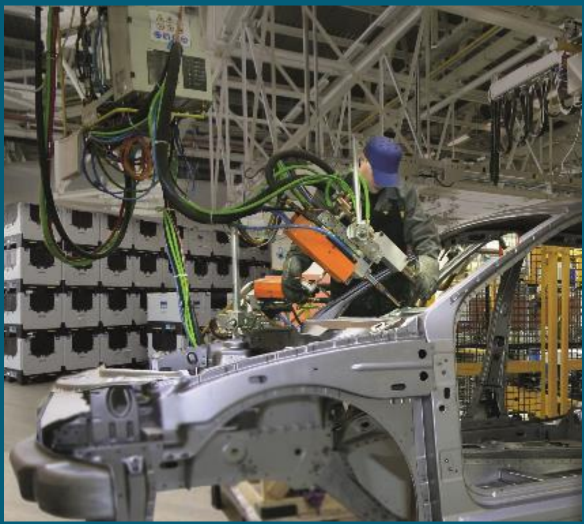


Schoeller Packaging B.V.
Annual Financial Report 2019

Schoeller Allibert

Introduction

The Board of Directors hereby presents its Annual report for the financial year ended 31 December 2019.

Schoeller Allibert is one of the world's largest manufacturers of returnable plastic packaging for material handling.

Key figures

Turnover
over € 500 million

EBITDA
over € 60 million

Over 2,000 employees

Over 10,000 customers
worldwide

13 factories

Over 50 countries
served

- Schoeller Allibert's CEO
  Ludo Gielen

2019 at a glance

- New product: Combo Excelsior®
- Combo Fructus® - WorldStar packaging award winner 2019
- New Magnum Optimum® 1208
- New Agrimax® Big Box in the US

Refinancing of Senior Secured Notes completed on October 2019

Annual financial report – 31 December 2019

Contents

Report of the Board of Directors

The Board of Directors (the 'Board', the 'Management Board' or the 'Management') of Schoeller Packaging B.V. ('Schoeller Allibert', the 'Group' or the 'Company') hereby presents its Annual Report for the financial year ended 31 December 2019.

1. Company profile

Schoeller Packaging is one of the world's largest manufacturers of returnable plastic packaging for material handling. We have been inventing, developing, designing and manufacturing Returnable Transit Packaging (RTP) for more than 60 years. We have a rich heritage being formed from key players. Schoeller Allibert has production and sales locations throughout Europe, the USA and sales locations in emerging markets, such as South America and Asia.

Mission statement

The Company's mission statement is summarised in the overview below:

Markets: we focus on seven key segments being agriculture, automotive, food and food processing, beverage, retail, industrial manufacturing and pooling through our customers.

Products: we offer a comprehensive range of standard and tailor-made RTP packaging solutions across ten key product segments being Foldable Large Containers, Foldable Small Containers, Rigid Pallet Containers, Beverage crates and trays, Stackable and Stack/Nest handheld boxes, UN certified pails, Foldable Intermediate Bulk Containers, Pallets and Dollies.

Services: as well as standard models we offer a bespoke innovative design and engineering service.

Benefits of our products: high quality, durable and sustainable enabling our customers to enhance supply chain efficiency and profitability, lower transport cost, reduce waste and enhance green branding.

Operations: lean manufacturing and supply chain operations focussed on right first-time quality products delivered on-time and in-full.

Support functions: efficient and effective, focussed on the customer and adding value.

People: the inclusive environment where all employees have all the tools they need to perform to their best, are recognised and valued, are encouraged to learn and grow and to contribute to continuously improving our performance.

Financial: we aim to enhance shareholder value and provide the required returns in the long term.

Sustainability and recycling

In a world that depends upon logistics and transport, all shipped in packaging materials, we need to reduce the environmental stress caused by packaging waste. At Schoeller Allibert, we believe RTP systems are the answer, and we are at the forefront of this development.

Schoeller Allibert, supports the United Nations environment campaign, and we produce 100% recyclable packaging. We design our products in order to optimise their life span (up to 10 years in industrial conditions). Using our products guarantees safe transport of our customer's goods (UN homologation) by road, rail, and air.

It is our ambition to design and produce our products with respect for the environment. Our targets are:

- To reduce our energy consumption per kg of finished product.
- To promote the use of recycled material.
- Contributing towards a reduction in CO2 emissions.
- Ensuring certification of all sites to ISO 14001.

In respect of this and our food safety certifications, our products fully meet the requirements for transport and packaging of organic food.

Food industries and retail can now have their old returnable transit packaging (RTP) recycled into new high-quality food grade containers, thanks to Schoeller Allibert's European Food Safety Authority (EFSA) accredited recycling process (in three production sites: Spain, Germany and the Netherlands). The accredited process, which covers the recycling of food-grade and High-Density Polyethylene ('HDPE') and Polypropylene Copolymer ('PPC') crates into new containers for food contact, has been developed in order to help food processing companies and retailers to meet increasing stringent sustainability targets. No pollution, no waste. We take care of all the necessary steps, creating a 100% sustainable packaging cycle.

Leading in innovation

Continuous innovation is at the heart of our business. We see it as our task to ensure our clients are prepared for future challenges. We believe we have the largest R&D department in the industry and as a result this helps us retain our position as market leader. In our central innovation function we have the capability to design, develop, test and implement new products and we employ recognised experts in these activities that use leading technology and software to achieve this. In today's competitive markets, advantages resulting from smart design will rapidly translate into improved performance and considerable benefits.

Foldable containers that are stronger but weigh less will result in less fuel consumption during transport. Containers with 10% more transport volume and 30% less return volume when folded can make the difference in highly competitive markets like the automotive industry or agriculture.

Many of the major innovations in plastic packaging systems were developed by Schoeller Allibert. We invented products like foldable large containers, such as the Magnum Optimum®, and bottle crates with in-mould labels. In addition, we invented and optimised production techniques like injection moulding and mirror welding, each time resulting in lighter, stronger and cleaner crates and containers. We take care of all the necessary steps, creating a sustainable packaging cycle.

Recognising its commitment to innovation, in 2019 the Company won several awards, including the green packaging award for Combo Excelsior®, world star award for Magnum Optimum®, Pro-K award and Blau Angel Certificate for Apollo CMB®.

Schoeller Allibert's engineers are currently focused on the development of the next generation of handheld containers for e-commerce solutions and cool boxes. The Company believes that the launch of these containers will trigger off the shift of end users to returnable solutions, reducing the massive volumes of cardboard.

Innovations within production technologies also creates opportunities to produce crate much faster and therefore with much less energy consumption.

Schoeller Allibert is continuing the development of smart crate technologies resulting in a reduction of losses for pool providers. Schoeller Allibert is developing rechargeable beacons and creating new features to enable the crates to recharge themselves and provide information on their location. This, combined with new materials and special stacking and nesting profiles, will enable retailers to significantly reduce the space required for stackable folding crates and provide greater insight into their supply chains. The potential advantages for pooling companies by changing to this new crate are significant and will enable them to be even more competitive for their retailer and grower customers. The beacons will likely allow the poolers to offer their services without collecting deposits, leading to considerable savings for growers and retailers.

Quality policy

Schoeller Allibert is proud to be an ISO certified company with most of our sites conforming to the following ISO standards:

- ISO 9001: Quality
- ISO 14001: Environment
- ISO 22000: Food Safety
- ISO 50001: Energy

Schoeller Allibert strives to continuously improve its products, services and processes. Customer satisfaction is Schoeller Allibert's number one priority and we measure it with relevant metrics and KPIs. Results are discussed and reported to senior management during the Board Meetings and improvement actions are scheduled, implemented and evaluated during Management reviews.

Our aim in relation to quality control is to:

- Create lean operations, which deliver high value products to the market on time and in full.
- Work to a continuous improvement process conforming to the PDCA (Plan-Do-Check-Act) principle.
- Check our processes by means of internal, corporate and external audits. Customers audit our QESH management system including quality of manufactured products for them conforming to the agreed specifications.

Governance and management structure

The Management Board of the Company is responsible for the management of the Schoeller Allibert Group. The Management Board provides leadership to the Group and focuses on long-term development and important strategic decisions.

The Management Board of the Company consists of:

Mr Ludo Gielen	Chief Executive Officer	(appointed 17 October 2018)
Mr Ian Degnan	Chief Financial Officer	(24 June 2015 – 18 February 2020)
Mr Hans Kerkhoven	Chief Financial Officer	(appointed 18 February 2020)

Management Board members are appointed by the General Meeting of Shareholders. The Articles of Association provide that the General Meeting of Shareholders may suspend or dismiss Management Board members at any time. The General Meeting of Shareholders determines the remuneration and other terms of employment of each Management Board member.

The Dutch Management and Supervision (Public and Private Companies) Act took effect on 1 January 2013. One of the provisions of this Act lays down a target participation rate of at least 30% for both men and women on the Management Board. Although Schoeller Allibert values diversity, the Management Board currently has no female Board members. The Company does not set a policy on the desirable gender split in the Board but instead focuses on the competencies of new Board members bearing in mind the value of diversity. Schoeller Allibert is committed to taking into account diversity (including gender diversity) for succession planning, training and development.

People

Schoeller Allibert employs over 2,000 people with the majority employed in Europe, where the Group has production and sales activities in over 20 countries.

We believe that human resources are one of the keys to our success. We strive to create an inclusive environment where all employees have the tools they need to perform to their best ability, are recognised and valued, are encouraged to learn and grow such that they contribute to continuously improving our performance. Further to this goal, we have adopted policies and procedures that are designed to support effective recruitment and retention and provide incentives to skilled employees and managers. Our performance measurement system, which is one factor in our incentive programs, is designed to provide managers and employees with regular feedback on their performance and to encourage high quality work.

The Group established a Code of Conduct that sets out the basic principles that underlie all the actions of the companies of the Schoeller Allibert Group. It includes a Whistle-blower scheme, a Do's and Don'ts paragraph and a Social Media instruction. This code came into force on 1 January 2015. It is approved by the Works Council and is reviewed on a regular basis.

In 2019, the Group strengthened its top management structure through the positions of an Executive Director for Operations and an Executive Director for Sales and Marketing. We are confident this will accelerate the execution of our strategy and provide more continuity and ensure the succession of the top of the organisation. In 2019 a group wide Talent Management Program was developed that will commence in 2020.

Safe workplace

Schoeller Allibert values creating a safe and healthy working environment for employees and we realise that safety is a matter of appropriate behaviour in the first place. Training and safety investigations are used as tools to increase safety awareness and assure improvements in safety measures. To safeguard and monitor this we have a Group ISO certificate for all of our operations. Internal audits for quality assurance and safety are carried out by our own trained inspectors and result in meeting the ISO and safety standards.

2. Key Financial Results

The table below shows the Group's key consolidated financial results for the year ended 31 December 2019 and 2018:

EUR'000	2019	2018
Revenue	536,643	519,088
Revenue growth	3.4%	5.3%
Operating profit	24,915	19,397
Operating profit as % revenue	4.6%	3.7%
EBITDA	66,167	52,225
EBITDA as a % of revenue	12.3%	10.1%
Net finance expense	(33,739)	(23,640)
Loss before income taxes	(8,701)	(4,090)
Net capital expenditure	37,720	20,678
Net capital expenditure as a % of revenue	7.0%	4.0%
Cash generated from operations	49,862	36,857

The table below shows the Group's key other financial metrics as at 31 December 2019 and 2018:

EUR'000	2019	2018
Net working capital	(9,191)	* (16,311)
Cash and cash equivalents	21,687	8,634
Total net loans and borrowings	302,037	226,819

*Net working capital for 2018 is adjusted for the Swedish tax liability of EUR 4,366 and accrued interest of 389.

Net working capital is defined as current assets (excluding cash and cash equivalents and receivables from related parties) less current liabilities (excluding current portion of loans and borrowings, bank overdrafts and payables due from related parties).

Cash and cash equivalents is defined as cash and cash equivalents on the balance sheet less bank overdrafts.

Net loans and borrowings are defined as total current and non-current loans and borrowings less cash and cash equivalents.

Revenue

The table below shows the Group's operating segment revenue for the year ended 31 December 2019 and 2018:

EUR'000	2019	2018
Northern Europe	108,223	108,737
Central Europe	217,521	209,013
Southern Europe	117,100	117,866
United States of America	37,208	33,511
All Other Segments	56,591	49,960
Total revenue	**536,643**	**519,088**

Revenue in Northern Europe decreased by 0.5%, from EUR 108.7 million for 2018 to EUR 108.2 million for 2019. This decrease in revenue was primarily attributable to lower orders in industrial manufacturing and beverage, partially offset by increase in pooling volumes.

Revenue in Central Europe increased by 4.1%, from EUR 209.0 million for 2018 to EUR 217.5 million for 2019. The Region showed growth in pooling volumes, partially offset by lower turnover in automotive and beverage.

Revenue in the Southern Europe decreased by 0.7%, from EUR 117.9 million for 2018 to EUR 117.1 million for 2019. This decrease was primarily attributable to lower orders in automotive markets, partially offset by higher turnover with agriculture customers.

Revenue in the USA increased by 11.0%, from EUR 33.5 million for 2018 to EUR 37.2 million for 2019 due to higher pooling volumes in 2019.

Revenue in all Other Segments increased by 13.3%, from EUR 49.9 million for 2018 to EUR 56.6 million for 2019. This increase is attributable to higher revenues from the Services business.

Operating result

EUR'000	2019	2018
Operating profit	**24,915**	**19,397**

Operating profit increased by EUR 5.5 million, to EUR 24.9 million for 2019 compared to EUR 19.4 million for 2018. The higher profit resulted mainly from significantly higher revenue in 2019.

The following table shows a breakdown of operating profit by geographic segment for the year ended 31 December 2019 and 2018:

EUR'000	2019	2018
Northern Europe	6,126	687
Central Europe	5,898	7,896
Southern Europe	6,825	5,740
United States of America	(9,546)	(9,388)
All Other Segments	15,612	14,462
Operating profit	**24,915**	**19,397**

EBITDA– reconciliation

The Company discloses EBITDA as a non-IFRS performance measure. The Group defines EBITDA as the operating result for the year excluding depreciation, amortisation, adjusting items and shareholder management fees. Items are disclosed as adjusting where it is necessary to do so to provide further understanding of the financial performance of the Group. As such, items are presented as adjusting if management finds these to meet the following criteria: material non-recurring and require separate disclosure due to the significance of their nature or amount.

Adjusting items relate to material non-recurring items of income and expense arising from circumstances or events such as: business combinations; closure of manufacturing locations; litigation settlements and certain shareholder exit fees.

EUR'000	2019	2018
Operating profit	**24,915**	**19,397**
Adjusting items	4,863	10,115
Shareholder management fees	1,500	1,250
Depreciation	33,001	19,845
Amortisation	1,888	1,618
EBITDA	**66,167**	**52,225**

Adjusting items decreased by EUR 5.2 million from EUR 10.1 million for 2018 to EUR 4.9 million in 2019.

Adjusting items for 2019 relate to non-recurring items arising from:
- EUR 2.1 million of employee severance costs;
- EUR 1.1 million provision for probable commercial settlements;
- EUR 1.7 million mainly fees and due diligence activities.

