Schoeller-Plast-Enterprise A/S

Hovedgaden 21, Nr. Jernløse, 4420 Regstrup

Company reg. no. 15 60 10 19

Annual report

2018

The annual report was submitted and approved by the general meeting on the 26 April 2019

John Korsø Jensen
Chairman of the meeting

Contents

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the executive board have today presented the annual report of Schoeller-Plast-Enterprise A/S for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities and cash flows in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Regstrup, 12 April 2019

Executive board

Michael Schoeller	Nicholas Schoeller	Jan Bybjerg Pedersen

Board of directors

John Korsø Jensen	Philipp Kahlenberg	Michael Schoeller
Siegfried von Saucken	Flemming Lindeløv	

Independent auditor's report

To the shareholders of Schoeller-Plast-Enterprise A/S

Opinion

We have audited the annual accounts of Schoeller-Plast-Enterprise A/S for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity, cash flow statement and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management’s preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management's review
The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management’s review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management’s review and in that connection consider whether the management’s review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Holbæk, 12 April 2019

RIR REVISION
Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 78 05 24

Thomas Skinbjerg
State Authorised Public Accountant
mne23296

Company data

The company	Schoeller-Plast-Enterprise A/S Hovedgaden 21 Nr. Jernløse 4420 Regstrup	
	Phone	59 16 01 60
	Fax	59 16 01 61
	E mail	spe@schoeller-plast.dk
	Company reg. no.	15 60 10 19
	Established:	21 February 1966
	Domicile:	Holbæk
	Financial year:	1 January - 31 December
Board of directors	John Korsø Jensen Philipp Kahlenberg Michael Schoeller Siegfried von Saucken Flemming Lindeløv	
Executive board	Michael Schoeller Nicholas Schoeller Jan Bybjerg Pedersen	
Auditors	RIR REVISION Statsautoriseret Revisionspartnerselskab	
Bankers	Nykredit Bank A/S, Kalvebod Brygge 1-3, 1780 København V	
Lawyer	Advokat John Korsø Jensen, Sankt Annæ Plads 13, 3., 1250 København K	
Subsidiary	Schoeller-Plast UK Ltd., London, GB	

Financial highlights

DKK in thousands.	2018	2017	2016	2015	2014
Profit and loss account:					
Gross profit	30.856	31.092	44.856	47.744	38.669
Results from operating activities	708	2.129	10.496	9.876	4.301
Net financials	-365	-1.080	-1.263	-1.042	-550
Results for the year	265	817	7.203	10.712	6.860
Balance sheet:					
Balance sheet sum	85.781	103.997	92.335	88.576	80.056
Investments in tangible fixed assets represent	10.089	4.347	506	9.941	11.004
Equity	47.201	46.887	48.952	43.029	35.574
Cash flow:					
Operating activities	-8.116	15.696	20.652	301	14.623
Investment activities	-9.977	-4.968	-421	-9.874	-10.809
Financing activities	2.518	-6.187	-1.373	24.987	-1.487
Cash flow in total	-15.575	4.541	18.858	15.414	2.327
Employees:					
Average number of full time employees	49	42	47	44	42
Key figures in %:					
Solvency ratio	55,0	45,1	53,0	48,6	44,4
Return on equity	0,6	1,7	15,7	27,3	20,3

The calculation of key figures and ratios does in all material respects follow the Danish Association of Finance Analysts' recommendations and does only in a few respects deviate from the recommendations.

Financial highlights

The key figures appearing from the survey have been calculated as follows:

Equity share $$\frac{\text{Equity, closing balance x 100}}{\text{Assets in total, closing balance}}$$

Return on equity $$\frac{\text{Results for the year x 100}}{\text{Average equity}}$$

The principal activities of the company

Schoeller-Plast-Enterprise A/S develops, manufactures and delivers quality products of plastic material to Scandinavia, the UK and Ireland. The company also has related activities in the form of development of boxes and other plastic products in cooperation with the customers.

Development in activities and financial matters

The result for the company for 2018 was a profit of DKK 265k after tax. The equity hereafter amounts to DKK 47.201k.

The result from primary operations has been on a modest level as expected. The year has been characterized by a low level of activity during the first six months of 2018.

The result is in line with the expectations presented in the management's review for 2017.

The development of new solutions and negotiating with existing and new clients for new business areas have continued in the year.

The integration of the injection moulding assets and activities of FC Plast A/S was ongoing and has been completed at the start of 2019.

Furthermore the company has invested in new energy efficient machines, automation solutions and building improvements.

