Annual Report | 2018

Contents

Chief Executive Officer’s Statement	3
Report of the board of directors	4
Financial Statements	
Consolidated statement of comprehensive income	18
Consolidated balance sheet	20
Consolidated cash flow statement	22
Consolidated statement of changes in equity	23
Notes to the consolidated financial statements	24
Separate company balance sheet	63
Separate company income statement	64
Notes to the separate company financial statements	65
Other information	74
Auditor’s report	76

Chief Executive Officer’s Statement

2018 marked a turning point in our industry. Increasing public awareness of the environmental, health and societal concerns associated with plastic pollution, as evidenced by searing articles such as National Geographic’s editorial “Planet or Plastic?” and the launch of the UN's "Beat Plastic Pollution" campaign, have all highlighted the need for Envipco’s products and created a unique opportunity for us to capitalize on. The European Union (EU) has enacted legislation requiring all its member states to recover 77% of plastics and other packaging waste and to use 25% recycled content in new packaging effective 2025. These target rates will be reset by 2030 to achieve 90% and 35% respectively. As I mentioned earlier this year, “we are now at a tipping point, where explosive growth of our industry is expected within the next 5 years. I am convinced that the introduction of Deposit Refund Schemes (DRS) is the best way to meet recycling targets as set by the EU.” These EU markets would require over 200,000 RVMs, more than double the current world market size.

I believe that Envipco is very well positioned to take advantage of these developments. We have advanced our readiness to enter these new/evolving markets in Europe in the past year. Our target is to capture a sizeable market share in each of these new markets. We focused our business development activities on the most imminent markets at the moment, in particular in Scotland, Great Britain, Portugal and some Balkan and Mediterranean countries which are the most advanced in adapting DRS. We have recruited a Managing Director and are in the process of setting up an operational center in the UK. We also invested in adapting and completing our product portfolio, including our unique modular Quantum bulk feed RVMs, to anticipate the needs of these new markets.

The potential of new DRS in Europe makes it imperative that Envipco undertakes the necessary activities and investments to ensure that we are well prepared. We are planning significant investments in R&D and market development, accordingly we are expanding and securing our supply chain and ramping up manufacturing plants to meet expected demands in a timely manner. We have raised capital by issuing new shares in a private placement in October 2018, to fund new market development expenses, including setting up local organisations and infrastructure.

Other notable achievements over the year include the dual listing of Envipco on the Euronext Amsterdam Stock Exchange in June; success at the high-profile Thessaloniki International Fair in Greece showcasing our technology to the Balkan countries; the award of a 300 RVM frame order in Greece and our growing market share. Our Swedish operation is progressing fairly well and is expected to grow, especially with the introduction of our new Quantum Indoor and Outdoor Modular Bulk Feed RVMs, which provide several benefits and flexibility. With significant interests being shown by retail customers we expect more placements during 2019.

I am very pleased with the overall strong performance during 2018, having generated a net profit of €1.85 million and an EBITDA of €5.48 million. We are well positioned for growth in the existing and new European markets.

All these achievements would not be possible without the efforts of our global Envipco community. As years come and go there is comfort in knowing that Envipco is supported by hardworking and dedicated employees, a strong and experienced management team, suppliers, valued customers, and supportive shareholders who no doubt will ensure continued success in the future. Innovation, Focus and Execution supported by Superior implementations and customer satisfactions, remain our mantra.

My sincere thanks to all.

B. Gool Santchurn

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 29 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.
- The provision of deposit, handling fees, scrap reconciliations, commodity brokerage, clearing house functions and accounting.
- Provision of materials handling services, primarily in the Northeastern part of the United States of America (USA), for containers that are subject to deposits mandated by law.

Key Developments

The Group's key developments during 2018 were as follows:

a) On a constant currency basis, revenues for the year 2018 increased by 8.2% compared to 2017.

b) Gross profit increased 19.8% in 2018 compared to 2017, on a constant currency basis. For the year 2018, gross profit margin improved to 39.4% from 35.6% in 2017.

c) Excluding one-time settlement payment in Q2 2018, the full year 2018 EBITDA increased 20.9% over 2017 on a constant currency basis.

d) Net profit after taxes increased to €1.85m in 2018 from a loss of €2.54m in 2017.

e) The company obtained a dual listing on Euronext Amsterdam.

f) During the year the Company issued 260,000 new shares that generated net proceeds of €2.71m.

g) Award of orders in Greece and market share increase in the US.

h) Significant increase in prospects for new DRS in Europe tied to growing awareness and activism to address plastic container pollution.

Financial Highlights

	2018	2017
Continuing operations		
Revenues	€35.38m	€34.05m
Gross Profit	€13.94m	€12.12m
Gross profit margin	39.40%	35.59%
Net profit (loss) before taxes	€1.92m	€0.66m
Net profit (loss) after taxes after minority	€1.85m	€(2.54)m
EBITDA	€5.48m	€4.25m
Earnings (loss) per share	€0.47	€(0.69)
Equity		
Shareholder's equity	€25.97m	€20.60m
Liquidity ratio (current assets / current liabilities)	2.11	1.84
Total assets	€40.00m	€35.05m

Results

Revenues for the year 2018 increased by 3.9% to €35.38m from €34.05m in 2017. On a constant currency basis, revenues for the year 2018 increased by 8.2% compared to 2017, mainly due to increase in the redemption volumes.

Gross profit for the year 2018 increased 15.0% to €13.94m from €12.12m in 2017. On a constant currency basis, gross profit increased by 19.8%. This improvement was largely driven by the North American business with increased volumes of the throughput program services and also by increased RVM sales. Gross profit margin improved to 39.4% for the year 2018 compared to 35.6% in 2017, due to continued and improved efficiencies and sourcing.

Operating expenses excluding new market development expenses for the full year 2018 increased 5.6% to €11.93m compared to €11.30m in 2017 due largely to compliance costs €0.45m and other provisions of €0.18m.

Operating profit for the year 2018 increased 163.9% to €2.19m from €0.83m in 2017. On a constant currency basis this improvement was 215.8% for 2018. The operating profit in 2018 was favorably impacted by the one-time settlement payment of €0.62m reported in Q2 of this year. The full year 2018 operating profit was negatively impacted by €0.48m of new market development expense incurred in Europe during Q3 and Q4.

EBITDA for the full year 2018 increased 28.9% to €5.48m from €4.25m in 2017. On a constant currency basis, the improvement for the full year 2018 over 2017 was 36.3%. Adjusting to exclude the one-time payment, but including new market development expense, the full year 2018 EBITDA would have been €4.86m representing a 20.9% improvement over 2017 on a constant currency basis.

Net profit increased to €1.85m from a loss of €2.54m in 2017, which included tax expenses of €3.20m mainly due to changes in the company's deferred tax assets. Earnings per share improved 168.1% to €0.47 for the full year 2018 compared to earnings per share of €(0.69) in 2017.

Shareholders' equity increased to €25.97m at 31/12/2018 compared to €20.60m at 31/12/2017 as a result of the full year 2018 earnings of €1.85m, a positive translation reserve of €0.82m and the net proceeds of the issuance of 260,000 new shares in October 2018.

The company has improved its net working capital to €11.99m at 31/12/2018 and has adequate working capital with borrowing availability of approximately €1.96m under its financing arrangement.