Adjusting items in 2018 relate to non-recurring items arising from:
- EUR 4.2 million of employee benefits from the exit of JP Morgan Chase (including severance) and additionally pension costs;
- EUR 2.1 million provision for probable commercial settlements;
- EUR 3.2 million related mostly to other restructuring activities;
- EUR 0.6 million fees and due diligence activities related to the exit of JP Morgan Chase.

Depreciation expense increased by EUR 13.2 million, to EUR 33 million for 2019 compared to EUR 19.8 million for 2018, driven by implementation of IFRS 16 resulting to additional depreciation of EUR 12.7 from Right-of-Use assets in 2019 (note 27). The remainder of the increase is driven by investments in the prior year which are now being depreciated for a full year.

Amortisation expense increased by EUR 0.3 million, to EUR 1.9 million for 2019 compared to EUR 1.6 million for 2018, mainly coming from normal amortisation of intangible fixed assets.

Net finance expense

Net finance expense for 2019 was EUR 33.7 million (expense for 2018: EUR 23.6 million). This increase was primarily due to the refinancing of bond, EUR 6.3 and increased interest expense coming from leases accounted for in accordance with IFRS 16, EUR 1.3.

Loss before income taxes

The loss before income taxes was EUR 8.7 million for 2019 (2018: loss of EUR 4.1 million), with the year-on-year change driven amongst others by higher finance expense.

Net capital expenditure

Net capital expenditure was EUR 37.7 million outflow for 2019 (2018: EUR 20.7 million outflow), which represented 7.0% of revenue for 2019 (4.0% for 2018). The increase was driven by investments in new product development as well as maintenance and replacement projects undertaken in 2019.

Cash generated from operations

Cash generated from operations during the year ended 31 December 2019 amounted to a EUR 49.8 million inflow (2018 EUR 36.9 million inflow).

Net working capital

As of 31 December 2019, the receivables from related parties were equal to EUR nil million (31 December 2018: EUR nil million) and the payables due from related parties were equal to EUR 0.1 million (31 December 2018: EUR 0.6 million).

As of 31 December 2019, the Group had negative net working capital of EUR 9.2 million (2018: EUR 16.3 million negative, adjusted for the Swedish tax liability of EUR 4.4 million and related accrued interest of EUR 0.4 million). The increase in the net working capital was mainly due to higher inventories and trade and other receivables levels as of 31 December 2019.

Cash and cash equivalents

Cash and cash equivalents is defined as cash and cash equivalents on the balance sheet less bank overdrafts. As 31 December 2019 the Group had EUR 21.7 million (31 December 2018: EUR 8.6 million) of net cash on its balance sheet.

As at 31 December 2019, the Group had one revolving credit facility of EUR 30 million (31 December 2018: EUR 30 million). The unused part of the facility as at 31 December 2019 amounted to EUR 25.0 million (31 December 2018: EUR 15.5 million).

Total net loans and borrowings

Net loans and borrowings is defined as total current and non-current loans and borrowings less cash and cash equivalents, which increased by 33.2% to EUR 302 million as at 31 December 2019 (31 December 2018: EUR 226.8 million), mostly driven by refinancing of senior secured note, compensated by higher cash balance.

Financial performance indicators

The most important performance indicators for the Group are Revenue and EBITDA. Both of these are reviewed and discussed in detail on a monthly basis between the Management Board and the Regional Directors.

3. Risk appetite and management

The Group sees many opportunities and possibilities to achieve its objectives. To achieve our strategic goals, the Group is prepared to accept certain risks. Our risk appetite depends on the nature of risks identified in three areas.

- strategic risks
- operational risks
- financial and regulatory risks

Strategic risks

We are willing to take strategic risks related to breakthrough innovations and developing new products in plastic packaging and many of the game-changing solutions in the industry were actually developed by Schoeller Allibert. The Group also believes that the benefits of investing in sustainability outweigh the risks.

The major strategic risks we face are:

- We are dependent on the successful development of new products and overhaul of existing products.

Our future results and our competitive position depend on our capacity to identify, develop, manufacture, market and sell new or improved products that appeal to our customers. We aim to introduce new products and relaunch and extend existing product lines on a regular basis, which involves capital expenditures to purchase new injection moulding machines and moulds. The failure to launch a product successfully may give rise to increased costs and may affect customer perception of our other products. In addition, launching new or modified products might result in cannibalisation of sales of our existing products.

We continuously monitor customer preferences and market trends, offer a range of products to satisfy a wide spectrum of end uses and devote significant resources to developing and marketing new products in close cooperation with our customers, as well as to expanding and improving existing product lines.

- Macroeconomic downturns

An economic downturn across the end-markets and geographic areas where our customers use our products may substantially reduce demand for our products and result in decreased sales volumes.

Management continues to diversify the geographical markets in which we operate to reduce the sensitivity of our results to changes in a specific economic environment. Furthermore, the spread of our customer base over various industries reduces the impact of negative changes in the economic climate.

- The loss of key customers or a decrease in customers' orders

Although we have a broad and diverse customer base, certain portion of our products are sold to a small number of customers, some of whom rely on us exclusively for the supply of such products, and we depend on those customers for our sales of those products. Our top ten customers accounted for approximately 27% (28% in 2018) of our revenues, with the largest customer (by revenue) accounting for approximately 12% (13% in 2018) of our revenue in the year ended 31 December 2019.

The Group has a strong focus on product quality, cost efficiency and product innovation and considers these key aspects to add value to the business of our customers, thereby reducing the risk of losing key customers.

Operational risks

The Group is committed to ensuring a safe working environment for our employees and we have robust monitoring and mitigation processes in place in this respect.

The Group takes Operational risk in delivering complex products to our customers, and manages this by investing in our people, assets and IT systems and operates processes designed to manage the operational risks associated with manufacturing complex products to a high quality.

The major operational risks we face are:

- Volatile raw material costs

The raw materials upon which we depend in our production are virgin (new) and regrind (recycled) plastic, mostly Polypropylene Copolymer (PPC') and High-Density Polyethylene (''HDPE''). The prices of these raw materials tend to be highly variable and represent a substantial portion of our operating expenses.

The Group monitors the developments in raw material prices closely. We do not operate a hedging policy to mitigate the risk of adverse changes in the price of the raw materials, but instead aim to pass price changes on. The majority of our revenue is typically derived from contracts or other arrangements that allow us to pass-through raw material cost increases.

- The loss of key employees

We rely heavily on our experienced regional managers and our research and development engineers. Attracting and retaining key members of our regional or executive management and key operational expertise is vital to the success of our business and operations.

- Disruptions to our IT systems or failure to implement required IT development

We rely on our information technology systems to effectively manage and operate many of our key business functions, including our supply management, product manufacturing and distribution, order processing and other business processes.

The Group is continuously working on IT process improvements and standardisation of IT systems.

Financial and regulatory risks

The Group follows the principle of prudence in its financial strategy. This applies to our approach in assessing new investments and the risks in generating adequate returns as well as the financial controls and processes we have in place to monitor risks related to our performance. We assess sensitivities of the Group's performance to external factors during forecasting process and strategic plan updates.

The Group complies with laws and regulations of the countries where it operates as well as its internal policies such as the Code of Conduct.

The major financial and regulatory risks we face are:

- Variety of financial risks: credit risk, liquidity risk and market risk

The Group's exposure to the financial risks and its risk management strategies are described in detail in Note 33 – Financial risk management.

- Financial reporting risk

Financial reporting risk arises mainly from inconsistent and delayed reporting process, which could negatively impact decision making in the Group.

The Group has a strong finance function and has been continuously harmonising policies and procedures for internal, financial and IT controls, training financial operational staff as well as exchanging best practices and internal risk assessments.

Internal controls include clear responsibilities on the part of operational and financial management for the maintenance of good financial controls and the production of accurate and timely management information, and clearly laid down appropriate authorization levels and segregation of accounting duties to the extent possible depending on the size of the individual locations.

The Management regularly reviews the monthly reporting of trading results, balance sheets, cash flows and medium term forecasts and uses these to monitor the performance and identify risks within individual business units at an appropriate stage and level.

- Our business is highly regulated

The risk of non-compliance with statutory laws and regulations applies to all countries where Schoeller Allibert operates and significant costs may need to be incurred to maintain the compliance.

- Product liability claims

The sale of our products involves a risk of product liability claims against us by our customers and third parties.

Our quality and environmental management system provides for, among other things, in-process control systems and inspection of our products at our in-house test centres. Our framework agreements with large customers generally limit our liability to product replacements, repairs or refunds.

Risk management and controls

Managing effective risk and control environment is incorporated in our daily operations. We are continuously working on updating our control systems in response to the Group's changing business and regulatory environment.

The risks described above, divided into three areas, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial may also materially and adversely affect our business or operations.

Risks facing our business in 2019 and beyond

In 2019, the Group faced two major strategic risks: a generic slowdown in the automotive sector and the delivery of major new products launched in 2018.

During 2019 we have seen a generic slowdown in the automotive sector, which has impacted the orders of our customers in that sector. In time we expect volumes in the automotive sector to return to historical levels, but the timing of that recovery is uncertain.

In 2018, Schoeller Allibert launched several major new products for which major deliveries commenced in 2019. Such product launches include the risk of complicated project execution and in planning and executing operations and supply chain. To mitigate these risks, we have expanded our corporate functions responsible for planning and supply chain.

4. Business outlook

The Management believe that the years 2018 and 2019 were important years for the Company during which several key product developments were brought to market forming the foundation for its future profitability and cash flows. In particular, we commenced sales and delivery in 2019 of three large products as part of our bulk strategy: the Magnum Optimum 1208, the Combo Fructus and the Combo Excelsior. These products are highly innovative products and are setting a new standard in the market. Sales of these products have contributed to the revenue growth in 2019 and will support further growth in the next years.

In 2019, we have seen a recovery of pooling customer volumes, which together with the benefit of investments of prior years, is expected to result in revenue and profit growth in the years 2020-2024.

5. Events after the reporting date

The Covid -19 ("Corona") virus has been spreading around the world since the end of 2019, having a major impact on society and businesses alike.

This is the status for Schoeller Allibert, its mitigating actions and Liquidity as of March 13th 2020.

Status

All operations are still up and running and our business is seen in several countries by the governments as critical to the food chain. All factories are producing.

The order book has held up well despite some decline. Daily order-intake is being tracked and there is a good level of orders especially in retail and pharma. There is a strong decline in automotive order intake.

There are only a limited number of Schoeller Allibert personnel in self quarantine due to colds and flu and 1 person has been confirmed as being infected.

Most (non-production related) people are currently working from home. Additional laptops and terminals have been provided as well as additional VPN connections. The sales force have migrated towards Tele Sales. This is up and running since about 2nd week of March.

Mitigation

While the business impact has been limited so far, we have taken measures during March to prepare for a potential decline in activity.
The company has frozen all avoidable spending and has delayed or cancelled capital expenditure where possible. Actions have been implemented to reduce inventory further.

Action plans have been prepared for all factories and operations for a potential revenue and production decline including reduction of number of temporary workers, implementation of government measures (such as short work and later payment of taxes) and change in shift patterns.

Liquidity

The Group has a solid financial structure in place. It has been refinanced in October 2019 with a EUR 250m new Bond (no refinancing required until 2024) and with a EUR 30m Revolving Credit Facility, fully committed by three reputable and stable banks.
Brookfield, the majority shareholder, is a strong sponsor to support the business.

The business follows the situation day by day and is well focused and prepared to get through the coming months.

Hoofddorp, 14 April 2020

The Board of Directors:

L.S.C. Gielen

H.A. Kerkhoven

Consolidated Statement of Profit or Loss

EUR'000	Note	2019	2018
Revenue	6	536,643	519,088
Other income	7	352	384
Total Revenue		**536,995**	**519,472**
Raw materials and consumables used		(267,222)	(272,673)
Costs for subcontracting		(2,464)	(2,188)
Employee benefit expense	8	(125,952)	(118,698)
Other operating expense	9	(81,553)	(85,053)
Depreciation expense	12	(33,001)	(19,845)
Amortisation expense	13	(1,888)	(1,618)
Total operating expenses		**(512,080)**	**(500,075)**
Operating profit		**24,915**	**19,397**
Finance income	10	29	325
Finance expense	10	(33,767)	(23,965)
Net finance expense	**10**	**(33,739)**	**(23,640)**
Share in result of equity accounted investments	14	122	153
Loss before income taxes		**(8,701)**	**(4,090)**
Income tax	11	(3,522)	(6,931)
Loss for the period		**(12,223)**	**(11,021)**
Attributable to:			
Owners of the Company		(12,091)	(10,952)
Non-controlling interests		(132)	(69)

The Notes on pages 23 to 70 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

EUR'000	Note	2019	2018
Loss for the period		**(12,223)**	**(11,021)**
Items that will not be reclassified to profit or loss:			
Re-measurements of retirement benefit obligations, net of tax		(469)	376
Re-measurements of retirement benefit obligations gross	21	(579)	443
Tax effect on Re-measurements of retirement benefit obligations	21	110	(67)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations, net of tax		2,611	(43)
Total comprehensive loss for the period, net of income tax		**(10,081)**	**(10,688)**
Attributable to:			
Owners of the Company		(10,173)	(10,598)
Non-controlling interests		92	(90)
Total comprehensive loss for the period		**(10,081)**	**(10,688)**

The Notes on pages 23 to 70 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

EUR'000	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	12	119,085	126,263
Right-of-use asset	27	51,417	-
Intangible assets	13	9,415	6,516
Equity accounted investments	14	785	663
Other financial assets	15	15,117	8,082
Deferred income tax assets	23	11,669	13,525
Total non-current assets		**207,488**	**155,049**
Current assets			
Inventories	16	37,922	33,877
Trade and other receivables	17	59,857	55,549
Current income tax assets		2,521	2,317
Prepayments	18	12,607	9,839
Derivative financial instruments		-	44
Cash and cash equivalents	19	40,613	14,899
Total current assets		**153,520**	**116,525**
TOTAL ASSETS		**361,008**	**271,574**
EQUITY			
Share capital	25	-	-
Share premium	25	106,979	106,979
Other reserves	25	(142,881)	(145,267)
Accumulated deficit	25	(73,380)	(60,820)
Equity attributable to owners of the Company	**25**	**(109,282)**	**(99,108)**
Non-controlling interests		607	515
Total equity		**(108,676)**	**(98,593)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	20	300,882	225,360
Employee benefits	21	9,311	7,778
Provisions	22	623	784
Deferred income tax liabilities	23	2,185	1,716
Total non-current liabilities		**312,977**	**235,638**
Current liabilities			
Loans and borrowings	20	15,534	5,040
Bank overdrafts	19	18,926	6,265
Provisions	22	1,005	1,827
Current income tax liabilities		1,700	5,244
Trade and other payables	24	119,517	116,153
Total current liabilities		**156,405**	**134,529**
Total liabilities		**466,382**	**370,167**
TOTAL EQUITY AND LIABILITIES		**361,008**	**271,574**

The Notes on pages 23 to 70 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

EUR'000	Share capital	Share premium	Other* reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
Note 25							
As at 1 January 2019	**-**	**106,979**	**(145,267)**	**(60,820)**	**(99,108)**	**515**	**(98,593)**
Comprehensive income/(loss) for the year:							
Loss for the year	-	-	-	(12,091)	(12,091)	(132)	(12,223)
Other comprehensive expense for the year:							
Gain on remeasurement of net defined benefit liability, net of income tax: Note 21	-	-	-	(469)	(469)	-	(469)
Foreign currency translation differences - foreign operations; net of income tax	-	-	2,386	-	2,386	224	2,610
Total comprehensive loss for the year	**-**	**-**	**2,386**	**(12,560)**	**(10,174)**	**92**	**(10,081)**
As at 31 December 2019	**-**	**106,979**	**(142,881)**	**(73,380)**	**(109,282)**	**607**	**(108,676)**

*The first time adoption of the new IFRS 16 standard on leasing has no impact on equity as the Right of Use asset has been measured at an amount equal to the lease liability.

