Toly Group International ApS
CVR-nr. 25 69 57 47
Vesterbrogade, 149, DK-1620, København V, Denmark

Annual Report and Consolidated Financial Statements - 31 December 2018

The Annual Report and Consolidated Financial statements was presented and adopted at the Annual General Meeting of the Company on 28 May 2019.

Jørgen Kvist Hansen - Chairman

Contents

Management’s Statement on the Annual Report

The Executive Board has today considered and adopted the Annual Report and Consolidated Financial Statements of Toly Group International ApS for the financial year 2018.

We consider that the accounting policies have been appropriately applied, and in our opinion the Annual Report gives a true and fair view of the financial position and the results of operations and cash flows of the Group and the Company.

In our opinion, the Management’s Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 27 May 2019

Executive Board

Andrew Imre Gatesy	Joseph John Vella	William Wait
Jørgen Kvist Hansen	Samuel Xuereb	Nicholas Xuereb

Independent Auditor's Report

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Toly Group International ApS for the financial year 1 January - 31 December 2018, which comprise statement of comprehensive income, statements of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report - continued

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive 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 for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain 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 Group's and the Parent Company's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

Independent Auditor's Report - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 internal control that we identify during our audit.

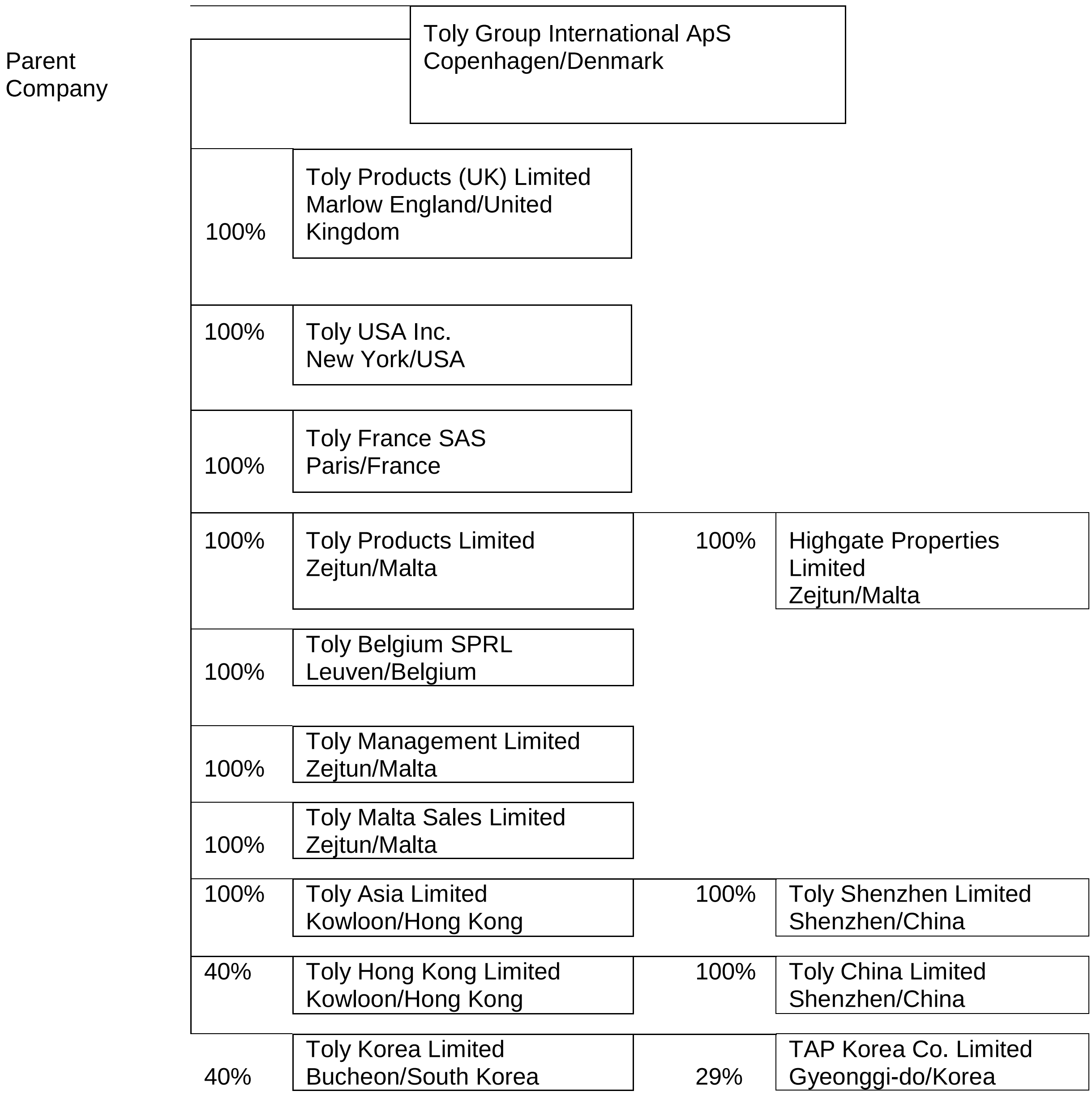
Hellerup, 27 May 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jens Otto Damgaard
State Authorised Public Accountant
Mne 9231

Company Information

The Company	Toly Group International ApS Vesterbrogade, 149, DK-1620, København V CVR-nr. 25 69 57 47 Financial year: 1 January - 31 December Municipality of reg. office: Copenhagen
Executive Board	Andrew Imre Gatesy Jørgen Kvist Hansen Joseph John Vella Nicholas Xuereb Samuel Xuereb William Wait
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Group Chart


Parent
Company
Toly Group International ApS
Copenhagen/Denmark
100%
Toly Products (UK) Limited
Marlow England/United
Kingdom
100%
Toly USA Inc.
New York/USA
100%
Toly France SAS
Paris/France
100%
Toly Products Limited
Zejtun/Malta
100%
Highgate Properties
Limited
Zejtun/Malta
100%
Toly Belgium SPRL
Leuven/Belgium
100%
Toly Management Limited
Zejtun/Malta
100%
Toly Malta Sales Limited
Zejtun/Malta
100%
Toly Asia Limited
Kowloon/Hong Kong
100%
Toly Shenzhen Limited
Shenzhen/China
40%
Toly Hong Kong Limited
Kowloon/Hong Kong
100%
Toly China Limited
Shenzhen/China
40%
Toly Korea Limited
Bucheon/South Korea
29%
TAP Korea Co. Limited
Gyeonggi-do/Korea

Financial Highlights of the Group

Seen over a five-year period, the development of the Group is described by the following financial highlights.

In connection with the change in accounting framework from Danish GAAP to IFRS during 2016, the comparative figures for the year 2014 has not been restated.

	2018 EUR'000	2017 EUR'000	2016 EUR'000	2015 EUR'000	2014* EUR'000
Key figures					
Profit/loss					
Revenue	**94,366**	87,545	66,700	63,924	52,502
Operating profit	**4,842**	4,750	2,341	771	170
Profit before tax	**12,745**	5,766	4,423	1,305	583
Profit after tax	**14,852**	9,171	4,626	1,748	273
Net profit for the year	**14,646**	8,915	4,268	2,027	899
Balance sheet					
Balance sheet total	**87,264**	63,790	47,578	42,237	35,604
Equity	**40,605**	25,541	16,626	12,358	9,986
Cash flows					
Cash flows generated from/(used in):					
- operating activities	**8,805**	11,013	3,623	1,883	2,610
- investing activities	**(13,562)**	(7,810)	(4,612)	(2,088)	(3,918)
- financing activities	**3,844**	2,264	869	(582)	1,844
Change in cash and cash equivalents for the year	**(913)**	5,467	(120)	(787)	536
Number of staff	**407**	400	396	379	357

Financial Highlights of the Group - continued

	2018	2017	2016	2015	2014*
Ratios %					
Gross profit margin	**16.6**	16	14.8	13.8	13.4
Profit margin	**5.1**	5.4	3.5	1.1	1.1
Return on net assets	**5.6**	7.4	4.9	1.8	1.6
Solvency ratio	**46.7**	40	34.9	29.3	28.0
Return on equity	**44.3**	42.3	29.5	15.4	9.9

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, refer to accounting policies.

REVIEW

Preface

The Executive Board is pleased to present its 17th Annual Report and the Financial Statements for the year ending 31st December 2018.

Toly Group International ApS (TGI or Toly) is the Parent Holding Company of a Group spanning the globe, from North America through Europe up to South Korea. Toly has built itself to be a world leading packaging solutions provider for the beauty industry and other selected market niches.

The Group's shareholding interests vary from minority status to full ownership.

Market development

Toly continued to achieve its ambitious growth targets, reaching turnover in 2018 of €94.4M, representing a CAGR (annual growth rate) of 16% over the past five years.

If one looks at the global market, all industries are being disrupted, including the beauty industry:

- Toly today sees that there is more volatility than ever before;
- New business models are created every day, driven by internet brands;
- There is a strong push towards sustainability;
- At the same time one can see a dying industrial model requiring more flexibility;
- And finally, a struggling retail business model that is trying to compete with on-line sales.

The beauty industry is generally growing at a faster rate than global growth rates. Toly continues to take advantage of this growth and in addition, increasing its share of the overall industry as growth rates are generally higher than the industry growth. The key markets that Toly has witnessed the strongest growth in 2018 were:

- The US markets, in particular on the east coast of the US
- The French market where Toly has regained a strong position following changes in the team structure in 2017
- The German and Eastern European market in which Toly has secured new flagship names in its portfolio of customers.

In 2018, Toly added a total of 51 new customers to its portfolio. The Group has a healthy mix of legacy brands and emerging brands, as well as the largest customer only accounting for 7% of the business. As a result, the customer spread continues to be well diversified reducing the Group's customer risk.

The past year

Developments in the year

The Group registered a profit after tax of €14.8M, a significant improvement over 2017, but mainly driven by a fair value gain on investment property of €6.3M.

In the operations part of the business, the Group continued to invest with a new 8,000 square metre factory in Korea which was officially opened in April 2018 and a brand new 20,000 square metre factory in Malta, which was operational in late 2018, and will be officially inaugurated in June 2019. Construction also commenced in late 2018 to build a new manufacturing plant for Toly Airless Packaging in Korea.

REVIEW - continued

The past year - continued

Developments in the year - continued

The key factors improving profitability in 2018 can be summarised in a few points:

1. Investment property – Two of the properties of the Group registered gains on their fair values in 2018, amounting to €6.3M.
2. The Group's profitability was positively impacted by the growth which increased the Group's contribution, whereas margins have remained consistent with 2017.
3. The operational performance was impacted by the migration to the new factory, with additional operational costs necessary to run two factories in Malta simultaneously. On the other hand, the trading business contributed to make up for the drop in manufacturing profitability.
4. The Group continued to invest in resource, IT and innovation as part of its foundations to scale up the business for further growth.

The Group's operating profit before tax, and excluding fair value gains on investments, amounted to €6.5M, an increase of €1M (17%) over 2017.

As reported in the past few years, the Group entered into a Memorandum of Understanding with Indian investors in late 2013, to take over 100% of the share capital of Toly Products India Private Ltd, with initial payments effected in late May 2014. A balance of €595k is currently in Escrow, awaiting final clearance from the authorities in India. Although this was yet again, not settled in 2018, the directors are confident that this will be resolved.

Outlook

The theme for Toly for 2019 is **"Scaling Up".** The Group has doubled the business between 2014 and 2018 on the back of plans and structures put in place in 2014. The Group has set a new milestone of reaching turnover of €250 million by 2025.

The Group continues to invest in new models for further growth:

- Beauty Trill is Toly's new full-service line with a difference, offering customers ready to go filled products on trend with customer expectations.
- Toly Deluxe is Toly's luxury paper division, with a core focus on paper palettes.
- Toly Design Studio offers customers branding as well as full design services.
- Through the innovation lab, Toly is creating a host of new applicators across different categories of the beauty industry.

