Annual report 2018

Rior, Industrie- en Handelsonderneming BV
Goirle

Report on the annual accounts 2018

Date: 19-11-2019

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Director's report

General

Activities and objectives:

The mission of Rior Industrie- en Handelsonderming B.V. is to provide professional customers in the drainage cleaning industry the most innovative and efficient solutions and services. This by developing, manufacturing, assembling, selling and servicing of drain and sewer cleaning equipment.

The objective is to be the dominant and most profitable company supporting professionals in the sewer cleaning industry to run their business in the most efficient way; this with own presence in main markets.

The company strives to contribute to the growing need for environmental equipment to improve quality of life.

Structure:

Rior Industrie- en Handelsonderneming B.V. is a wholly owned subsidiary of Pettibone L.L.C, located in Chicago, Illinois (United States of America).

The company is located in Tilburg, The Netherlands and has a strong focus on distribution, innovation and assembly. The company has 100% subsidiaries in France (Rior Rioned France SAS) and the UK (Rioned UK Ltd and Andy Guest Jetters Ltd).

The location in Tilburg is the head office and production facility, Rior has own sales offices and a production facility in the UK, a sales office in France and a sales representative in Belgium.

Policy:

Rior's policy is to grow organic and by acquisitions. The objective is to be the dominant and most profitable company by developing and providing innovative drain and sewer cleaning equipment and services of high quality to professional users in the industry.

The financial policy focuses mainly on maximising the EBITDA thus providing sufficient shareholders value.

Investments:

During 2018 a total amount of investments of € 543.989 was done. These investments were mainly in expansion of the rental fleet in the UK, Production tools and vans for expansion of the rental fleet in the UK.

Revenues and results:

The revenues in 2018 increased with 12% compared to 2017, the net profit increased with 37% compared to 2017 the Ebitda increased with 25 % from 2.539 K to 3.185 K. The Ebitda increased due to more sales volume in direct markets, a better sales mix, higher gross profits on most of the product lines and efficient production and logistics.

Financial position:

The liquidity and cash flow ratio's show an excellent financial position. The cash flows are in accordance with the size of business and activities. The cash increased with € 3.189.526

Risks:

The main risks of the company are the overhead costs involved with the direct distribution, the ability to expand the current distribution channels, the occupancy of the growing rental fleet in the UK and to develop technical innovations that have true competitive advantages.

To address these risks we try to keep the organisation as lean as possible, expand the distribution channels with a good mixture of own sales and distributors, measure the Key Performance Indicators of the rental fleet continuously (whereby we have the possibility to sell some rental units if the occupancy gets too low) and invest in innovations that really make the difference in the market and strengthen our position.

The price risks to which the company is exposed are exchange rate fluctuations between the euro and GBP and general market price fluctuations in the served markets.

The current liquidity position of the company and the expected future cash flow results in limited risk due to a positive working capital, bank savings and credit facility.

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the company in accordance with agreed terms. Within the company risks are limited by the number of counterparties, the credit limits set for the counterparties and the procedures to follow up potential risks.

Dependency on IT is also a risk Rior is facing growing the business results in employees to rely more and more on the companies IT systems. Outside threats to the IT environment in general is an increasing risk. Extra emphasis is taken in guarding the IT environment against those outside threats.

The tight and changing labour market in the countries were Rior has operations is also a continues risk Rior is facing. Continues actions including analysing key positions, measuring performance, developing talent and creating a succession plan with a search for new staff is done by Rior to keep the workforce up to date and ready for the future. Rior is also investing in the work environment to have an up to date technical facility and compliant with the latest health and safety regulations ready for the future expansions.

Rior is in the middle of a change over to new emission standards. New high pressure machines are developed and new type of engines needs to be build up. Rior is the first manufacturer worldwide that has introduced a complete electric skid mounted jetting machine in a fully electric van.

Future :

Investments and financial position:

The strong financial position enabled the execution of all planned investments for 2019 Focus on expansion of the rental fleet in the UK, change and expansion of the production layout and development and introduction of 'state of the art' product innovations. No significant investments outside the core business are to be expected

Revenues and result:

2018 was a fourth consecutive record year in Revenues and Ebitda. Main drivers of the success are the further incorporation of the acquisition of Andy Guest, the acquisition of the sister company KaRo in Germany, various newly launched product innovation, the earlier expansion of the organisation and production capacity and large orders obtained from water authorities in the UK.

The 2019 outlook for Rior is strong and the expectations are to break records once more in both both revenue and Ebitda, moreover as the current order backlog is at record levels.

The expected number of employees will be in accordance to the growing size of the business. The organisation has expanded most with technical (assembly) personnel. Significant changes of personnel for 2019 are not foreseen.

Research and development:

It is the company's objective to launch innovative and successful new products and services with the focus on technology, design, users friendliness, effectiveness and quality. There is an ambitious Research and Development programme and all current activities are on schedule.