Capital ressources

The company continues to have a sound cash position and existing credit lines are sufficient for the activities that are expected in 2019.

Special risks

Operating risks and financial risks:
Due to the company's own storage capacity and entering into/securing long-term contracts at receipt of major orders, we have in general no operating risks due to the lack of raw materials. Breakdowns in case of fire are minimised by local separation of production machinery from the moulds. Our fire preventions strategy are reviewed on a continuous basis, and improvements are carried out when necessary.

As regards foreign exchange risks relating to investments in subsidiaries and associates abroad, these are not hedged, as it is the company's opinion that current hedging of such long-term investments will not be optimal from an overall risk and cost point of view.

The company has no material risks concerning one individual customer or cooperation partner. The company's policy of assuming credit risks means that all major customers and cooperation partners are assessed individually as regards the need for external credit rating, and usually credit rating is obtained for new customers.

Environmental issues

Schoeller-Plast-Enterprise A/S complies with all legal requirements relating to environmental approvals. Schoeller Plast is far below the maximum levels set for discharges into the environment. In 2019 Schoeller Plast will continue to successfully implement measures to reduce the company’s total energy consumption, such as investments into new, more energy efficient injection moulding machines.

Schoeller Plast produces in plastic raw materials that can be recycled. We have agreements with several customers on the collection of used plastic boxes, after which we grind boxes and recycle the material for non-food products. We can offer our customers to grind on location with our large mobile grinder, thus avoiding transportation of empty boxes. We reuse the heat which is generated during the production to warm up the premises.

Know how resources

Intellectual capital resources play an important part in the company's future earnings and development possibilities. The reason is the company's employees, who have considerable experience, extensive product knowledge and important cooperation relations with longtime customers. Due to the company's ownership relations with the Schoeller Plast Group, the company has access to the newest production technology and knowledge within plastic production. The affiliation with the Schoeller Plast Group also provides the Group with effective access to an international sales network. The Group has a number of important patents which are part of the basis of the high development standard of the products. The Schoeller Group is both nationally and internationally well known for manufacture of sophisticated high quality products of plastics, and therefore the company's name is an important part of the company's brand.

The expected development

There will be continued focus in 2019 on Schoeller Plast’s strategic path set out in 2017 to strengthen the company’s leadership, improve overall productivity/efficiency of current operations as well as finding new growth paths and business development opportunities. It is expected that a moderately increased activity will provide a profit that is higher compared to 2018.

Events subsequent to the financial year

The past months of 2019 was characterized by a normal level of activity and results. No events have occurred after year-end that could significantly affect the company's financial position.

Profit and loss account 1 January - 31 December

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

Note		2018	2017
	Gross profit	**30.855.762**	**31.092**
1	Staff costs	-25.653.831	-22.645
2	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-4.493.875	-6.318
	Operating profit	**708.056**	**2.129**
	Other financial income	95.311	3
3	Other financial costs	-460.149	-1.083
	Results before tax	**343.218**	**1.049**
4	Tax on ordinary results	-78.141	-232
	Results from ordinary activities after tax	**265.077**	**817**
5	**Results for the year**	**265.077**	**817**

Balance sheet 31 December

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

Assets

Note		2018	2017
	Fixed assets		
6	Acquired concessions, patents, licenses, trademarks and similar rights	125.000	146
7	Goodwill	416.667	512
	Intangible fixed assets in total	541.667	658
8	Land and property	20.308.416	18.697
9	Production plant and machinery	14.874.317	10.559
10	Other plants, operating assets, and fixtures and furniture	488.025	816
	Tangible fixed assets in total	35.670.758	30.072
11	Equity investments in group enterprises	288.717	293
	Financial fixed assets in total	288.717	293
	Fixed assets in total	**36.501.142**	**31.023**
	Current assets		
	Raw materials and consumables	6.909.299	5.815
	Manufactured goods and trade goods	5.756.886	5.138
	Inventories in total	12.666.185	10.953
	Trade debtors	20.782.840	29.950
	Other debtors	459.936	1.580
12	Accrued income and deferred expenses	1.055.867	1.056
	Debtors in total	22.298.643	32.586
	Available funds	14.315.025	29.435
	Current assets in total	**49.279.853**	**72.974**
	Assets in total	**85.780.995**	**103.997**