North America

North America revenues for the full year 2018 increased 7.2% to €32.32m compared to €30.14m for 2017. In the fourth quarter of 2018, revenues increased by 14.9% to €7.81m compared to €6.80m in 2017. In local USD currency, North American Revenues increased 12.2% in 2018 compared to 2017. North America's program services revenues increased 10.3% for the full year 2018 over 2017 on higher container throughput in local currency. RVM sales for the full year 2018 were up 26.6% over 2017 in local currency.

North America operating profit (excluding the one-time settlement gain) in local currency, increased 57.4% for the full year 2018 over 2017 and increased 186.2% for the fourth quarter of 2018 over 2017. North America EBITDA (excluding the one-time settlement gain) in local currency, increased 28.5% for the full year 2018 over 2017.

The North America business continues to perform well with market share gains under long-term contracts, overall container volume increases, renewed RVM sales and sustained operational efficiencies. The company expects continued strong performance in 2019 albeit with some moderation in the growth of program services tied to container throughput volume.

Europe

Europe revenues for the full year 2018 decreased by 21.7% to €3.06m compared to €3.91m in 2017. For Q4 2018, revenues decreased 69.1% to €0.55m compared to €1.78m in Q4 2017. European RVM sales in Q4 2018 were down as expected compared to strong performance of Q3 2018 and also compared to a particularly strong Q4 2017.

Quantum sales to Sweden slowed for the first nine months of 2018 compared to 2017. This slowdown was partly intentional as the engineering and manufacturing processes to move to a total modular concept were being implemented in our German manufacturing facility. The modular concept provides for more flexible configurations, increased material bin storage options, improved transport and installation handling and enhanced service capabilities. Two new Quantum installations in Sweden were completed in Q4 2018. Implementation of the Quantum modular concept has been a success both internally and from our customers' perspective. The company has strong expectations for Sweden in 2019 based on a good order book.

Recently enacted European Union (EU) legislation opens up opportunities in new European markets. These EU markets reflect a potential of doubling the current world market size. Envipco is well positioned and aims to capture a sizeable market share in each of these new markets.
Scotland is leading the charge with legislation expected by the 3rd quarter of 2019 and implementation by 2020. In preparation, we have recruited a UK Managing Director and are in the process of setting up an operational center, including a showroom in Edinburgh to support sales and marketing activities, as well as pilot tests. The Scottish RVM market is estimated to be around 4500 RVMs. The rest of the UK is also considering such schemes, which would create the world's largest market for RVMs but is not expected to be implemented before 2022 - we are closely monitoring developments.

Malta recently announced the introduction of a DRS, with expected implementation date by early 2020. Although relatively small, our Flex platform is well-suited for this market. Turkey, Portugal and Romania have also announced legislation to take effect from 2021. Several other European countries are evaluating DRS and are at different stages of the consultation process.

We expect solid growth in the European market for 2019 considering our Greece and France order backlogs along with new Quantum sales momentum. Over the longer-term and tied to the prospects of new DRS markets, we expect significant growth in our European market.

Rest of World

ROW revenue, which currently reflects the Australian market had no sales during 2018 and 2017. Our Australian distributor has been delayed in implementing RVM services to supplement current manual operations.

Intellectual Property

The Company is continuing IP enforcement activities related to its German patent that covers a method for how container security labels are created and interpreted. Legal cost for the full year 2018 was €0.54m compared to €0.68m for 2017. The Company expects to continue to incur cost on this matter, pending certain court hearings and followed by decisions, expected during 2019.

Overall Outlook

The company sees a very positive outlook for the business considerate of strengthening North America performance, continued market execution in our established European markets of Sweden, Greece and France and most importantly the significant potential for growth tied to new DRS legislation in a number of European markets.

Liquidity

The group generated €4.64m cash from its operating activities for the year 2018 versus €3.18m during 2017. Cash flows used in investing activities were €3.80m for the year 2018 (2017: €3.72m). The 2018 outflows were funded mostly by cash generated from operations during the year along with €2.71m generated from the sale of new shares and €1.97m from sale of treasury shares in 2017. Net debt repayments were €1.30m during the year 2018 compared to net borrowings of €0.90m in 2017.

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. To mitigate the impact we closely monitor and control our variable costs.

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

- Mr Dick Stalenhoef
- Mr Guy Lefebvre

Summary as of 31 December 2018 of Issued Share Capital	**2018**	**2017**
Common stock of €0.50 nominal value per share:		
Opening and Closing balance	4,097,607	3,837,607

During the year the Company issued 260,000 ordinary shares via private placement. Stichting Employees Envipco Holding held 240,000 treasury shares of the Company at a nominal value of €0.50, which were sold during 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 2018 and 2017.

	31 December			
	2018		2017	
	Number of Shares	Percentage	Number of Shares	Percentage
A Bouri/Megatrade International SA	2,171,068	52.98%	2,558,568	66.67%
G Garvey/EV Knot LLC	521,513	12.73%	234,013	6.10%
B Santchurn/Univest Portfolio Inc	155,480	3.79%	155,480	4.05%
Douglas Poling/GD Env LLC	200,000	4.88%	200,000	5.21%
Otus Capital Management Ltd	247,727	6.05%	-	-
Lazard Freres Gestion SAS	222,532	5.43%	-	-

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

For further details please click on the link: https://www.envipco.com/investors-media/Board-of-Directors.php

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

	31 December			
	2018		2017	
	Number of Shares	Percentage	Number of Shares	Percentage
A Bouri/Megatrade International SA	2,171,068	52.98%	2,558,568	66.67%
G Garvey/EV Knot LLC	521,513	12.73%	234,013	6.10%
B Santchurn/Univest Portfolio Inc	155,480	3.79%	155,480	4.05%
C Crepet	7,012	0.17%	6,456	0.17%
D D'Addario	80,451	1.96%	80,451	2.10%
TJM Stalenhoef	600	0.01%	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 €624,000 in 2018, as compared to 2017 of €742,000 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 which has been repaid during the year 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 2018 and 2017 Envipco had issued 4,097,607 and 3,837,607 ordinary shares respectively. 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. The Company issued 260,000 ordinary shares via private placement during 2018.

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. 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's 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. Envipco will appoint a new auditor, which will be presented at the shareholders' meeting for approval.

Post Balance Sheet Events

Details of the post balance sheet events are given on page 62 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 2018, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and with Part 9 of Book 2 of the Dutch Dutch Civil code, 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 2018 and of their state of affairs during the financial year 2018;
- the annual report describes the principal risks that the Company faces.

w.s. Gregory Garvey w.s. Alexandre Bouri w.s. Dick Stalenhoef w.s. Guy Lefebvre
Chairman

w.s. Bhajun Santchurn w.s. Christian Crepet w.s. David D'Addario

26 April 2019

Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 31 December

(in thousands of euros)

	Note	2018		2017	
Revenue	(6)	35,380		34,049	
Cost of revenue		(19,415)		(19,743)	
Leasing depreciation		(2,026)		(2,188)	
Gross profit			**13,939**		**12,118**
Selling expenses	(7)	(1,118)		(1,174)	
General and administrative expenses	(7&9)	(11,287)		(10,123)	
Other income/(expenses):					
- Miscellaneous income/(expenses)	(8)	651		9	
Operating result			**2,185**		**830**
Financial expense	(10)	(226)		(299)	
Financial income	(10)	3		3	
Exchange gains/(losses)		(43)		128	
Result before taxes			**1,919**		**662**
Income taxes	(11)	(65)		(3,201)	
			(65)		(3,201)
Net results			**1,854**		**(2,539)**
Other comprehensive income					
Items that will be reclassified subsequently to profit and loss					
Exchange differences on translating foreign operations		819		(2,279)	
Other movements		(10)		(7)	
Total other comprehensive income			809		(2,286)
Total comprehensive income			**2,663**		**(4,825)**