Goirle, 19-11-2019

J.F.G Pieters
D.J. Yadron

Board of directors

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Consolidated financial statements
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Consolidated financial statements

Consolidated balance sheet
At December 31, 2018

(After appropriation of net income)
(Currency - EURO's)

ASSETS

Fixed Assets	**12.31.2018 EUR**	**12.31.2017 EUR**
Intangible fixed assets:		
Andy Guest Jetters Ltd	103.224	126.986
	103.224	**126.986**
Tangible fixed assets:		
Building	153.215	82.404
Machinery and Equipment	1.179.665	1.264.997
	1.332.880	**1.347.401**
Current Assets		
Inventories:		
Raw materials and semi finished products	1.568.620	1.197.236
Goods in process	190.322	157.200
Finished Goods	990.852	769.921
	2.749.794	**2.124.357**
Work in progress on construction contracts	**1.834.623**	**1.025.838**
Receivables and prepayments and accrued income:		
Accounts receivable	2.670.092	3.659.035
Receivables Participants	2.035.158	4.165.972
Receivables Affiliated companies	435.014	0
Taxes and social securities	191.973	135.958
Prepaid expenses	204.131	174.983
	5.536.368	**8.135.948**
Cash	5.240.734	2.051.208
Total current assets	**15.361.519**	**13.337.351**
	16.797.623	**14.811.738**

Consolidated balance sheet
At December 31, 2018

(After appropriation of net income)
(Currency - EURO's)

EQUITY AND LIABILITIES

	12.31.2018	12.31.2017
	EUR	EUR
Group equity	**13.009.840**	**11.001.105**
Provisions		
Warranty	83.315	53.654
Jubilee provision	35.705	49.619
Deffered income tax	126.124	132.580
	245.144	**235.853**
Short-term liabilities		
Accounts payable	2.200.747	1.786.717
Liabilities Participants	238.880	209.117
Liabilities Affiliated companies	37.269	27.377
Taxes and social securities	403.500	646.679
Accrued liabilities	662.243	904.890
Total short-term liabilities	**3.542.639**	**3.574.780**
	16.797.623	**14.811.738**

Consolidated profit and loss account
For the year ended December 31, 2018

(Currency - Euro's)

	2018 EUR	2017 EUR
Net Sales	**24.022.821**	**21.418.593**
Cost of Sales	**16.919.070**	**15.418.352**
Gross operating income	**7.103.751**	**6.000.241**
Selling and distribution expenses	2.610.794	2.443.799
General and administrative expenses	1.847.490	1.592.281
Total SG&A expenses	**4.458.284**	**4.036.080**
Operating income	**2.645.467**	**1.964.161**
Interest income	51.175	52.235
Interest expense	-1.348	-78.388
Income/(loss) before taxation	**2.695.294**	**1.938.008**
Tax on income	661.626	456.727
Net income	**2.033.668**	**1.481.281**

Consolidated cashflow statement
For the year ended December 31, 2018

(Currency - Euro's)

According to the indirect method		2018 EUR		2017 EUR
Operating result		2 645.467		1.964 161
Adjustments for:				
- Depreciation (and other changes in value)		539.656		574.762
- Changes in provisions		15.747		-2.440
- Changes in working capital				
. movements operating accounts receivable	2 599.580		-1.964.761	
. movements inventories	-625.437		-71.852	
. movements work on progress on construction contracts	-808.785		-464 797	
. movements operating accounts payable	207.982		217.249	
		1.373.340		-2 284.161
Cash flow from business activities		**4.574.210**		**252.322**
Interest received	51.175		52.235	
Corporate income tax paid on operating activities	-907.240		-463.199	
		-856.065		**-410.964**
Cash flow from operating activities		**3.718.145**		**-158.642**
Investments in tangible fixed assets	-543.969		-565.424	
Disposals of tangible fixed assets	72 219		215.458	
Cash flow from investment activities		**-471.770**		**-349.966**
Interest paid	-1.348		-78 388	
Cash flow from financing activities		**-1.348**		**-78.388**
Net cash flow		**3.245.027**		**-586.996**
Exchange rate and translation differences on movements in cash		**-55.501**		**-9.071**
Movements in cash		**3.189.526**		**-596.067**
Cashposition 1-1		**2.051.208**		**2.647.275**
Cashposition 31-12		**5.240.734**		**2.051.208**

Notes to the consolidated financial statements

General

Activities

Rior, Industrie- en Handelsonderneming B.V. ("the company"), having its legal seat in Goirle, its actual seat is Centaurusweg 45, 5015 TC Tilburg, The Netherlands, Registered at the Chamber of Commerce in the Netherlands under number 18022760 is engaged in the production and trade of drain and sewer cleaning machines.

Group structure

The company is a wholly owned subsidiary of Pettibone L.L.C., located in Illinois, United States of America.
The ultimate parent is Heico Holding Inc.

The financial information of the company is recorded in the consolidated financial statements of the Heico Holding Inc and of Intermediate Holding Pettibone L.L.C. Both located in Chicago, United States.

Copies are available at the Trade Register of the Chamber of Commerce in Tilburg.

A summary of the information required by articles 2:379 and 414 of Dutch Civil Code is given below:

Consolidated companies:

Rior/Rioned France SAS which company has it's legal seat in Tremblay en France (Paris) France
Rior Industrie- en handelsonderneming B.V. holds 100 % of the companies shares

Rioned UK Ltd which company has it's legal seat in Mildenhall United Kingdom
Rior Industrie- en handelsonderneming B.V. holds 100 % of the companies shares

Andy Guest Jetters Ltd company has it's legal seat in Keighley United Kingdom
Rior Industrie- en handelsonderneming B.V. holds 100 % of the companies shares

Consolidation principles

Financial information relating to group companies and other legal entities which are controlled by the company or where central management is conducted has been consolidated in the financial statements of the company. The consolidated financial statements have been prepared in accordance with the accounting principles of Rior industrie- en handelsondememing BV.
The financial information relating to the company is presented in the consolidated financial statements in accordance with article 2:402 of the Netherlands Civil Code, the company financial statements only contain an abridged profit and loss account.