Balance sheet 31 December

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

Note	Equity and liabilities	2018	2017
	Equity		
13	Contributed capital	10.000.000	10.000
14	Results brought forward	37.201.028	36.887
	Equity in total	**47.201.028**	**46.887**
	Provisions		
16	Provisions for deferred tax	1.119.347	1.026
	Provisions in total	**1.119.347**	**1.026**
	Liabilities		
17	Mortgage debt	15.754.892	16.922
18	Leasing liabilities	5.102.807	1.933
	Long-term liabilities in total	20.857.699	18.855
19	Short-term part of long-term liabilities	3.218.322	2.697
	Bank debts	536.706	0
	Prepayments received from customers	22.200	22
	Trade creditors	9.172.153	30.543
	Debt to group enterprises	433.075	439
	Corporate tax	0	380
	Other debts	3.220.465	3.148
	Short-term liabilities in total	16.602.921	37.229
	Liabilities in total	**37.460.620**	**56.084**
	Equity and liabilities in total	**85.780.995**	**103.997**

20 Mortgage and securities

21 Contingencies

22 Related parties

Statement of changes in equity

DKK in thousands.

	Contributed capital	Results brought forward	Proposed dividend for the financial year	In total
Equity 1 January 2017	10.000	35.952	3.000	48.952
Distributed dividend	0	0	-3.000	-3.000
Profit or loss for the year brought forward	0	816	0	816
Adjustment of hedging	0	129	0	129
Exchange rate adjustment of subsidiary	0	-10	0	-10
Equity 1 January 2018	10.000	36.887	0	46.887
Profit or loss for the year brought forward	0	265	0	265
Adjustment of hedging	0	53	0	53
Exchange rate adjustment of subsidiary	0	-4	0	-4
	10.000	**37.201**	**0**	**47.201**

Cash flow statement 1 January - 31 December

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

Note		2018	2017
	Results for the year	265.077	817
23	Adjustments	4.936.855	7.629
24	Change in working capital	-12.574.028	8.403
	Cash flow from operating activities before net financials	-7.372.096	16.849
	Interest received and similar amounts	95.311	2
	Interest paid and similar amounts	-460.149	-570
	Cash flow from ordinary activities	-7.736.934	16.281
	Corporate tax paid	-379.544	-585
	Cash flow from operating activities	**-8.116.478**	**15.696**
	Purchase of intangible fixed assets	0	-651
	Purchase of tangible fixed assets	-10.088.802	-4.347
	Sale of tangible fixed assets	112.000	30
	Cash flow from investment activities	**-9.976.802**	**-4.968**
	Repayments of long-term debt	2.523.997	-3.187
	Dividend paid	0	-3.000
	Other cash flows from financing activities	-5.648	0
	Cash flow from financing activities	**2.518.349**	**-6.187**
	Changes in available funds	**-15.574.931**	**4.541**
	Available funds 1 January 2018	29.435.737	25.407
	Exchange rate adjustments (available funds)	-82.487	-513
	Available funds 31 December 2018	**13.778.319**	**29.435**
	Available funds		
	Available funds	14.315.025	29.435
	Short-term bank debts	-536.706	0
	Available funds 31 December 2018	**13.778.319**	**29.435**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		2018	2017
1.	**Staff costs**		
	Salaries and wages	22.158.594	19.469
	Pension costs	2.543.971	2.300
	Other costs for social security	347.184	367
	Other staff costs	604.082	509
		25.653.831	**22.645**
	Executive board	5.472.958	5.473
	Board of directors	297.795	312
		5.770.753	**5.785**
	Average number of employees	49	42
2.	**Depreciation, amortisation and writedown relating to tangible and intangible fixed assets**		
	Amortisation of concessions, patents and licences	21.429	4
	Amortisation of goodwill	95.238	298
	Depreciation on buildings	1.031.221	946
	Depreciation on production plants and machinery	2.992.595	4.598
	Depreciation on plants, operating assets, fixtures and furniture	389.858	504
	Profit/loss on sale of tangible assets	-36.466	-32
		4.493.875	**6.318**
3.	**Other financial costs**		
	Other financial costs	460.149	1.083
		460.149	**1.083**
4.	**Tax on ordinary results**		
	Tax of the results for the year, parent company	0	343
	Adjustment for the year of deferred tax	78.141	-111
		78.141	**232**

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		2018	2017
5.	**Proposed distribution of the results**		
	Allocated to results brought forward	265.077	817
	Distribution in total	**265.077**	**817**

