23	
Exchange gains/(losses)		158		(54)	
Financial gains and losses	(R)		**158**		**(34)**
Results before tax			**(1,308)**		**(791)**
Tax on result from ordinary activities	(S)		-		129
Share of result from participating interests	(T)		(1,231)		5,903
Net result			**(2,539)**		**5,241**

(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 2017 was €742,000 (2016: €674,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Total
2017				
B. Santchurn	610	8	3	621
C. Crepet	10	-	-	10
G. Garvey	59	-	-	59
T.J.M. Stalenhoef	42	-	-	42
G. Lefebvre	10	-	-	10
A.Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	**731**	**8**	**3**	**742**
2016				
B. Santchurn	555	7	3	565
C. Crepet	-	-	-	-
G. Garvey	61	-	-	61
T.J.M. Stalenhoef	38	-	-	38
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	**664**	**7**	**3**	**674**

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. Please see Note G for details.

(C) Research and developments costs

During the year research and development costs of €1,455,000 (2016: €1,133,000) 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 2016			
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**
Changes to net carrying amount in 2017			
Additions	64	1,255	1,319
Amortisation	(52)	(766)	(818)
Total changes in 2017	12	489	501
At 31 December 2017			
Cost	939	8,404	9,343
Accumulated amortisation and impairment	(708)	(3,299)	(4,007)
Net carrying amount	**231**	**5,105**	**5,336**

Development costs

Major projects capitalised during the year included Quantum Indoor MARK II €541,000 (2016: €972,000), Flex Linux €0 (2016: €265,000) e-Port/e-Portal €90,000 (2016: €112,000) and Quantum Indoor USA version of €602,000 (2016: €0). See also note 14 for capitalised development costs of the Company. Management reviewed the capitalised development costs as of 31 December 2017 and determined that no impairment was necessary.

(E) Investment in subsidiaries

	2017 €'000	2016 €'000
At beginning of year	19,259	12,933
Investments / Return of capital	(1,103)	(1,000)
Results of the group companies for the year	(1,231)	5,903
Exchange differences	(2,279)	733
Increase of loans in subsidiaries	257	690
At end of year	**14,903**	**19,259**

The above assets relate to the investments in Group companies.

(F) Loans to group companies

	2017 €'000	2016 €'000
At beginning of year	694	17
Additions	933	677
At end of year	**1,627**	**694**

(G) Receivables

	2017 €'000	2016 €'000
At beginning of year	866	558
Additions	21	346
Repayments	(11)	(38)
At end of year	**876**	**866**

The receivables include a loan to Mr. Christian Crepet, a director, of €20,000 (outstanding €11,000) given in 2012 and repayable with interest at euribor plus 1% by 31 December 2017 has now been extended for repayment by 31 December 2018. A repayment of €10,000 was made during the year. Also, during 2013 a loan of €80,000 (outstanding €84,000) was granted to a director of an affiliate, under common control, with interest at euribor plus 1% originally repayable on 30 June 2017, has now been extended for repayment by 30 June 2018. €13,000 is in respect of VAT receivable (2016: €6,000), €7,000 is prepaid insurance, a loan from a US subsidiary employee of €70,000 (2016: €69,000) with interest at euribor plus 1% repayable within 5 years. In 2018, €20,000 of this loan was repaid. The balance is a loan receivable of €691,000 (2016: €682,000) from an affiliate under common control of the majority shareholder and is repayable without interest by 31 December 2018. A receivable from an affiliate in 2016 of €5,000 was extinguished in 2017.

(H) Cash and cash equivalents

	2017 €'000	2016 €'000
Cash at bank and in hand	295	218
Cash and cash equivalents	**295**	**218**

(I) Shareholders' equity

At the General Meeting of the Shareholders, the Company's shareholders approved that the 2016 net results of the Company be transferred to the retained earnings.

Refer to Consolidated statement of changes in equity (page 22) and note 20 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 (2016: €3,000) 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 €97,000 (2016: €94,000).

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 2017 amounted to €5,105,000 (2016: €4,616,000). 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.

(J) 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%

(K) Loans from group companies

	2017	2016
	€'000	€'000
At beginning of year	742	392
Additions	-	350
Repayments	(291)	-
At end of year	**451**	**742**

There are no intercompany loan agreements and hence no interest is charged on outstanding balances for the years 2017 and 2016 nor is there a definite repayment period for them.

(L) Non-current liabilities

	2017	2016
	€'000	€'000
Provision against investments	1,023	774
Other liabilities	217	214
	1,240	**988**

Refer to note 26 of the consolidated financial statements for transactions with related parties.

(M) Commitments and contingencies

The Company provided a guarantee of $11,740,000 in 2017 and 2016 to the USA subsidiary's lender TD Bank N.A.