Financial information relating to the group companies and the other legal entities and companies included in the consolidation is fully included in the consolidated financial statements, eliminating the intercompany relationships and transactions. Third-party shares in equity and results of group companies are separately disclosed in the consolidated financial statements.

The results of newly acquired group companies and the other legal entities and companies included in the consolidation are consolidated from the acquisition date. At that date the assets, provisions and liabilities are measured at fair values. Goodwill paid is capitalised, to which amortisation is charged based on the estimated useful life. The results of participations sold during the year are recognised until the moment of disposal.

General accounting principles for the preparation of the consolidated financial statements

The consolidated financial statements are prepared according to the stipulations in chapter 9 Book 2 of the Dutch Civil Code.

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 valued according to the cost model.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Financial instruments

Financial instruments are both primary financial instruments (such as receivables and debts) and derivative financial instruments (derivatives)

For the principles of primary financial instruments, reference is made to the treatment per balance sheet item.

The company has no financial derivates.

Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date.

Transactions in foreign currency during the financial year are recognised in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as of balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account for at total amount of -/- Euro 162.400 (2017: -/- Euro 461.521).

Foreign group companies and non-consolidated participations outside the Netherlands qualify as carrying on of business operations in a foreign country, with a functional currency different from that of the company. For the translation of the financial statements of these foreign entities the balance sheet items are translated at the exchange rate at balance sheet date and the profit and loss account items at the exchange rate at transaction date. The translation differences that arise are directly deducted from or added to group equity.

Principles of valuation of assets and liabilities

Intangible fixed assets

Intangible fixed assets are presented at cost less accumulated amortisation and, if applicable, less impairments in value. Amortisation is charged as a fixed percentage of cost, as specified in more detail in the notes to the balance sheet. The useful life and the amortisation method are reassessed at the end of each financial year.

Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use. Land is not depreciated

Costs for periodical major maintenance are charged to the result at the moment they arise.

Inventory

Inventories of raw materials, consumables and goods for resale are valued at acquisition price or lower net realizable value. This lower net realizable value is determined by individual assessment of the inventories. The valuation of inventories of raw materials and consumables is based on fifo.

The work in progress and the inventories of finished goods are valued at construction cost or lower net realizable value. This lower net realizable value is determined by individual assessment of the inventories. Cost of manufacture includes direct materials used, direct wages and other direct costs of manufacture, together with applicable production overhead. Net realizable value is based on estimated selling price, less any future costs to be incurred for completion and disposal.

Work in progress on construction contracts

The work in progress on construction contracts for third parties is valued at the realized construction contract costs and net of recognized losses and invoiced or prepaid installments. The construction contract costs comprise the costs directly relating to the construction contract, the costs that are attributable to construction contract activities in general and can be attributed to the contract and other costs that are chargeable to the customer under the terms of the contract.

The work in progress on construction contracts is valued at the 'zero-profit' method , income is recognized in the profit and loss till maximum the realized costs. Expected losses on the work in progress are directly taken to the profit and loss account.

Income from construction contracts realized during the financial year is recognized in the profit and loss account as income in the item net turnover. The construction contract costs are recognized in the cost of sales.

Accounts receivables

Upon initial recognition the receivables are included at fair value and then valued at amortised cost. The fair value and amortized cost equal the face value. Any provision for doubtful accounts deemed necessary is deducted. These provisions are determined by individual assessment of the receivables.

Cash

The cash is measured at face value. If cash equivalents are not freely disposable, then this has been taken into account upon measurement.

Provisions

Provisions for employee benefits:

The company has various pension plans. The Dutch and UK plans are financed through contributions to pension providers such as insurance companies and industry pension funds. The pension obligations are valued according to the „valuation to pension fund approach". This approach accounts for the contribution payable to the pension provider as an expense in the profit and loss account.

Based on the administration agreement it is assessed whether and, if so, which obligations exist in addition to the payment of the annual contribution due to the pension provider as at balance sheet date. These additional obligations, including any obligations from recovery plans of the pension provider, lead to expenses for the company and are included in a provision on the balance sheet. With final salary pension plans an obligation (provision) for (upcoming) past service is included if future salary increases have already been defined as at balance sheet date. As per December, 31 2018 no provision has been recorded.

The French pension plan cannot be compared to the Dutch pension plans. Besides the national governmental plan there are no additional pension plans and therefore no additional penion obligations.

Provision warranty's

The provision for warranties is recorded on behalf of the estimated costs expected to arise from the current warranties on account of goods and services delivered. Warranty claims are deducted from this provision.

Jubilee provision

Other long-term employee benefits are those benefits that are part of the remuneration package, such as remunerations for anniversaries. They have a long-term character. The obligation recorded is the best estimate of the amounts required to settle the related obligations as at balance sheet date. The jubilee provision is valued based on actuarial principles.