		31/12 2018	31/12 2017
6.	**Acquired concessions, patents, licenses, trademarks and similar rights**		
	Cost 1 January 2018	2.388.150	2.238
	Additions during the year	0	150
	Cost 31 December 2018	**2.388.150**	**2.388**
	Amortisation and writedown 1 January 2018	-2.241.721	-2.238
	Amortisation for the year	-21.429	-4
	Amortisation and writedown 31 December 2018	**-2.263.150**	**-2.242**
	Book value 31 December 2018	**125.000**	**146**
7.	**Goodwill**		
	Cost 1 January 2018	2.500.000	2.000
	Additions during the year	0	500
	Cost 31 December 2018	**2.500.000**	**2.500**
	Amortisation and writedown 1 January 2018	-1.988.095	-1.690
	Amortisation for the year	-95.238	-298
	Amortisation and writedown 31 December 2018	**-2.083.333**	**-1.988**
	Book value 31 December 2018	**416.667**	**512**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		31/12 2018	31/12 2017
8.	**Land and property**		
	Cost 1 January 2018	40.565.694	38.178
	Additions during the year	2.642.552	2.388
	Cost 31 December 2018	**43.208.246**	**40.566**
	Depreciation and writedown 1 January 2018	-21.868.609	-20.948
	Depreciation for the year	-1.031.221	-921
	Depreciation and writedown 31 December 2018	**-22.899.830**	**-21.869**
	Book value 31 December 2018	**20.308.416**	**18.697**
	Public land assessment value as at 1 October 2018	33.139.100	33.169
9.	**Production plant and machinery**		
	Cost 1 January 2018	101.223.759	99.732
	Additions during the year	7.308.722	1.492
	Cost 31 December 2018	**108.532.481**	**101.224**
	Depreciation and writedown 1 January 2018	-90.665.569	-86.042
	Depreciation for the year	-2.992.595	-4.623
	Depreciation and writedown 31 December 2018	**-93.658.164**	**-90.665**
	Book value 31 December 2018	**14.874.317**	**10.559**
	Leased assets are included with a book value of	9.591.721	6.003

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		31/12 2018	31/12 2017
10.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2018	4.443.608	4.296
	Additions during the year	137.528	467
	Disposals during the year	-435.669	-319
	Cost 31 December 2018	**4.145.467**	**4.444**
	Depreciation and writedown 1 January 2018	-3.627.718	-3.445
	Depreciation for the year	-389.858	-504
	Depreciation, amortisation and writedown for the year, assets disposed of	360.134	321
	Depreciation and writedown 31 December 2018	**-3.657.442**	**-3.628**
	Book value 31 December 2018	**488.025**	**816**

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		31/12 2018	31/12 2017
11.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2018	823.077	907
	Disposals during the year	0	-84
	Cost 31 December 2018	**823.077**	**823**
	Revaluations, opening balance 1 January 2018	-530.216	-727
	Translation by use of the exchange rate valid on b	-4.144	-10
	Reversal of prior revaluations	0	207
	Revaluation 31 December 2018	**-534.360**	**-530**
	Book value 31 December 2018	**288.717**	**293**

The financial highlights for the enterprises according to the latest approved annual reports

	Share of ownership	Equity DKK	Results for the year DKK	Book value at Schoeller-Plast-Enterprise A/S DKK
Schoeller-Plast UK Ltd., London, GB	66,67 %	433.075	0	288.717
		433.075	**0**	**288.717**

		31/12 2018	31/12 2017
12.	**Accrued income and deferred expenses**		
	Prepayments	1.055.867	1.056
		1.055.867	**1.056**

Notes

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		31/12 2018	31/12 2017
13.	**Contributed capital**		
	Contributed capital 1 January 2018	10.000.000	10.000
		10.000.000	**10.000**

The share capital consists of;
5 sharees, each with a nominal value of DKK 500.
5 shares, each with a nominal value of DKK 900.
9.993 shares, each with a nominal value of DKK 1.000
No shares hold particular rights.

		31/12 2018	31/12 2017
14.	**Results brought forward**		
	Results brought forward 1 January 2018	36.887.410	35.952
	Profit or loss for the year brought forward	265.077	816
	Adjustment of hedging	52.705	129
	Exchange rate adjustment of subsidiary	-4.164	-10
		37.201.028	**36.887**
15.	**Proposed dividend for the financial year**		
	Dividend 1 January 2018	0	3.000
	Distributed dividend	0	-3.000
		0	**0**
16.	**Provisions for deferred tax**		
	Provisions for deferred tax 1 January 2018	1.026.341	1.137
	Deferred tax of the results for the year	93.006	-111
		1.119.347	**1.026**