These new models form part of Toly's spirit for innovation, where customers are being invited to the Group's innovation centre in Malta, to join workshops to create innovative solutions that address problems that customers are facing.

Toly recognises the need to continue to disrupt the packaging industry and is doing this by creating a beauty product development platform. With this platform, Toly is able to offer customers manufacturing, sourcing, full service, design capabilities and innovation partnerships.

The Group's scaling up plan includes a human resources plan, where all levels of the organisation are being strengthened with several new appointments having taken place in early 2019.

REVIEW - continued

Outlook - continued

The Group is confident in meeting the targets set for 2019, with growth levels in line with recent years and at the same time, Toly aims to continue improving the levels of profitability of the business. Toly continued to further strengthen its financial position by ensuring a good balance between bank financing and re-invested profits, being the two sources of financing of the Group. The Group has in fact increased its equity five times over from €8M in 2013 to €40M in 2018.

Toly is a privately-owned business with a family spirit and a long-term vision. The Group continues to be a customer centric one with a global commercial structure. At the same time, Toly ensures it maintains its technical proficiency with global manufacturing capabilities and also being agile and innovative through its disruptive model.

Capital base and going concern

Over the past few years, Toly has focused in strengthening its financial position, through a strategy of profitable growth and at the same time re-investing profits back into the business. The equity base, as described in the outlook section above, has increased by five times between 2013 and 2018. As a result, the Group's gearing ratio at the end of 2018 decreased further to 45%. If the cash and bank balances under current assets are included, the gearing ratio is actually 26%, meaning that for every €1 that the Group is lending, the shareholders have invested €4. At the same time the Group's leverage (Debt/EBITDA) was 1.94 at the end of December 2018 which is another positive benchmark on the Group's financial position.

The cash generated from operations was relatively strong with a net cash generated from operations of €9M, which although is lower than 2017, was mainly due to lower tax refunds. Cash flow management continues to be at the forefront in the day to day management of the Group and is reviewed every month by the executive management team in the KPI review process. Through this focus on KPIs across the business, greater emphasis has been placed on stronger cash flow management, through better debt collection, increased credit risk assessment and improved reporting. In addition, management adopted a programme called "power of one" with the sole aim of improving all the components of working capital by a factor of one.

Capital expenditure in 2018 was considerably high at €13.4M, mainly related to the new factory. However, there was also considerable capital expenditure in the Malta factory on new equipment and automation in relation to several new high-profile projects awarded to Toly.

The Group continues to place a certain level of dependence on its bankers, HSBC, Bank of Valletta, Lombard Bank, BNF Bank, APS Bank and Bank of America and on Malta Enterprise. All six banks continue to be partners to the business and have been very supportive of the Group's strategic direction. Malta Enterprise has provided financing to construct the new Malta factory. In addition, the Group has added Natwest in the UK, in 2019, as Toly decided to continue to spread the Group's credit exposure.

It is the view of the Directors that there is a reasonable expectation that the company and the Group are able to continue in operational existence for a period of at least 12 months from the end of the reporting period. Accordingly, the directors continue to adopt the going concern basis in preparing the Financial Statements.

REVIEW - continued

Operating and market risks

Toly is an international Group. Whilst the geographical spread of both its operations and its customers help hedge against particular circumstances in specific markets, Toly will monitor carefully the economic and financial scenarios across the world. The banks which support Toly have shown their willingness to continue their support and to demonstrate this, in 2018, new financing from its bankers, was secured.

Foreign exchange risks

The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures primarily with respect to GB Pound and US Dollar. The currency exposure mainly arises on export sales, imported purchases and foreign currency borrowing.

Interest rates

The Group is predominantly financed through bank borrowings, mainly bearing floating rates of interest. The Group continues to negotiate the lowest possible interest rates as part of the overall focus on managing costs.

Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and interest-bearing borrowings. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations. Management monitors liquidity risk by means of forecasts based on expected cash flows over a twelve-month period and assesses that the necessary financing options are available over the coming year.

The positive results over the last three years and the actions taken, as mentioned earlier, have maintained a relatively stable working capital position, facilitating the liquidity management of the Group. The shareholders have also shown continuous support of the business and intend to continue to do that if the need arises.

Strategy and objectives and expectations for the coming year.

The Group has set a milestone to be a €250 million business by 2025. This strategic objective is being executed through an investment in people, IT and several new pillars to the business. This programme, which is also the theme for 2019 “Scaling Up” is based on four key ingredients: People. Strategy, Execution and Cash. The Group aims to convert turnover to a 5% net profit and a positive cash flow in the short to medium term. With this milestone in mind, the Group Strategy is being built around this key financial objective.

Several activities continue to take place to meet this objective with several new factories built by both the Toly owned factories and those factories jointly owned with a number of partners in Korea. In addition, the investment in the innovation centre in 2014 continues to bear fruit as customers continue to visit and partner with Toly on several new projects. The Group continues to focus on enhancing the strength of its people, through highly powered training programmes and setting clear and focused KPI targets. In addition, the back-end IT infrastructure continues to be enhanced in order to have a platform to run the business on sound and data driven decisions.

REVIEW - continued

Special risks – operating risks and financial risks - continued

Strategy and objectives and expectations for the coming year *- continued*

Toly was very active in a “red ocean” market. However, with measured but determined steps, Toly has started to move more towards “blue ocean” markets, improving prices and margins. The Group continues to target customers through innovation and solutions rather than commodity products. At the same time, as part of the Group’s blue ocean strategy, a number of critical success factors have been identified and action plans against each one of these have been set.

Research & Development

Within the Group’s available resources and limitations, Toly is focused on being ahead of competition in finding alternative solutions for our customers. The Concept and Product Designers, Marketing and Development, work closely with institutions all over the world to keep abreast of what is available in the market and what the market expects. The R & D activity is done with a clear focus on adding value to existing customers and to entice potential customers to trust Toly with their developments.

Intellectual capital

Toly’s core value statement is very clear on how as an organisation, the Group places emphasis on people. Toly is a people company and Toly is a way of life. Toly has a strong corporate spirit and teamwork is an integral part of the Group’s everyday activities. Management believe that people will make the difference.

Toly is on the constant look out for the best people who can take this Group forward, ensuring that customers are given a total solution for their needs. The Group has therefore added key personnel to help support Toly’s growth ambitions.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Statement by the directors on non-financial information

This statement is being made by Toly Group International Aps pursuant to Section 99a of the Danish Financial Statements Act, whereby the company is obliged to prepare a report containing information to the extent necessary for an understanding of the Group's development, performance, position and the impact of its activities. For the purposes of Danish law, the Group is hereby reporting on the impact of its activities on environmental, social and employee numbers, respect for human rights, anti-corruption and bribery matters.

Toly's Business model

Toly's vision is to create a global beauty product development platform by connecting ideas with know-how and capabilities for its customers. Toly started operations in 1971 by producing packaging for the beauty and cosmetics industry and has since re-shaped the business several times, in order to meet its customers expectations. Today, Toly is able to offer customers, not just packaging, but filled products, innovation and several design services that give customers the ability to tap into a platform that gives them solutions to their problems.

Toly's mission is to partner with beauty brands and help bring amazing products to market. Equally importantly, Toly's purpose continues to be one where it can make a positive impact – Toly is not just a company, it is a way of life. Toly aims to make things better for the people it works with and the communities it works in.

Toly operates a business model whereby customer solutions are either manufactured internally by the various manufacturing plants across the globe, or through sourcing products from third parties. Toly sources products from third parties, approved by Toly, in areas that there is no or low manufacturing capability. In this way, Toly is able to give customers a one stop shop for their packaging requirements.

The Group continues to also invest in new models for further growth:

- Beauty Trill is Toly's new full-service line with a difference, offering customers ready to go filled products on trend with customer expectations
- Toly Deluxe is Toly's luxury paper division, with a core focus on paper palettes
- Toly Design Studio offers customers branding as well as full design services
- Through the innovation lab, Toly is creating a host of new applicators across different categories of the beauty industry

These new models form part of Toly's spirit for innovation, where customers are being invited to the Group's innovation centre in Malta, to join workshops to create innovative solutions that address problems that customers are facing.

Toly recognises the need to continue to disrupt the packaging industry and is doing this by creating a beauty product development platform. With this platform, Toly is able to offer customers, manufacturing, sourcing, full service, design capabilities and innovation partnerships.

Toly Group International Aps is a company registered in Denmark. The company has 800,000 ordinary shares with a nominal value of €1 each in issue of which were held by three shareholders. Each ordinary share carries equal voting rights.

Toly aims to adopt good corporate governance standards in the management of the business with regular board meetings for the board of directors. The board comprises a mix of non-executive directors and executive directors. In addition, a remuneration committee, made up of a mix of non-executive directors and management meet twice a year to review the remuneration of people within the organisation.

During the year 31 December 2018, the Group generated revenues of €94.4M and had 407 employees.

Statement by the directors on non-financial information - continued

Toly's Business model - continued

Toly manages the business with its four core values – people, passion, pride and creativity. Toly is a privately-owned business with a family spirit and a long-term vision. The Group continues to be a customer centric one with a global commercial structure. At the same time, Toly ensures it maintains its technical proficiency with global manufacturing capabilities and also being agile and innovative through its disruptive model.

Our commitment to the environment

The review of business section of this report sets out an overview of Toly's efforts on environmental performance. Toly's sustainability charter has been recently set-up. The business has a duty to remain financially sustainable for the benefit of all its stakeholders, partners and the communities within which it operates and which it supports.

The Group remains focused on reducing the impact of its products and activities the environment. Toly has dedicated personnel to ensure that all national legislation is adhered to and in most cases exceeded. In line with the Group's policy of promoting a high standard of environmental awareness wherever it is operating Toly strives hard to replicate the standards in our European operation in all the countries that Toly operates.

In addition, on 1 January 2019, Toly created a new role on the main executive team, fully dedicated to sustainability, encapsulating product and process sustainability. This new role will focus on investigating and bringing on board methods and technologies that will guarantee the sustainability of the business.

Policies and risks

Toly Group takes its environmental responsibilities very seriously and continues to put sustainability in general in the forefront of the way the business is managed.

Toly's charter addresses customers, products, manufacturing, people and suppliers.

Customers

Brands need to choose a sustainability path that is in line with their brand ethos and image. Our role is to educate, quantify and give the customer the tools and the choices necessary to make that decision. Global Warming Potential (GWP) data through Life Cycle Analysis will help the customer in the decision making process.

Suppliers

As part of its commitment to the environment, Toly commits to:

- Evaluate the impact of its suppliers on the environment, the society and the community within which they operate
- Prefer suppliers that minimize the impact of their activities

Statement by the directors on non-financial information - continued

Our commitment to the environment - continued

Water

In 2018, Toly built a new state of the art factory in Malta. This is the mother plant of the Group. The new factory was designed to incorporate several environmental measures.

In particular, the new factory incorporates geo-thermal energy savings. The factory was constructed with two large reservoirs with a total volume of 300,000 cubic meters. This water, harvested from the roofs, is used to cool machinery. Using the rick itself as a heatsink the water is cooled naturally therefore reducing the energy that would normally be required.

Energy and greenhouse gas emissions

Toly has built a factory in Malta designed to optimise the use of energy. From the ground-up measures and technologies have been put in place to minimise consumption and re-use waste where possible. The factory cooling system is designed to use volume and flow rather than temperature therefore requiring less energy. Waste heat from compressors and chillers are being used in production processes and reduce humidity. The building is insulated throughout to minimise losses. This factory serves as a blueprint for future manufacturing plants within the Group.