Provision for deferred tax liabilities

For amounts of taxation payable in the future, due to differences between the valuation principles in the annual report and the valuation for taxation purposes of the appropriate balance sheet items, a provision has been formed for the aggregate of these differences, multiplied by the current rate of taxation. These provisions are reduced by amounts of taxation recoverable in the future in respect of the carry-forward of unused tax losses, to the extent that it is probable that future tax profits will be available for settlement.

Liabilities

Liabilities with a remaining period up to 1 year, including the short-term portion of long-term liabilities, are presented under short-term liabilities.

Upon intial recognition, the loans and liabilities are stated at fair value and then valued at amortised cost

Principles for the determination of the result

Net Sales

Net Sales represents amounts invoiced for goods and services supplied during the financial year reported on, net of discounts and value added taxes.

Revenues ensuing from the sale of goods are accounted for when all major entitlements to economic benefits as well as all major risks have transferred to the buyer. The cost price of these goods is allocated to the same period.

Revenues from services are recognised in proportion to the services rendered, based on the cost incurred in respect of the services performed up to balance sheet date, in proportion to the estimated costs of the aggregate services to be performed. The cost price of these services is allocated to the same period.

Cost of sales

The cost of sales consists of the cost of goods sold and delivered, consisting of direct use of materials, direct wages and machine costs and other direct and indirect production costs.

Taxation

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realisation is likely.

Principles for preparation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered as highly liquid investments.

Cash flows in foreign currencies are translated at an estimated average rate.
Exchange rate differences concerning finances are shown separately in the cash flow statement.

Corporate income taxes, issuance of share capital, interest received and dividends received are presented under the cash flow from operating activities.
Interest paid and dividends paid are presented under the cash flow from financing activities.

Transactions that do not result in exchange of cash and cash equivalents, such as financial lease, are not presented in the cash flow statement The payment of lease terms on account of the financial lease contract is considered as expenditure of financing activities as far as it concerns redemption and as expenditure of operational activities as far as it concerns interest.

Notes to the specific items of the consolidated balance sheet

Intangible Fixed Assets

The composition of intangible fixed assets is as follows

	Goodwill Andy Guest Jetters Ltd EUR
Accumulated costs	225 160
Accumulated amortisation	-98.174
Book value as of January 1, 2018	**126.986**
Amortisation	-22 623
Exchange rate differences cost	-2 684
Exchange rate differences ammortisation	1 545
Book value as of December 31, 2018	**103.224**
Accumulated costs	222.476
Accumulated amortisation	-119 252
Book value as of December 31, 2018	**103.224**
Amortisation percentages	**10%**

Of the goodwill EUR 103 224 (2017 EUR 126.986) regards the acquisition of the shares in Andy Guest Jetters LTD The remaining life is 4 years. The remaining life of the goodwill is established by management based on the useful life of 10 years

Tangible Fixed Assets

	Building	Machinery and Equipment	Total
	EUR	EUR	EUR
Accumulated costs	559 783	3 952 046	4 511 829
Accumulate depreciation	-477 379	-2 687 048	-3 164 427
Book value as of January 1, 2018	**82.404**	**1.264.998**	**1.347.402**
Investments	84 883	459 106	543 989
Depreciation	-40 465	-476 568	-517 033
reclassification	31 379	-31 379	0
reclassification	-4 986	4 986	0
Retirements costs	0	-282 913	-282 913
Retirements depreciation	0	210 694	210 694
Exchange rate differences cost	0	-22 403	-22 403
Exchange rate differences depreciation	0	53 144	53 144
Book value as of December 31, 2018	**153.215**	**1.179.665**	**1.332.880**
Accumulated costs	676.045	4.074 457	4.750 502
Accumulate depreciation	-522 830	-2 894 792	-3 417 622
Book value as of December 31, 2018	**153.215**	**1.179.665**	**1.332.880**
Depreciation percentages	**10 - 20%**	**10 - 33%**	

Inventory

Of the inventories a book value of EUR 167 434 (2017 EUR 157.820) has been written down to market value.

The provision for obsolete inventory as per 31-12-2018 is EUR 88.565 (2017 EUR 55.048)

The amount of the impairment and loss of stocks in the profit and loss account in 2018 is a loss of EUR 26.550 (in 2017 a loss of EUR 4.602).

Work in progress on construction contracts	**12.31.2018 EUR**	**12.31.2017 EUR**
Work in progress on construction contracts	1.889 467	1.145 516
Total of advance payments received	-54.844	-119.678
	1.834.623	**1.025.838**

The income for the financial year includes EUR 14 287 000 (2017: EUR 11 277 000) regarding income from work in progress on construction contracts

Accounts Receivable

Accounts receivable as presented under current assets mature within one year.

A provision on accounts receivable is made for EUR 192 452 (2017 EUR 197.329)

The amount of the valuation of accounts receivable provisions in the profit and loss account in 2018 amounted to a loss of EUR 97.887 (2017 a loss of EUR 57.417).

Participants

	12.31.2018 EUR	**12.31.2017 EUR**
Heico luxemburg S.a.r.l.	**2.035.158**	**4.165.972**

Euro 2.035.158 at a intrest rate of 1,71 % loan is due for repayment 14-11-2019

Affiliates

Karo GmbH		
Account receivable	234.636	0
Ancra B.V Boxtel	200.000	0
Loan		
Wistra GmbH	379	0
Accounts receivable		
	435.015	**0**

Taxes and social securities

	12.31.2018 EUR	**12.31.2017 EUR**
VAT	191.973	135 958
Total Taxes	**191.973**	**135.958**

Other receivables

Other receivables as presented under current assets mature within one year

Cash

The company has EUR 5 240.734 cash available at December 31, 2018.