(N) Revenue

	2017	2016
	€'000	€'000
Sale of goods	-	230
	-	**230**

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

	2017	2016
	€'000	€'000
Quantum Outdoor	-	230
	-	**230**

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

	2017	2016
	€'000	€'000
Europe	-	230
	-	**230**

(P) Operating expenses

During the year operating expenses of €2,890,000 (2016: €1,894,000) were incurred. This included amortisation cost of €818,000 (2016: €692,000), legal expenses of €577,000 (2016: €550,000), research and development expenses of €1,004,000 (2016: €539,000) and the balance was on account of compliance costs of the company, including the following:

	2017	2016
Wages & salaries	€'000	€'000
Wages and salaries	45	23
	45	**23**

Average number of employees

During the 2017 financial year the average number of staff employed in the Company converted to equivalents, amounted to 1 person (2016: 1 person)

The staffing level (average number of staff can be divided into the following staff categories:	2017	2016
General and administrative	1	1
Total number of employees	**1**	**1**

--this document is signed digitally--

(P) Operating expenses (continued)

Depreciation and amortisation of tangible and intangible fixed assets

	2017	2016
	€'000	€'000
Amortisation of intangible fixed assets	818	692
	818	**692**

Other operating expenses	**2017**	**2016**
	€'000	€'000
Legal and professional charges	577	565
Research and development expenses	1,004	539
Compliance and other costs	345	88
Release of excess provisions	-	(120)
	1,926	**1,072**

Auditor's fees

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

	2017	2016
	€'000	€'000
Audit of the financial statements	101	107
	101	**107**

(Q) Other operating revenue

	2017	2016
	€'000	€'000
Management fee	575	568
Royalty fee	578	590
Other revenue	271	10
	1,424	**1,168**

(R) Financial income and expense

	2017	2016
	€'000	€'000
Interest and similar expenses	(3)	(3)
Interest and similar income	3	23
Exchange gains/(losses)	158	(54)
	158	**(34)**

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

The tax on the result from ordinary activities, amounting to a credit of €0 (2016: €129,000) can be specified as follows:

	2017	2016
	€'000	€'000
Result from ordinary business activities	662	(791)
Result before taxes	662	(791)
Income tax using the appropriate tax rate in the Netherlands @ 25%	(165)	198
Tax effect of :		
Recognition of previously not recognised losses	165	(69)
Effective taxes	**-**	**129**

(T) Result of participations

	2017	2016
	€'000	€'000
Environmental Product Corporation, USA and Subsidiaries	21	7,617
Envipco Automaten GmbH	(1,274)	(1,388)
Envipco Sweden AB	29	(320)
Envipco AS, Norway	(4)	(3)
Envipco Finance Company Limited	(3)	(3)
	(1,231)	**5,903**

Transactions with related parties

Transactions and relations with the shareholders and affiliates are explained in notes 18 and 26 of the consolidated financial statements. €3,000 of interest was charged to the income statement on the average outstanding loans payable in 2017 with interest at euribor plus 2% (2016: €3,000) to Mr. Alexandre Bouri, the majority shareholder. A payable to Mr. Bouri at year end was the €97,000 (2016: €94,000). The balance receivable at year end from an affiliate under common control of the majority shareholder was €691,000 (2016: €682,000) and is repayable without interest by 31 December 2018.

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 (outstanding €11,000) repayable with interest at euribor plus 1%, originally on 31 December 2017 and was extended to be repayable by 31 December 2018. A repayment of €10,000 was made during the year.

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 €1,255,000 (2016: €1,342,000) to the Holding company. R&D expensed by the US and German subsidiaries were €1,455,000 (2016: €1,133,000). 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.
During the year 2017 the Company received funds of €1,103,000 from one its US subsidiaries as return of capital.

The Holding company provided a guarantee of $11,740,000 in 2017 and 2016 to the USA subsidiary's lender, TD Bank N.A., for the credit facilities.

The Group companies had the following intra-group transactions:

	2017	2016
	€'000	€'000
Goods and services	8,006	5,848
Other charges and services	1,153	1,158
Research and development	1,427	1,132
	10,586	**8,138**

Post balance sheet events

There are no post balance sheet events.

Appropriation of result for the financial year 2016

The annual report 2016 was determined in the General Meeting of Shareholders held on 28 June 2017. 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 2017

The Board of Directors proposes that the loss for the financial year 2017 amounting to €2,539,000 will be taken to the retained earnings. The financial statements do reflect this proposal.

Amersfoort, 27 April 2018

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.