Consolidated Statement of Comprehensive Income for the year ended 31 December

(in thousands of euros)	Note	2018	2017
Profit attributable to :			
Owners of the parent			
Profit/(loss) for the period		1,848	(2,540)
		1,848	(2,540)
Non-controlling interest			
Profit/(loss) for the period		6	1
		6	1
Total			
Profit/(loss) for the period		1,854	(2,539)
		1,854	(2,539)
Total comprehensive income attributable to :			
Owners of the parent		2,657	(4,826)
Non-controlling interest		6	1
		2,663	(4,825)
Number of weighted average shares used for calculation of EPS (exclude treasury shares)			
- Basic	(12)	3,981,744	3,655,315
- Diluted	(12)	3,981,744	3,655,315
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year			
Basic (euro)		0.47	(0.69)
Fully diluted (euro)		0.47	(0.69)

Consolidated Balance Sheet as at 31 December After Appropriation of Result

(in thousands of euros)

	Note	2018		2017	
Assets					
Non-current assets					
Intangible assets	(13)	6,016		5,548	
Property, plant and equipment	(14)	9,165		9,184	
Financial assets	(15)	349		72	
Deferred tax assets	(16)	1,819		1,737	
Total non-current assets			17,349		16,541
Current assets					
Inventory	(17)	8,525		7,044	
Trade and other receivables	(18)	10,021		9,677	
Cash and cash equivalents	(19)	4,107		1,788	
Total current assets			**22,653**		**18,509**
Total assets			**40,002**		**35,050**

Consolidated Balance Sheet as at 31 December After Appropriation of Result

(in thousands of euros)

	Note	2018		2017	
Equity	(20)				
Share capital		2,049		1,919	
Share premium and legal reserves		57,403		54,822	
Retained earnings		(37,318)		(39,157)	
Translation reserves		3,838		3,019	
Equity attributable to owners of the parent			25,972		20,603
Non-controlling interest			27		22
Total equity			25,999		20,625
Liabilities					
Non-current liabilities					
Borrowings	(21)	3,014		4,142	
Other liabilities	(21)	220		217	
Total non-current liabilities			3,234		4,359
Current liabilities					
Borrowings	(21)	1,420		1,356	
Trade creditors		6,406		6,236	
Accrued expenses	(24)	2,554		1,755	
Provisions	(22)	77		236	
Tax and social security		312		483	
Total current liabilities			10,769		10,066
Total liabilities			14,003		14,425
Total equity and liabilities			**40,002**		**35,050**

Consolidated Cash Flow Statement for the year ended 31 December

(in thousands of euros)

	Note	2018		2017	
Cash flow from operating activities					
Operating result		2,185		830	
Adjustments for:					
Depreciation and amortisation	(13/14)	3,364		3,287	
Interest received		3		3	
Interest paid		(226)		(299)	
Changes in trade and other receivables		(269)		(320)	
Changes in inventories		(583)		136	
Changes in provisions		94		(31)	
Changes in trade and other payables		135		(605)	
Cash generated from operations			4,703		3,001
Income taxes (payment)/refund			(65)		177
Net cash flow from operating activities			**4,638**		**3,178**
Investing activities					
Investment in intangible fixed assets	(13)	(1,488)		(1,142)	
Investment in property, plant & equipment	(14)	(2,307)		(2,573)	
Net cash flow used in investing activities			**(3,795)**		**(3,715)**
Financing activities					
Proceeds from sale of shares		2,711		1,969	
Changes in borrowings – proceeds	(21)	-		3,548	
Changes in borrowings – repayments	(21)	(1,298)		(4,447)	
Net cash flow from financing activities			**1,413**		**1,070**
Net increase/(decrease) in cash and cash equivalents			**2,256**		**533**
Opening position as at 1 January			1,788		1,416
Foreign currency differences on cash and cash equivalents			58		(134)
Foreign currency differences and other changes			5		(27)
Closing position as at 31 December			4,107		1,788
The closing position consists of:					
Cash and cash equivalents	(19)		4,107		1,788
			4,107		1,788

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 2017	**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**
Changes in equity for 2018								
Net profit/(loss) for the year	-	-	-	1,848	-	1,848	6	1,854
Other comprehensive income for the year								
-Currency translation adjustments	-	-	-	-	819	819	-	819
-Other movements			-	(9)		(9)	(1)	(10)
Total comprehensive income for the year	-	-	-	1,839	819	2,658	5	2,663
Sale of shares	130	2,581	-	-	-	2,711	-	2,711
Legal reserve	-	(425)	425	-	-	-	-	-
Balance at 31 December 2018	**2,049**	**51,874**	**5,529**	**(37,318)**	**3,838**	**25,972**	**27**	**25,999**

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.

In 2018 the Group has adopted new guidance for the recognition of revenue from contracts with customers according to IFRS 15, Revenue Recognition. This guidance was applied using a modified retrospective ('cumulative catch-up') approach. There is no effect of this new guidance on the Group financial statements.

Further, the Group has adopted new guidance for accounting for financial instruments This guidance was applied using the transitional relief allowing the entity not to restate prior periods. No material differences arose from the adoption of IFRS 9 in relation to classification, measurement, and impairment, and no change in retained earnings was required.

These Financial Statements have been approved for issue by the Board of Management on 26 April 2019 and are subject to approval by the shareholders at the Annual General Meeting of Shareholders. All amounts are in thousands of euros unless stated otherwise.

Deposit redemption programs

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

(2) Summary of significant accounting policies

Basis of preparation

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

(2) Summary of significant accounting policies (continued)

Fair Value

The Group measures financial instruments, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;
- In the absence of a principal market, in the most advantageous market for the asset or liability;

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 amortised 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

(2) Summary of significant accounting policies (continued)

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 2018

The Company has adopted the following new standards with a date of initial application of 1 January 2018: IFRS 9 Financial instruments IFRS 15 Revenue from Contracts with Customers **IFRS 9 Financial instruments** IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. IFRS 9 also contains new requirements on the application of hedge accounting. IFRS 9 has been applied by the Group with effect 1 January 2018.

There is no material impact on the Group's balance sheet or equity from applying the classification and measurement requirements of IFRS 9. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest, and shown at amortised cost which is consistent with IAS39. IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group applies the simplified approach and records lifetime expected losses on all trade receivables.

IFRS 15 Revenue from Contracts with Customers IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new Standard has been applied by the Group retrospectively without restatement. On the date of initial application of IFRS 15, 1 January 2018, there was no impact to retained earnings of the Group. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The majority of the Group's revenue is derived from service revenue, sale of RVM's and leasing revenue. For service revenue control is transferred to the customer both in time and over time. For goods shipped to customers, control transfers to the customer when the product is delivered and accepted. For lease revenue the control is transferred over the leasing period.

Adoption of IFRS 15 has had no effect on when revenue is recognised at Envipco.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2018 and not adopted early by the Group:

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

IFRS 16 Leases will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months. IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Group have decided not to early adopt.