Share of the legal entity in the group equity

Reference is made to the note on shareholders' equity in the (company) financial statements.

Warranty provision

	2018 EUR
Book value as of January 1, 2018	**53.654**
Provision	146.644
Claim	-116.983
Book value as of December 31, 2018	**83.315**

Warranty provision as presented mature within one year.

Jubilee provision

	2018 EUR
Book value as of January 1, 2018	**49.619**
Provision	-13.914
Claim	0
Book value as of December 31, 2018	**35.705**

Deffered taxes

	2018 EUR
Book value as of January 1, 2018	**132.580**
Provision	0
Claim	-6.456
Book value as of December 31, 2018	**126.124**

Pension plans personnel

As at year-end 2018, there are no obligations for which a pension provision has been included, as was the case as at year-end 2017. The company has various pension plans. Pursuant to the Dutch pension system these plans are financed by contributions to insurance companies, industry pension funds or company pension funds. Through cost effective contribution payments the related accrued entitlements are always fully financed in the related calendar year. The company both has a defined contribution plan.

The related industry pension fund has stated that the funding ratio is 99,4 % as at December 31, 2018 (2017: 97,2. %). Based on the administration agreements the company has no obligation to make additional contributions other than through higher future contributions.

The coverage of the pension fund has a minimum legal limit of 104.3%. To reach this coverage the pension fund has a recovery plan. The main components of this recovery plan are: premium increases and possible cuts on pensions.

The annual accrual of the pension entitlements amounts to 28,48 % of the pensionable salary that is based on the gross wage net minus a deductible franchise (EUR 14.704) to a maximum of EUR 73.711. The pensionable salary has a cap of EU 105.075. The annual employer-paid contribution is 53,7 % of the costs (of the amount between Franchise and EUR 73.711). The accrual over the salary above EUR 73.711 entitlements max 31,8 % of which the annual employer paid contribution is a minimum 53,2 %.

	12.31.2018 EUR	12.31.2017 EUR
Participants		
	12.31.2018 **EUR**	**12.31.2017** **EUR**
Heico Holding Inc.		
Account payable	231.832	209.117
Pettibone		
Account payable	7.048	0
	238.880	**209.117**
Affiliated companies		
SpartanTool LLC		
Account payable	27.479	27 377
Sarclad LTD	9.790	0
Accounts payable		
	37.269	**27.377**

Taxes and social securities

	12.31.2018 EUR	12.31.2017 EUR
VAT	195.495	212 414
Tax and social securities on wages	166.851	152.986
Income Tax	41 154	281.279
	403.500	**646.679**

Short-term liabilities

Short-term liabilities as presented mature within one year.

Financial instruments

For the notes to financial instruments reference is made to the specific item by item note. Below the related risks are disclosed.

Credit risks:

Credit risks are decreased by only doing business with third parties with a high creditworthiness, with which for each entity designated limits apply.

Notes to the specific items of the consolidated profit and loss account

Net sales

The Net sales 2018 compared to the Net sales of 2017 as 112 versus 100
Net sales are realized primarily in the European Community

Wages, salaries and social security charges

	2018	2017
	EUR	EUR
Labor cost is specified as follows		
Wages and Salaries	4 585.011	4.320 311
Pension cost	455 299	386.756
Other social security contributions	657 131	557 901
Grants received for spent R&D time on WBSO projects	-45 282	-22 318
total	**5.652.159**	**5.242.650**

The average number of personnel during this year was approximately 86 (2017- 80) employed in the following functional areas

	2018	2017
	fte	fte
Production	51	47
Sales	28	27
Administration	7	6
total	**86**	**80**

Amortisation intangible fixed assets

	2018	2017
	EUR	EUR
The amortisation during the financial year amounts up to		
General and administrative expenses	22 623	22 859
	22.623	**22.859**

Depreciation tangible fixed assets

	2018	2017
	EUR	EUR
The depreciation during the financial year amounts up to		
Cost of Sales	489 554	523 336
Selling and distribution expenses	15 673	13 827
General and administrative expenses	11 806	14 740
	517.033	**551.903**

Lease expenses	**514.521**	**473.182**
R&D expenses	**592.242**	**408.022**

Tax on income

	2018	2017
	EUR	EUR
25 % of the taxable amount Netherlands	600.991	326 522
Adjustments prior years Netherlands	34 922	-6 183
Deffered income taxes	0	-5 991
Income taxs UK	24.778	0
20 % Deffered income taxes Rioned UK	-7.354	125 672
20 % Deffered income taxes Andy Guest Jetters LTD	8.289	0
34 % income Tax Rioned France SAS	0	16.707
Total taxation according to the profit and loss account	**661.626**	**456.727**

Transaction with Group companies	2018 EUR	2017 EUR
Net Sales to:		
SpartanTool	1.099.209	677.577
Karo GmbH	2.751 811	1.488.337
Purchases from:		
SpartanTool	46.241	81 133
Karo GmbH	236.421	34 435
Managemeent Fee (General & Administrative expenses)		
Heico group of companies	303.136	313.893
Purchase Fee (Cost of Sales)		
Heico group of companies	62.483	36.283
Insurances and licences		
Heico group of companies	60.788	47.286
total	**426.407**	**397.462**

Transactions with associated and group companies are recorded at arm's length prices.