EUR'000	Share capital	Share premium	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
Note 25							
As at 1 January 2018	**-**	**106,979**	**(145,245)**	**(50,244)**	**(88,510)**	**605**	**(87,905)**
Reclassification							
Comprehensive income/(loss) for the year:							
Loss for the year	-	-	-	(10,952)	(10,952)	(69)	(11,021)
Other comprehensive expense for the year:							
Loss on remeasurement of net defined benefit liability, net of income tax: Note 21	-	-	-	376	376	-	376
Foreign currency translation differences - foreign operations; net of income tax	-	-	(22)	-	(22)	(21)	(43)
Total comprehensive income/(loss) for the year	**-**	**-**	**(22)**	**(10,576)**	**(10,598)**	**(90)**	**(10,688)**
As at 31 December 2018	**-**	**106,979**	**(145,267)**	**(60,820)**	**(99,108)**	**515**	**(98,593)**

The Notes on pages 23 to 70 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

EUR'000	Note	2019	2018
Loss for the year		**(12,223)**	**(11,021)**
Adjustments for:			
Depreciation of property, plant and equipment	12	33,000	19,845
Amortisation of intangible assets	13	1,888	1,618
Gain on sale of property, plant and equipment	7	(352)	(384)
Impairment loss on trade receivables	17		148
Net finance costs		32,495	23,346
Tax expense	11	3,522	6,931
Share of results of equity accounted investments	14	(244)	(153)
Change in:			
Inventories		(3,746)	(5,124)
Trade and other receivables		(3,804)	5,961
Prepayments		(3,114)	30
Trade and other payables		3,488	(5,145)
Provisions and employee benefits		(1,048)	805
Cash generated from operations		**49,862**	**36,857**
Interest received	10	29	95
Interest paid		(27,305)	(21,619)
Income tax paid		(4,897)	(9,014)
Net cash inflow from operating activities		**17,689**	**6,319**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	26.1	1,011	524
Proceeds from sale of intangible assets		-	113
Proceeds from long term loans receivable		-	4
New long term loans receivable granted		(3,463)	(3,950)
Acquisition of property, plant and equipment	26.2	(33,994)	(19,764)
Acquisition of intangible assets		(4,737)	(1,551)
Dividends from associates		-	4
Net cash (outflow) from investing activities		**(41,183)**	**(24,620)**
Cash flows from financing activities			
Payment of transaction costs related to loans and borrowings		(7,332)	(978)
Proceeds from borrowings		272,007	212
Repayment of borrowings		(213,888)	(2,957)
Payment of finance lease liabilities		(16,032)	(3,966)
Net cash (outflow) from financing activities		**34,756**	**(7,689)**
Net change in cash and cash equivalents		11,262	(25,990)
Cash and cash equivalents at beginning of period		8,634	34,835
Net effect of exchange rate fluctuations on cash and cash equivalents		1,791	(211)
Cash and cash equivalents at end of period	19	**21,687**	**8,634**

The Notes on pages 23 to 70 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information

1.1 The Company and the Group

SCHOELLER PACKAGING B.V. ("SP" or "the Company") is a company limited by shares incorporated and domiciled in the Netherlands, having its statutory seat in Amsterdam. The address of the Company's registered office is Taurusavenue 35, 2132 LS, Hoofddorp. Schoeller Packaging B.V. was incorporated on 25 October 2019.

Schoeller Packaging B.V. was established on 30 September 2019 and is registered with the Dutch Commercial Register under number 75962357. The Company received the shares in Schoeller Allibert Group B.V. as part of a share premium contribution from Schoeller Allibert Packaging Holding B.V. After this transaction, Schoeller Allibert Group B.V. is a wholly owned subsidiary of the Company.

Because the Company did not exist prior to 30 September 2019, no consolidated financial information was prepared by the Company for the period before that date. The financial information before 30 September 2019 was derived from the consolidated financial statements of Schoeller Allibert Group B.V. and its direct and indirect subsidiaries. The Company is the continuation of the operations of Schoeller Allibert Group B.V. as the business is transferred to the Company in common control transaction. This transaction was primarily created to facilitate the refinancing of the Senior Secure Notes.

Schoeller Packaging B.V. is a wholly owned subsidiary of Schoeller Packaging Holding B.V., a company incorporated in the Netherlands that is owned 70% by BCP IV RTP Holdings Ltd., ultimately 100% held by Brookfield Asset Management Inc., and 30% by Schoeller Industries B.V., a company incorporated in the Netherlands that is active in supply chain systems.

The Company and its direct and indirect subsidiaries are collectively referred to as the 'Group', and individually as "Group entities". The Group is primarily involved in developing, producing and selling plastic returnable transport packaging solutions.

1.2 Composition of the Group

The significant entities that are part of the Group are disclosed in Note 31.

2. Basis of preparation

2.1 General

The accounting policies applied in the preparation of these consolidated financial statements are set out below in Note 3. These policies have been consistently applied to all the years presented, unless otherwise stated.

All amounts are presented in EUR'000, unless stated otherwise. The balance sheet and income statement references have been included. These refer to the Notes.

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied.

2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU") for the year ended 31 December 2019. As the financial data of the Company are included in the consolidated financial statements, the income statement in the company financial statements is presented in its condensed form (in accordance with article 402, Book 2 of the Dutch Civil Code). Furthermore, these consolidated financial statements have been prepared in accordance with Section 2:362(9) of the Dutch Civil Code.

These consolidated financial statements were authorised for issue by the Board of Directors 14 April 2020.

2.3 Going concern

In 2019, the Group increased its revenue and operating profit by EUR 17.5 million and EUR 5.5 million, however, the Group still registered a net loss for the year of EUR 12.2 million, negative working capital of EUR 9.2 million and negative equity of EUR 108.7 million which should be carefully considered when considering the entity's ability to continue as a going concern. In spite of this, the Group has taken several measures and has reported improvements in its performance that will ensure the Company's future.

The Group generated a net cash inflow from operating activities of EUR 17.3 million (2018: EUR 6.3 million). The Group successfully refinanced its senior secured notes by issuing new notes for an amount of EUR 250 million at a coupon of 6.375% which is a significantly lower coupon rate than the previous notes, which had a coupon rate of 8%. The Group also refinanced its revolving credit facility of EUR 30 million. The Group now has a stable financing structure with a solid cash position as at 31 December 2019, access to a EUR 30 million credit facility and senior secured notes due in 2024. Furthermore, the Group has access to a committed credit facility of up to EUR 65 million from its shareholder Brookfield, subject to shareholder consent, of which EUR 7.6 million was drawn in 2019.

During the past years the Group has seen significant levels of capital expenditure focused on product innovation. These innovations have resulted in new product launches that have contributed to the revenue growth in 2019 with further growth potential in the coming years.

Based on the above mentioned facts, Management of the Group believes that the application of the going concern assumption for the 2019 consolidated financial statements is appropriate.

3. Summary of significant accounting policies

3.1 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for:

- the FVOCI – equity instruments, which are initially recognised at fair value plus transaction costs and are subsequently carried at fair value,
- the net defined benefit liability, which is the difference between the present value of the defined benefit obligation and the fair value of plan assets, as explained in Note 21,
- the derivative financial instruments, which are recognised at fair value and subsequently carried at fair value.

The methods used to measure fair values are disclosed in Note 3.11.

Prepayments are released to the profit or loss account upon receipt of goods or services.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its direct and indirect subsidiaries. The list of individual legal entities included within these consolidated financial statements is provided in Note 31. Entities have been classified as subsidiary or associate as described below.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when:

- has the power over the investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- potential voting rights held by the Group, other vote holders or other parties,
- rights arising from other contractual arrangements, and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

InterGroup transactions, balances, income and expenses, and unrealised gains and losses on such transactions, have been eliminated on consolidation.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date, adjusted for the share of non-controlling interests in profit or loss and other comprehensive income since the date of acquisition.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid/received and the relevant share acquired/sold of the carrying value of net assets of the subsidiary is recorded in net investment.

Disposal of subsidiaries

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 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. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.3 Equity accounted investments

Equity accounted investments represent associates, which are entities over which the Group has significant influence but not control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost (including transaction costs), and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition until the date on which significant influence ceases. The Group's investment in associates includes goodwill identified on acquisition and the goodwill included in the carrying amount of the associate is note tested for impairment separately.

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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 recognizes the amount adjacent to "share of profit/ (loss) of equity accounted investments" in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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.

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

3.4 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the consideration 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 consideration arrangement. Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised fair values of the identifiable assets acquired and liabilities assumed.

Goodwill represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. When the thus determined goodwill is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Adjustments to the fair value of the consideration transferred and the provisional fair values of identifiable assets and liabilities in a business combination, identified within 12 months of the date of acquisition, are recognised retrospectively (and comparative information is revised), provided that the new information relates to conditions that existed at the date of acquisition.

3.5 Foreign currencies

Functional currency and presentation currency

These consolidated financial statements are presented in EUR, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Transactions and balances

Foreign currency transactions are translated into the respective functional currency of Group entities using the exchange rates prevailing at the dates of the transactions. 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 statement of profit or loss as finance income or expense.

Foreign operations

The results and financial position of all foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities (including goodwill and fair value adjustments arising on the acquisition of a foreign entity) for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of profit or loss are translated using the rate on the dates of the transactions (for practical reasons, an average exchange rate is used unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Foreign currency differences are recognised in other comprehensive income, and presented in the other reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented in the other reserve in equity.

3.6 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss within "Other income".

Subsequent expenditure

Subsequent expenditures 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component.

Items of property, plant and equipment are depreciated from the date that they are installed or completed and are ready for use.

The estimated useful lives of significant items of property, plant and equipment are as follows:

	Useful life
Buildings	20-30 years
Machinery and equipment	7-20 years
Own moulds	5-8 years
Other fixed assets	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Land is not depreciated.

3.7 Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes direct attributable costs and an appropriate portion of relevant indirect costs or overheads. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets relate to the trade name, customer, contractual rights and software.

Subsequent expenditure

Subsequent expenditures are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it increases the future economic benefits embodied in the asset and 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 expenditure is recognised in profit or loss as incurred.

Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

	Useful life
Trade name	20 years
Customer relations and contractual rights	9-10 years
Software	3 years
Development cost	3-7 years

Development costs are amortised over either the contractually agreed production numbers or the duration of the applicable project.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment, or more frequently if events or changes in circumstances indicate a potential impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill acquired in a business combination is allocated to each of the cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of profit or loss and are allocated first to reduce the carrying amount of any goodwill allocated and then to reduce the carrying amounts of the other assets on a pro rata basis.

The Group assesses in subsequent financial periods, whether indications exist that impairment losses previously recognised for non-current assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset (or cash generating unit) is recalculated and its carrying amount is increased to the revised recoverable amount. The increase is recognised in the result. A reversal is recognised only if it arises from a change in the assumptions used to calculate the recoverable amount and to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

3.9 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are creditimpaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

(ii) Debt instruments classified as at FVTOCI

The corporate bonds held by the Group are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forwardlooking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; • significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;

- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.
If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to other reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or lossfor financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

3.10 Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes reporting instructions towards subsidiaries regarding fair values.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3.11 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing it to their existing location. Costs for self-manufactured finished products and work in progress include an appropriate share of production overhead costs based on normal production.

3.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within current liabilities as a separate line.

3.13 Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception or on reassessment of the arrangement, the Group separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Classification, recognition and measurement

Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

Accounting as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets with a maximum value of EUR 5 thousand (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as part of the Loans and Borrowings line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss.

Accounting as lessor

Where Group products are recognised by Schoeller Allibert entities (as lessor) as leased products under operating leases, they are measured at manufacturing cost. All leased products are depreciated over their estimated useful life on a straight line basis.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.14 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Obligations for contributions to defined contribution plans are recognised as employee benefit expense as the related service is provided.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount to a present value and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. The current service cost of the defined benefit plan, recognised in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year.

The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. This cost is included in finance expense in the statement of profit or loss.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses (arising from experience adjustments and changes in actuarial assumptions), the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are charged or credited to equity in Other Comprehensive Income in the period in which they arise. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Termination benefits are expensed at the earlier of (a) when the Group can no longer withdraw the offer of those benefits and (b) when the Group recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expense.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Restructuring provisions comprise lease termination penalties and employee termination payments.

Claims

A provision for claims is recognised when the Group receives legal claims and estimates that there is a probable future outflow of resources.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.16 Current and deferred income tax

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income. In this case, the tax is also recognised directly in equity or in Other Comprehensive income, respectively.

Current tax

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Current tax also includes any tax arising from the distribution of dividends.

IFRIC 23

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to: • determine whether uncertain tax positions are assessed separately or as a group; and • assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: – If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. – If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused interest deductions available for carry forward, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to loss carry forwards and temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when the Group has the intention to settle the balances on a net basis.

3.17 Revenue recognition

Sale of goods

Revenue from the sale of plastic returnable transport packaging in the business to business market is measured at the fair value of the consideration received or receivable and represents amounts receivable from the sale of goods delivered during the year, net of returns, trade discounts, volume rebates and value added taxes. Revenue is recognised when it transfers control over goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The timing of the transfer of control varies depending on the individual terms of the sales agreement at the point in time when the performance of obligation based on the contract has been completed. Indicators of performance of obligation ranges from the delivery and collection of the goods being arranged by the customer from Schoeller Allibert's premises to the Group delivering the goods at customer's premises.

Rendering of service

Revenue from rendering of services comprises the revenue from leasing returnable transit packaging products to customers and revenue from logistical services. Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on surveys of work performed.

Revenue is recognised net of discounts, credit notes and taxes levied on sales when the service is rendered based on the contract with the customer.

3.18 Finance income and expense

Finance income comprises interest income and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, amortisation of fees relating to the arrangement of borrowings, interest of net defined benefit obligations and the unwinding of the discount on provisions. Both finance income and finance costs are recognised using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.19 Government grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included as a deduction in arriving at the asset's carrying amount and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

3.20 Segment reporting

The Board of Directors is responsible for allocating resources and assessing performance of the operating segments and has been identified as the chief operating decision-maker that makes strategic decisions.

Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Board of Directors considers the business from both a geographic and product perspective. Geographically, management considers the production and sale of Returnable Transport Packaging ("RTP") products' performance per region, also called the Manufacturing business. From a product perspective, management separately considers the Services activities of the Group. The Group's manufacturing activities represent the primary business of the Group. As the operating segments of the Services business and the individual operating segments are not meeting the aggregation criteria or individual reporting thresholds, these are all reported in "All Other segments".