Management is in the process of assessing the full impact of the Standard. So far, the Group:

• has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the Group has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset;
• believes that the most significant impact will be that the Group will need to recognise a right of use asset and a lease liability for the office and production buildings currently treated as operating leases. At 31 December 2018 the future minimum lease payments amounted to EUR 6,856. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense;
• concludes that there will not be a significant impact to the finance leases currently held on the statement of financial position;
• is implementing a new IT system that will facilitate to record lease contracts;

The Group is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the Group need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Group is currently assessing the impact of applying these other transitional reliefs.

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the Group does not expect any changes for leases where they are acting as a lessor.

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, as defined under Subsidiaries below, 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.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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 (UK) 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%
Envipco Hellas SA, Athens, Greece – 100%
Envipco France SA, Paris, France – 100%
Envipco Solutions SRL, Alba Iulia, Romania – 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, Romanian Leu, 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

Revenue arises mainly from the offering of pickup and processing, repairs and maintenance, sale of RVM's and leasing of RVM's. To determine whether to recognize revenue, the Group follows a 5-step process according to IFRS 15:
1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. When the Group acts as a principal revenue is recognised in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. When the Group acts an agent with a performance obligation to arrange for the provision of the specified good or service by another party, then revenue is recognised in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due. 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 and are not recognised as revenues.

Group revenue

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 18) 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

The amortisation for the patents, licenses and concessions is included in general and administrative expenses (see page 18).

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 life of 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

Research and development expenses are included in general and administrative expenses (see page 18). 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.
- A legal reserve is made for capitalised development costs. (see pages 21 & 23)

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.

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.

Financial instruments initial recognition and subsequent measurement

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets, except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
● amortised cost.
● fair value through profit or loss (FVTPL).
● fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.
The classification is determined by both:
● the entity's business model for managing the financial asset.
● the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

(i) Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
● they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
● the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as interest-bearing loans bonds that were previously classified as held-to-maturity under IAS 39.

(ii) Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

-financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and;
-financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
-'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assesses impairment of trade receivables on a collective basis. As they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities
As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Fair values
Set out below is a comparison, by class, of the carrying amounts and fair instruments, other than those with carrying amounts that are reasonable approximations of fair value.

	Carrying amount 2018	Level 1 2017
Financial assets	**€**	**€**
Trade receivables	10,021	9,677
Total	**10,021**	**9,677**

	Carrying amount 2018	Level 1 2017
Financial liabilities	**€**	**€**
Trade payables	6,406	6,236
Interest-bearing loans and borrowings	4,534	5,595
Total	**10,940**	**11,831**

The management assessed that cash and cash equivalents, trade and other receivables, trade and other payables, and other current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the interest-bearing loans and borrowings is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate borrowings are evaluated by the Group based on parameters such as interest rates and the risk characteristics of the financed project.

The fair value of the interest-bearing loans and borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, being sensitive to a reasonably possible change in the forecast cash flows or the discount rate. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.

(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 is 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 2018 for 40% of its revenues and 28% of its receivables and in 2017, 39% of its revenues and 29% 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.

	2018		2017	
	Revenue	Accounts receivable	Revenue	Accounts receivable
Concentration of credit risk				
Customer 1	25%	15%	25%	15%
Customer 2	9%	9%	10%	7%
Customer 3	6%	4%	4%	7%
Others	60%	72%	61%	71%
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
2018	Europe	1,271	-	-	845	2,116
	United States	5,831	1,471	209	394	7,905
		7,102	**1,471**	**209**	**1,239**	**10,021**
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**

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
2018	**Europe**					
	Operational leases & payables	1,562	-	-	220	1,782
	United States					
	Operational leases & payables	8,163	554	207	198	9,122
	Bank debt & finance leases	1,419	1,553	134	1,332	4,438
	Total liabilities and future non-cancellable leases (rents)	**11,144**	**2,107**	**341**	**1,750**	**15,342**
	Future non-cancellable leases (rents)	(381)	(554)	(207)	(197)	(1,339)
		10,763	**1,553**	**134**	**1,553**	**14,003**
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**

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 €46,000 (2017: €75,000) and would result in net increase in equity of €46,000 (2017: €75,000) 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 €7,000 (2017: €11,000) and an increase in interest rate by 0.25% would have decreased the profit after tax by €7,000 (2017: €11,000).

- Price risk

The Group does not have an exposure to price risk.

(6) Segment information

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

Segment information of the main operating segments is detailed below:

(in thousands of euros)				2018				2017
	Europe	North America	Rest of World	Total	Europe	North America	Rest of World	Total
Revenues								
Recycling – RVM								
Sale of goods	2,756	4,310	-	7,066	3,906	6,360	-	10,266
Service revenue	306	18,850	-	19,156	-	14,783	-	14,783
Leasing revenue	-	9,158	-	9,158	-	9,000	-	9,000
Non-operating segments								
Total	**3,062**	**32,318**	**-**	**35,380**	**3,906**	**30,143**	**-**	**34,049**

				2018				2017
	Europe	North America	Rest of World	Total	Europe	North America	Rest of World	Total
Gross assets								
Recycling - RVM	3,700	28,216	-	31,916	2,106	26,430	-	28,536
Non-operating segments	8,086	-	-	8,086	6,514	-	-	6,514
Total	**11,786**	**28,216**	**-**	**40,002**	**8,620**	**26,430**	**-**	**35,050**

				2018				2017
	Europe	North America	Rest of World	Total	Europe	North America	Rest of World	Total
Segment Results								
Recycling - RVM	(1,000)	4,852	-	3,852	(651)	(428)	-	(1,079)
Non-operating segments	(2,004)	-	-	(2,004)	(1,460)	-	-	(1,460)
Total	**(3,004)**	**4,852**	**-**	**1,848**	**(2,111)**	**(428)**	**-**	**(2,539)**

(6) Segment information (continued)

	2018				2017			
	Europe	North America	Rest of World	Total	Europe	North America	Rest of World	Total
Gross Liabilities								
Recycling – RVM	650	12,218	-	12,868	1,058	12,403	-	13,461
Non-operating segments	1,135	-	-	1,135	964	-	-	964
Total	**1,785**	**12,218**	**-**	**14,003**	**2,022**	**12,403**	**-**	**14,425**

	2018				2017			
	Europe	North America	Rest of World	Total	Europe	North America	Rest of World	Total
Property, Plant & Equipment and Intangibles Additions								
Recycling - RVM	96	2,231	-	2,327	23	2,577	-	2,600
Non-operating segments	1,469	-	-	1,469	1,384	-	-	1,384
Total	**1,565**	**2,231**	**-**	**3,796**	**1,407**	**2,577**	**-**	**3,984**

	2018				2017			
	Europe	North America	Rest of World	Total	Europe	North America	Rest of World	Total
Depreciation & Amortisation								
Recycling – RVM	27	2,309	-	2,336	12	2,457	-	2,469
Non-operating segments	1,028	-	-	1,028	818	-	-	818
Total	**1,055**	**2,309**	**-**	**3,364**	**830**	**2,457**	**-**	**3,287**

The revenues and non-current assets of the Company's country of domicile i.e. Netherlands were respectively €0,000 (2017: €0,000) and €26,743,000 (2017: €21,886,000).