Products

Toly continues to give importance to a sustainable and circular economy. A number of initiatives have been adopted with various new concepts being reviewed regularly. With the appointment of a new Chief Officer for Sustainability, looking at both new reusable products and also at new technologies in production that are environmentally friendly, Toly continues to be in the forefront of ensuring it meets its environmental obligations.

Toly aims to leverage its knowledge in design, materials and process to minimize the impacts of its products on the environment. Toly aims to design, assess and minimize the impact of its products at the conception stage. The Group aims to use materials that can be recycled or reused. At the same time, Toly promotes the use of materials from renewable resources or ones that leave minimal impact on the environment and to be at the forefront, with regards to sustainable material technology. The Group is also working on the manufacturing processes, to minimize the use of resources throughout the manufacturing process through efficient product design, process design and the use of technologies that least impact the environment.

Manufacturing

In its manufacturing strategy, Toly aims to have sustainable factories, through the installation of technologies and processes that place environmental impact on a par with financial contribution: RTE vs ROI. At the same time, importance is given to proximity, whereby favour is given to manufacturing of goods close to the location of the customer. Toly aims to:

- Reduce the production of waste
- Where possible recycle all inputs and waste
- Reduce the use of energy per product
- Reduce the consumption of water and re-use where possible
- Favour the use of energy derived from renewable resources

Statement by the directors on non-financial information - continued

Our commitment to the environment - continued

Manufacturing - continued

The Malta factory continues to hold the Environment Certification ISO14001 as one of its many CSR activities. In addition, Toly China recently also obtained ISO14001 certification.

The Group is currently evaluating plans to install solar panels on the Malta based premises covering a total of 5,000 square meters. This will enable Toly to generate a total of 500 KW.

Our commitment to our people

Policies and risks

Toly's core value statement is very clear on how as an organisation, the Group places emphasis on people. Toly is a people company and Toly is a way of life. Toly has a strong corporate spirit and teamwork is an integral part of the Group's everyday activities. Management believe that people will make the difference.

Toly is on the constant look out for the best people who can take this Group forward, ensuring that customers are given a total solution for their needs. The Group has therefore added key personnel to help support Toly's growth ambitions.

On 1 January 2019, Toly appointed a new Chief Officer for HR, reporting to the Group CEO, a new role that previously did not exist within Toly. The objective of this role, amongst other things, is to ensure that policies and processes across the Toly organisation promote a fair and equitable treatment of all employees.

Toly aims to provide a working environment that is safe and prioritizes the health of its employee. Toly respects the rights of all employees in line with SA8000. At the same time, the Group ensures that it educates its employees so that Toly's employees can contribute to the society and environment around them at work and at home.

Training and education

Toly firmly believes in learning and development as key to scaling up the business. Significant investment has been made in recent years in the development of key executives across the Group. At the same time, the Group has recruited several new executives in its human resources arm, with the objective of enhancing learning and development within the organisation.

In 2018, several training activities took place across the organisation. A structured recording approach was adopted in January 2019, and for the period January to April 2019 a total of 533 hours were spent in training, with a further 1,571 hours planned for the remaining part of 2019.

Evaluation and appraisal

Toly adopts an appraisal policy that reflects on the past and focuses on continuous improvements. All staff are reviewed by their direct manager, at least once annually under Toly's Talent review process. Through this process, Toly employees carry out a self assessment, looking at achievements, failures, recognition, impact, areas of strength and weakness, attachment and alignment to Toly and finally an objective setting for the forthcoming period. A formal review then takes place with the employee's manager, with an aim to create a positive influence on Toly employees, address issues, and ultimately create tangible targets for the forthcoming period. The HR team train the reviewers to ensure there is consistency and alignment, and above all a positive impact on employees.

Statement by the directors on non-financial information - continued

Our commitment to our people

Diversity, inclusion and equality

As set out in the annual report in 2017, the Toly Board of directors aims as a separate target in gender equality to have a female member on the board of directors by the end of 2020. At this point in time, there are no female board members and the process to achieve this target has only just started.

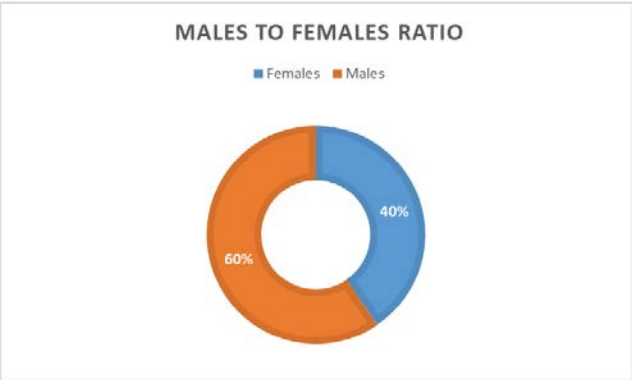
For executive management and the remaining management team and management levels, so far, no target for gender equality has been set, but is being evaluated by the Board of directors and executive management and some steps have been taken in 2018 and early 2019. However, further evaluations are required . These will include a review of the different equality requirements in the different levels of the organisation in order to determine the appropriate levels of female participation, thereby achieving an adequate level of equality among the workforce.

However, in 2018, Toly started to take a number of actions by steering certain recruitments and promotions to ensure there is an improved female participation. Toly recruited several new females in the different management levels of the organisation. In Malta, the senior management team of the factory was enhanced through the recruitment of the financial controller and HR Manager, being female. In addition, on 1 January 2019, the executive team was expanded with the promotion of a second female member on the executive team, which is the most senior level of management that includes the Chief Executive Officer, responsible to the Board of Directors of Toly Group. The Board is satisfied with the results of the actions taken by management to meet the legal requirements of female participation within Toly.

In its recruitment process the Group is always looking to employ the best candidate regardless of the gender of that person. With focus on training and education, it is the objective of the Group that talents of both genders will provide a supply of qualified people of both genders to the different management levels.

The Group continues to promote diversity and inclusion and also of ensuring pay equity across the different grade levels, with the objective of ensuring that there is equal pay for equal work. In addition, Toly reviews its business operations regularly and ensures that the highest standards for human rights are maintained at all times.

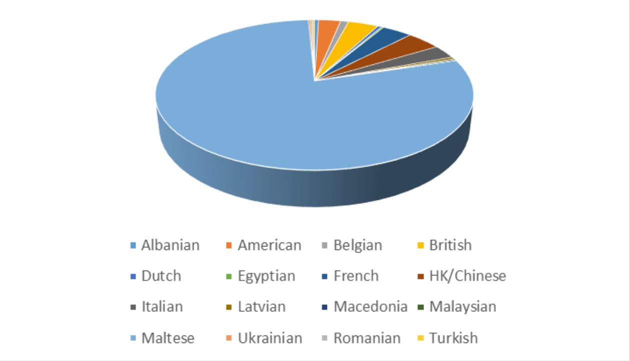
The male to female ratio of the Group is fairly balanced with 60% being male and 40% being female.



Statement by the directors on non-financial information - continued

Our commitment to our people - continued

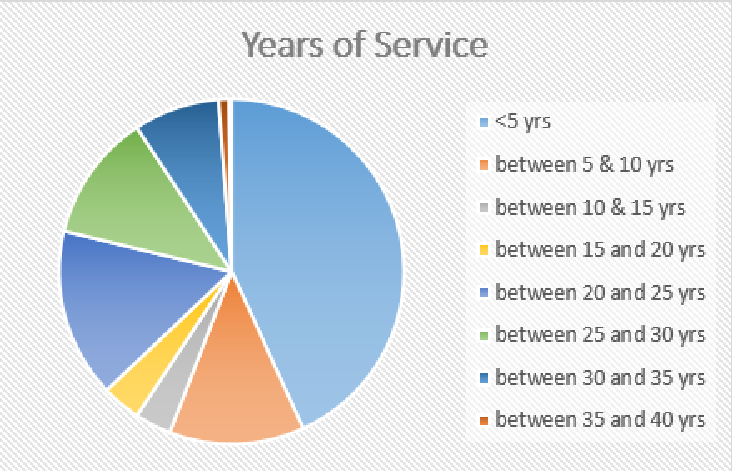
Diversity, inclusion and equality - continued



Albanian	2	0.5%
American	11	2.7%
Belgian	4	1.0%
British	15	3.7%
Dutch	2	0.5%
Egyptian	1	0.2%
French	15	3.7%
HK/Chinese	17	4.1%
Italian	12	2.9%
Latvian	2	0.5%
Macedonia	1	0.2%
Malaysian	1	0.2%
Maltese	324	79.0%
Ukrainian	1	0.2%
Romanian	1	0.2%
Turkish	1	0.2%

The workforce of Toly Group in 2019 has also been split by years of service:

Service		
<5 yrs	177	43%
between 5 & 10 yrs	52	13%
between 10 & 15 yrs	14	3%
between 15 and 20 yrs	15	4%
between 20 and 25 yrs	65	16%
between 25 and 30 yrs	49	12%
between 30 and 35 yrs	33	8%
between 35 and 40 yrs	4	1%
>40	1	0%



Statement by the directors on non-financial information - continued

Our commitment to our people - continued

Human rights and anti-corruption

Toly respects human rights at all times. In most countries it operates from, this is confirmed through Toly's compliance with laws in Malta, USA, UK, France, Belgium, Hong Kong and South Korea. In China, Toly has been audited several times by large beauty brands and these brands have confirmed Toly's adherence with human rights through positive conclusions on their social audits.

As at the date of the signing of these financial statements, Toly has adopted a new policy on human rights, ensuring that Toly offers a workplace that safeguards its employees from child labour, unlawful worktimes, human trafficking and unsafe workplaces.

The audit results have been positive in those countries where brands have requested an audit, with the same brands having full confidence of Toly servicing them through the sales network or by other plants where no audits have taken place.

Toly has had no reports whatsoever on contraventions to human rights or corruption throughout the history of the Group.

Workplace safety

Toly takes health and safety of its work force and contractors very seriously. We want any visitor to any Toly site to feel safe when visiting Toly. Policies and processes have been implemented by Toly's Health and Safety officer to ensure that health and safety is not only properly documented in processes, but also executed to ensure that safety is always given its due importance. Toly sets out detailed plans, to prevent, eliminate, minimise, mitigate and hence manage risks and to meet Toly's legal obligations and duties to support the Group Health and Safety policy. All employees, visitors and sub-contractors at Toly act to prevent injuries and health impairment through:

- On entry into Toly factories, visitors are provided with a detailed leaflet setting out the risks and obligations of the different parties;
- Continuous education in order to prevent injuries and impairment of health and improve the Health and Safety effectiveness;
- Continuous education for safe work on all workplaces in SFC;
- Exploration of new materials and equipment in order to decrease work place risk level;
- Proactive management of changes in OH&S Management system;
- Enabling feeling of safety of employees, sub-contractors, and visitors, considering the nature of work and real hazards that exist at every work place.

Training is continuously given to all employees. Specific training has been given to all employees in the Malta factory as they transitioned from the old factory to the new factory, with special emphasis on Health and Safety by the Company's Health and Safety officer.

Statement by the directors on non-financial information - continued

Our commitment to the wider society

Policies and risks

Toly adopts a policy of aiming to return something to the communities in which it operates. In Toly's vision, mission, values and purpose, Toly states "*Toly is not just a company, it is a WAY OF LIFE. We aim at MAKING THINGS BETTER for the people we work with and the communities we work in.*"

Community engagement

The Group has set a target to maximize the potential to help charities and encourage employees to be responsible and sustainable in the way that it fulfils its strategic goals. During 2018, several initiatives have taken place, with several CSR activities taking place in different areas. The Group publishes all its CSR activities on its website and can be found on: https://www.toly.com/en/our-company/csr/global-initiatives/.