Commitments and contingent liabilities

a) *Rental obligations and operational lease commitments*	12.31.2018 EUR	12.31.2017 EUR
The Total obligations in connection with rental obligations and operational lease agreements amount to approximately		
< 1 year	507.000	454.000
> 1 year < 5 years	730.000	769.000
> 5 years	11.000	0
Total obligations	**1.248.000**	**1.223.000**

b) *Guarantees*

The guarantees provided by the company on behalf of third parties amount to EURO 48.600 and relate to bank guarantees.

Collective guarantees with affiliated companies on behalf of Heico Holding are provided to Financial institutions for a total amount of $ 115,600,000 whereby each of the parties including Rior is liable for the full amount.

Notes to the consolidated cash flow statement

Breakdown of cash and cash equivalents 2018

Cash as of December 31, 2018	5.240 734	
Securities as of December 31, 2018	0	
Cash and cash equivalents as of December 31, 2018		**5.240.734**
Balance sheet movements of cash and cash equivalents in 2018		
Cash as of December 31, 2017	2.051.208	
Securities as of December 31, 2017	0	
Cash and cash equivalents as of December 31, 2017		**2.051.208**

Company financial statement

Company balance sheet
Company profit and loss account
Notes to the companies financial statement

Company balance sheet
At December 31, 2018

(After appropriation of net income)
(Currency - EURO's)

ASSETS

	12.31.2018 EUR	12.31.2017 EUR
Fixed Assets		
Building	153.215	82.404
Machinery and Equipment	319.229	366.499
Total Tangible fixed assets	**472.444**	**448.903**
Investments in participations	1.930.889	1.818.265
Loans to participations	0	488.412
Total Financial fixed assets	**1.930.889**	**2.306.677**
	2.403.333	**2.755.580**
Current Assets:		
Raw materials and semi finished products	1.368.033	1.123.777
Goods in process	190.322	157.200
Finished Goods	152.223	180.035
Total Inventory	**1.710.578**	**1.461.012**
Work in progress on construction contracts	**1.713.763**	**917.607**
Receivables and prepayments and accrued income		
Accounts receivable	1.818.541	2.388.597
Group companies	1.391.304	851.542
Participants	2.035.158	4.165.973
Affiliates	435.068	0
Taxes and social securities	177.670	139.958
Prepaid expenses	116.322	129.772
	5.974.063	**7.675.842**
Cash	4.469.756	1.470.753
Total current assets	**13.868.160**	**11.525.214**
Total	**16.271.493**	**14.280.794**

Company balance sheet
At December 31, 2018

(After appropriation of net income)
(Currency - EURO's)

EQUITY AND LIABILITIES

	12.31.2018	12.31.2017
	EUR	**EUR**
Shareholders' equity		
Issued and paid-in capital	45.400	45.400
Other reserves	*13.085.043*	*11.051.375*
Exchange rate reserve	-120.605	-95.672
	13.009.838	**11.001.103**
Provisions		
Warranty	46.816	37.000
Jubilee provision	35.705	37.171
Deffered taxes	0	4.802
	82.521	**78.973**
Short-term liabilities		
Accounts payable	1.955.578	1.752.965
Group companies	67.552	69.923
Affiliates	27.479	27.377
Participants	238.880	209.117
Taxes and social securities	134.165	120.740
Income Taxes	21.895	134.301
Accrued liabilities	733.585	886.295
Total short-term liabilities	**3.179.134**	**3.200.718**
Total	**16.271.493**	**14.280.794**

Company profit and loss account

For the year ended December 31, 2018

(Currency - Euro's)

	2018 EUR	2017 EUR
Share in result of participations	**295.163**	**492.447**
Other income and expense after taxation	**1.738.505**	**988.834**
Net income	**2.033.668**	**1.481.281**

Notes to the company financial statements

General accounting principles for the preparation of the financial statements

The company financial statements have been prepared according with Title 9, Book 2 of the Dutch Civil Code.

For the general principles for the preparation of the financial statements, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, if not presented otherwise here after.

Financial fixed assets

Participations in group companies in which significant influence is exercised on the business and financial policy, are valued under the net equity value, but not lower than nil. This net asset value is based on the same accounting principles as applied by Rior industrie- en handelsonderneming BV.

Participations with a negative net equity value are valued at nil. If the company fully or partly guarantees the liabilities of the participation concerned, or has the effective obligation respectively to enable the participation to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the participation are taken into account.