RVM segment leasing depreciation of €2,026,000 (2017: €2,188,000) 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 €1,244,000 (2017: €1,028,000), research and development costs of €801,000 incurred by the US and German subsidiaries (2017: €1,455,000), payments made under operating leases of €553,000 (2017: €569,000), and bad debt written back of €15,000 (2017: charge €236,000).

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

Grant Thornton Accountants en Adviseurs B.V.to the company and subsidiaries

	Grant Thornton Accountants en Adviseurs B.V..	Other Grant Thornton Network	Total 2018	Grant Thornton Accountants en Adviseurs B.V..	Other Grant Thornton Network	Total 2017
	€'000	€'000	€'000	€'000	€'000	€'000
Audit fee of financial statements	105	154	259	101	126	227
Other audit engagement	-	-	-	-	-	-
Tax-related advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
	105	**154**	**259**	**101**	**126**	**227**

(8) Other income/(expenses)

Other income in 2018 included a one-time contract settlement for €620,000 and other income of €31,000 (2017: €9,000).

(9) Employee benefit expense

	2018	2017
	€'000	€'000
Salaries	9,367	9,643
Social security expenses	540	455
Pension expenses	52	48
	9,959	**10,146**

	2018	2017
Average number of employees		
North America		
Production/Supply Chain	28	21
Research & Development	11	11
Sales & Service	77	77
General Administration	27	27
Management	4	5
Europe		
Production/Supply Chain	12	13
Research & Development	7	6
Sales & Service	5	2
General Administration	7	7
Management	2	1
Total	**180**	**170**

(9) Employee benefit expense (continued)

Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2018 was €624,000 (2017: €742,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Total
2018				
B. Santchurn	481	26	3	510
C. Crepet	11	-	-	11
G. Garvey	51	-	-	51
T.J.M. Stalenhoef	42	-	-	42
G. Lefebvre	10	-	-	10
A. Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	**595**	**26**	**3**	**624**
2017*				
B. Santchurn	593	25	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	**714**	**25**	**3**	**742**

* Some numbers have been restated for comparative purposes.

A loan to Mr. Christian Crepet, a director, of €20,000 given in 2012 with a balance of €11,000 on 31 December 2017 has been repaid with interest at euribor plus 1%, during 31 December 2018. A. Bouri, the majority shareholder, received €3,000 (2017: €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:

		2018		2017
		€'000		€'000
Profit/(loss) before tax		1,919		662
Taxation (charge)/credit - statutory rate	25%	(480)	25%	(165)
Tax (charge) credit for different statutory tax rates on foreign subsidiaries		-		-
Effect of unused losses for which no deferred tax asset has been recognised		480		165
Effect of derecognising deferred tax asset for which previously no tax has been recognised (USA)		(65)		(3,201)
Effective income tax	-3%	**(65)**	-483%	**(3,201)**

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

Current and deferred tax income/ (expense)

	2018	2018	2017	2017
	€'000 This Period	€'000 **Total**	€'000 This period	**€'000 Total**
Current				
- USA	(65)	**(65)**	(3,201)	**(3,201)**
- Netherlands	-	**-**	-	**-**
Total	(65)	**(65)**	(3,201)	**(3,201)**

The deferred tax income was favourably impacted by a credit of approximately €0.49m in 2018 due to tax legislation introduced in the USA but no adjustment was made as it was immaterial, and an unfavourable charge of approximately €3.20m in 2017 by tax loss carry-forwards resulting from expected profits in future years of a Group's US subsidiary.

(11) Income taxes (continued)

Available tax losses totaling €25,525,000 (2017: €32,531,000), expire as follows: €484,000 in 2019, €4,386,000 in 2020, €2,703,000 in 2021, €3,530,000 in the years 2022, €9,259,000 from 2023 through 2031, €2,281,000 in 2034 and €2,882,000 in 2035. Tax losses where no deferred tax has been recognised amounted to €16,572,000. The US subsidiary has substantial NOLs, but its anticipated profits over the next 3 years is not sufficient to absorb all of the NOLs at a tax rate of 21%. The remainder of the NOLs remain with the Parent company, which is not a profit centre. As such the Parent's NOLs cannot be utilised to record a Deferred Tax Asset.

(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:

	2018	2017
	€'000	€'000
	Total Operations	Total Operations
Numerator		
Earnings/(loss) used in basic and diluted EPS	**1,854**	**(2,539)**
Denominator		
	'000	'000
Weighted average number of shares used in basic and diluted EPS	**3,982**	**3,655**

Basic and diluted earnings per share for 2018 have been calculated using the weighted-average number of current ordinary shares of 3,981,744 and 3,655,315 for 2017.

(13) Intangible assets

(in thousands of euros)	Goodwill	Patents, licenses & concessions	Development costs	Total
At 1 January 2017				
Cost	169	866	7,149	8,184
Accumulated amortization	-	(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)
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**
Changes to net carrying amount in 2018				
Additions	-	87	1,401	1,488
Disposals	-	(3)	-	(3)
Amortisation	-	(74)	(977)	(1,051)
Currency translation differences	7	27	-	34
Total changes in 2018	**7**	**37**	**424**	**468**
At 31 December 2018				
Cost	155	1,089	9,805	11,049
Accumulated amortisation and impairment	-	(757)	(4,276)	(5,033)
Net carrying amount	**155**	**332**	**5,529**	**6,016**

(13) Intangible assets (continued)

Goodwill

No impairment charges were recognised on any goodwill during the period. All goodwill as per 31 December 2018 and 2017 relates to goodwill of one Cash Generating Unit in the RVM segment, which was tested for any impairment, based on its value in use, by using present value of discrete cash flows for next three years and the present value of the terminal cash flow with the following assumptions: cost of capital 10.81%, working capital requirement 10% of revenue and terminal cash flow growth rate of 2.5%. Recoverable amount of goodwill is €2,795,000.

Patents, licenses & concessions

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

Development costs

All capitalised development costs relate to internally developed assets in respect of new product range namely Quantum 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. €1,401,000 (2017: €1,255,000) of the development costs was capitalised in 2018. 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 €1,240,000 (2017: €1,567,000). Management reviewed the capitalised development costs as of 31 December 2018 and decided that no impairment was necessary.

Key projects under development during 2018 included New Recognition System-Single Feed, Quantum Modular Core and the e-Portal New Reward Platform/e-Port.

(14) Property, plant and equipment

(in thousands of euros)	Reverse Vending machines	Land & Buildings	Plant & Machinery	Vehicles & equipment	Total
At 1 January 2017					
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**
Changes to net carrying amount in 2018					
Additions	2,089	-	97	121	2,307
Disposals/transfers to inventory	(422)	-	6	(15)	(431)
Depreciation	(2,026)	(55)	(132)	(102)	(2,315)
Currency translation	320	76	(4)	27	419
Reclassification cost	-	-		-	-
Reclassification depreciation	-	-	-	-	-
Total changes in 2018	**(39)**	**21**	**(33)**	**31**	**(20)**
At 31 December 2018					
Cost	24,020	2,156	775	1,415	28,366
Accumulated depreciation	(17,114)	(506)	(511)	(1,071)	(19,202)
Net carrying amount	**6,906**	**1,650**	**264**	**344**	**9,164**

(15) Financial assets	**2018**	**2017**
	€'000	€'000
Schedule of movement of deposits with vendors		
At beginning of year	72	-
Additions	277	219
Releases	-	(147)
At 31 December	**349**	**72**

(16) Deferred tax assets	**2017**	**2017**	**2017**	**2017**	**2017**
	€'000	€'000	€'000	€'000 (Charge)/ credit profit & loss	€'000 (Charge)/ credit
	Asset	Liability	Net		Equity
Recognised tax asset for unused losses	1,737	-	1,737	(3,201)	-
At 31 December	**1,737**	**-**	**1,737**	**(3,201)**	**-**
	2018	**2018**	**2018**	**2018**	**2018**
	€'000	€'000	€'000	€'000 (Charge)/ credit profit & loss	€'000 (Charge)/ credit
	Asset	Liability	Net		Equity
Recognised tax assets for unused losses	1,819	-	1,819	(65)	-
At 31 December	**1,819**	**-**	**1,819**	**(65)**	**-**

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 not recognised additional deferred tax assets of approximately €0.49m in 2018 based on its next three year's projected profits of €8.95m. Consequently, it will have remaining tax losses of €16.57m where no deferred tax has been recognised. An exchange difference of €82 explains the change in Deferred Tax Asset recognised from 2017 to 2018.