Performance of operating segments is reported to the Board of Directors on a lower regional basis but for financial statement purposes, regions are aggregated to the following reportable segments, based on the fact that they are Euro-zone countries operating in a similar economic environment (Northern Europe, Central Europe and Southern Europe) and all other (mostly) European countries with various currencies. The reportable segments are slightly modified to create segments that are more coherent and more appropriately group entities into similar economic environment. Northern Europe is changed to include UK and Ireland while taking out Germany, Austria and Switzerland from this segment, which are now part of Central Europe, Ukraine and Russia are included in this segment as the business of these entities are managed by our Northern Europe team; a new reportable segment which also includes Czech Republic, Romania, Slovakia, Hungary and Poland which were previously grouped with UK and Ireland. The rest of the operating segments are unchanged:

- Northern Europe: Includes the manufacturing of RTP products and the sale thereof in the Netherlands and Belgium, UK and Ireland, Sweden, Finland, Latvia, Ukraine and Russia.
- Central Europe: Includes the manufacturing of RTP products and the sale thereof in Germany, Austria, Switzerland, Czech Republic, Romania, Slovakia, Hungary and Poland.
- Southern Europe: Includes the manufacturing of RTP products and the sale thereof in France, Italy, Spain and Portugal.
- United States of America (USA): Includes the manufacturing of RTP products and the sale thereof in the United States of America.
- All Other Segments: Includes pooling services and sale of products and technical support in Asia and South America.

The Board of Directors assesses the performance of the operating segments on a regular basis.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of profit or loss.

The Group does not allocate certain revenues and costs to operating segments. These unallocated items include primarily corporate overhead costs. These items are presented as "Holding/eliminations" in the segment information.

Due to the fact that no balance sheets measures per operating segment are included in the information regularly reviewed by the Board of Directors, only limited number of measures on assets are disclosed per segment.

3.21 Preparation of the consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows (e.g. translation differences and fair value changes) have been eliminated for the purpose of preparing this statement. Interest received and interest paid are included in operating activities. Dividends received are included in investing activities, whereas dividends paid to shareholders are included in financing activities.

Cash and cash equivalents comprise cash balances at the bank and in hand, and are used by the Group in the management of its short-term commitments.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.22 Estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Incremental rate is based on benchmark rate, credit risk premium rate and sovereign risk premium rate and liquidity risk premium rate.

Critical accounting estimates and assumptions

The assumptions and estimation uncertainties that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The Group assumes incremental borrowing rate based on data from external treasury advisers

Recognition and measurement of provisions and contingencies

The Group is party to a number of legal proceedings arising out of business operations. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against the Group often raise difficult and complex factual and legal issues, which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, legal counsel and other experts are consulted on matters related to litigation and taxes.

The Group accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event a material adverse outcome is possible or an estimate is not determinable, the matter is disclosed. Also refer to Note 22 and Note 28.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Also refer to Notes 11 and 23.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Defined benefit plans

The Group makes contributions to defined benefit pension plans for qualifying employees in a number of European countries. The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Impairment of intangible assets

Intangible assets in the Group are carried at cost less straight-line amortisation over the estimated useful life of the assets concerned. Where applicable, trade names are recognised and amortised over the expected useful life of 20 years. The cost of internally generated goodwill and trade names is expensed. For the customer bases and contractual rights, useful life has been estimated and currently ranges between 9 and 10 years. Impairment tests are performed when there are indications that they are required. Software developed by third parties is capitalised at cost, provided its technical feasibility has been demonstrated. External costs for internally developed software, provided it satisfies a number of criteria including technical feasibility, are also capitalised. Maintenance contracts and licensing agreements relating to existing software are capitalised and amortised over the term of the contract. Software is amortised on a straight-line basis over the estimated useful life of 3 years.

Estimated useful lives of fixed assets

The majority of the Group's fixed assets relate to injection moulding machines and moulds, which are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. The determination of useful lives requires some managerial judgement.

4. Adoption of new and revised Standards

IFRIC 23

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. Please refer to Note 3.17

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach which does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4. The Right of Use asset upon first time adoption hase been measured at an amount equal to the lease liability.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Group: a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii) b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows. Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less) and leases of low-value assets with a maximum amount of EUR 5 thousand (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17:

- The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less
- The group opted not to recognize right-of-use assets for low-value assets.

The group recognises the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption. The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

(c) Impact on Lessor Accounting IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets. Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change, the Group has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. As required by IFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables.

(d) Financial impact of initial application of IFRS 16

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using an average incremental borrowing rate ("IBR") of 3.67% at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application. The IBR is based on a detailed analyses that includes country and asset specific assessments, also considering the period of the lease, the credit and sovereign risk.

	EUR'000
Operating lease commitments at 31 December 2018	36,404
Effect of discounting the above amounts	1,860
Lease commitments as reported in annual report 2018	**34,544**
Short-term leases and leases of low value assets	247
Reclassification of present values of the lease payments to lease receivables due to a sub-lease	3,131
Other	199
Lease liabilities recognised at 1 January 2019	**30,966**
Finance lease liabilities at 31 December 2018	19,875
Total lease liabilities recognised at 1 January 2019	**50,841**

New and revised IFRS Standards in issue but not yet effective

IAS 1 and IAS 8 *Definition of material*
Conceptual Framework *Amendments to References to the Conceptual Framework in IFRS Standards*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

5. Segment reporting

EUR'000	Northern Europe	Central Europe	Southern Europe	USA	All other Segments	Eliminations	Total
External customers	108,223	217,521	117,100	37,208	66,179	-	536,643
Intersegment	40,106	31,294	34,815	133	9,587	(115,936)	-
Total Revenue	148,330	248,815	151,915	37,340	66,179	(115,936)	536,643
						-	

Operating profit	6,516	5,898	6,825	(9,546)	15,224	-	24,916
Other							122
Net finance cost							(33,738)
Income tax expense							(3,522)
Loss for the period ended December 31, 2019							(12,222)

EUR'000	Northern Europe	Central Europe	Southern Europe	USA	All other Segments	Eliminations	Total
External customers	108,737	209,013	117,866	33,511	49,960	-	519,088
Intersegment	46,198	19,393	27,935	-	7,364	(100,890)	-
Total Revenue	154,935	228,406	145,801	33,511	57,324	(100,890)	519,088
						-	
Operating result	1,795	7,896	5,740	(9,388)	13,353	-	19,397
Other							153
Net finance cost							(23,640)
Income tax expense							(6,931)
Loss for the period ended December 31, 2018							(11,021)

Segment assets (being property, plant and equipment, right-of-use assets, intangible assets, inventory and trade receivables) are:

EUR'000	2019	2018
Northern Europe	53,331	37,862
Central Europe	93,337	70,493
Southern Europe	58,741	46,848
USA	25,964	24,081
All Other Segments	14,389	15,149
Holding	21,558	14,881
Segment assets	267,320	209,313
Other non-current assets	27,571	22,270
Other receivables and other current assets	63,812	39,991
Total assets	358,702	271,574

Entity-wide disclosures

The Group allocates the revenue from external customers to individual countries on the basis of the location in which the sale originated.

Revenues from external customers by country:

EUR'000	2019	2018
United Kingdom	66,913	63,462
The Netherlands	28,714	28,782
United States of America	37,208	33,511
Germany	178,304	161,109
France	62,607	63,107
Spain	46,359	45,957
Other countries	116,394	123,160
Revenue	536,499	519,088

Revenues from the individual countries included in other countries are each below 7% in both 2019 and 2018.

Revenues of EUR 82,528 thousand (2018: EUR 63,124 thousand) are derived from a single external customer. These revenues are attributable to the Central Europe and USA segments.

Non-current assets, comprising property, plant and equipment, right-of-use assets and intangible assets by country are as follows:

EUR'000	2019	2018
United Kingdom	19,108	16,838
The Netherlands	26,281	19,631
United States of America	17,345	16,848
Germany	40,666	27,621
France	21,832	15,213
Spain	18,771	13,312
Other countries /Holding	36,384	23,316
Total property plant and equipment, right-of-use asset and intangible assets	180,387	132,779

Non-current assets in the individual countries included in other countries relate mainly to the property, plant and equipment in Switzerland, Poland and Belgium.

6. Revenue

EUR'000	2019	2018
Sale of goods	477,036	474,101
Services rendered	59,607	44,987
Revenue	536,643	519,088

Sales of goods relates to revenue from the sale of plastic returnable transport packaging in the business to business market.

Revenue from rendering of services comprises the revenue from leasing returnable transit packaging products to customers and revenue from logistical services.

7. Other income

EUR'000	2019	2018
Other income	352	384
Total other income	**352**	**384**

In 2019, other income included a gain on the sale of assets in the Spain.
In 2018, other income included a gain on the sale of assets in the USA.

8. Employee benefit expense

EUR'000	2019	2018
Wages and salaries	85,358	82,269
Social security contributions	19,953	18,177
Temporary personnel	17,767	15,511
Contributions to defined contribution plans	2,586	2,205
Expenses related to defined benefit plans (Note 21)	288	536
Total employee benefit expense	125,952	118,698

The remuneration of the Management and Supervisory Board is disclosed as in Note 30. Employee benefit expense include the severance payments made relating to certain restructuring activities.

9. Other operating expense

EUR'000	2019	2018
Energy	15,634	13,676
Maintenance and other direct cost	11,101	13,369
Freight	23,456	16,995
Indirect production	4,634	12,967
Indirect selling	11,592	11,622
Administration and other operating cost	15,136	16,424
Total other operating expense	81,553	85,053

10. Net finance expense

EUR'000	2019	2018
Interest income on loans and receivables	29	95
Net foreign exchange gain	-	230
Finance income	29	325
Interest expense on borrowings	(20,359)	(19,085)
Amortisation deferred financing fees	(5,075)	(2,762)
Net foreign exchange loss	(1,382)	
Other financial expenses	(6,951)	(2,118)
Finance expense	(33,767)	(23,965)
Net finance cost	(33,739)	(23,640)

In October 2019, the Company issued new senior secured notes for an amount of EUR 250m. The proceeds were used to redeem the Company's previously issued senior secured notes, refer to Note 20. As part of this transaction, the Company paid an early redemption penalty of EUR 4.2m (included in other financial expenses) and recorded an accelerated amortization of the remaining deferred finance costs related to the redeemed senior secured notes.

11. Income Tax Expense

EUR'000	2019	2018
Current income tax		
Current tax on results of the year	(1,432)	(2,146)
Adjustment in respect of prior years	95	1,502
Total current income tax	(1,337)	(644)
Deferred tax (note 23)		
Origination and reversal of temporary differences	707	1,315
Impact of change in tax rate	(395)	(444)
Release or utilisation of tax losses or recognition of unrecognised losses	(2,497)	(7,158)
Total deferred tax	(2,185)	(6,287)
Income tax expense	(3,522)	(6,931)

In 2019, the Group derecognised deferred tax assets related to net operating losses mainly in the Netherlands, while it recognised the deferred tax asset related to net operating losses in other jurisdiction based on 2020-2022 profit projections per legal entity. The net effect on the 2019 result was derecognition of EUR 9.0 million.

The theoretical amount of tax on the Group's result before taxation using the Dutch corporate tax rate differs from the tax that actually arises using the weighted average tax rate applicable to profits of the combined entities as follows:

		2019		2018
	%	EUR'000	%	EUR'000
Loss for the year before tax		(8,701)		(4,090)
Tax using the Group's domestic tax rate	-25.0%	2,173	25.0%	1,023
Change in tax rate	4.5%	(395)	10.9%	(444)
Non-taxable income	-9.2%	804	-20.6%	843
Non-deductible expenses	22.5%	(1,954)	49.7%	(2,032)
Utilisation or release of tax losses	31.0%	(2,694)	125.2%	(5,123)
Current year tax losses for which no deferred tax is recognised	26.4%	(2,297)	115.7%	(4,732)
Recognition of previously unrecognised losses	-6.2%	538	-46.3%	1,893
Re-assessment in respect of prior years	-0.2%	16	-36.7%	1,502
Other	-3.3%	286	-3.4%	139
Income tax expense	**40.5%**	**(3,522)**	**169.4%**	**(6,931)**

12. Property, plant and equipment

EUR'000	Land and buildings	Machinery and equipment	Other equipment	Assets under construction	Total
Property, plant and equipment at cost					
As at 1 January 2019	50,414	421,897	35,246	7,381	514,938
Change in accounting policies (IFRS 16)	-	(28,934)	(978)	-	(29,912)
IFRS 16 Adjusted opening balance	50,414	392,962	34,268	7,381	485,025
Transfers	123	19,451	17	(19,348)	243
Additions	499	9,297	3,660	22,885	36,341
Disposals	(2,124)	(4,309)	(469)	-	(6,902)
Translation differences	710	3,765	336	70	4,881
As at 31 December 2019	49,622	421,167	37,812	10,988	519,589
As at 1 January 2018	49,857	423,742	36,720	13,694	524,013
Transfers*	168	(2,949)	(3,210)	(20,494)	(26,485)
Additions	436	6,958	3,895	13,981	25,270
Disposals	(277)	(9,351)	(2,150)	0	(11,778)
Translation differences	230	3,497	(9)	200	3,918
As at 31 December 2018	50,414	421,897	35,246	7,381	514,938
Depreciation					
As at 1 January 2019	32,160	328,920	27,595	-	388,675
Change in accounting policies (IFRS 16)	-	5,227	260	-	5,487
IFRS 16 Adjusted opening balance	32,160	323,693	27,333	-	383,187
Transfers	24	1,033	(754)	-	256
Depreciation for the year	1,227	17,170	1,956	-	20,353
Disposals	(2,124)	(3,667)	(451)	-	(6,242)
Translation differences	262	2,917	282	-	3,461
As at 31 December 2019	31,549	339,080	29,875	-	400,504
As at 1 January 2018	31,187	343,377	28,977	-	403,541
Transfers*	(53)	(23,629)	(2,803)	-	(26,485)
Depreciation for the year	1,233	15,068	3,544	-	19,845
Disposals	(277)	(9,232)	(2,129)	-	(11,638)

EUR'000	Land and buildings	Machinery and equipment	Other equipment	Assets under construction	Total
Translation differences	70	3,336	6	-	3,412
As at 31 December 2018	32,160	328,920	27,595	-	388,675

*2018 Transfers relate to fully depreciated assets that are no longer in use..