Notes to the specific items of the balance sheet

Tangible Fixed Assets

The composition of tangible fixed assets is as follows:

	Building EUR	Machinery and Equipment EUR	Total EUR
Accumulated costs	559.783	2.008.505	2.568.288
Accumulate depreciation	-477.379	-1.642.006	-2.119.385
Book value as of January 1, 2018	**82.404**	**366.499**	**448.903**
Retirements costs	0	-115.222	-115.222
Retirements depreciation	0	115.222	115.222
Investments	84.883	104.751	189.634
reclassification	31.379	-31.379	0
reclassification	-4.986	4.986	0
Depreciation	-40.465	-125.628	-166.093
			0
Book value as of December 31, 2018	**153.215**	**319.229**	**472.444**
Accumulated costs	676.045	1.966.655	2.642.700
Accumulate depreciation	-522.830	-1.647.426	-2.170.256
Book value as of December 31, 2018	**153.215**	**319.229**	**472.444**
Depreciation percentages	10 - 20%	10 - 20%	

Investments in participations

Rior Industrie- en Handelsondememing BV owns 100 % of the shares of Rior Rioned France SAS
The company is situated in Villepinte France

	2018 EUR
Carrying amount as at January 1, 2018	111.127
Result of the company	-9 898
Carrying amount as at December 31, 2018	101.229

Rior Industrie- en Handelsondememing BV owns 100 % of the shares of Rioned UK Ltd
The company is situated in Mildenhall UK

	2018 EUR
Carrying amount as at January 1, 2018	1.707.138
Result of the company	148 041
Exchange rate difference	-25.519
Carrying amount as at December 31, 2018	1.829.660

Rior Industrie- en Handelsondememing BV owns 100 % of the shares of Andy Guest Jetters Ltd
The company is situated in Keighley United Kingdom

	2018 EUR
Cumulated result of the company as at January 1, 2018	-331 588
Cumulated provision as at January 1, 2018	331 588
Carrying amount as at January 1, 2018	0
Result of the company	157 024
Exchange rate difference	582
Participationsvalue is deducted form short term receivable	**-157.606**
Carrying amount as at December 31, 2018	0
Total investment in participations as at December 31, 2018	1.930.889

Loan to Participatiants

	12.31.2018 EUR	12.31.2017 EUR
Rioned UK LTD	0	488.412

Inventory

Of the inventories a book value of EUR 167.634 (2017 EUR 145.140) has been written down to market value

The provision for obsolete inventory as per 31-12-2018 is EUR 88.565 (2017: EUR 55.048)

The amount of the impairment and loss of the stocks in the profit and loss account in 2018 is a loss of EUR 22.233 (in 2017 a profit of EUR 4.249)

Accounts Receivable

Accounts receivable as presented under current assets mature within one year.

A provision on accounts receivable is made for EUR 94 459 (2017 EUR 118 197)

The amount of the valuation of accounts receivable provisions in the profit and loss account in 2018 amounted to a loss of EUR 63.000 (2017 a losss of EUR 53.500)

Group companies

	12.31.2018 EUR	12.31.2017 EUR
Rioned UK Ltd		
Current account Balance	-642.836	16.877
Accounts Receivable	1.369 580	475.727
Accounts Payables	-58.493	
Total	**668.251**	**492.604**
Andy Guest Jetters Ltd		
Current account Balance	515 584	482 959
Deducted due to negative participationsvalue	-173.982	-331.589
Accounts Receivable	395 602	207 567
Accounts Payables	-14 151	
Total	**723.053**	**358.937**
Total Group companies	**1.391.304**	**851.541**

The current account has no securties, repayment or intrest rates are agreed between companies

Participants

	12.31.2018 EUR	12.31.2017 EUR
Heico Luxemburg S.a.r.l.	2 035.158	4.165.973
total participants	**2.035.158**	**4.165.973**

Euro 2.035.158 at a intrest rate of 1,71 % loan is due for repayment 14-11-2019

Affiliated companies :

Wistra GmbH Cargo control	378	**0**
Ancra Systems BV	200 000	**0**
Karo GmBH	234 690	**0**
Total affiliated companies	**435.068**	**0**

Taxes and social securities

	12.31.2018 EUR	12.31.2017 EUR
VAT	**177.670**	**139.958**

Cash

The company has EUR 4.469.756 cash available at December 31, 2018

Shareholders' Equity

The authorized share capital consists of 100 authorized common shares of which all shares are issued and paid up for at December 31, 2018. The shares have a par value of EUR 454 each. The Shares had a value of Dutch guilders 1000 per share as a result of introduction of the EURO the value is increased to EUR 454 the paid in capital is EUR 45.400

25 shares are held by the company itself.

The movement in shareholders' equity is as follows:

	EUR	EUR	Eur	EUR
	Issued and Paid-in Capital	**Other Reserves**	**Exchange rate diffrences**	**Total**
Balance December 31, 2017	**45.400**	**11.051.375**	**-95.672**	**11.001.103**
Net income 2018	0	2.033.668		2.033.668
Exchange rate difference	0		-24.933	-24.933
Correction previous year				0
Balance December 31, 2018	**45.400**	**13.085.043**	**-120.605**	**13.009.838**

Appropriation of result for the financial year 2017

The general meeting 2017 was held on 19-12-2018 and decided in accordance with the proposal of the management.

Proposed appropriation of result for the financial year 2018

Management proposes to add the net income for the year 2018 to retained earnings.

This proposal has been reflected in the accompanying financial statements.

Provisions

Warranty provision

	2018 EUR
Book value as at 1 January 2018	**37.000**
Provision	107.697
Claim	-97.881
Book value as at 31 December 2018	**46.816**

Warranty provision as presented mature within one year.