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		31/12 2018	31/12 2017
17.	**Mortgage debt**		
	Mortgage debt in total	16.880.233	18.042
	Share of amount due within 1 year	-1.125.341	-1.120
		15.754.892	**16.922**
	Share of liabilities due after 5 years	11.688.688	12.823
18.	**Leasing liabilities**		
	Leasing liabilities in total	7.195.788	3.510
	Share of amount due within 1 year	-2.092.981	-1.577
		5.102.807	**1.933**
	Share of liabilities due after 5 years	313.998	1.933
19.	**Short-term part of long-term liabilities**		
	Short-term part of mortgage debt (balance sheet)	1.125.341	1.120
	Short-term part of leasing debts (balance sheet)	2.092.981	1.577
		3.218.322	**2.697**

20. Mortgage and securities

As security for mortgage debts, DKK 16.880, mortgage has been granted on land and buildings representing a book value of DKK 20.308 at 31 December 2018

For bank debts, DKK 0, and a credit line DKK 8.125 and EUR 250k, the company has provided security in company assets representing a nominal value of DKK 15.500. This security comprises the below assets, stating the book values in DKK:

Goodwill and rights	DKK 542
Machinery and equipment	DKK 5.771
Inventories	DKK 12.666
Receivable from sales and services	DKK 20.783

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

20. Mortgage and securities (continued)

For the aforementioned banking facilities, the company has also provided collateral for bank deposits of DKK 12.212.

Machinery and equipment, all representing a book value of DKK 9.592 at 31 December 2018, have been financed by means of financial leasing. At 31 December 2018, the liabilities of this financial leasing amount to DKK 7.196.

21. Contingencies

Contingent liabilities

Potential tax re. foreign deficits used in international joint taxation, DKK 4.408

Recognised deferred tax re. foreign deficits, DKK 0.

The company has entered into an operating lease agreement with an annual lease payment of DKK 114. The leases have a maximum residual maturity of 28 months and a total residual lease payment of DKK 450 incl. takeover obligation on leased assets.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

22. Related parties

Transactions

Transactions with related parties are deemed to be undertaken at normal market conditions and are therefore not disclosed further in accordance to the Danish Financial Statements Act § 98c, stk 7.

Amounts concerning 2018: DKK.
Amounts concerning 2017: DKK in thousands.

		2018	2017
23.	**Adjustments**		
	Depreciation and amortisation	4.493.876	6.317
	Other financial income	-95.311	-3
	Other financial costs	460.149	1.083
	Tax on ordinary results	78.141	232
		4.936.855	**7.629**

		2018	2017
24.	**Change in working capital**		
	Change in inventories	-1.713.748	1.916
	Change in debtors	10.287.786	-10.777
	Change in trade creditors and other liabilities	-21.148.066	17.264
		-12.574.028	**8.403**

Accounting policies used

The annual report for Schoeller-Plast-Enterprise A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

In accordance with section 111 of the Danish Financial Stements Act, cf. section 13, no consolidated financial statements have been prepared, since the subsidiary Schoeller-Plast UK Ltd. is immaterial.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

Derived financial instruments

At the first recognition, derived financial instruments are recognised at cost in the balance sheet. Afterwards they are measured at fair value. Positive and negative fair values of derived financial instruments are recognised under other debtors and other creditors respectively.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the profit and loss account together with any changes in the fair value of the hedged asset or the hedged liability.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging future cash flows are recognised under amounts owed or other debt in the equity.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs
Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown
Depreciation, amortisation and writedown comprise depreciation, amortisation and writedown for the year and gains and losses on disposal of intangible and tangible fixed assets.

Net financials
Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year
The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The parent enterprise has chosen optional international joint taxation with the foreign group enterprises. The joint taxation affects the current tax for the year and the changes in deferred tax for the parant enterprise.

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 7 years.

Goodwill

Goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is between 5 and 25 years. The amortisation period is determined on the basis of an expected payback period, being the longer for strategical acquirees with a strong market position and an expected long-term earnings profile.

Tangible fixed assets

Land and buildings are measured at cost with addition of revaluations and with deduction of accrued depreciation and writedown. Land is not depreciated.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Buildings	25-50 years
Technical plants and machinery	7-10 years
Other plants, operating assets, fixtures and furniture	2-10 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

Leasing contracts

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the company holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration)

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Schoeller-Plast-Enterprise A/S is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Schoeller-Plast-Enterprise A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Also capitalised residual leasing liabilities in connection with financial leasing contracts are recognised in the financial liabilities.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

The cash flow statement

The cash flow statement shows the cash flow of the company for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities, respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds with deduction of short-term bank debt and short-term securities with a term of less than 3 months which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.