Carrying amounts

As at 31 December 2019	18,073	82,087	7,937	10,988	119,085
As at 31 December 2018	18,254	92,977	7,651	7,381	126,263

13. Intangible assets

EUR'000	Trade names	Customer relations and contractual rights	Software	Other assets	Total
Intangibles assets at cost					
As at 1 January 2019	11,287	622	6,918	334	19,160
Transfers*	(6,037)	-	59	(11)	(5,989)
Additions	-	-	3,664	1,072	4,737
Disposals	-	-	-	-	(6,037)
Translation differences	-	-	13	10	22
As at 31 December 2019	5,250	622	10,654	1,405	17,931
As at 1 January 2018	11,298	16,410	5,824	6,413	39,945
Transfers*	(10)	(15,516)	(284)	(6,236)	(22,047)
Additions	-	-	1,551	-	1,551
Disposals	-	(219)	(169)	-	(388)
Translation differences	-	(54)	(3)	157	100
As at 31 December 2018	11,287	621	6,918	334	19,160
Amortisation					
As at 1 January 2018	7,350	622	4,346	326	12,644
Transfers*	(6,037)	-	4	(4)	(6,037)
Amortisation for the year	437	-	1,451		1,888
Disposals	-	-		-	-s
Translation differences	-	-	11	10	21
As at 31 December 2019	1,750	622	5,812	332	8,516
As at 1 January 2018	6,916	16,411	3,633	6,288	33,248
Transfers*	(10)	(15,516)	(284)	(6,123)	(21,934)
Amortisation for the year	444	(0)	1,170	4	1,618
Disposals	-	(219)	(169)	-	(388)
Translation differences	(0)	(54)	(3)	157	100
As at 31 December 2018	7,350	622	4,346	326	12,644

*Transfers relate to fully amortised assets that are no longer in use.

Carrying amounts

As at 31 December 2019	3,500	1	4,842	1,073	9,415
As at 31 December 2018	3,937	-	2,571	8	6,516

See also Note 20 for further information on intangible assets pledged as security for Senior Secured Notes.

No impairment triggers have been identified in 2019, an impairment analysis have been performed by the Group and the Group have not recognised any impairment related to its intangible assets.

Group capitalized research and development costs that pertain to development of products, EUR 1.1m which will only be amortised in 2020. Total research and development costs recognized for the year is EUR 2.6m.

14. Equity accounted investments

The amounts recognised in the statement of financial position are as follows:

EUR'000	2019	2018
Equity accounted investments	785	663

The equity accounted investments balance concerns interests in Associates accounted for using the equity method. At year-end the Group had interests in the following associates:

		Ownership interest (%)	
Name of the associate	Place of business	2019	2018
Formy Tachov S.R.O.	Czech Republic	24%	24%

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

Financial information for these investments is available to the Group, but the interests in these associates are all individually immaterial.

The movements in equity accounted investments were as follows:

EUR'000	2019	2018
As at 1 January	663	514
Share of profits of equity accounted investments	122	153
Dividends received	-	(4)
As at 31 December	785	663

15. Other financial assets

EUR'000	2019	2018
Long term receivables related party	7,385	7,078
Long term receivables	7,691	963
FVOCI – equity instruments	41	41
Other financial assets	15,117	8,082

Long term receivables include an agreement with one of our clients EUR 4.1m which involves financing a machinery and a sub-lease in UK EUR 2.2m. The sub-lease is based on the discounted future cashflow as agreed in sub-lease agreement.

FVOCI – equity instruments are related to some small (less than 5%) participations in unlisted equity investments. The Group's exposure to credit, currency and interest risks, and impairment losses related to loans and receivables are disclosed in Note 32.

There is no loss allowance to our other financial assets as the Group deems the risk related to these assests as insignificant.

16. Inventories

EUR'000	2019	2018
Finished goods	17,645	15,669
Raw materials and consumables	15,391	13,931
Other inventories	2,072	2,587
Work in progress	2,813	1,690
Inventories	37,922	33,877

Other inventories represent engineering stocks, moulds and other materials which cannot be considered as raw materials or finished goods.

In 2019, the write-down of inventories to net realisable value amounted to EUR 212 thousand (2018: EUR 211 thousand). The reversal of write-downs following a change in estimates resulted in an income of EUR 4 thousand (2018: EUR 123 thousand). The write-down and reversal are included in profit or loss in the line raw materials and consumables used.

See also Note 20 for further information on inventory pledged as security for Senior Secured Notes.

17. Trade and other receivables

EUR'000	2019	2018
Trade receivables (gross)	51,272	44,018
Allowance for expected credit losses of receivables	(1,494)	(1,360)
Trade receivables (net)	49,778	42,658
Other taxes and social security contributions	10,020	12,867
Receivables due from related parties	5	24
Dividends receivable	54	-
Other receivables	10,079	12,891
Trade and other receivables	59,857	55,549

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in Note 32.

The charge to the allowance for expected credit losses of receivables is recognised in the current year was EUR 234 thousand (2018: EUR 148 thousand) and is included in other operating costs.

Other receivables mainly pertain to other taxes and social security contributions, mainly VAT receivables.

See also Note 20 for further information on trade receivables pledged as security for Senior Secured Notes.

18. Prepayments

EUR'000	2019	2018
Prepayments	12,607	9,839

The prepayments include prepayments mainly pertain insurance, rent and other expenses.

19. Cash and cash equivalents

EUR'000	2019	2018
Cash at bank and in hand	40,613	14,899

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

EUR'000	2019	2018
Cash at bank and in hand	40,613	14,899
Bank overdrafts	(18,926)	(6,265)
Cash and cash equivalents	21,686	8,634

The Group has one revolving facility as at 31 December 2019 amounting to EUR 30 million (2018: one revolving facility amounting to EUR 30 million). The Group has issued bank guarantees for a total amount of EUR 2.2 million, covered by these facilities. The unused part of these facilities as at 31 December 2019 amounted to EUR 25.0 million (2018: EUR 15.5 million).

The Group has pledged part of its bank balances (see Note 20).

Significant restrictions

Cash and short-term deposits of EUR 468 thousand (2018: EUR 192 thousand) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country.

20. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. The Group's exposure to interest rate, foreign currency and liquidity risk is disclosed in Note 32.

EUR'000			2019			2018
	Current	Non-Current	Total	Current	Non-Current	Total
Senior secured note	-	250,000	250,000	-	209,800	209,800
Deferred financing costs	-	(7,038)	(7,038)	(1,709)	(2,601)	(4,310)
Senior secured note at amortised cost	-	242,962	242,962	(1,709)	207,199	205,490
Other credit institutions	1,369	20,279	21,648	4,247	1,531	5,778
Lease liabilities	14,167	37,909	52,077	2,965	16,910	19,875
Deferred financing costs	(3)	(269)	(272)	(463)	(280)	(743)
Total loans and borrowings	15,534	300,882	316,416	5,040	225,360	230,400

EUR'000		2019		2018
	Carrying amount	Fair value	Carrying amount	Fair value
Senior secured note	250,000	258,300	209,800	201,450
Other credit institutions	21,648	21,648	5,778	5,778
Lease liabilities	52,077	52,077	19,875	19,875
Total	323,725	332,025	235,453	227,103
Deferred financing costs	(7,310)	-	(5,053)	-
Total	316,416	332,025	230,400	227,103

The Group has one revolving facility as at 31 December 2019 amounting to EUR 30 million (2018: one revolving facility amounting to EUR 30 million). The Group has issued bank guarantees for a total amount of EUR 5.0 million, covered by these facilities. The unused part of these facilities as at 31 December 2019 amounted to EUR 25.0 million (2018: EUR 15.5 million).

Senior Secured Notes and the Guarantors

On 25 October 2019, the Group issued EUR 250,000 thousand 6.375% Senior Secured Notes due in 2024. Interest on the Notes is paid semi-annually in arrears on 1 May and 1 November of each year and accrues at a rate equal to 6.375% per annum. The maturity date of the notes is 1 November 2024. The Notes are listed and permitted to deal with at The Channel Island Securities Exchange Authority Limited.

The Notes are the Group's general senior obligations and rank *pari passu* in right of payment with any existing and future obligations that are not subordinated in right of payment to the Notes, including the revolving credit facility. No financial covenants apply to the Notes unless a change of control occurs.

The Notes are guaranteed on a senior secured basis by some of the Group subsidiaries located in the Netherlands, the United Kingdom, France, Germany, Spain, Belgium and the United States (Guarantors) and are secured by first-ranking security interest over the same assets that secure the Revolving Credit Facility (collateral). As of 31 December 2019, the Guarantors represented over 81% the Group's external revenue and over 82% of the Group's aggregated EBITDA. The subsidiaries who are Guarantors are indicated in Note 31.

We or our affiliates may, at any time and from time to time, seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Investor Loan Facility

The Group, has obtained commitment for a EUR 65 million investor loan facility from entities affiliated with Brookfield Business Partners L.P. during the year. Subsequent to year end, an investor loan agreement has been executed in which, subject to consent of the lender, amounts can be drawn up to EUR 65 million at an interest rate of 12% of the outstanding amount. The amounts drawn under the loan need to be repaid before 31 December 2021. The terms can be extended by the lender for 24 months. In case of non-payment the amounts unpaid may be converted to shares as at 31 December 2021.

Other credit institutions

As of 31 December 2019, loans from other credit institutions consist of loans to subsidiaries in Switzerland, Poland, Spain, Mexico and Germany.

There is one loan in Switzerland with an outstanding balance of CHF 3,888 thousand (EUR 3,443 thousand) which accrues interest at 1.35% and matures on 31 March 2021.

The loan in Germany has an outstanding balance of EUR 1,110 thousand and maturity date of 3 June 2026 and the effective interest rate is 3.96%.

The loan in Mexico has a balance of EUR 215 thousand, the maturity date of which is on 30 September 2024 at an interest rate of 7.0%

There is a loan in Poland with a balance of PLN 14,399 thousand with a maturity date of 30 November 2025 at an interest rate of 4.42%.

Rentabox in Spain has a loan balance of EUR 4,599 thousand with a maturity date of 31 December 2024 which accrues interest at 8.5%.

Lease liabilities

EUR'000	2019	2018
No later than 1 year	15,332	3,775
Later than 1 year but no later than 5 years	36,940	15,777
Later than 5 years	3,068	2,492
Gross value of Lease liabilities	55,340	22,044
Future finance charges on Lease liabilities	(3,263)	(2,169)
Present value of Lease liabilities	52,077	19,875

The present value of Lease liabilities is as follows:

EUR'000	2019	2018
No later than 1 year	14,167	2,965
Later than 1 year but no later than 5 years	34,809	14,550
Later than 5 years	3,100	2,360
Present value of Lease liabilities	52,077	19,875

Lease liabilities mainly pertain to leases of company cars, machinery and equipment and office and warehouses (note 12).

21. Employee benefits

EUR'000	2019	2018
Net defined benefit liability	7,032	5,971
Obligations from other long-term employee benefits	2,279	1,807
Total employee benefits	9,311	7,778

Defined benefit obligations

The Group makes contributions to defined benefit plans for qualifying employees of its subsidiaries in France, Belgium, Germany and Switzerland. The defined benefit plans are funded through payments to insurance companies or trustee-administered funds, determined by actuarial calculations. The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. The plan provides benefits in the event of retirement, death, or disability. The plan's benefits are based on age, salary and on an individual old age account. The plan is financed by contributions paid by the employees and by the employer. The assets are invested in qualified insurance policies

The Company has opted to apply the risk sharing features between employer and employees. The reduction of the defined benefit obligation was calculated based on a theoretical old age account of the employees. This theoretical old age account is calculated based on the plan formula and the theoretical entry date.

EUR'000	2019	2018
Present value of obligations	(16,092)	(14,358)
Fair value of plan assets	9,060	8,387
Net defined benefit liability	(7,032)	(5,971)

In France, the plan is partially insured. In Germany, the plan is provided via an insurance Group for a limited number of employees. In Belgium and Switzerland the plans are insured.

The movement in the defined benefit obligation and in the fair value of plan assets over the year is as follows:

EUR'000	2019	2018
Defined benefit obligations at 1 January	(14,358)	(13,159)
Reclassification to plan assets	-	215
Benefits paid by the plan	343	358
Plan amendments	-	(998)
Current service costs	(288)	(536)
Interest costs	(184)	(151)
Contributions plan participants	(204)	(185)
Gain (loss) recognised in other comprehensive income	(1,074)	417
Translation differences	(327)	(319)
Defined benefit obligations 31 December	(16,092)	(14,358)

EUR'000	2019	2018
Fair value of plan assets at 1 January	8,387	8,240
Reclassification to plan liabilities	-	(215)
Expected administrative expenses	(16)	(12)
Contributions by employer paid into the plan	330	329
Contributions Plan Participants	204	185
Interest income	62	53
Benefits paid by the plan	(338)	(343)
Expected return on plan assets	6	0
Re-measurement gains recognised in other comprehensive income	155	(113)
Translation differences	270	263
Fair value of plan assets at 31 December	9,060	8,387

The plan assets are invested in a mix of equity, debt instruments and real estate, spread over Europe.

Re-measurement gains and losses recognised in other comprehensive income (before tax effect).

EUR'000	2019	2018
Amount accumulated in equity at 1 January	(5,930)	(6,234)
Recognised on defined benefit obligation	(1,074)	417
Recognised on plan assets	155	(113)
Recognised during the year	(919)	304
Amount accumulated in Equity at 31 December	(6,849)	(5,930)

Defined benefit expense recognised in profit or loss:

EUR'000	2019	2018
Current service costs	288	536
Interest costs defined benefit obligation	122	99
Administrative expenses	16	12
Interest income on plan assets	(6)	0
Defined benefit expense	420	647

Other employment benefits

EUR'000	2019	2018
Obligations from other long-term employee benefits		
Recognised in the statement of profit and loss	9	89
Accumulated in equity	450	72

Other employee benefits include jubilee provisions, based on granted and built up rights of employees to receive jubilee benefits. It also contains certain partial retirement plans. The amount recognised is determined using actuarial calculations.

22. Provisions

EUR'000	Restructuring	Claims	Total
As at 1 January 2019	1,099	1,512	2,611
Provisions made during the year*	660	474	1,134
Provisions used during the year	(526)	(1,429)	(1,955)
Provisions reversed during the year	-	(200)	(200)
Effect of movements in exchange rates	5	33	38
As at 31 December 2019	1,238	390	1,628
Non-current	623	-	623
Current	615	390	1,005
Total provisions	1,238	390	1,628

EUR'000	Restructuring	Claims	Total
As at 1 January 2018	787	2,384	3,171
Provisions made during the year	495	1,357	1,851
Provisions used during the year	(183)	(2,222)	(2,405)
Provisions reversed during the year	-	(191)	(191)
Unwinding of discount	-	152	152
Effect of movements in exchange rates	0	32	32
As at 31 December 2018	1,099	1,512	2,611
Non-current	784	-	784
Current	315	1,512	1,827
Total provisions	1,099	1,512	2,611

*part of the severance payments made have been recorded as Employee Benefit Cost (see note 8; and have not been separately reflected in the movement of the provisions.

The economic outflow of non-current provisions is expected to occur within one to three years. The discount relates to an immaterial portion of claims provision and the discount rate amounts to 5.9%

Restructuring

The restructuring provision reflects the directors' best estimates of the cost to fulfil internally announced plans. These costs are directly related to the plans and include the cost of employee settlements. It does not include any amount for the future performance of the ongoing businesses concerned.

Claims

In 2019, the provision for claims included claims related to disputes with customers.

23. Deferred income tax assets and liabilities

EUR'000	2019	2018
Deferred income tax assets	11,669	13,525
Deferred income tax liabilities	(2,185)	(1,716)
Net deferred income tax assets	9,484	11,809

The net movement on the deferred income tax account is as follows:

EUR'000	2019	2018
As at 1 January	11,809	18,208
Exchange differences	(42)	(187)
Income statement	(1,779)	(5,842)
Impact of change of rate	(395)	(444)
Tax credit relating to components of other comprehensive income	(109)	74
As at 31 December	9,484	11,809

*Includes certain insignificant presentation adjustments versus last year.