The key activities that Toly participated in are:

1. Toly thinks pink: Pink October – In 2017 and 2018, Toly launched the Toly Thinks Pink Campaign. Four Blush Compacts were created and sold to the general public. The proceeds were donated to local NGOs:Pink October Malta and Hospice Malta.
2. Toly donated IT equipment to the MCAST University in Malta.
3. Support given to the Malta Community Chest fund and its contribution to the annual *L-Istrina* event.
4. Toly USA donated furniture to the ARC organisation in the US.

Toly is looking to further enhance its CSR activities, as the Group believes in returning something to the communities it operates in. A strategy is being devised that will set out the context and framework to maximize the potential to help charities and encourage employees to be responsible and sustainable in the way that Toly fulfils its strategic goals.

Anti-corruption and bribery

Toly's assessment of the risk on corruption and bribery is very low since the company is a privately-owned organisation, dealing with companies in the private sector. The potential incidence of corruption and bribery remain very low due to the industry, type and size of the organisation.

Directors, officers or employees at Toly Group have never been involved in allegations relating to corruption and bribery and no incidents of corruption or bribery have been reported or confirmed.

The new policy that will cover anti-corruption and bribery has been approved by the Group Board of directors together with at the approval of these financial statements. This policy aims to clarify that business decisions at Toly are to be never influenced by corruption. Unethical business practices, including money laundering, are strictly prohibited.

In dealing with public officials, other corporations and private citizens, Toly ensures that proper ethical business practices are adopted. The Group does not accept or tolerate payment of bribes or kickbacks or any unethical behaviour that will tarnish the reputation or honesty and integrity.

In addition, the policy gives protection to whistle-blowers and ensures they act in good faith and receive the necessary protection. The process for reporting any irregularities is laid out in the policy and the person's name reporting any alleged irregularities will always be kept anonymous.

Statement by the directors on non-financial information - continued

Our commitment to the wider society - continued

Anti-corruption and bribery – continued

Toly's internal control systems have been built through rigid financial controls, such as dual bank signatories and other controls, to combat fraud, corruption or any similar malpractice.

Conclusion

The board of directors of Toly Group International ApS has put sustainability at the top of its agenda, and sustainability in the wider sense, from ensuring that Toly has sustainable operations economically to protect the people that work for Toly, to Toly's commitment to the environment and its people. Investments in new factories are being made with a strong emphasis on the impact on environment, putting the return to the environment at par with the return on investment. The Group does not just look at the factory processes but also at materials used in the product or the processes, with an aim to find new materials that are reusable or recyclable. Funds are being earmarked to install power panels in some of the sites of Toly with an aim to generate an element of power from renewable sources.

Finally, Toly has a strong believe in helping the communities it works in with several initiatives taking place to give back something to these communities, from initiatives in Malta to the US. Toly is committed to not only maintain these activities, but to further enhance its CSR activity.

Statements of comprehensive income

		Group		Company	
		Year ended 31 December			
	Notes	**2018**	2017	**2018**	2017
		EUR ’000	EUR ’000	**EUR ’000**	EUR ’000
Revenue	4	**94,366**	87,545	**-**	-
Production costs	5	**(78,721)**	(73,519)	**-**	-
Gross profit		**15,645**	14,026	**-**	-
Selling and distribution costs	5	**(2,464)**	(1,713)	**-**	-
Administrative expenses	5	**(9,325)**	(7,861)	**(60)**	(106)
Other operating income	7	**1,405**	747	**1,147**	389
Other operating expenses	8	**(419)**	(449)	**-**	-
Operating profit		**4,842**	4,750	**1,087**	283
Fair value gain on investment property	14	**6,285**	285	**-**	-
Share of associates’ profits	16	**2,268**	1,370	**-**	-
Finance income	9	**178**	141	**44**	7
Finance costs	10	**(828)**	(780)	**(135)**	(165)
Profit before tax		**12,745**	5,766	**996**	125
Tax income	11	**2,107**	3,405	**-**	-
Profit for the year - attributable to owners of the Company		**14,852**	9,171	**996**	125
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		**(206)**	(256)	**-**	-
Total comprehensive income - attributable to the owners of the Company		**14,646**	8,915	**996**	125

The notes on pages 29 to 76 are an integral part of these financial statements.

Statements of financial position

	Notes	Group As at 31 December 2018 EUR '000	Group As at 31 December 2017 EUR '000	Company As at 31 December 2018 EUR '000	Company As at 31 December 2017 EUR '000
ASSETS					
Non-current assets					
Intangible assets	12	**264**	256	**-**	-
Property, plant and equipment	13	**26,914**	15,621	**-**	-
Investment property	14	**13,150**	6,922	**-**	-
Investment in subsidiaries	15	**-**	-	**7,253**	7,253
Investment in associates	16	**8,748**	6,441	**315**	315
Trade and other receivables	18	**996**	32	**-**	-
Total non-current assets		**50,072**	29,272	**7,568**	7,568
Current assets					
Inventories	17	**3,301**	5,555	**-**	-
Trade and other receivables	18	**26,019**	21,257	**787**	432
Current tax assets		**377**	99	**-**	-
Cash and cash equivalents	19	**7,495**	7,607	**888**	144
Total current assets		**37,192**	34,518	**1,675**	576
Total assets		**87,264**	63,790	**9,243**	8,144

Statements of financial position - continued

	Notes	Group As at 31 December 2018 EUR '000	Group As at 31 December 2017 EUR '000	Company As at 31 December 2018 EUR '000	Company As at 31 December 2017 EUR '000
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	20	**800**	800	**800**	800
Share premium	20	**5,684**	5,684	**5,684**	5,684
Other reserve	21	**(1,041)**	(835)	**-**	-
Retained earnings/(accumulated losses)		**35,162**	19,892	**(1,393)**	(2,389)
Total equity		**40,605**	25,541	**5,091**	4,095
LIABILITIES					
Non-current liabilities					
Trade and other payables	23	**1,919**	1,460	**-**	-
Borrowings	24	**9,289**	4,284	**-**	-
Deferred tax liabilities	22	**1,763**	492	**-**	-
Provisions for other liabilities and charges		**-**	79	**-**	-
Total non-current liabilities		**12,971**	6,315	**-**	-
Current liabilities					
Trade and other payables	23	**24,384**	22,577	**4,152**	4,049
Current tax liabilties		**467**	320	**-**	-
Borrowings	24	**8,837**	9,037	**-**	-
Total current liabilities		**33,688**	31,934	**4,152**	4,049
Total liabilities		**46,659**	38,249	**4,152**	4,049
Total equity and liabilities		**87,264**	63,790	**9,243**	8,144

The notes on pages 29 to 76 are an integral part of these financial statements.

Statement of changes in equity

Group	Attributable to owners of the Company				
	Share capital EUR '000	**Share Premium EUR '000**	**Other reserves EUR '000**	**Retained earnings EUR '000**	**Total EUR '000**
Balance as at 1 January 2017	800	5,684	(579)	10,721	16,626
Comprehensive income					
Profit for the year	-	-	-	9,171	9,171
Other comprehensive income for the year – currency translation differences	-	-	(256)	-	(256)
Total comprehensive income for the year	-	-	(256)	9,171	8,915
Balance as at 31 December 2017	**800**	**5,684**	**(835)**	**19,892**	**25,541**
Balance as at 1 January 2018	800	5,684	(835)	19,892	25,541
Impact of changes in accounting policies (Note 1.1) Adjustment on adoption of IFRS 15	-	-	-	418	418
Re-stated total equity at the beginning of the financial year	**800**	**5,684**	**(835)**	**20,310**	**25,959**
Comprehensive income					
Profit for the year	-	-	-	14,852	14,852
Other comprehensive income for the year – currency translation differences	-	-	(206)	-	(206)
Total comprehensive income for the year	-	-	(206)	14,852	14,646
Balance as at 31 December 2018	**800**	**5,684**	**(1,041)**	**35,162**	**40,605**

Statement of changes in equity - continued

Company	**Share capital EUR '000**	**Share premium EUR '000**	**Retained earnings EUR '000**	**Total EUR '000**
Balance as at 1 January 2017	800	5,684	(2,514)	3,970
Comprehensive income				
Profit for the year - total comprehensive income	-	-	125	125
Balance as at 31 December 2017	**800**	**5,684**	**(2,389)**	**4,095**
Balance as at 1 January 2018	800	5,684	(2,389)	4,095
Comprehensive income				
Profit for the year - total comprehensive income	-	-	996	996
Balance as at 31 December 2018	**800**	**5,684**	**(1,393)**	**5,091**

Statements of cash flows

		Group		Company	
	Notes	**2018 EUR ’000**	2017 EUR ’000	**2018 EUR ’000**	2017 EUR ’000
Cash generated from operations	25	**6,210**	7,969	**835**	249
Interest paid	10	**(828)**	(780)	**(135)**	(165)
Interest received	9	**178**	141	**44**	7
Income tax received		**3,245**	3,683	**-**	-
Net cash generated from operating activities		**8,805**	11,013	**744**	91
Cash flows from investing activities					
Purchase of intangible assets	12	**(107)**	(166)	**-**	-
Purchase of property, plant and equipment	13	**(13,427)**	(7,514)	**-**	-
Purchase of investment property	14	**(31)**	(130)	**-**	-
Proceeds from sale of intangibles and property, plant and equipment		**3**	-	**-**	-
Cash flows used in investing activities		**(13,562)**	(7,810)	**-**	-
Cash flows from financing activities					
Proceeds from loans		**9,020**	6,230	**-**	-
Repayment of loans		**(4,172)**	(3,251)	**-**	-
Movement in bank overdrafts		**(974)**	(743)		
Acquisition of finance lease		**-**	28	**-**	-
Repayment of finance leases		**(30)**	-	**-**	-
Cash flows generated from financing activities		**3,844**	2,264	**-**	-
Net movement in cash and cash equivalents		**(913)**	5,467	**744**	91
Cash and cash equivalents at beginning of the year		**7,607**	2,146	**144**	53
Effect of translation from functional to presentation currency		**(160)**	(6)	**-**	-
Cash and cash equivalents at the end of the year	19	**6,534**	7,607	**888**	144

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. The Annual Report is presented in EUR thousands.

1.1 Basis of preparation and adoption of IFRS

The consolidated financial statements include the financial statements of Toly Group International ApS and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. They have been prepared under the historical cost convention, as modified by the fair valuation of investment property.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2018. The adoption of these revisions required the Group to change its accounting policies following the adoption of IFRS 9 and IFRS 15, as further disclosed in notes 1.4 and 1.16.

As a result of the changes in the Group's accounting policies and as explained in Notes (b) and (c) below, IFRS 9 and IFRS 15 were adopted without restating comparative information. The reclassifications and the adjustments arising from the new requirements are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

(a) Impact on the financial statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below, ignoring deferred tax impacts at the rate of the applicable jurisdictions at 1 January 2018. The adoption of IFRS 9, although resulting in changes to accounting policies, did not impact the amounts recognised as at 31 December 2017, nor was there any impact resulting from changes in presentation of line items.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. The Group elected to apply the standard only to contracts that are not completed at 1 January 2018.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation and adoption of IFRS - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

(a) Impact on the financial statements - continued

	1 January 2018		
	Based on 31 December 2017 - as originally reported	Impact of adoption of IFRS 15	As restated
Statement of financial position (extract)	EUR	EUR	EUR
Inventory	5,555	(2,511)	3,044
Trade and other receivables	21,257	2,929	24,186
	26,812	418	27,230
EQUITY AND LIABILITIES			
EQUITY			
Retained earnings	19,892	418	20,310
	19,892	418	20,310

The impact on the group's retained earnings as at 1 January 2018 is as follows:

		2018
		EUR
Opening retained earnings after IFRS 15 re-statement		20,310
Decrease in revenue	(i)	(2,929)
Decrease in cost of sales	(i)	2,511
Opening retained earnings before IFRS 15 re-statement		19,892

(i) The Group manufactures luxury packaging for the cosmetic, fragrance and skin care industries using either custom or stock tools. Under IFRS 15, custom-made orders which have no alternative use and for which the Group has the right of payment shall be recognised as revenue.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation and adoption of IFRS - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

	As at 31 December 2018		
	Amount before IFRS 15 re-statement	Impact of adoption of IFRS 15	Amount after IFRS 15 re-statement
Statement of comprehensive income (extract)	EUR	EUR	EUR
Revenue	94,691	(325)	94,366
Production cost	(78,974)	253	(78,721)
Statement of financial position (extract)			
Current Assets			
Inventory	5,269	(1,968)	3,301
Trade and other receivables	23,705	2,314	26,019

(b) IFRS 9 – Financial Instruments

IFRS 9 replaced the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement; the Group adopted IFRS 9 on 1 January 2018, which is the date of initial application of the standard. IFRS 9 has resulted in changes in accounting policies related to the classification and measurement and impairment of financial assets. The Group has taken advantage of the exemption in IFRS 9 allowing it not to restate comparative information for prior periods with respect to classification and measurement and impairment charges.