(16) Deferred tax assets (continued)

Overview of changes in tax losses

Current and deferred tax income/ (expense)

	2018	2018	2017	2017
	€'000	€'000	€'000	**€'000**
	This Period	**Total**	This period	**Total**
Current				
- USA	(65)	**(65)**	(3,201)	**(3,201)**
Total	(65)	**(65)**	(3,201)	**(3,201)**

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

(17) Inventory

	2018	2017
	€'000	€'000
Finished goods	1,803	1,524
Raw material and parts	8,004	7,219
Work in process	477	-
Provision for obsolescence	(1,759)	(1,699)
	8,525	**7,044**

In 2018 inventory usage amounting to €12,879,000 (2017: €13,369,000) 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.

(17) Inventory (continued)

Schedule of movement of provision for obsolescence	2018	2017
	€'000	€'000
At beginning of period	1,699	1,783
Release of provision	(20)	(229)
Exchange gains/(losses)	80	145
At end of period	**1,759**	**1,699**

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 €3,518,000 (2017: €3,398,000).

(18) Trade and other receivables	2018	2017
	€'000	€'000
Trade receivables	8,843	7,861
Other receivables	285	646
Prepaid expenses	129	479
Loan receivable – affiliate	764	691
Trade and other receivables	**10,021**	**9,677**

A loan to an affiliate under common control of the majority shareholder is due as of 31 December 2018 of €764,000 (2017: €691,000) and is repayable without interest or a fixed maturity period.

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 €777,000 and €600,000 at the end of years 2018 and 2017 respectively.

Schedule of movement of bad debts	2018	2017
	€'000	€'000
At beginning of period	600	369
Additions	102	276
Release of provision	(117)	-
Translation adjustment	192	(45)
At end of period	**777**	**600**

(19) Cash and cash equivalents

	2018	2017
	€'000	€'000
Cash at bank and in hand	4,107	1,788
Cash and cash equivalents	**4,107**	**1,788**

(20) Shareholders' equity

Share Capital

Authorised and Issued Share Capital

	2018 Ordinary Shares	2017 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	4,097,607	3,837,607
Issued share capital	€ 2,048,803.50	€ 1,918,803.50
Nominal value	€ 0.50	€ 0.50

During the year the Company issued 260,000 ordinary shares via private placement. Stichting Employees Envipco Holding held 240,000 treasury shares of the Company at a nominal value of €0.50, which were sold during 2017. There is one vote for each ordinary share.

Share premium reserve

For full detailed movements in share premium reserve please refer to the consolidated statement of changes in equity on Page 23.

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 2018 net result to retained earnings.

(20) Shareholders' equity (continued)

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 and is non-distributable.

(21) Non-current liabilities

	2018	2017
	€'000	€'000
Borrowings	**3,014**	**4,142**

	2018	2017
	€'000	€'000
Other liabilities	220	217
	220	**217**

Other liabilities include a loan of Stichting Employees Envipco Holding of €120,000 (2017: €120,000).

Borrowings

	2018	2017
	€'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 $2,175, 000 as a Term Loan, repayable within 4 years with interest at FHLB classic rate plus 2.5% and $2,240,000 as a Mortgage facility, repayable (based on a 20 year amortisation) within 10 years including interest at 5.50% with a balloon payment in year 2024. 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 €4,000 (2017: €17,000).	3,014	4,142
Total	**3,014**	**4,142**

The debt covenants for the USA subsidiaries have been met during the year and in 2017.
Total debt repayable inclusive of borrowing costs of €4,000 (2017: €17,000) is €4,438,000 (2017: €5,515,000).

(21) Non-current liabilities (continued)

Future payments under long term borrowings	2018	2017
	€'000	€'000
Current	1,420	1,356
Due between 1 to 5 years	3,014	4,142
> 5 years	-	-
Total borrowings	**4,434**	**5,498**

Schedule of movement	2018	2017
	€'000	€'000
At beginning of period	5,498	7,238
Increase	-	3,548
(Decrease)	(1,359)	(4,447)
Translation effect	295	(841)
At end of period	**4,434**	**5,498**

(22) Provisions

	2018	2017
	€'000	€'000
Warranty provisions	77	236
	77	**236**

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.

	2018	2017
	€'000	€'000
Beginning of period	236	267
Additions	24	-
Releases	(183)	(31)
End of period	**77**	**236**

(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 2018, expenses relating to defined contribution plans amounted to €52,000 (2017: €48,000).

(24) Accrued expenses

	2018	2017
	€'000	€'000
Payroll and vacation accruals	348	560
Other accrued expenses	2,206	1,195
	2,554	**1,755**

(25) Commitments and contingencies

The future minimum lease payments under non-cancellable operating leases as of 31 December 2018 and 2017 were as follows:

	2018	2017
	€'000	€'000
Current	369	443
Between 2 to 5 years	970	739
	1,339	**1,182**

The leases relate to plant and equipment, office machines and vehicles. Rent expenses for the year ended 31 December 2018 were approximately €553,000 (2017: €569,000).

The future minimum lease payments receivable under non-cancellable RVM operating leases as of 31 December 2018 and 2017 were as follows:

	2018	2017
	€'000	€'000
Current	2,823	2,898
Between 2 to 5 years	4,033	5,705
	6,856	**8,603**

Lease revenues from RVMs for the year ended 31 December 2018 were approximately €3,928,000 (2017: €4,030,000).

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.

(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 2018 with interest at euribor plus 2% (2017: €3,000) to Mr. Alexandre Bouri, the majority shareholder. A payable to Mr. Bouri at year end was €100,000 (2017: €97,000). The balance receivable at year end from an affiliate under common control of the majority shareholder was €764,000 (2017: €691,000) with no interest or a fixed maturity period.

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 with a balance of €11,000 was repaid with interest at euribor plus 1% during the year ended 31 December 2018.

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 €764,000 and USA was €637,000 (2017: Germany - €714,000 and USA - €541,000) to the Holding company, which was capitalised. R&D expensed by the US and German subsidiaries were €801,000 (2017: €1,455,000). 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 $11,415,000 in 2018 and $11,740,000 2017 to the USA subsidiary's lender, TD Bank N.A., for the credit facilities.

The Company received funds during the year of €1,550,000 from one its US subsidiaries as return of capital.