Deferred income tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
EUR'000	2019	2018	2019	2018	2019	2018
Property, plant and equipment	822	1,156	2,417	868	(1,595)	288
Intangible assets	644	-	73	292	571	(292)
Other assets	1,264	2,152	-	-	2,205	2,152
Inventories	1,067	11	10	24	1,070	(13)
Trade and other receivables	144	207	-	3	144	204
Loans and borrowings	829	469	-	3	776	466
Employee benefits	1,325	1,272	-	-	1,325	1,272
Provisions	9	10	-	-	9	10
Trade and other payables	422	208	235	246	187	(38)
Other items	387	293	(549)	280	36	13
Tax loss carry-forwards	4,756	7,747	-	-	4,756	7,747
Tax assets/(liabilities)	11,669	13,525	2,186	1,716	9,484	11,809

The Group derecognised net amount of deferred tax assets related to net operating losses of EUR 2,486 thousand (2018: EUR 7,157 thousand) based on 2020-2022 profit projections per legal entity.

Of the EUR 4,756 thousand tax losses carried forward, approximately, 30% will be realised in the next 12 months. Depending on the future taxable results, a part of deferred tax assets relating to tax loss carry forward now considered to be recoverable after 12 months may be recoverable in the short term, whereas tax losses carry forward now considered to be recoverable within 12 months may be recoverable in the long term.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

EUR'000	As of 1 January 2019	Adjustment to opening balances	Recognised in profit or loss	Recognised in other comprehensive income	Impact of the rate	Translation differences	As of 31 December 2019
Property, plant and equipment	288	-	(1,310)	-	(553)	(20)	(1,595)
Intangible assets	(292)	-	852	-	10	1	571
Other assets	2,152	(459)	732	-	31	(251)	2,205
Inventories	(13)	811	85	-	173	14	1,070
Trade and other receivables	204	6	9	-	(75)	-	144
Loans and borrowings	466	-	101	-	13	196	776
Employee benefits	1,272	-	1	(110)	149	13	1,325
Provisions	10	-	(1)	-	-	-	9
Trade and other payables	(38)	112	238	1	(129)	3	187
Other liabilities	13	(470)		-	493	-	36
Tax loss carry-forward	7,747		(2,486)	-	(507)	2	4,756
Net deferred income tax assets	11,809	-	(1,779)	(109)	(395)	(42)	9,484

EUR'000	As of 1 January 2018	Adjustment to opening balances	Recognised in profit or loss	Recognised in other comprehensive income	Impact of the rate	Translation differences	As of 31 December 2018
Property, plant and equipment	752	-	(464)	6	(26)	20	288
Intangible assets	(1,149)	-	855	-	3	(0)	(292)
Other assets	1,611	(8)	607	1	(61)	3	2,152
Inventories	(0)	(1)	(12)	-	(0)	0	(13)
Trade and other receivables	154	(5)	(12)	1	66	(1)	203
Loans and borrowings	493	(4)	(22)	-	6	(6)	467
Employee benefits	1,124	-	349	67	(281)	13	1,272
Provisions	11	9	(0)	0	(10)	0	10
Trade and other payables	(31)	7	3	-	(16)	(2)	(38)
Other liabilities	1	2	10	-	-	-	13
Tax loss carry-forward	15,242		(7,157)	-	(124)	(215)	7,747
Net deferred income tax assets	18,208	-	(5,842)	74	(444)	(188)	11,809

*Includes certain insignificant presentation adjustments versus last year.

We have reassessed the value of the tax loss carry forwards in all countries and have concluded that for certain countries, like The Netherlands, we can no longer attribute value to a portion of previously valued losses. In 2019, EUR 9 million of previously recognised tax losses was utilised or released, out of which EUR 8 million release relates to the Netherlands.

Deferred income tax assets have not been recognised for tax losses to the value of EUR 232,969 thousand (2018: EUR 206,340 thousand) and relate to the following countries:

EUR'000	2019	2018
The Netherlands	87,227	69,412
United States	126,765	130,385
France	-	371
Other	246	6,172
Total losses for which no deferred tax was recognised	214,238	206,340

The Group has unrecognised unused tax losses of EUR 214.2 million (2018: EUR 206.3 million) available for offset against future taxable profits for which no deferred tax asset has been recognised because the entities concerned reported losses in either the current or prior year and no evidence exists that sufficient taxable profit will be available in the future against which the unused tax losses can be utilised. The losses have various expiry dates. The losses in the US have an indefinite expiry date and losses in the Netherlands will expire in one to six years. For the entities in Poland, France and Belgium in aggregate EUR 3.8 million of deferred tax assets on tax losses have been reported whereas in 2019 these entities were in a tax loss situation. Management considers these losses incidental and not representative for expected future results, therefore these losses have been brought on to the balance sheet to reflect their expected future use.

The Group had net operating losses amounting to EUR 142.4 million in the US. The losses may be subject to limitations arising from ownership changes under Section 382 of the Internal Revenue Code of 1986, which the Group is in the process of evaluating. We therefore may not be able to realise a full tax benefit from the use of our losses in the US, when we obtain profitability in that jurisdiction. No timing differences relate to leased/ROU assets.

24. Trade and other payables

EUR'000	2019	2018
Trade payables	67,678	61,530
Payables due to related parties	195	599
Taxes and social security contributions	7,500	7,927
Customer prepayments	4,085	3,273
Interest payable	3,122	4,825
Accrued salaries and wages	11,688	12,247
Accrued customer bonuses	7,195	7,432
Deferred income	2,375	2,956
Other accrued expenses	15,679	15,364
Trade and other payables	119,517	116,153

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in the Note 32.

25. Equity

Share capital and share premium

The total number of ordinary shares outstanding at 31 December 2019 was 1 share with a nominal value of 1 EUR. The full nominal value of the share was paid up upon subscription for that share.

Share premium is the balance carried forward from Schoeller Allibert Group B.V. upon the incorporation of the entity. For a disclosure on the equity movement see the company accounts.

Other reserves

Other reserves consist all foreign currency differences arising from the translation of the financial statements of foreign operations.

26. Statement of cash flows

26.1 Proceeds from disposal of property, plant and equipment

In the statement of cash flows proceeds from disposal of property, plant and equipment comprise of the following:

EUR'000	2019	2018
Net book value of property, plant and equipment disposed	659	141
Gain on disposal of property, plant and equipment	352	384
Proceeds from disposal of property, plant and equipment	1,011	525

26.2 Acquisition of property, plant and equipment

EUR'000	2019	2018
Additions per movement schedule (note 12, 26)	40,585	25,270
Right of Use assets	(6,591)	(5,506)
Additions per cash flow statement	33,994	19,764

27. Leases

Right-of-use Asset

EUR'000	**31-12-2019**	**1-1-2019**
Land and buildings	20,304	25,637
Machinery and equipment	27,120	25,813
Other Equipment	3,993	3,940
Net book amount Right-of-use Assets	51,416	55,391

Additions to the right-of-use assets during 2019 amounted to EUR 8.2 million.

EUR'000	**31-12-2019**	**1-1-2019**
Depreciation Expense Right-of-use Asset:		
Land and buildings	7,331	
Machinery and equipment	3,445	
Other Equipment	1,887	
Total Depreciation Right-of-use Assets	**12,663**	
Interest expense on lease liabilities (included in finance cost)	1,997	
Expenses relating to leases	**14,660**	

Lease expenses in relation to short-term and low-value assets are included in other operating expenses (Note 4).

The lease liabilities related to the right-of-use assets are disclosed in note 20. Information in respect to the initial application of IFRS 16 is included in note 4.

Payment of principal amounts of leases are included in the cash flow from financing activities, and payments of interest on leases are included in the cash flow from operating activities.

Leased plant and machinery

The Group leases production equipment under a number of lease agreements. The leased equipment secures lease obligations (see Note 20).

EUR'000	2019	2018
Machinery and equipment	22,859	20,214

See also Note 20 for further information on property, plant and equipment pledged as security for Senior Secured Notes.

Reference is made to Note 27 for commitments on investments in property, plant and equipment.

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

EUR'000	2019	2018
Property, plant and equipment	7,885	6,680
Total capital commitments	7,885	6,680

Bank guarantees

The Group has issued bank guarantees for a total amount of EUR 5 million, covered by the revolving facility amounting to EUR 30 million.

28. Contingencies

Dutch fiscal unity

The wholly owned subsidiaries established in The Netherlands constitute a tax group for the purpose of corporate income tax together with the shareholder Schoeller Packaging B.V. As a consequence, each Group in the tax group is jointly and severally liable for tax liabilities of the tax entity as a whole. The Group recognises the corporate income tax as if it is solely responsible for its own corporate income tax.

Warranties

The Group does not provide for warranties, since no major claims have been received or payments made in connection with product warranty issues in recent years. However, contingencies might exist for product warranties, with no material losses expected.

Legal proceedings

The Group is involved in some legal proceedings and other claims. In the judgement of management, no losses in excess of provisions made, which would be material in relation to the Group's financial position, are likely to arise in respect of these matters, although their occurrence may have a significant effect on periodic results.

29. Transactions with non-controlling interest

Non-controlling interest for the period

The total non-controlling interest for the period a loss of EUR 117 thousand (2018: EUR 69 thousand), of which EUR 18 thousand loss is for Logipak Schoeller Allibert Spa (2018: EUR 82 thousand) and EUR 99 thousand loss for Schoeller Allibert GmbH (2018: EUR: 13 thousand profit).

The Group has an 89.9% interest in the fully consolidated subsidiary Schoeller Allibert GmbH. The holder of the 10.1% non-controlling interest is Schoeller Packaging Holding B.V. (the direct parent of Schoeller Packaging B.V.), which has no specific rights to the assets, profits or dividends and has not provided specific guarantees in connection with debts or other liabilities. No dividends have been distributed to the non-controlling interest in 2019. Schoeller Allibert GmbH has EUR 5.0 million of shareholders' equity in that the minority shareholder has a 10.1% share. Losses for 2019 were EUR 1.2 million (share of non-controlling interest of approximately EUR nil). Schoeller Allibert GmbH has assets of EUR 85.7 million that are financed by equity for approximately EUR 5.0 million, and the rest are financed by short term and long term liabilities.

30. Related party disclosure

Parent and ultimate controlling party

Schoeller Packaging B.V. is a subsidiary of Schoeller Packaging Holding B.V., a Group incorporated in the Netherlands that is owned for 70% by BCP IV RTP Holdings Ltd., ultimately 100% held by Brookfield Asset Management Inc., and for 30% by Schoeller Industries B.V., a Group incorporated in the Netherlands that is active in supply chain systems.

The largest group in which the results of the Group will be consolidated is that headed by Schoeller Packaging B.V.

Identity of related parties

The Group has a related party relationship with its (ultimate) shareholders and some of their affiliated companies (amongst others with RTP Holdings China B.V. and its subsidiaries ('RTP Group'). The Group also has a related party relationship with associate.

The multi-employer pension fund Stichting Pensioenfonds OWASE is also a related party.

The members of the Supervisory Board of Schoeller Packaging B.V. and the Board of Directors of Schoeller Allibert Group B.V. are considered to be key management and related parties.

Transactions with key management and remuneration

The Group rented office premises in Belgium from a personal Group of one of the members of the Board of Directors for an amount of EUR 485 thousand (2018: EUR 480 thousand). There have been no further transactions with key management or any family members of key management. No loans or guarantees have been provided to key management or any family member of such persons.

The emoluments, including pension obligations and termination benefits, which were charged in the financial year to the Group and group companies for directors and former directors, amounted to EUR 1,478 thousand of which EUR 22 thousand relates to the contributions to defined contribution pension plans (2018: EUR 5,597 thousand of which EUR 36 thousand relates to pensions), and EUR 80 thousand for Supervisory Board members and former Supervisory Board members (2018: EUR 116 thousand). Directors and/or Supervisory Boards do not participate in any share based payment program.

Other related party transactions

In 2019, the consultancy fees with shareholders amounted to EUR 1, 500 thousand (in 2018: EUR 1,250 thousand).

In 2019, the Group rented office premises in Germany from Schoeller Holding SE & Co. KGaA for the amount of EUR 253 thousand (2018: EUR 289 thousand).

During 2019, there were no write offs of receivables due from affiliated companies (no write-offs in 2018).

All outstanding balances with these related parties are priced on an arm's length basis. None of the balances are secured.

The following transactions were carried out with related parties:

EUR'000	2019	2018
Sale of goods and services		
RTP Group	-	57
Total	-	57
Purchase of goods and services		
RTP Group	-	43
Total	-	43
Interest (income) / expense		
RTP Group	(23)	(23)
Schoeller Allibert Packaging B.V.	(41)	(40)
Total	(64)	(63)
Employee benefits (contributions paid into the plan)		
Stichting Pensioenfonds OWASE	1,657	1,536
Total	1,657	1,536
Dividends received		
Formy Tachov S.R.O	-	4
Total	-	4

The following balances with related parties were outstanding at 31 December:

EUR'000	2019	2018
Short-term receivables due from related parties		
RTP Group	3	23
Total	3	23
Long-term receivables due from related parties		
Schoeller Packaging B.V.	6,863	6,580
RTP Group	522	499
Total	7,385	7,079
Payables due to related parties		
RTP Group	8,554	599
Other non-significant related parties	-	-
Total	8,554	599

31. Principal subsidiaries

The Group had the following subsidiaries at respectively 31 December 2019.

Name	Country of the incorporation	Nature of business	Ordinary shares held by the Group (%)
*Schoeller Allibert Netherlands B.V.	The Netherlands	Manufacturing and sale of	100
*Schoeller Allibert Group B.V.	The Netherlands	Sale of RTP	100
*Schoeller Allibert Services B.V.	The Netherlands	Sale of RTP	100
*Schoeller Allibert WCF B.V.	The Netherlands	Intermediate holding Group	100
*LA Holding Ltd	United Kingdom	Intermediate holding Group	100
*Schoeller Allibert Ltd	United Kingdom	Manufacturing and sale of	100
*Logtek Ltd	United Kingdom	Pooling related services	100
*Schoeller Allibert GmbH	Germany	Manufacturing and sale of	89.9
*Schoeller Allibert International GmbH	Germany	Sales of RTP and moulds	100
Schoeller Allibert GmbH	Austria	Sale of RTP	100
Schoeller Allibert Sp zoo	Poland	Manufacturing and sale of	100
*Schoeller Allibert SAU	Spain	Manufacturing and sale of	100
Schoeller Allibert Sweden AB	Sweden	Sale of RTP	100
*Schoeller Allibert Belgium BVBA	Belgium	Sale of RTP	100
*Schoeller Allibert US, Inc.	The United States	Manufacturing and sale of	100
*Schoeller Allibert France S.A.S.	France	Sale of RTP Group	100
Schoeller Allibert SIA	Latvia	Manufacturing and sale of	100
Schoeller Allibert Swiss Sarl	Switzerland	Manufacturing and sale of	100
Schoeller Allibert SpA	Italy	Sale of RTP	100
Schoeller Allibert Oy	Finland	Sale of RTP	100
Ao Schoeller Allibert	Russia	Sale of RTP	100
Schoeller Allibert Czech Republic s.r.o.	Czech Republic	Sale of RTP	100
Schoeller Allibert s.r.o.	Slovakia	Sale of RTP	100
Schoeller Allibert International SpA	Chile	Sale of RTP	100
Schoeller Allibert Hungary Kft	Hungary	Sale of RTP	100
Schoeller Arca Systems Trading	China	Sale of RTP	100
Schoeller Allibert Srl	Romania	Sale of RTP	100
Schoeller Allibert India LLP	India	Sale of RTP	100
Schoeller Allibert International Mexico S.A. de C.V.	Mexico	Sales of RTP and moulds	100
Logipak Schoeller Allibert Spa	Chile	Sale of RTP and moulds	60
Schoeller Allibert Holding France SAS	France	Intermediate holding Group	100

Name	Country of the incorporation	Nature of business	Ordinary shares held by the Group (%)
Schoeller Allibert Hong Kong Ltd	Hong Kong	Intermediate holding Group	100
Renta Box SAU	Spain	Pooling related services	100
Schoeller Allibert International Middle	United Arab Emirates	Pooling related services	100
Bosca Equipment Leasing Ltd (Note 1) – in liquidation	Ireland	Lease financing vehicle	-
Bosca Equipment Leasing (Holding) Ltd – in liquidation	Ireland	Intermediate holding Group	-

*Denotes a guarantor entity. Further financial information on guarantor /non-guarantor entities is available in Note 20.