(i) Classification of Financial Instruments under IFRS 9

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

The transition from IAS 39 to IFRS 9 did not have a material impact on the Group’s measurement models applied to its financial assets; the differences between IAS 39 and IFRS 9 consists solely of reclassifications. Reclassification adjustments reflect the movement of balances between categories of financial assets with no impact to shareholders’ equity. There is no change to the carrying value of financial instruments as a result of reclassifications.

1. Summary of significant accounting policies – continued

1.1 Basis of preparation and adoption of IFRS – continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

The application of IFRS 9 resulted in the reclassification of all the Group's financial assets from the 'Loans and receivables' category in IAS 39 to 'Financial assets at amortised cost' under IFRS 9. These assets comprise loans, trade and other receivables and cash and cash equivalents. The new classification requirements have not had a material impact on the Group's accounting for loans and receivables, which continued to be measured at amortised cost upon the adoption of IFRS 9, and they did not have an impact on the classification of the Group's financial liabilities.

(ii) Impairment of financial assets under IFRS 9

From 1 January 2018 the Group has to assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Group's financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables. The impact on the Group of this change in the impairment model is not significant in view of the high quality of the counterparties to which the Group is exposed to credit risk, and therefore the loss allowance is not material.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

The new policy is disclosed in more detail in note 1.16.

(c) IFRS 15 Revenue from contracts with customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when customers obtain control of the good or service and thus have the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

After taking cognisance of the nature of the Group's contracts with customers, as a result of the transition to IFRS 15 an adjustment was made to the Group's results and financial position as disclosed in Note (a) above.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2018. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the Group's management are of the opinion that, except as disclosed below, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation and adoption of IFRS - continued

Standards, interpretations and amendments to published standards that are not yet effective - continued

IFRS 16, 'Leases'

Under IFRS 16 a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard is effective for annual periods beginning on or after 1 January 2019.

The Group has entered into long-term leases; these arrangements were classified as operating leases under IAS 17. As at the reporting date, the Group has non-cancellable operating lease commitments in respect of long-term office leases amounting to €703,802.

The Group will apply the standard from its mandatory adoption date of 1 January 2019 and will apply the modified transition approach. As a result, the Group will not restate comparative amounts for the year prior to first adoption. Under this approach, the lease liability is measured at the present value of the remaining lease payments as at 1 January 2019, which management has estimated to amount to €677,522. Right-of-use assets at that date will be measured at an amount equivalent to this lease liability, adjusted for any prepaid or accrued operating lease expenses, with no adjustment to equity.

The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure by amortisation of the right-of-use asset, and an interest cost on the lease liability. On the basis of the lease arrangements in place at 1 January 2019, management estimates that rental costs of €202,343 for the year ending 31 December 2019 will be replaced by a notional interest charge that is expected to be in the region of €22,006, and an annual amortisation charge in the region of €167,725. This will therefore result in an increase of approximately €12,616 in profitability for the year ending 31 December 2019.

Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the Group's statement of cash flows. The Group's policy is to present interest payments as operating cash flows. Accordingly, lease payments of €202,343 for the year ending 31 December 2019, representing rental payments allocated to a reduction in the lease liability, will be reported as a financing cash flow instead of an operating cash flow.

1. Summary of significant accounting policies - continued

1.2 Consolidation

The Annual Report comprises the Parent Company, Toly Group International ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

The financial statements used for the purpose of the Annual Report of the Group have been prepared in accordance with the accounting policies of the Group. The Annual Report of the Group has been prepared on the basis of the financial statements of the Parent Company and subsidiaries by combining accounting items of a uniform nature.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consieration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed (identifiable net assets) in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

On consolidation, elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

1. **Summary of significant accounting policies** - continued

1.2 Consolidation - continued

(a) Subsidiaries - continued

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The results of subsidiaries are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests, where the acquisition or disposal of partial interests in a subsidiary has no impact on the Group's ability to govern control the subsidiary's financial and operating policies, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date on which significant influence is acquired. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(c) Associates - continued

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to its share of the associates' profit/(loss) in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

When the Group ceases to have significant influence, any retained interest in the entity is remeasured to its fair value at the date when significant influence is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

In the Company's separate financial statements, investments in associates are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of associates are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in euro, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation - continued

(b) Transactions and balances - continued

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'administrative expenses'.

(c) Group companies

Income statements of foreign entities are translated into the Group's presentation currency at the average exchange rates for the year and statements of financial position are translated at the exchange rates ruling at year-end. All resulting translation differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to other comprehensive income. On disposal or partial disposal of a foreign entity, translation differences that were previously recognised in other comprehensive income are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation differences are recognised in other comprehensive income.

1.4 Revenue recognition

Accounting policy applied from 1 January 2018

Revenues include all revenues from the ordinary business activities of the Group. Ordinary activities do not only refer to the core business but also to other recurring sales of goods. Revenues are recorded net of value added tax. The Group's business principally comprises sales of goods in the cosmetics, fragrance and skin care industry.

(a) Sale of goods

Revenues are recognised in accordance with the provision of goods, provided that collectability of the consideration is probable. The Group manufactures luxury packaging for the cosmetic, fragrance and skin care industries using either custom or stock tools. Under IFRS 15, custom-made orders which have no alternative use and for which the Group has the right of payment will be recognised as revenue.

IFRS 15 requires that at contract inception the goods promised in a contract with a customer are assessed and each promise to transfer to the customer the good is identified as a performance obligation. In their assessment, management considers that the Group has one performance obligation. The single performance obligation of goods manufactured using custom tools are satisfied over time wheras for goods manufactured that have the possibility of alternative use, are satisfied at a point in time depending on the shipping terms.

IFRS 15 also requires the Group to determine the transaction price and allocate the transaction price to the performance obligation. The transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of goods. The Group determined the transaction price based on the customer order.

1. Summary of significant accounting policies - continued

1.4 Revenue recognition - continued

Accounting policy applied from 1 January 2018 – continued

(a) *Sale of goods* - continued

A contract asset must be recognised if the Group's recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

Accounting policy applied until 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is recognised upon delivery of products or performance of services, and is stated net of sales tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met as described below.

(a) Sale of goods

All revenues are recognised in the income statement as earned based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined, and payment has been received at the time of sale or may with reasonable certainty be expected to be received.

Based on the above, revenues are recognised in the income statement as earned. Furthermore, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

1. Summary of significant accounting policies - continued

1.5 Production costs

Production costs comprise expenses incurred to generate the revenue for the year. The cost comprises raw materials, consumables, direct labour and factory overheads such as maintenance and depreciation, etc, as well as factory operation, administration and management of factories.

Research expenses, development costs that do not meet the capitalisation criterion and amortisation of capitalised development costs are also recognised under production expenses.

1.6 Selling and distribution expenses

Distribution expenses comprise expenses such as salaries for sales personnel and distribution staff, advertising and marketing expenses, as well as motor vehicles depreciation and amortisation, etc.

1.7 Administrative expenses

Administrative expenses include expenses for Management, the administrative staff, office expenses, telephone, travel expenses, maintenance, amortisation, depreciation, etc. Amortisation and depreciation, are also included for the share relating to the administration activity.

1.8 Other operating income/expenses

Other operating income and other operating expenses comprise items of a secondary nature compared to the core activities of the Group, including realised and unrealised exchange adjustments.

1.9 Financial income and expenses

Financial income and expenses comprise interest and financial expenses in respect of finance leases.

1. **Summary of significant accounting policies** - continued

1.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Patents

Development costs are capitalised and amortised using the straight-line method over their useful life, generally over a period of five years. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary.

1.11 Property, plant and equipment

Property, plant and equipment comprising land and buildings, plant, machinery and equipment, office furniture and equipment and motor vehicles are initially recorded at cost and are subsequently shown at cost less depreciation. Costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated to write off the cost of each asset to their residual values over their estimated useful life. All assets are depreciated using the straight line method.

Property, plant and equipment is depreciated using the straight-line method. The principal annual rates used for this purpose are:

Factory building and improvements to premises	2%
Plant and machinery	7.5% - 20%
Fixtures and fittings, tools and equipment	10% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Assets in the course of construction are stated at cost, net of accumulated impairment losses, if any. Depreciation is charged upon the commissioning of the asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are taken into account in profit or loss.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

1. Summary of significant accounting policies - continued

1.12 Impairment of fixed assets

The carrying amount of property, plant and equipment is reviewed on an annual basis to determine whether there is any indication of impairment. If so, the asset is written down to the lower recoverable amount. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where it is not possible to determine the recoverable amount for the individual asset, the smallest group of assets for which it is possible to state the recoverable amount is reviewed for impairment.

1.13 Leases

Leases in respect of property, plant and equipment in terms of which the individual group enterprises assume substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the fair value of the leased asset, if measurable. Alternatively, the net present value, if lower, of future lease payments at the inception of the lease is applied. When computing the net present value, the interest rate implicit in the lease is applied as the discount rate or an approximated value. Assets acquired under finance leases are depreciated and written down for impairment like the other property, plant and equipment of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement over the lease term.

1.14 Investment property

Investment property, principally comprising freehold office buildings, residential units and garage spaces are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually by the directors in consultation with real estate and professionals advisors. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, comparative prices for similar units in locations adjacent to the Group’s investment property.

1. Summary of significant accounting policies - continued

1.14 Investment property - continued

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

1.15 Inventories

Inventories are measured at the lower of cost and net realisable value. The net realisable value of inventories is calculated as the total of future sales revenues expected, at the balance sheet date, to be generated by inventories in the process of normal operations and determined allowing for marketability, obsolescence and development in expected sales sum less the estimated expenses necessary to make the sale.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Any borrowing expenses in the period of construction are not recognised.

1. Summary of significant accounting policies - continued

1.16 Financial assets

The comparative information provided continues to be accounted for in accordance with the Group's previous year accounting policy.

Accounting policy applied from 1 January 2018

1.16.1 Classification

The Group classifies its financial assets as financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

1.16.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss.

1. Summary of significant accounting policies - continued

Accounting policy applied from 1 January 2018 - continued

1.16.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group's financial assets are subject to the expected credit loss model.

Expected credit loss model

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1. Summary of significant accounting policies - continued

1.16 Financial assets - continued

1.16.3 Impairment - continued

Simplified approach model

For trade receivables, the Group applies the simplified approach required by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2018 or 1 January 2018, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Accounting policies applied until 31 December 2017

1.16.4 Classification

The Group classified its financial assets in the loans and receivables category. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets on initial recognition and re-evaluated this designation at every reporting date.