Jubilee provision

	2018 EUR
Book value as at 1 January 2018	**37.171**
Provision	-1.466
Claim	0
Book value as at 31 December 2018	**35.705**

The jubilee provision has a predominantly long term character

Deffered taxes	2018 EUR
Book value as of January 1, 2018	**4.802**
Claim	-4.802
Book value as of December 31, 2018	**0**

The deffered tax provision has a predominantly long term character

Group Companies	EUR 12.31.2018	EUR 12.31.2017
Current account Rior/Rioned France SAS	**67.552**	**69.923**

Participants

Account payable Heico Holding	231.832	209.117
Account payable Pettibone	7.048	
total participants	**238.880**	**209.117**

Affiliates

Account payable Spartan	27.479	27.377
total affiliates	**27.479**	**27.377**

Taxes and social securities

	12.31.2018	12.31.2017
Tax and social securities on wages	134.165	120.740
	134.165	**120.740**

Notes to the specific items of the company's profit and loss account

Net sales

The Net sales 2018 compared to the Net sales of 2017 as 113 versus 100

Net sales are realized primarily in the European Community.

Wages, salaries and social security charges

	2018 EUR	2017 EUR
Labor cost is specified as follows:		
Wages and Salaries	3.900.982	3.655.105
Pension cost	462.787	492.584
Other social security contributions	522.316	383.136
Grants received for spent R&D time on WBSO projects	*-45.282*	*-22.318*
Total	**4.840.803**	**4.508.507**

The average number of personnel during this year was approximately 71 (2017: 66) employed in the following area's :

	2018 fte	2017 fte
Production	43	40
Sales	23	22
Administration	5	4
Total	**71**	**66**

Depreciation

	2018 EUR	2017 EUR
The depreciation during the financial year amounts up to:	166.093	154.358

Tax on income

	2018 EUR	2017 EUR
25 % of the taxable amount	600.991	326.522
Adjustments prior years	34.922	-6.183
Deffered income taxes	0	-5.991
Taxation according to the profit and loss account	635.913	314.348

Transaction with Group companies	2018 EUR	2017 EUR
Net Sales to:		
Rioned UK Ltd	2.497.894	3.328.352
Rioned France SAS	78.297	45.171
SpartanTool	1.099.209	677.577
Andy Guest Jetters LTD	480.433	206.231
Karo GmbH	2.751.811	1.488.337
total	**6.907.644**	**5.745.668**
Purchases from:		
Rioned UK Ltd	52.611	42.392
Andy Guest Jetters LTD	210.614	34 659
SpartanTool	46.241	81.133
Karo GmbH	236 421	34.435
total	**545.887**	**192.619**
Management Fee (General & Administrative expenses)	303.136	313.893
China/India Purchase Fee (Cost of Sales)	62.483	36 283
Insurances an licences	60.788	47 286
Total	426.407	397.462

Commitments

a) *Rental obligations and operational lease commitments*	2018 EUR	2017 EUR
The Total obligations in connection with rental obligations and operational lease agreements amount to approximately		
< 1 year	411.000	390.000
> 1 year < 5 years	645.000	769 000
> 5 years	11.000	0
Total obligations	1.067.000	1.159.000

b) *Guarantees*

The guarantees provided by the company on behalf of third parties amount to EURO 48.600 and relate to bank guarantees.

Andy Guest Jetters Limited, a UK subsidiary company (number 08379522) is exempt from the requirements of the Companies Act 2006 relating to the audit of its accounts under section 479A of the Companies Act 2006.

Other information

Remuneration of (former) members of the board of directors and supervisory directors

In 2018 an amount of EUR 321.837 (2017: EUR 292.825) for the remuneration of members of the board of directors of the legal entity was charged to the company and its subsidiaries or group companies

In 2018 an amount of EUR 0 (2017: EUR 0) for the remuneration of supervisory directors of the legal entity was charged to the company and its subsidiaries or group companies.

Goirle, Date : 19-11-2019

Board of Directors

J.F.G. Pieters

D. J. Yadron

Supervisory Board:

E.A. Roskovensky

Other information

Independent auditor's report

Reference is made to the auditor's report as included hereinafter.

Statutory rules concerning appropriation of result

The Articles of Association article 12 of the company provide that the appropriation of the net income for the year is decided upon at the annual meeting of the shareholders.

Deloitte.

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Independent auditors report

To the shareholders of Rior, Industrie- en Handelsonderneming B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2018 of Rior, Industrie- en Handelsonderneming B.V., based in Tilburg and with its legal seat in Goirle.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Rior, Industrie- en Handelsonderneming B.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 financial statements comprise:

1. The consolidated and company balance sheet as at December 31, 2018.
2. The consolidated and company profit and loss account for 2018.
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 Rior, Industrie- en Handelsonderneming B.V. in accordance with 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.

Deloitte.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditors report thereon, the annual accounts contains other information that consists of:

- Directors Report
- 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.

Management is responsible for the preparation of the other information, including the Management Boards Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management of Rior, Industrie- en Handelsonderneming B.V. for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 companys ability to continue as a going concern. Based on the financial reporting framework 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 companys ability to continue as a going concern in the financial statements.

Management and the Supervisory board are responsible for overseeing the companys 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.

Deloitte.

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to 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 companys 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 managements 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 companys ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors 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 auditors report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with management 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 identified during our audit.

Deloitte.

Middelburg, November 19, 2019

Deloitte Accountants B.V.

Signed on the original: R.W.O Swerus