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertakings held directly by the parent Group does not differ from the proportion of ordinary shares held.

Note 1: As per 24 February 2014, the Group includes Bosca Equipment Leasing Limited ('Bosca') in the Group's consolidated financial statements. This Group has been providing operational leases for equipment. Based on substantial changes in the characteristics of the agreements relating to Bosca, management determined that it controls the entity because it 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.

32. Financial risk management

32.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk; cash flow interest rate risk and price risk).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

EUR'000	2019	2018
Other financial assets	15,117	49
Trade and other receivables	59,857	55,551
Cash and cash equivalents	40,613	14,899

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and the country in which customers operate, has an influence on credit risk. On the statement of financial position date there were no significant geographic concentrations of credit risk.

The Group has strict policies regarding credit and payment terms which are closely monitored at local and corporate level. Credit limits are established for most of the customers. These limits are periodically reviewed. Transactions with customers that fail to meet the Group's credit policy are monitored. This risk assessment can result in these customers only transacting with the Group on a prepayment basis. In addition, the Group has credit insurance policies in place for specific regions or customer groups.

In 2019, approximately 15% of the Group's revenue is generated from one customer (in 2018: 13%) which gives rise to some level of concentration of credit risk. The Group actively manages this risk through a combination of frequent senior management contact and credit insurance.

The allowance for expected credit losses of receivables of EUR 1.5 million (2018: EUR 1.4 million) is mainly related to receivables past due more than 90 days. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical credit losses experienced 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 receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. A periodically review is performed whether an allowance for credit losses is needed by considering factors such as payment history, credit quality, expected lifetime losses and current economic conditions that may affect a customer's ability to pay.

The movement in the allowance for expected credit losses of receivables during the year was as follows:

EUR'000	2019	2018
As at 1 January	1,360	1,731
Impairment recognised during the year	234	148
Receivables written off during the year as uncollectible	72	(412)
Unused amount reversed	(170)	(120)
Translation difference	(2)	13
As at 31 December	1,494	1,360

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

EUR'000	2019	2018
Domestic	2,236	1,499
Euro-zone countries	33,613	28,296
United Kingdom	6,288	2,978
Other European countries	7,494	8,945
United States	4,464	7,079
Other regions	5,762	6,752
Total trade and other receivables	59,857	55,549

The aging of trade and other receivables at the reporting date that were not impaired was as follows:

EUR'000	2019	2018
Neither past due nor impaired	51,740	48,245
Past due 1 – 30 days	5,978	4,870
Past due 31 – 90 days	2,002	1,091
Past due 91 – 120 days	137	196
Above 120 days	-	1,147
Total trade and other receivables	59,857	55,549

Cash and cash equivalents

The Group held gross cash and cash equivalents of EUR 40,613 thousand at 31 December 2019 (2018: EUR 14,899 thousand), which represents its maximum credit exposure on these assets.

The primary objective of the Group’s capital management is to ensure that it maintains stronger credit rating. As of 31 December 2019, over 90% of the Group’s cash at bank and in hand was held at financial institutions with a credit rating of A or higher.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group tries to mitigate the liquidity risk by focusing on cash flow generation, working capital developments and expected operational expenses. The Group uses a system of cash flow forecasting per operating Group for the assessment and monitoring of cash flow requirements.

Based on the budget and forecast, the Management has prepared an analysis of the projected cash flows covering at least 12 months as from the date of these financial statements. This projected cash flow shows that sufficient liquidity is available to ensure the Group is able to meet its obligations and fund its activities.

The Group is largely financed through a Senior Secured Notes financing which were issued in October 2019 and with maturity date in 2024. The arrangement consist of EUR 250 million long term notes and EUR 30 million revolving facility.

The maturity dates relating to Loans and borrowings and Trade and other payable can be summarised as follows:

EUR'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2019				
Loans and borrowings	1,369	257,723	5,246	264,339
Lease liabilities	14,167	34,809	3,100	52,077
Trade and other payables	119,517	-	-	119,517
As at 31 December 2018				
Loans and borrowings	4,247	211,310	20	215,577
Lease liabilities	2,965	14,550	2,360	19,875
Trade and other payables	116,153	-	-	116,153

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity prices and raw material prices will affect the Group's income or the value of its holdings of financial instruments.

Foreign exchange risk

The Group operates in different countries and uses the Euro as its reporting currency. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Revenues and expenses are translated to Euro at the average exchange rate for the applicable period for inclusion in the consolidated financial statements. The business generates substantial revenues, expenses and liabilities in jurisdictions outside the Euro zone.
In 2019, approximately 65% (2018: 64%) of revenue was generated in operations inside the Euro zone. Consequently, the translation risk of non-Euro results to the Euro is the most significant currency risk. Currency fluctuations of especially the US Dollar and Pound Sterling could materially affect the combined Group results. Translation risks of non-Euro equity positions in the Group are not hedged.

The Group's companies are also exposed to foreign currency transactional risks on revenues and expenses that are denominated in a currency other than the respective functional currencies of the Group's entities. The Group tries to mitigate the risks of transactional currency exposures by natural hedges. The Group might use forward exchange contracts or currency swaps to hedge forecasted cash flow transactions.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to foreign currency risk provided to management of the Group based on its risk management policy was as follows:

EUR'000			2019			2018
	EUR	USD	GBP	EUR	USD	GBP
Trade receivables	44,692	14,325	4,377	27,832	9,639	2,231
Cash	21,933	6,411	1,117	(125)	1,630	6,242
Derivative financial instruments	-	-	-	-	28	-
Trade payables	(41,376)	(6,898)	(10,831)	(44,189)	(6,059)	(9,097)
Net balance sheet exposure	25,248	13,839	(5,337)	(16,482)	5,238	(624)

The following significant exchange rates applied during the year:

	Average rate		Spot rate	
	2019	2018	2019	2018
	EUR	EUR	EUR	EUR
US dollar	0.892	0.848	0.890	0.873
British pound	1.141	1.129	1.175	1.118

A strengthening (weakening) of the Euro against the USD and GBP at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Weakening of 10%	
EUR'000	2019	2018
US dollar	924	343
British pound	(470)	(52)

The effect on equity and profit/loss are the same as the Group only has an insignificant hedge position in US dollar and does not hedge neither US dollar nor British pound on a regular basis. A 10% strengthening of these currencies would have an equal and opposite effect.

Price risk

The Group has limited exposure to equity securities price risk because of investments held by the Group and classified on the combined statement of financial position as FVOCI – equity instruments. The Group's investments are unlisted equity investments.

The raw material upon which we depend in our production is virgin (new) and regrind (recycled) plastic, mostly Polypropylene Copolymer ('PPC') and High-Density Polyethylene ('HDPE'). The prices of these raw materials tend to be cyclical and highly variable and represent a substantial portion of our cost. Our supply agreements typically provide for market-based pricing. The majority of our revenue is typically derived from contracts or other arrangements that allow us to pass-through raw material cost increases, mostly with a time lag of approximately six weeks.

Fair value and cash flow interest rate risk

The Group sensitivity to cash flow interest rate risk is limited as the Group is mainly financed by EUR 210 million Senior Secured Notes which have a fixed rate of 8%. Fixed rate Senior Secured Notes expose the Group to fair value interest rate risk. The Group has not hedged any of the interest rate exposure.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

EUR'000	2019	2018
Fixed rate instruments		
Financial assets	6,356	5,522
Financial liabilities	(243,156)	(206,090)
Net fix rate instruments	(236,801)	(200,568)
Variable rate instruments		
Financial assets	1,034	1,580
Financial liabilities	(92,651)	(31,919)
Net variable rate instruments	(91,617)	(30,339)
Zero rate instruments		
Financial assets	108,143	71,430
Financial liabilities	(67,678)	(61,530)
Net zero rate instruments	40,464	9,900

An increase of 1% in interest rates at the reporting date would have increased (decreased) equity and profit or loss statement by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The effect on equity and profit or loss statement are the same as the Group does not hedge interest rates.

EUR'000	2019	2018
Variable rate instruments	(916)	(303)

Following the issue of Senior Secured Notes in October 2016, the Group significantly limited its cash flow interest rate risk.

Offsetting

The Group has not offset financial assets and liabilities in its consolidated balance sheet as of 31 December 2019 and 31 December 2019.

32.2 Capital management

The Group's objective is to ensure that it maintains capital ratios required to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's objectives when managing capital, which comprises its paid in capital and borrowings, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital using a net leverage ratio, which is defined as debt to earnings ratio.

32.3 Fair value estimation

The fair values of financial assets and liabilities on 31 December 2019 and 2018 (based on discounted cash flows) are as follows:

EUR'000			2019			2018
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Derivative financial instruments	-	-	-	44	44	1

EUR'000			2019			2018
Financial liabilities	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Senior secured note	250,000	258,300	1	205,490	201,450	1

In addition to the table, Deloitte Accountants B.V. have charged EUR 528 thousand in connection with assurance services on the bond loan issuance. These amounts are included in the deferred financing costs and netted with the proceeds of the bond loan.

Cash and cash equivalents, Trade and other receivables and Trade and other payables are deemed to have a fair value equal to carrying amount.

33. Employees

The Group employed the following average number of employees:

	2019	2018
The Netherlands	226	215
Germany	493	427
France	389	394
Spain	183	188
The United Kingdom	427	408
Other countries	374	366
Total average number of employees	2,092	1,998

34. Fees of the independent auditor

The following fees for the financial year 2019 have been charged by Deloitte Accountants B.V. and other Deloitte member firms and affiliates to the Group, its subsidiaries and other consolidated entities:

EUR'000	Deloitte Accountants B.V.	Other Deloitte member firms	Total Deloitte
Assurance services	281	514	795
Other assurance services	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
Total fee	281	514	795

In addition to the table, Deloitte Accountants B.V. have charged EUR 527.7 thousand in connection with assurance services on the bond loan issuance. These amounts are included in the deferred financing costs and netted with the proceeds of the bond loan.

The following fees for the financial year 2018 were charged by Deloitte Accountants B.V and other Deloitte member firms and affiliates to the Group, its subsidiaries and other consolidated entities:

EUR'000	Deloitte Accountants B.V.	Other Deloitte member firms	Total Deloitte
Assurance services	458	488	946
Other assurance services	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
Total fee	458	488	946

35. Events after the reporting date

The Covid -19 ("Corona") virus has been spreading around the world since the end of 2019, having a major impact on society and businesses alike.

This is the status for Schoeller Allibert, its mitigating actions and Liquidity as of March 13th 2020.

Status

All operations are still up and running and our business is seen in several countries by the governments as critical to the food chain. All factories are producing.

The order book has held up well despite some decline. Daily order-intake is being tracked and there is a good level of orders especially in retail and pharma. There is a strong decline in automotive order intake.

There are only a limited number of Schoeller Allibert personnel in self quarantine due to colds and flu and 1 person has been confirmed as being infected.

Most (non-production related) people are currently working from home. Additional laptops and terminals have been provided as well as additional VPN connections. The sales force have migrated towards Tele Sales. This is up and running since about 2nd week of March. Depending on the period of the lock down (Italy, Spain) and other governmental measures and the potential impact of a recession on for instance the automotive markets and our customers, it is at this stage impossible to estimate the impact of the crisis on our revenues, statement of income and collectability of receivables and realisible value of customer specific products.

Mitigation

While the business impact has been limited so far, we have taken measures during March to prepare for a potential decline in activity.

The company has frozen all avoidable spending and has delayed or cancelled capital expenditure where possible. Actions have been implemented to reduce inventory further.

Action plans have been prepared for all factories and operations for a potential revenue and production decline including reduction of number of temporary workers, implementation of government measures (such as short work and later payment of taxes) and change in shift patterns.

Liquidity

The Group has a solid financial structure in place. It has been refinanced in October 2019 with a EUR 250m new Bond (no refinancing required until 2024) and with a EUR 30m Revolving Credit Facility, fully committed by three reputable and stable banks.

Brookfield, the majority shareholder, is a strong sponsor to support the business. As a consequence, we do not foresee significant implications on the possibility for the company to continue as a going concern.

The business follows the situation day by day and is well focused and prepared to get through the coming months.

Hoofddorp, 14 April 2020

The Board of Directors:

L.S.C. Gielen

H.A. Kerkhoven

Company Statement of Profit or Loss

This report is set on pages 72 to 80

Company Balance sheet

(before profit appropriation)

EUR'000	Note	31/12/2019
ASSETS		
Non-current assets		
Loans to subsidiaries	2	252,136
Total non-current assets		252,136
Current assets		
Trade and other receivables		-
Cash and cash equivalents		1
Total current assets		1
TOTAL ASSETS		252,137
EQUITY		
Share capital		-
Share premium		106,943
Other reserves		(5,196)
Accumulated deficit		(198,939)
Unappropriated result		(12,091)
Equity attributable to the owners of the Company	3	(109,282)
LIABILITIES		
Non-current liabilities		
Loans and borrowings	4	251,712
Provisions	5	106,035
Total non-current liabilities		357,746
Current liabilities		
Trade and other payables	6	3,672
Total current liabilities		3,672
Total liabilities		361,418
TOTAL EQUITY AND LIABILITIES		252,137

The Notes on pages 67 to 69 are an integral part of the company financial statements.

Company Statement of Profit or Loss

EUR'000	Note	For the period 19 October to 31 December 2019
Share of loss of investments after tax		854
Other income and expense after tax		(3,285)
Loss for the period	7	(2,431)

The Notes on pages 74 to 76 are an integral part of the company financial statements.