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They arose when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They were included in current assets, except for maturities greater than twelve months after the end of the reporting period. These were classified as non-current assets. The Group's loans and receivables was composed of trade and other receivables and cash and cash equivalents in the statement of financial position (Note 1.17 and 1.18).

1.16.5 Recognition and measurement

The Group recognised a financial asset in its statement of financial position when it became a party to the contractual provisions of the instrument. All loans and advances were recognised when cash is advanced to the borrowers. Regular way purchases and sales of financial assets were recognised on settlement date, which is the date on which an asset was delivered to or by the Group. Any change in fair value for the asset to be received was recognised between the trade date and settlement date in respect of assets which were carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Loans and receivables were initially recognised at fair value plus transaction costs. Loans and receivables were subsequently carried at amortised cost using the effective interest method. Amortised cost was the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets were derecognised when the rights to receive cash flows from the financial assets had expired or had been transferred and the Group had transferred substantially all risks and rewards of ownership or had not retained control of the asset.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

Accounting policies applied until 31 December 2017 - continued

1.16.6 Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could have been reliably estimated. The Group first assessed whether objective evidence of impairment existed. The criteria that the Group used to determine that there is objective evidence of an impairment loss included:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it became probable that the borrower entered into bankruptcy or other financial reorganisation;

The Group first assessed whether objective evidence of impairment existed individually for financial assets that were individually significant. If the Group determined that no objective evidence of impairment existed for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment loss. Assets that were individually assessed for impairment and for which an impairment loss was or continued to be recognised were not included in a collective assessment of impairment.

For financial assets carried at amortised cost, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount was reduced and the amount of the loss was recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could have been related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss. Impairment testing of trade receivables was described in Note 1.17.

1.17 Receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.16).

Details about the Group's impairment policy and the calculation of loss allowance are provided in Note 1.16.

1. Summary of significant accounting policies - continued

1.18 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.19 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities'). These financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.20 Share capital

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

1.21 Dividends

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

1.22 Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

1.23 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants are recognised directly in profit or loss to the extent that the government cash grant relates to compensation for the conversion of unutilised tax credits to which the Group was entitled.

The Group is also entitled to government grants arising from various activities including staff training and fairs and exhibitions which are also recognised in profit or loss once cash is received.

1. Summary of significant accounting policies - continued

1.24 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.25 Financial debts

Fixed-interest loans, such as loans from credit institutions, intended to be held to maturity are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost equal to the capitalised value using the effective interest method, so that the difference between the proceeds and the nominal value (the capital loss) is recognised in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

1.26 Prepayments and deferred income

Prepayments include expenses incurred in respect of subsequent financial years. Such expenses are typically prepaid expenses concerning rent, insurance premiums, acquisition of tooling not yet commissioned and interest.

Deferred income includes payments received in respect of income in subsequent years.

1.27 Corporate income tax and deferred tax

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity.

Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes or other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustment is made for deferred tax concerning eliminations made in respect of unrealised interGroup gains and losses.

Deferred tax is measured on the basis of the tax rules and tax rates of the respective countries that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

1. Summary of significant accounting policies - continued

1.28 Statements of cash flows

The statements of cash flows show the Group's and the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the consolidated profit/loss for the year adjusted for non-cash operating items such as depreciation, amortisation and impairment losses, provisions as well as changes in working capital, interest received and paid and corporation tax paid. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as investment property.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payment of dividend to shareholders.

1.29 Definition of financial ratios

Gross profit margin $= \dfrac{\text{Gross profit/loss x 100}}{\text{Revenue}}$

Profit margin $= \dfrac{\text{Profit/loss before financials x 100}}{\text{Revenue}}$

Return on net asset $= \dfrac{\text{Profit/loss before financials x 100}}{\text{Total assets}}$

Solvency ratio $= \dfrac{\text{Equity at year end x 100}}{\text{Total assets}}$

Return on equity $= \dfrac{\text{Net profit/loss for the year x 100}}{\text{Average equity}}$

2. Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. The Group's Executive Board provides principles for overall Group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks primarily with respect to USD, GBP and HKD. The currency exposure mainly arises on export sales, imported purchases and foreign currency borrowings.

The table below summarises the Group's main exposures to foreign currencies, other than the functional currency, as at 31 December 2018 and 2017.

Group	Assets EUR '000	Liabilities EUR '000	Net exposure EUR '000
As at 31 December 2018			
Amounts denominated in USD as a foreign currency	16,868	8,483	8,385
Amounts denominated in GBP as a foreign currency	6,125	564	5,561
Amounts denominated in HKD as a foreign currency	249	775	(526)
Amounts denominated in CHF as a foreign currency	299	56	243
	23,541	**9,878**	**13,663**
As at 31 December 2017			
Amounts denominated in USD as a foreign currency	15,325	5,497	9,828
Amounts denominated in GBP as a foreign currency	3,822	1,487	2,335
Amounts denominated in HKD as a foreign currency	314	1,616	(1,302)
	19,461	**8,600**	**10,861**

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

Company	Assets EUR '000	Liabilities EUR '000	Net Exposure EUR '000
As at 31 December 2018			
Amounts denominated in USD as a foreign currency	720	-	720
Amounts denominated in GBP as a foreign currency	1	-	1
Amounts denominated in HKD as a foreign currency	127	-	127
	848	**-**	**848**
As at 31 December 2017			
Amounts denominated in USD as a foreign currency	92	-	92
Amounts denominated in GBP as a foreign currency	1	23	(22)
Amounts denominated in HKD as a foreign currency	181	-	181
	274	**23**	**251**

At 31 December 2018, if the USD had weakened/strengthened by 10% against the respective functional currencies with all other variables held constant, the Group's pre-tax profit for the year would have been €838,513 (2017: €982,829) lower/higher. Similarly, if the GBP had weakened/strengthened by 10% against the respective functional currencies with all other variables held constant, the Group's pre-tax profit for the year would have been €556,090 (2017: €233,487) lower/higher. Likewise, if the HKD had weakened/strengthened by 10% against the respective functional currencies with all other variables held constant, the Group's pre-tax profit for the year would have been €52,616 (2017: €130,281) lower/higher. Lastly, if the CHF had weakened/strengthened by 10% against the respective functional currencies with all other variables held constant, the Group's pre-tax profit for the year would have been €24,347 (2017: €Nil) lower/higher as a result of foreign exchange losses/gains on translation of EUR denominated cash and cash equivalents and receivables into the respective functional currency.

(ii) Cash flow and fair value interest rate risk

The Group's operating income and cash flows are substantially independent of changes in market interest rates. The Group's significant interest-bearing financial instruments comprise mainly bank borrowings, which are predominantly floating rate instruments and other loans, which are a mixture of fixed and floating rate instruments. Interest rate and related maturity information is disclosed in note 24 to this Annual Report. Up to 31 December 2018, the Group did not have any hedging policy with respect to interest rate risk as management did not consider the exposure to such risks to be significant.

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

(a) Market risk - continued

(ii) Cash flow and fair value interest rate risk - continued

The exposure to cash flow and fair value interest rate risk, as at 31 December is shown below:

Group	Floating Rates EUR '000
At 31 December 2018	
Interest-bearing assets	
Cash at bank	3,451
Interest-bearing liabilities	
Bank loans	10,808
Bank overdrafts	2,980
Other loans	4,318
	18,106
Net exposure	14,655
At 31 December 2017	
Interest-bearing assets	
Cash at bank	1,695
Interest-bearing liabilities	
Bank loans	8,395
Bank overdrafts	2,993
Other loans	1,883
	13,271
Net exposure	11,576

Based on the amounts disclosed above and the current economic climate, the directors are of the opinion that the Group is not significantly exposed to changes in interest rates. Accordingly, a sensitivity analysis disclosing how profit or loss, and other comprehensive income, would be impacted by a change in interest rates that was reasonably possible at the end of the reporting period, is not required.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

The Group measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward-looking information in determining any expected credit loss.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The Group's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Maximum exposure			
	Group		Company	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
Financial assets measured at amortised cost (classified as loans and receivables in 2017):				
Trade and other receivables	**27,015**	21,257	**787**	432
Cash and cash equivalents	**7,495**	7,607	**888**	144
Total loans and receivables	**34,510**	28,864	**1,675**	576
Prepayments and other receivables not subject to credit risk	**(1,756)**	(2,144)	**-**	-
Amounts exposed to credit risk	**32,754**	26,720	**1,675**	576

The Company monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Company's receivables, taking into account historical experience.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Group does not hold any collateral as security in this respect.

The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. The loss allowances for financial assets are based on assumptions about risk of default and, with effect from 1 January 2018, expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. No provisions against doubtful debts were accounted for as at year-end.

Other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for instruments which have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group take cognisance of the related party relationship with this entity and management does not expect any losses from non-performance or default.

At 31 December 2018 and 31 December 2017, cash and short-term deposits are held with counterparties with a credit rating of BBB or higher and are due to be settled within 1 week. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Group.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables and borrowings (refer to Notes 23 and 24). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. The Group's liquidity risk is not considered to be material in view of the existing financing arrangements and the matching of cash inflows and outflows arising from expected maturities of financial instruments. The Group gives due consideration to the availability of assets that may be realised in the event of need, including investment property.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount EUR '000	Within 1 year EUR '000	Between 1 and 5 years EUR '000	After 5 years EUR '000
Group				
At 31 December 2018				
Borrowings	18,106	9,078	6,277	2,954
Trade and other payables	26,297	24,384	1,913	-
	44,403	**33,462**	**8,190**	**2,954**
At 31 December 2017				
Borrowings	13,271	8,540	4,616	188
Trade and other payables	23,999	22,577	1,422	-
	37,270	**31,117**	**6,038**	**188**

	Carrying amount EUR '000	Within 1 year EUR '000	Between 1 and 5 years EUR '000	After 5 years EUR '000
Company				
At 31 December 2018				
Trade and other payables	**4,152**	**4,152**	**-**	**-**
At 31 December 2017				
Trade and other payables	4,049	4,049	-	-

2. Financial risk management - continued

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital structure, which consists of items presented within equity in the statement of financial position, is monitored at a Group level with appropriate reference to subsidiaries' financial conditions and prospects.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

In view of the Group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the Directors.

2.3 Fair value estimation

The different levels of fair values of financial instruments have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2018 and 2017, the Group and the Company did not hold material financial instruments that are measured at fair value.

At 31 December 2018 and 2017 the carrying amounts of cash at bank, trade and other receivables, trade and other payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of the Group's non-current floating interest rate bank borrowings as at the end of the reporting period is not significantly different from the carrying amount.

See note 14 for disclosures relating to investment properties measured at fair value.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the valuation of investment property as disclosed in Note 14 and the determination of timing of recognition of revenue under IFRS 15 as disclosed in Note 1.4, are considered as critical accounting estimates and judgements. Other accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4 Revenue

Revenue amounting to €94,366,000 (2017: €87,545,000) mainly comprises sales and export of luxury packaging for the cosmetics, fragrance and skin care industries. The table below disaggregates revenue by continent.

	Group	
	2018	2017
	EUR '000	EUR '000
Europe	**57,574**	59,662
North America	**32,285**	26,265
Asia	**4,507**	1,618
	94,366	87,545

5 Expenses by nature

	Group		Company	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
Cost of production, materials and goods acquired	**67,268**	61,059	**-**	-
Directors' remuneration	**939**	843	**-**	-
Employee benefit expense (Note 6)	**13,974**	12,075	**-**	-
Depreciation and amortisation (Notes 12 and 13)	**2,235**	2,188	**-**	-
Travelling expenses	**1,053**	903	**-**	-
Other expenses	**5,041**	6,025	**60**	106
Total production costs, selling and distribution costs and administrative expenses	**90,510**	83,093	**60**	106

Research and development costs for the Group amount to €832,015 (2017: €679,658).