The Group companies had the following intra-group transactions:

	2018	**2017**
	€'000	€'000
Goods and services	6,384	8,006
Other charges and services	1,180	1,153
Research and development	1,401	1,427
	8,965	**10,586**

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 IFRS11, 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 €24,000 (2017: €23,000) 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	2018		2017	
Assets					
Fixed assets					
Intangible assets	(D)	5,777		5,336	
Investment in subsidiaries	(E)/(J)	18,381		14,903	
Loans to group companies	(F)	2,585		1,627	
			26,743		21,866
Current assets					
Receivables	(G)	831		876	
Cash and cash equivalents	(H)	1,476		295	
			2,307		1,171
Total assets			**29,050**		**23,037**
Equity and liabilities					
Shareholders' equity	(I)				
Share capital		2,049		1,919	
Share premium		51,874		49,718	
Legal reserve		5,529		5,104	
Retained earnings		(37,318)		(39,157)	
Translation reserve		3,838		3,019	
			25,972		20,603
Non-current liabilities					
Loans from group companies	(K)		1,397		451
Other non-current liabilities	(L)		807		1,240
Current liabilities					
Creditors and other liabilities			874		743
Total equity and liabilities			**29,050**		**23,037**

Separate Company Income Statement for the year ended 31 December

(in thousands of euro)

	Note	2018		2017	
Revenues		-		-	
Cost of revenue		-		-	
Gross profit			**-**		**-**
Operating expenses	(M)	(2,067)		(2,890)	
Other operating income	(N)	1,180		1,424	
Operating result			**(887)**		**(1,466)**
Financial expenses		(3)		(3)	
Financial income		3		3	
Exchange gains/(losses)		3		158	
Financial gains and losses	(O)		**3**		**158**
Results before tax			**(884)**		**(1,308)**
Tax on result from ordinary activities	(P)		-		-
Share of result from participating interests	(Q)		2,732		(1,231)
Net result			**1,848**		**(2,539)**

(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.

(B) Composition of shareholders' equity

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

(C) Remuneration of the Management Board

The remuneration of the Management Board charged to the result in 2018 was €624,000 (2017: €742,000) and can be specified as follows:

(in thousands of euros)	Salary/fee	Social cost	Pension	Total
2018				
B. Santchurn	481	26	3	510
C. Crepet	11	-	-	11
G. Garvey	51	-	-	51
T.J.M. Stalenhoef	42	-	-	42
G. Lefebvre	10	-	-	10
A.Bouri	-	-	-	-
D. D'Addario	-	-	-	-
Total	**595**	**26**	**3**	**624**
2017*				
B. Santchurn	593	25	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	**714**	**25**	**3**	**742**

* Some numbers have been restated for comparative purposes.

(C) Remuneration of the Management Board (continued)

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.

(D) Intangible assets

(in thousands of euros)	Patents & licenses	Development costs	Total
At 1 January 2017			
Cost	866	7,149	8,015
Accumulated amortisation and impairment	(617)	(2,533)	(3,150)
Net carrying amount	**249**	**4,616**	**4,865**
Changes to net carrying amount in 2017			
Additions	34	1,255	1,289
Amortisation	(52)	(766)	(818)
Total changes in 2017	(18)	489	471
At 31 December 2017			
Cost	900	8,404	9,304
Accumulated amortisation and impairment	(669)	(3,299)	(3,968)
Net carrying amount	**231**	**5,105**	**5,336**
Changes to net carrying amount in 2018			
Additions	68	1,401	1,469
Amortisation	(51)	(977)	(1,028)
Total changes in 2018	17	424	441
At 31 December 2018			
Cost	968	9,805	10,773
Accumulated amortisation and impairment	(720)	(4,276)	(4,996)
Net carrying amount	**248**	**5,529**	**5,777**

(D) Intangible assets (continued)

Research and developments costs

During the year research and development costs of €801,000 (2017: €1,455,000) incurred by the Company's US and German subsidiaries have been expensed.

Development costs

Major projects capitalised during the year included New Recognition Systems – Single Feed €510,000 (2017: €3,000), Modular and Modular Core €783,000 (2017: €410,000) and e-Port & New Reward Platform and e-Portal €65,000 (2017: €301,000). See also note 13 for capitalised development costs of the Company. Management reviewed the capitalised development costs as of 31 December 2018 and determined that no impairment was necessary.

(E) Investment in subsidiaries	2018	2017
	€'000	€'000
At beginning of year	14,903	19,259
Investments / Return of capital	(1,550)	(1,103)
Results of the group companies for the year	2,732	(1,231)
Exchange differences	819	(2,279)
Increase of loans in subsidiaries	1,477	257
At end of year	**18,381**	**14,903**

The above assets relate to the investments in Group companies.

(F) Loans to group companies	2018	2017
	€'000	€'000
At beginning of year	1,627	694
Additions	958	933
At end of year	**2,585**	**1,627**

(G) Receivables	2018	2017
	€'000	€'000
At beginning of year	876	866
Additions	-	21
Repayments	(45)	(11)
At end of year	**831**	**876**

(G) Receivables (continued)

The receivables include a loan to Mr. Christian Crepet, a director, of €20,000 with a balance €11,000, given in 2012 was repaid with interest at euribor plus 1% during the year 31 December 2018. Also, during 2013 a loan of €80,000 (outstanding €85,000) was granted to a director of an affiliate, under common control, with interest at euribor plus 1% originally repayable on 30 June 2018. This has now been assigned to the same affiliate under common control as of 31 December 2018, €17,000 is in respect of VAT receivable (2017: €13,000), €7,000 is prepaid insurance and a loan to a German subsidiary employee of €50,000 (2017: €70,000) 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 €764,000 (2017: €691,000) from an affiliate under common control of the majority shareholder and is repayable without interest or a fixed maturity date for repayment. A receivable from an affiliate in 2016 of €5,000 was extinguished in 2017.

(H) Cash and cash equivalents	2018 €'000	2017 €'000
Cash at bank and in hand	1,476	295
Cash and cash equivalents	**1,476**	**295**

(I) Shareholders' equity

At the General Meeting of the Shareholders, the Company's shareholders approved that the 2017 net results of the Company be transferred to the retained earnings.

Refer to Consolidated statement of changes in equity (page 23) 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 (2017: €3,000) of interest charged to the income statement on the average outstanding loans payable in 2017 with interest at euribor plus 2% to Mr. Alexandre Bouri, the majority shareholder. The balance payable at year end is €100,000 (2017: €97,000).

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 2018 amounted to €5,529,000 (2017: €5,105,000). 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 20 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 (UK) 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%
Envipco Hellas SA, Athens, Greece – 100%
Envipco France SA, Paris, France – 100%
Envipco Solutions SRL, Alba Iulia, Romania – 100%

(K) Loans from group companies

	2018	2017
	€'000	€'000
At beginning of year	451	742
Additions	946	-
Repayments	-	(291)
At end of year	**1.397**	**451**

There are no intercompany loan agreements and hence no interest is charged on outstanding balances for the years 2018 and 2017 nor is there a definite repayment period for them.

(L) Non-current liabilities

	2018	2017
	€'000	€'000
Provision against investments	587	1,023
Other liabilities	220	217
	807	**1,240**

Refer to note 26 of the consolidated financial statements for transactions with related parties. There are no contingencies. See also transactions with related parties on page 72 for US bank Guarantee. The Company will extend any support to Envipco Germany to meet its funding requirements for 2019, as it has done in during the year.