Grant Thornton

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

Grant Thornton
Accountants en Adviseurs B.V.
Flemingweg 10
P.O. Box 2259
2400 CG Alphen aan den Rijn
The Netherlands

T 088 - 676 90 00
F 088 - 676 90 10
www.gt.nl

INDEPENDENT AUDITOR'S REPORT

A. Report on the Audit of the Financial Statements 2017

Our opinion

We have audited the financial statements 2017 of Envipco Holding N.V., based in Amersfoort, as set out on pages 17 to 63. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at December 31, 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;

- the accompanying company financial statements give a true and fair view of the financial position of Envipco Holding N.V. as at December 31, 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at December 31, 2017;

2. the following statements for 2017: the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows; and

3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Grant Thornton

The company financial statements comprise:

1. the company balance sheet as at December 31, 2017;

2. the company income statement for 2017; and

3. the notes comprising a summary of the accounting policies and other explanatory information.

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 EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality
Based on our professional judgement we determined the materiality for the financial statements as a whole at € 527.000. 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 the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements in excess of € 26.000, 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 at the 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.

Grant Thornton

We have:

- performed audit procedures ourselves at group entity Envipco Holding N.V.;
- used the work of Grant Thornton component auditors in the United States of America, who are familiar with local laws and regulations, to perform full scope audit procedures on entities Environmental Products Corporation, Environmental Products Recycling Inc. and Envipco Pickup & Processing Services Inc.;
- performed review procedures or specific audit procedures at other group entities.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group engagement team has visited the component teams.

By performing audit procedures 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 judgement, 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.

Key audit matter	Our audit strategy
Revenue recognition Revenue recognition has been identified as a key audit matter as Envipco has multiple revenue streams and the industry specific risks related to revenue recognition. The unique nature of the key revenue earning business contains complexities which are inherent in the industry. These risk characteristics, in combination with the significance of revenue is the reason for identifying revenue recognition as a key audit matter. Refer to Note 2 and 6, revenue recognition and segment information of the financial statements for disclosure on the revenue.	The audit approach included considering the appropriateness of the group's revenue recognition policy, focusing on substantive procedures. Substantive procedures consisted, among others, of analytical procedures, cut off testing, transaction testing, review of subsequent cash receipts and journal entry testing. Controls testing was only applied to a limited extent.

Grant Thornton

Valuation of capitalized development costs Intangible assets include capitalised development costs. The capitalisation of development costs is considered to be a key audit matter as the company's expectations on the development of distinctive products is highly judgemental which can differ from the market acceptance, resulting in development costs for certain projects not being recovered which will result in an impairment. The recoverability of the development costs is dependent on management's ability to generate sales on the developed products in the future and therefore need to be considered for impairment. Refer to Note 13, Intangible assets of the financial statements for disclosure on the development costs.	The audit procedures included substantively tested additions to development costs to ensure that it is in line with the IAS38, Intangible assets. The audit procedures included consideration of whether the estimated useful lives remained appropriate and included challenging the reasonableness of the received forecasts.
Valuation of the inventory Inventory is valued at the lower of cost and net realisable value. The valuation of inventory is considered to be a key audit matter due to the judgements and estimates in the calculation of the inventory provision, this includes determining the long aged inventory (specifically RVM's). The inventory for the RVM business comprises the majority of the Group's inventory. The disclosure note relating to the inventory valuation is included in note 17 of the financial statements.	The audit approach included substantive procedures on the inventory obsolescence including specific testing on management methodology in determining the provision, inputs of the calculation and an analytical review on the inventory movements.

Grant Thornton

Tax position The Group has international operations and in the normal course of business management makes judgements and estimates in relation to tax matters and exposures including the US Tax reform. Envipco has a significant deferred tax asset. The realization of deferred tax assets is dependent on managements forecasts of future taxable income to set off this loss, therefore this is a key audit matter. The Group is operating in a number of tax jurisdictions and has exposure to the complexities of transfer pricing. The disclosure note relating to the tax position is included in notes 11 and 16 of the financial statements	The Company retained a tax advisor to assist with the computation of the tax position and offer tax advice. A tax comfort letter was obtained from this tax advisor. The component auditor tax specialist reviewed the tax comfort letter and audited the tax position. With regard to the Company's deferred tax assets we evaluated the company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on budgets. We assessed the adequacy of the income tax disclosures to the financial statements.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the Board of Directors;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the Board of Directors report in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Grant Thornton

C. Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Envipco Holding N.V. on June 28, 2017, as of the audit for the year 2017.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

D. Description of responsibilities regarding the financial statements

Responsibilities of management and the 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 fraud or error.

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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error 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 judgement and have maintained professional skepticism 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 fraud or error, designing and performing audit procedures responsive to

Grant Thornton

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 error, 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 a company to cease to continue as a going concern;

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

- 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. In this respect we also submit an additional report to the Board of Directors in accordance with Article 11 of the EU-Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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.

Grant Thornton

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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 communicating the matter is in the public interest.

Amsterdam, April 30, 2018

Grant Thornton Accountants en Adviseurs B.V.

N.H.B. Jonker RA