<u>Auditor's fees</u>

Fees charged by the auditor for services rendered during the financial years ended 31 December 2018 and 2017 relate to the following:

	Group		Company	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
Annual fee	**155**	104	**11**	11
Non-audit fee	**35**	32	**-**	-
	190	136	**11**	11

5 Expenses by nature - continued

The total audit fee is analysed as follows by audit firm:

	Group		Company	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
PricewaterhouseCoopers	**73**	60	**11**	11
Other audit firms	**117**	76	**-**	-
	190	136	**11**	11

6 Employee benefit expense

	Group	
	2018	2017
	EUR '000	EUR '000
Wages and salaries	**12,605**	10,865
Social security expenses	**1,259**	1,131
Other benefits	**110**	79
	13,974	12,075

Average number of persons employed by the Group during the year:

	Group	
	2018	2017
Direct	**162**	176
Indirect	**108**	112
Administrative	**132**	107
Executive directors - holding company	**5**	5
	407	400

7 Other operating income

	Group		Company	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
Foreign exchange gains	**542**	212	**-**	-
Dividend income	**-**	-	**1,147**	273
Other income	**863**	535	**-**	116
	1,405	747	**1,147**	389

8 Other operating expenses

	Group		Company	
	2018	2017	**2018**	2017
	EUR ‘000	EUR ‘000	**EUR ‘000**	EUR ‘000
Foreign exchange losses	**419**	449	**-**	-
	419	449	**-**	-

9 Finance income

	Group		Company	
	2018	2017	**2018**	2017
	EUR ‘000	EUR ‘000	**EUR ‘000**	EUR ‘000
Bank and other interest income	**178**	141	**44**	7

10 Finance costs

	Group		Company	
	2018	2017	**2018**	2017
	EUR ‘000	EUR ‘000	**EUR ‘000**	EUR ‘000
Bills, discounting charges	**98**	95	**-**	-
Bank loans and overdraft facilities	**612**	550	**-**	-
Bank charges	**118**	131	**-**	-
Other	**-**	4	**135**	165
	828	780	**135**	165

11 Tax income

	Group		Company	
	2018	2017	**2018**	2017
	EUR ‘000	EUR ‘000	**EUR ‘000**	EUR ‘000
Current tax	**(3,255)**	(3,405)	**-**	-
Deferred tax (Note 22)	**1,148**	-	**-**	-
Total tax for the year	**(2,107)**	(3,405)	**-**	-

11 Tax income - continued

The tax on the Group and Parent Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
Profit before tax	**12,745**	5,766	**996**	125
Tax on profit at the applicable rate of 25%	**3,186**	1,442	**249**	31
Tax effect of:				
Different tax rates in other countries	**(411)**	135	**-**	-
Expenses not deductible for tax purposes	**(106)**	18	**-**	-
Temporary differences attributable to deferred tax asset not recognised	**(316)**	(590)	**-**	-
Government grant	**(3,900)**	(3,935)	**-**	-
Exempt income	**(1,324)**	(348)	**(249)**	(31)
Deferred tax on property revaluation	**927**	-	**-**	-
Over provision in previous years	**(32)**	-	**-**	-
Other differences	**(131)**	(127)	**-**	-
Tax income	**(2,107)**	(3,405)	**-**	-

The Government of Malta granted a subsidy to Toly Products Limited in the form of a cash contribution of EUR 2,744,334 (2017: EUR 3,935,156), through a conversion into cash of part of the investment tax credits to which the Maltese subsidiary is entitled. Investment tax credits of €1,166,666 (2017: NIL) are recognised in trade and other receivables which will be received in cash over the next two years. The subsidies have been recognised as a tax credit in the income statement. The entitlement to this subsidy is subject to certain conditions and Management is satisfied that the relevant criteria were met.

12 Intangible assets

Group	Patents EUR '000
At 1 January 2017	
Cost	424
Accumulated amortisation	(243)
Net book amount	181
Year ended 31 December 2017	
Opening net book amount	181
Additions	166
Amortisation	(91)
Closing net book amount	256
At 31 December 2017	
Cost	590
Accumulated amortisation	(334)
Net book amount	256
Year ended 31 December 2018	
Opening net book amount	256
Additions	107
Amortisation	(99)
Closing net book amount	**264**
At 31 December 2018	
Cost	697
Accumulated amortisation	(433)
Net book amount	**264**

13 Property, plant and equipment

Group

	Factory buildings and improvements to premises EUR '000	Plant and machinery EUR '000	Fixtures and fittings, tools and equipment EUR '000	Total EUR '000
At 1 January 2017				
Cost	2,240	42,157	2,778	47,175
Accumulated depreciation	(312)	(34,634)	(2,026)	(36,972)
Net book amount	1,928	7,523	752	10,203
Year ended 31 December 2017				
Opening net book amount	1,928	7,523	752	10,203
Additions	5,354	1,822	338	7,514
Disposals	-	-	(19)	(19)
Depreciation	(121)	(1,756)	(220)	(2,097)
Depreciation released on disposals	-	-	19	19
Currency translation differences	-	2	(1)	1
Closing net book amount	7,161	7,591	869	15,621
At 31 December 2017				
Cost	7,594	43,981	3,096	54,671
Accumulated depreciation	(433)	(36,390)	(2,227)	(39,050)
Net book amount	7,161	7,591	869	15,621
Year ended 31 December 2018				
Opening net book amount	7,161	7,591	869	15,621
Additions	8,400	4,710	317	13,427
Disposals	-	-	(55)	(55)
Depreciation	(174))	(1,719)	(243)	(2,136)
Depreciation released on disposals	-	-	48	48
Transfers	(828)	828	-	-
Currency translation differences	-	9	-	9
Closing net book amount	**14,559**	**11,419**	**936**	**26,914**
At 31 December 2018				
Cost	15,166	49,528	3,358	68,052
Accumulated depreciation	(607)	(38,109)	(2,422)	(41,138)
Net book amount	**14,559**	**11,419**	**936**	**26,914**

13 Property, plant and equipment - continued

As at end of year, included with factory buildings and improvements to premises, the Group has assets under the course of construction related to building of the new factory in Malta amounting to €13,208,246 (2017: €5,637,759).

Depreciation expense of €1,765k (2017: €1,686k) has been charged in 'cost of sales' and €371k (2017: €410k) in 'administrative expenses'.

14 Investment property

Investment properties are properties which the Group holds in order to generate rental income or capital appreciation of assets.

	Group	
	2018	2017
	EUR '000	EUR '000
At 1 January		
Cost	**3,864**	3,844
Fair value gains	**3,058**	2,773
Net book amount	**6,922**	6,617
Year ended 31 December		
Opening net book amount	**6,922**	6,617
Additions	**31**	130
Gains from changes in fair value	**6,285**	285
Currency translation differences	**(88)**	(110)
Closing net book amount	**13,150**	6,922
At 31 December		
Cost	**3,807**	3,864
Fair value gains	**9,343**	3,058
Net book amount	**13,150**	6,922

Fair valuation of investment property

The Group considers independent valuations for its investment properties from real estate agents or professional advisors as well as other market related information. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

14 **Investment property** - continued

Fair valuation of investment property - continued

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discounted cash flow projections based on reliable estimates of future cash flows
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's investment property comprises residential properties, an office block and retail space leased out to third parties. All the recurring property fair value measurements at 31 December 2018 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2018 and 2017.

A reconciliation from the opening balance to the closing balance of investment property for recurring fair value measurements categorised within Level 3 of the value hierarchy is presented in the table above. Gains from changes in fair value have been recognised in the income statement.

Valuation processes

Valuation of the property is assessed regularly by management with reference to a value estimated by real estate agents or professional architects or by considering market information and comparative prices, on a yearly basis. These reports are based on both:

- information provided by the Group which is derived from the Company's financial systems and is subject to the Group's overall control environment; and
- assumptions and valuation models used by the valuers – the assumptions are typically market related. These are based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, including the underlying market information are reviewed by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). This includes a review of fair value movements over the period. When the CEO considers that the valuation report is appropriate, the valuation report is recommended to the Executive Board. The Executive Board considers the valuation report as part of its overall responsibilities.

14. **Investment property** - continued

Valuation processes - continued

At the end of every reporting period, the CEO assesses whether any significant changes or developments have been experienced since the last external valuation and reports to the Executive Board on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property have been performed using an estimated sales approach for the value of the land on the basis of market values of other areas close to the site. In view of a limited number of similar sales in the market, the valuations have been performed using unobservable inputs. The significant input to this approach is generally a price per square metre related to transactions in comparable properties located in proximity to the Group's property, with adjustments for differences in the size, age, exact location and condition of the property.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description by class based on highest and best use	**Fair value at 31 December**	**Valuation technique**	**Significant unobservable input**	**Range of unobservable Inputs**
2018	**EUR'000**			**EUR**
Warehouses and office space in the United Kingdom	€8,776	Sales comparison approach	Sales price per square meter	€1,728 - €7,619
Residential units and car spaces	€4,374	Sales comparison approach	Sales price per square meter	€2,393 - €3,948
2017				
Warehouses and office space in the United Kingdom	€3,153	Sales comparison approach	Sales price per square meter	€1,673 - €3,959
Residential units and car spaces	€3,709	Sales comparison approach	Sales price per square meter	€1,875 - €3,846

As a result of the major redevelopment taking place around Wembley Stadium, Toly received several requests to sell its Wembley property. The major development includes several high rise buildings in this area which have significantly increased the value of Toly's property in Wembley. The directors decided to apply a conservative revaluation based on a written offer, which was not conditional on planning or any other conditions. This value of €7.3m, net of any potential future tax charges, has been recorded in these financial statements.

15 **Investment in subsidiaries**

	Company	
	2018	2017
	EUR '000	EUR '000
As at 1 January and 31 December	**7,253**	7,253

15 **Investment in subsidiaries** - continued

The subsidiaries are shown below:

Name	**Country of incorporation / place of business**	**Nature of business**	**Proportion of ordinary shares held by the Group (%) As at 31 December**	
			2018	2017
Toly Products (UK) Limited	United Kingdom	Supply of packaging products	**100**	100
Toly Products France SAS	France	Supply and packaging products	**100**	100
Toly Products Limited	Malta	Manufacture and export of luxury packaging	**100**	100
Toly Management Limited	Malta	Management, administrative, accounting and other back office functions for group companies	**100**	100
Toly USA Inc.	USA	Supply of packaging products	**100**	100
Toly Asia Limited	Hong Kong	Supply of packaging products	**100**	100
Toly Belgium SPRL	Belgium	Supply of packaging products	**100**	100
Highgate Properties Limited	Malta	Managing real estate and property development projects	**100**	100
Toly Malta Sales Limited	Malta	Trade in luxury packaging for cosmetic, fragrance and skin care industries	**100**	100

The Company holds all subsidiaries directly, except for Highgate Properties Limited, which is held by Toly Products Limited.

16 Investment in associates

	Group		Company	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
As at 1 January	**6,441**	5,215	**315**	315
Share of associates' profits	**2,268**	1,370	**-**	-
Currency translation differences	**39**	(144)	**-**	-
As at 31 December	**8,748**	6,441	**315**	315

	Group		Company	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
At 31 December				
Cost	**437**	437	**315**	315
Share of associates' profits and reserves	**8,311**	6,004	**-**	-
As at 31 December	**8,748**	6,441	**315**	315

The associates are shown below:

Name	**Country of incorporation / place of business**	**Nature of business**	**Proportion of ordinary shares held by the Group (%) As at 31 December**	
			2018	2017
Toly Korea Inc	Korea	Selling of	**40.0**	40.0
TAP Korea	Korea	cosmetic	**11.6**	11.6
Toly (Hong Kong) Limited	Hong Kong	packaging	**40.0**	40.0

The Group measures its investment in associates (disclosed in the table above), using the equity method.