(M) Operating expenses

During the year operating expenses of €2,067,000 (2017: €2,890,000) were incurred. This included amortisation cost of €1,028,000 (2017: €818,000), legal expenses of €541,000 (2017: €577,000), research and development expenses of €62,000 (2017: €1,004,000) and the balance was on account of compliance costs of the company, including the following:

	2018	2017
Wages & salaries	€'000	€'000
Wages and salaries	42	42
	42	**42**

Average number of employees

During the 2018 financial year the average number of staff employed in the Company converted to equivalents, amounted to 1 person (2017: 1 person)

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

	2018	2017
General and administrative	1	1
Total number of employees	**1**	**1**

Depreciation and amortisation of tangible and intangible fixed assets

	2018	2017
	€'000	€'000
Amortisation of intangible fixed assets	1,028	818
	1,028	**818**

Other operating expenses	2018	2017
	€'000	€'000
Legal charges	541	577
Research and development expenses*	62	1,004
Compliance and other costs	289	348
	892	**1,929**

*Research and development expenses transferred by the German subsidiary were considerably lower compared to the previous year.

(M) Operating expenses (continued)

Auditor's fees

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

	2018	2017
	€'000	€'000
Audit of the financial statements	105	101
	105	**101**

(N) Other operating revenue

	2018	2017
	€'000	€'000
Management fee	590	575
Royalty fee	590	578
Other revenue	-	271
	1,180	**1,424**

(O) Financial income and expense

	2018	2017
	€'000	€'000
Interest and similar expenses	(3)	(3)
Interest and similar income	3	3
Exchange gains/(losses)	3	158
	3	**158**

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

The tax on the result from ordinary activities, amounting to a credit of €0 (2017: €0) can be specified as follows:

	2018	2017
	€'000	€'000
Result from ordinary business activities	1,919	662
Result before taxes	1.919	662
Income tax using the appropriate tax rate in the Netherlands @ 25%	(480)	(165)
Tax effect of :		
Recognition of previously not recognised losses	480	165
Effective taxes	**-**	**-**

(Q) Result of participations

	2018	2017
	€'000	€'000
Environmental Product Corporation, USA and Subsidiaries	3,879	21
Envipco Automaten GmbH	(1,060)	(1,274)
Envipco Sweden AB	131	29
Envipco Hellas SA	107	-
Envipco France SA	(5)	-
Envipco AS, Norway	(3)	(4)
Envipco (UK) Limited	(317)	(3)
	2,732	**(1,231)**

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 2018 with interest at euribor plus 2% (2017: €3,000) to Mr. Alexandre Bouri, the majority shareholder. A payable to Mr. Bouri at year end was the €100,000 (2017: €97,000). The balance receivable at year end from an affiliate under common control of the majority shareholder was €764,000 (2017: €691,000) and is repayable without interest or a fixed maturity period.

The key management personnel comprised of the Management Board (refer to Note 9 of the consolidated financial statements for further details). A loan was granted to Mr. Christian Crepet, a director, in 2012 for €20,000 with a balance of €11,000 was repaid with interest at euribor plus 1% during 31 December 2018. 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 €1,401,000 (2017: €1,255,000) to the Holding company. R&D expensed by the US and German subsidiaries were €801,000 (2017: €1,455,000). 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 2018 the Company received funds of €1,550,000 from one its US subsidiaries as return of capital.

The Holding company provided a Guarantee of $11,415,000 and $11,740,000 in 2018 and 2017 respectively to the USA subsidiary's lender, TD Bank N.A., for the credit facilities.

The Group companies had the following intra-group transactions:

	2018	2017
	€'000	€'000
Goods and services	6,384	8,006
Other charges and services	1,180	1,153
Research and development	1,401	1,427
	8,965	**10,586**

Post balance sheet events

There are no post balance sheet events.

Appropriation of result for the financial year 2017

The annual report 2017 was determined in the General Meeting of Shareholders held on 26 June 2018. 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 2018

The Board of Directors proposes that the profit for the financial year 2018 amounting to €1,848,000 will be added to the retained earnings. The financial statements do reflect this proposal.

Amersfoort, 26 April 2019

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.

Statutory rules concerning appropriation of results (continued)

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

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.

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

Grant Thornton
Accountants en Adviseurs B.V.
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INDEPENDENT AUDITOR'S REPORT

A. Report on the Audit of the Financial Statements 2018

Our opinion

We have audited the financial statements 2018 of Envipco Holding N.V., based in Amersfoort, as set out on pages 18 to 73. The financial statements comprise 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, 2018, and of its result and its cash flows for 2018 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, 2018 and of its result for 2018 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, 2018;

2. the following statements for 2018: 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.

The company financial statements comprise:

1. the company balance sheet as at December 31, 2018;
2. the company profit and loss account for 2018; 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 € 601.000. 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 € 30.000, 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.

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 the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on 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. Envipco group has multiple revenue streams and there are 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, revenue recognition of the financial statements for disclosure on the revenue.	The audit approach included, amongst others, considering the appropriateness of the group's revenue recognition policy, focusing on substantive procedures. We obtained an understanding of the policies and procedures applied to revenue recognition, as well as compliance therewith, including an analysis of the effectiveness of controls related to revenue recognition processes. Substantive procedures consisted of performing analytical review procedures, cut off procedures , transaction testing on a sample of revenue, review of subsequent cash receipts for the receivables and journal entry testing. The results of our procedures related to the accounting for revenue recognition are satisfactory. We consider the disclosure in note 2 of the financial statements as adequate.

Valuation of capitalized development costs Intangible assets include capitalised development cost. The capitalisation of development costs is considered to be a key audit matter as the companies expectations on the development of distinctive products is highly judgemental and can differ from the market acceptance, resulting in development costs for certain projects not being recovered which can result in an impairment. The recoverability of the development costs is dependent on managements 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 testing of the 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 from management in order to determine whether there was a triggering event for impairment. The results of our procedures related to the accounting for development costs are satisfactory. We consider the disclosures in note 13 of the financial statements as adequate.
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 Groups 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 comprising of specific testing on management methodology in determining the provision, inputs of the calculation and an analytical review on the inventory movements. The results of our procedures related to the valuation of inventory and the disclosures in note 17 are satisfactory.

Tax position Envipco has a significant deferred tax asset. The Group has international operations and in the normal course of business management makes judgements and estimates in relation to tax matters and exposures. The realisation 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 from was obtained from the tax advisor. Additionally, the component auditor tax specialists reviewed the tax comfort letter and audited the tax position. With regard to the companies deferred tax assets we evaluate the company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable income based on the budgets. We assessed the adequacy of the income tax disclosures and consider the disclosures in note 11 and 16 of the financial statements in relation to the deferred tax assets as adequate.

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 and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders of Envipco Holding N.V. on June 28, 2017, as the auditor for the year 2017 and have operated as statutory auditor since that financial year.

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 among others:

- 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 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.

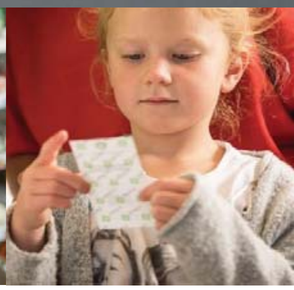
We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 29, 2019

Grant Thornton Accountants en Adviseurs B.V.

drs. P.N. van Vuure RA



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