There are no contingent liabilities relating to the Group's interest in the associates.

The Company has a direct investment of 40% of the share capital of Toly (Hong Kong) Limited and Toly Korea Inc. which in turn owns 29% of TAP Korea.

16 **Investment in associates** - continued

Summarised financial information for material associates

Set out below are the summarised financial information for Toly Korea Inc which is accounted for using the equity method.

	Group and Company As at 31 December 2018 EUR '000	**Group and Company As at 31 December** 2017 EUR '000
As at 31 December		
Non-current assets	**20,871**	20,375
Current assets	**13,677**	12,297
Non-current liabilities	**(9,195)**	(8,940)
Current liabilities	**(7,998)**	(10,610)
Net assets	**17,355**	13,122
Reconciliation to carrying amounts:		
As at 1 January	**13,122**	9,311
Profit for the year	**4,759**	3,490
Currency translation differences	**(526)**	321
Closing net assets	**17,355**	13,122
Year ended 31 December		
Revenue	**42,539**	34,696
Profit from continuing operations	**4,759**	3,490
Group's share:		
Equity	**6,942**	5,249
Profit for the year	**1,904**	1,396

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates.

16 Investment in associates - continued

Summarised financial information for material associates

Set out below are the summarised financial information for Toly (Hong Kong) Limited which is accounted for using the equity method.

	Group and Company	
	As at 31 December	
	2018	2017
	EUR '000	EUR '000
As at 31 December		
Non-current assets	**796**	903
Current assets	**3,699**	4,383
Non-current liabilities	**(2)**	(160)
Current liabilities	**(1,331)**	(1,873)
Net assets	**3,162**	3,253
Reconciliation to carrying amounts:		
As at 1 January	**3,253**	3,470
(Loss)/profit for the year	**(100)**	233
Other comprehensive (expense)/income	**(136)**	178
Dividend paid	**-**	(170)
Currency translation differences	**145**	(458)
Closing net assets	**3,162**	3,253
Year ended 31 December		
Revenue	**7,687**	9,423
Loss/(profit) from continuing operations	**(100)**	233
Other comprehensive (expense)/income	**(136)**	178
Group's share:		
Equity	**1,265**	1,301
(Loss)/profit for the year	**(40)**	93
Other comprehensive income/(expense)	**(54)**	71
Dividend paid	**-**	(68)

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates.

17 Inventories

	Group	
	As at 31 December	
	2018	2017
	EUR '000	EUR '000
Raw material and consumables	**2,509**	1,832
Work in progress	**62**	25
Finished goods and goods for resale	**730**	3,698
	3,301	5,555

18 Trade and other receivables

	Group		Company	
	As at 31 December		As at 31 December	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
Non-current				
Amounts owed by related party	**381**	-	**-**	-
Other receivables	**615**	32	**-**	-
Trade recievables – non-current	**996**	32	**-**	-
Current				
Trade receivables – gross and net	**19,086**	17,138	**-**	-
Contract Assets	**2,604**	-	**-**	-
Amounts due by subsidiary	**-**	-	**409**	-
Amounts due by associates	**365**	355	**-**	64
Other receivables	**2,208**	1,620	**378**	368
Prepayments	**1,756**	2,144	**-**	-
Trade recievables – current	**26,019**	21,257	**787**	432

Amounts owed by group undertakings and associate undertakings are unsecured, interest free and repayable on demand. Amounts owed by related parties are unsecured and subject to interest of 1% per annum and repayable within 5 years.

An amount of €1,166,666 under non-current and current other receivables relates to investment tax credits awarded to the company in 2018 to finance two major projects.

During 2018, the Group was required to revise its impairment methodology under IFRS 9 for all classes of assets. The amount of expected loss to be provided for in accordance with IFRS 9 was not deemed material and thus it was not reflected in the Group's financial assets.

19 Cash and cash equivalents

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	Group		Company	
	As at 31 December		As at 31 December	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
Cash at bank and in hand	**7,495**	7,607	**888**	144
Bank overdrafts (Note 24)	**(961)**	-	**-**	-
	6,534	7,607	**888**	144

During 2018, the Group was required to revise its impairment methodology under IFRS 9 for all classes of assets. The amount of expected loss to be provided for in accordance with IFRS 9 was not deemed material and thus it was not reflected in the Group's financial assets.

20 Share capital

	Group and Company	
	As at 31 December	
	2018	2017
	EUR '000	EUR '000
Authorised, issued and fully paid		
800,000 ordinary shares of EUR1 each	**800**	800

The share premium amounting to EUR5,684k arose on new shares issued in 2002. The premium is presented within 'share premium' in the statement of financial position.

21 Other reserves

Group

	Currency translation differences EUR '000	Revaluation reserve EUR '000	Other reserve EUR '000	Total EUR '000
At 1 January 2017	(996)	451	(34)	(579)
Currency translation differences	(256)	-	-	(256)
At 31 December 2017	(1,252)	451	(34)	(835)
At 1 January 2018	(1,252)	451	(34)	(835)
Currency translation differences	(206)	-	-	(206)
At 31 December 2018	**(1,458)**	**451**	**(34)**	**(1,041)**

Revaluation reserve relates to fair value gains on property prior to transfer to investment property in financial year ending 31 December 2007.

22 Deferred tax

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

The following amounts are shown in the statement of financial position:

	Group	
	As at 31 December	
	2018	2017
	EUR '000	EUR '000
Deferred tax liability to be recovered after more than twelve months	**1,763**	492

The movement on the deferred tax expense account is as follows:

	Group	
	As at 31 December	
	2018	2017
	EUR '000	EUR '000
Balance at 1 January	**492**	495
Movements during the year:		
Income statement (note 11)	**1,148**	-
Currency translation differences	**123**	(3)
Balance at 31 December	**1,763**	492

Deferred taxation is calculated on temporary differences under the liability method using the principal tax rate within the relevant jurisdiction. The year-end deferred tax liability balance comprises:

	Group	
	As at 31 December	
	2018	2017
	EUR '000	EUR '000
Fair value gains on investment property	**1,763**	492

Movements in the deferred tax asset, other than currency translation differences, have been charged to the income statement. Movements in the deferred tax component of currency translation differences have been charged to components of other comprehensive income.

Deferred income tax assets on tax loss carry forwards are recognised based only to the extent that realisation of the related tax benefit through future taxable profit is probable. The Group has temporary differences attributable to fixed assets and other differences give rise to a deferred tax asset of €888k (2017: €1,197k) which has not been recognised in these financial statements.

Further unutilised investment tax credits having a tax effect of €13,200k (2017: €13,221k) have not been recognised in these financial statements.

23 Trade and other payables

	Group		Company	
	As at 31 December		As at 31 December	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
Non-Current				
Trade payables	**1,919**	1,460	**-**	-
Current				
Trade payables	**12,093**	9,543	**-**	-
Amounts due by subsidiaries	**-**	-	**4,128**	4,002
Amounts due by associates	**7,906**	7,362	**-**	-
Amount due by other related parties	**54**	54	**-**	-
Other payables	**1,878**	2,593	**-**	23
Accruals	**2,453**	3,025	**24**	24
	24,384	22,577	**4,152**	4,049
Total trade and other payables	**26,303**	24,037	**4,152**	4,049

All amounts due by the Group to subsidiaries, associates and other related parties as at 31 December 2018 and 2017 were unsecured, interest-free, and had no fixed date for repayment.

All amounts due by the company to its subsidiaries is subject to interest of 3% per annum and repayable on demand.

24 Borrowings

	Group	
	As at 31 December	
	2018	2017
	EUR '000	EUR '000
Bank loans	**10,808**	8,395
Bank overdrafts	**2,980**	2,993
Other loans	**4,318**	1,883
Finance leases	**20**	50
Balance at 31 December	**18,126**	13,321

An amount of €961k included with bank overdrafts is repayable on demand and forms part of the group's cash management. This is included with cash and cash equivalents as per Note 19.

The weighted average effective interest rates of bank borrowings is:

	Group	
	As at 31 December	
	2018	2017
	%	%
Bank loans	**4.5**	4.5
Bank overdrafts	**4.6**	4.8

24 **Borrowings** - continued

	Group As at 31 December	
	2018	2017
	EUR '000	EUR '000
Maturity of borrowings (excluding interest and finance leases):		
Within 1 year	**8,837**	9,037
Between 1 and 2 years	**1,856**	1,364
Between 2 and 5 years	**3,698**	2,673
Over 5 years	**3,715**	197
	18,106	13,271

Finance lease liabilities

The Group leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between 1 and 3 years, and ownership of the asset lies within the Group.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	Group As at 31 December	
	2018	2017
	EUR '000	EUR '000
Gross finance lease liabilities - minimum lease payments:		
Later than 1 year and no later than 5 years	**20**	50

Net debt reconciliation

	Group As at 31 December	
	2018	2017
	EUR '000	EUR '000
Net debt as at 1 January 2018	**13,321**	11,613
Cash Flows	**(13)**	(1,299)
Proceeds of loans	**9,020**	6,230
Repayment of loans	**(4,172)**	(3,251)
Acquisition of finance lease	**-**	28
Repayment of finance leases	**(30)**	-
Net debt as at 31 December 2018	**18,126**	13,321

25 Cash generated from operations

Reconciliation of operating profit to cash used in operations:

	Group		Company	
	2018	2017	**2018**	2017
	EUR '000	EUR '000	**EUR '000**	EUR '000
Operating profit	**4,842**	**4,750**	**1,087**	283
Adjustments for:				
Impact of changes in accounting policies	**418**	**-**	**-**	-
Depreciation and amortisation (notes 12,13)	**2,235**	**2,188**	**-**	-
Changes in working capital:				
Inventories	**2,254**	**17**	**-**	-
Trade and other receivables	**(5,726)**	**(4,320)**	**(355)**	127
Trade and other payables	**2,187**	**5,334**	**103**	(161)
Cash generated from operations	**6,210**	**7,969**	**835**	249

26 Related party transactions

Toly Group International ApS forms part of the Toly Group, which comprises Toly Group International ApS and its subsidiaries (Note 15). Toly Group International ApS is the Company's immediate parent (refer to Note 30) and is also its ultimate controlling party. The shareholders, and other companies controlled or significantly influenced by the Company or its shareholders are considered to be related parties.

During the year, the Company received dividends from subsidiaries amounting to €1,147,000 (2017: €273,000)

Additionally, key management, which includes directors and members of the Executive Committee, received compensation in the form of salaries and other short-term employment benefits amounting to €939,000 (2017: €843,000).

Year-end balances with related parties are disclosed in Notes 18 and 23.

27 Commitments and guarantees

Operating lease commitments - group company as lessee

The Group leases offices under non-cancellable operating leases expiring within two to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	As at 31 December	
	2018	2017
	EUR '000	EUR '000
Within 1 year	**226**	91
Later than 1 year but not later than 5 years	**501**	253
Later than 5 years	**-**	43
Total	**727**	387

28 Contingencies

The Company and its shareholders have undertaken to continue to provide support to a number of subsidiary undertakings and related parties and have committed to refrain from requesting repayment of outstanding balances unless alternative funds are available.

29 Subsequent events

The Group started a restructuring process in 2019, whereby Highgate Properties Limited is expected to be transferred to a newly set-up company, outside the Group. The transaction is expected to be completed in late May or June 2019.

30 Statutory information

Toly Group International ApS is a limited liability company and is incorporated in Denmark with its registered address at Vesterbrogade 149, DK-1620, København V, Denmark.

The ultimate controlling party of Toly Group International ApS is Worlea Trust with its registered address at Austrasse 15, P.O. Box 101, FL-9495, Triesen, Liechtenstein.

31 Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.