Notes to the Company Financial Statements

1. Basis of preparation

1.1 General

The company financial statements of Schoeller Packaging B.V. ("SP" or "the Company") have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the company financial statements are prepared with carrying amounts of investments in companies where the company has significant influence measured using the net asset value and applying the accounting policies of the consolidated financial statements. The Company uses of the option provided in section 2:362(8) of the Dutch Civil Code for setting the principles for the recognition and measurement of assets and liabilities and determination of results in the Company financial statements. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result of the financial statements of the Company are the same as those applied in the consolidated financial statements. In case no other principles are mentioned, refer to the accounting principles as described in the consolidated financial statements.

As the financial data of the company are included in the consolidated financial statements, the income statement in the company financial statements is presented in its condensed form (in accordance with article 402, Book 2 of the Dutch Civil Code).

For an appropriate interpretation, the company financial statements of the Company should be read in conjunction with the consolidated financial statements.

All amounts are presented in EUR'000, unless stated otherwise. References have been included in the statement of financial position and the statement of profit or loss. These refer to the Notes.

The company financials cover the period from the company's incorporation as at 19 October 2019 and varies from the consolidated financial statements which covered the full year 2019 and comparative period 2018.

In 2019, the Company guaranteed the liabilities of the following of its Dutch group companies in accordance with the provisions of the article 403, paragraph 1, Book 2, Part 9 of the Netherlands Civil Code. As a consequence, these companies are exempt from publication requirements:

- Schoeller Allibert Group B.V.
- Schoeller Allibert Services B.V.
- Schoeller Allibert Netherlands B.V.
- Schoeller Allibert WCF B.V.

The Company has one direct subsidiary – Schoeller Allibert Group B.V. The complete list of indirect subsidiaries of Schoeller Allibert Group B.V., is presented in the Note 32 to consolidated financial statements.

In relation to receivables and loans to related parties, in line with the Group's the adoption of IFRS 9, and our interpretation of the Dutch Accounting Standard 100.107A, the Group, upon identification of credit loss on an intercompany loan and/or receivable, eliminates the carrying amount of the intercompany loan and/or receivable for the value of the identified credit loss.

2. Loans to subsidiaries

EUR'000	2019
Loans to subsidiaries	252,136

Schoeller Packaging B.V. has an outstanding intercompany loan with Schoeller Allibert Group B.V. This is a long term variable loan to fund the operations. Management has completed some high-level analysis, which considers forward-looking qualitative and quantitative information, to determine if the intercompany loan is low credit risk at 31 December 2019.

Management has prepared cash flow forecasts, and it expects Schoeller Allibert Group B.V. to have sufficient cash throughout that period, under a range of scenarios, to meet all of its working capital and other obligations. Consequently, Management has determined that the loan is low credit risk, the intercompany loan falls within 'stage 1' of IFRS 9's impairment model, and 12-month expected credit losses can be calculated. Management has concluded there is no 12-month expected credit loss.

3. Equity

	Equity attributable to owners of the Company					
	Share capital	Share premium	Other reserves	Accumulated deficit	Unappropriated result	Total
EUR'000						
Balance Schoeller Allibert Group B.V. as at 1 January 2019		106,943	(7,582)	(187,518)	(10,952)	(99,108)
Loss for the year till 19 October 2019					(9,661)	(9,661)
Other comprehensive income for the year:						
Foreign currency translation differences - foreign operations; net of income tax			240			
Result appropriation				(10,952)	10,952	(10,952)
Balance as at 19 October 2019		**106,943**	**(7,341)**	**(198,470)**	**(9,661)**	**(108,528)**
Loss for the year from 19 October till 31 December 2019	-	-	-	-	(2,431)	(2,431)
Other comprehensive income for the year:						
Loss on remeasurement of net defined benefit liability, net of income tax				(469)		(469)
Foreign currency translation differences - foreign operations; net of income tax	-	-	2,146		-	2,146
Result appropriation	-	-	-	-	-	-
As at 31 December 2019	-	106,943	(5,196)	(198,939)	(12,091)	(109,282)

4. Loans and borrowings

EUR'000	31/12/2019
Senior secured notes	250,000
Shareholder loans	8,750
Deferred financing cost	(7,038)
Total loans and borrowings	251,712

See also Note 20 of the consolidated financial statements for further information on Senior Secured Notes and the Shareholder Loans.

5. Provisions

EUR'000	2019
As at 19 October	-
Additions/ (Reversals)	106,035
As at 31 December	106,035

As mentioned in note 1.1 and note 2, the Company guaranteed the liabilities of its Dutch group companies in 2019 in accordance with the provisions of the article 403, paragraph 1, Book 2, Part 9 of the Netherlands Civil Code and as such recorded a provision in relation to these guarantees.

The provision was accounted for the subsidiary of the Company - Schoeller Allibert Group B.V, which has negative equity.

6. Trade and other payables

EUR'000	2019
Trade payables	-
Accrued interest	2,922
Other	750
Trade and other payables	3,672

7. Difference in equity and loss between the company and consolidated financial statements

In 2019, the difference between equity according to the company balance sheet and equity according to the consolidated balance sheet of EUR 606 thousand, which represents non-controlling interest. Likewise, the difference in the loss according to the company income statement and the loss according to the consolidated income statement of EUR 205,135 thousand represents the recognition of the share in negative equity of subsidiaries.

			2019
EUR'000	Consolidated Financial Statements	Company Financial Statements	Difference
Total equity	(108,675)	(109,282)	607
Net loss for the year	(12,223)	(2,431)	(9,792)

Total equity of Consolidated Financial statements and Company financial statements show a difference of EUR 607 thousand due to non-controlling interest while Net loss for the year shows a difference of EUR 9,792 thousand due to the fact that Company only financials reflect three months of results versus Consolidated Financial statements results for 12 months

8. Employees

The Company did not have any employees during 2019.

9. Proposed appropriation of loss

The General Meeting will be asked to approve that the loss of EUR 2,431 thousand is added to the Accumulated deficit.

10. Events after the reporting date

See note 35 on page 70 of the accounts for the events after the reporting date

The Company financial statements on pages 72 to 79 were authorised for issue by the Board of Directors on 14 April 2020 and were signed on its behalf:

Hoofddorp, 14 April 2020

The Board of Directors:

L.S.C. Gielen

H.A. Kerkhoeven

Other information

Provisions in the Articles of Association relating to result appropriation

The results as determined through the adoption of the financial statements shall be at the disposal of the General Meeting. The General Meeting may decide to make a distribution, to the extent that the shareholders' equity exceeds the reserves that must be maintained by law.

A resolution to make a distribution shall not take effect as long as the Management Board has not given its approval. The Management Board may only withhold such approval if it knows or should reasonably foresee that, following the distribution, the Company will be unable to continue paying its due and payable debts.

Independent auditor's report

This report is set on pages 79 to 87

Deloitte Accountants B.V.
Flight Forum 1
5657 DA Eindhoven
P.O.Box 376
5600 AJ Eindhoven
Netherlands

Tel: +31 (0)88 288 2888
Fax: +31 (0)88 288 9839
www.deloitte.nl

Independent auditor’s report

To the Shareholders and the Supervisory Board of Schoeller Packaging B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

Our Opinion

We have audited the accompanying financial statements 2019 of Schoeller Packaging B.V. (‘the Company’) based in Amsterdam, The Netherlands. The financial statements include the consolidated financial statements and the accompanying company financial statements.

In our opinion:

- The accompanying consolidated financial statements in the annual report give a true and fair view of the financial position of Schoeller Packaging B.V. as at December 31, 2019 (after allocation of net loss), and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements included in the annual report give a true and fair view of the financial position of Schoeller Packaging B.V. as at December 31, 2019 (after allocation of net loss), and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2019.

2. The following statements for 2019: the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows.

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

The accompanying company financial statements comprise:

1. The accompanying company balance sheet as at December 31, 2019 (after allocation of net loss).

2. The accompanying company income statement for 2019.

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

Deloitte.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

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

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 5.4 Million. Based on our experience with the company, we selected materiality at 1% of revenues (2018 – 5.2 million). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Component audits are performed using materiality levels determined by the judgment of the group audit team, considering materiality for the consolidated financial statements as a whole and the reporting structure of the group. Component materiality did not exceed EUR 1.9 million.

We agreed with the Supervisory Board that misstatements in excess of EUR 0.3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

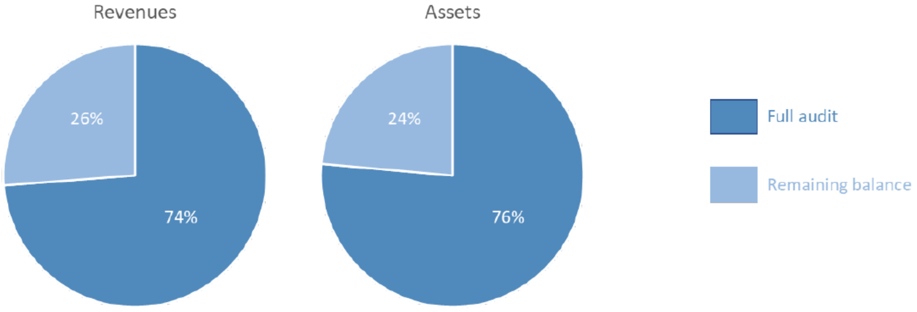
Scope of the group audit

Schoeller Packaging B.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Schoeller Packaging B.V.

Because we are ultimately responsible for the opinion, we are directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for components. The extent of the procedures has been determined based on size and a number of more qualitative circumstances. Such circumstances include the financial performance of the foreign entities and the maturity of markets these entities are operating in. On this basis, we selected components for which an audit, specified audit procedures or review had to be carried out on the component financial information.

Deloitte.

This resulted in the coverage-precentages as presented below:



We have:

- Performed audit procedures ourselves at corporate entities and the operations in the Netherlands. We have assessed group-wide internal controls that have been implemented by the Board of Directors to monitor and manage the financial and operating performance of the various operating units and have scoped our audit procedures responding to this situation. In particular, we have consistently allocated the materiality to the operating entities (components) and we made a choice to increase our coverage of the components for local audit procedures (full audits or audit of specified account balances). Furthermore the group audit team performed audit procedures on the key audit areas such as consolidation, IT systems, going concern, implementation of new leasing standard IFRS 16, (bond-) loans and borrowings and testing of journal entries.
- Involved Deloitte experts for valuation, information technology, tax and accounting.
- Used the work of component audit teams of the Deloitte network for all significant international components. The group audit team provided detailed written instructions to communicate requirements, significant audit areas and create awareness for (fraud) risks related to management override of controls. Furthermore, we developed a plan for overseeing each component audit team based on its relative significance and certain other risk characteristics. This included procedures such as visiting components, performing file reviews, attending meetings and reviewing component audit team deliverables. For smaller components we planned to perform analytical procedures or specified audit procedures. During our work we have noted considerable practical implications of the Corona virus spreading through Europe and the US. As a consequence, we have had to redesign a number of our procedures in connection with our involvement with our component teams. A number of physical review meetings had to be replaced with electronical meetings. Closing meetings with Schoeller Packaging representatives have been changed from physical meetings to electronic (Skype) meetings. Although we have not been able to execute the work the way we planned, by applying the alternatives as described, we have been able to obtain sufficient assurance from these procedures to conclude upon the audit of the consolidated financial statements.

By performing the procedures mentioned above at components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Deloitte.

DESCRIPTION OF THE KEY AUDIT MATTERS	
1. GOING CONCERN ASSUMPTION	
DESCRIPTION	***HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT***
Management's assessment of the going concern assumption has been identified as a key audit matter, as it requires significant judgment. Particularly in connection with the financing structure of the company including negative equity and significant external debt funding. Management has prepared a memorandum supporting the going concern assumption for the period until December 31, 2021. The forecast includes elements of the 2020 budget for that year approved by the Supervisory Board in January 2020, and five year forecasts prepared in the summer of 2019. Impact of Corona not included. Based on this assessment the group will generate positive profits and cashflows that support the assumption of going concern. The company has also received a credit facility from a shareholder. The commitment contains regular and emergency situations under that the company is entitled to draw under this facility. Based on the companies analyses it has sufficient headroom under the existing facilities with banks and does not need to draw under this facility. In order to assess the implication of the subsequent event of the Corona crisis, the company has taken a view on the implications of potential issues on the impact on revenues (negative on automotive, more favourable on retail and agriculture), direct cost, including certain (expected) governmental support programs that positively impact the flexibility of the deemed fixed cost. Based on the latest insights management does not envisage an important impact on the ability of the company to continue as going concern.	For our audit of the going concern assumption as disclosed in note 2.3 to the consolidated financial statements we evaluated and tested the models, assumptions, methodologies, and data used by the Company. During 2019, the company has refinanced the existing EUR 210 million 8% bond-loan by issuing a new EUR 250 million 6 3/8 % bond loan that is repayable in 2024. The companies headroom increased by EUR 40 million as a result of this transaction. We assessed the historical accuracy of management's estimates and noted limited predictive accuracy of the Company in the past. Accordingly, we requested management to stress test the original forecasts by ignoring a number of anticipated improvements and to assume the business continues at the 2019 actual levels in terms of revenue and EBITDA margins. Cashflows have been compared with the total financing facilities at hand and we noted positive headroom for the period until December 31, 2021, even under these more stressed scenarios. We noted that The Company has options available to mitigate pressure on the liquidity particularly by deferring certain R&D projects and Capital Expenditures. We have obtained confirmation of the availability of the undrawn part of the EUR 65 million loan facility (around EUR 58 million) of the majority shareholder. A Corona-stress test in that revenues have been stressed-tested (reduced) with 40% for the period until December 31, 2021, in combination with cost reduction measures and governmental support as indicated by the various governments, still sufficient headroom remains.

	OBSERVATION
	For the period until December 31, 2021, we have reviewed the analyses made by information received. Based on that, we concur with the application of the going concern accounting policies. As per requirements of the firm and the Dutch auditors' profession, we have added an emphasis of matter in connection with the general uncertainties in connection with the COVID-19 crisis.

2. IFRS 16 – FIRST TIME ADOPTION OF NEW LEASE ACCOUNTING STANDARD

DESCRIPTION	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT
IFRS 16 replaces IAS 17-Leases and specifies the recognition, measurement, disclosure and presentation of leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 The impact of the first time adoption of IFRS 16 is disclosed in note (4) in the consolidated financial statements and consists of: • Recognition right-of-use assets, amounting to EUR 31.0 million. • Recognition of lease liabilities, amounting to EUR 31.0 million, of which EUR 14.1 million are classified as current liabilities. • Impact on EBITDA of € 14.7 million. The determination of the lease term of the lease contracts and the applied *incremental borrowing rate* have a significant impact on the measurement of the right-of-use assets and lease liabilities. Given the first time adoption of IFRS 16, in combination with the size of the assets and liabilities recognized, management's estimates (mainly the applied lease term and *incremental borrowing rate*) and the disclosure requirements, we deem this to be a key audit matter.	Our audit focused on obtaining an understanding of the transition project and process that Schoeller implemented to account for IFRS 16. Further, we performed substantive audit procedures to test the accuracy and completeness of the recognized amounts: • Evaluation of the accuracy and completeness of the lease contracts and the specific (potential) agreements. • Evaluation of the applied transition options, verifying that these are in line with IFRS 16 and are consistently and accurately applied. • Evaluation of the applied *incremental borrowing rate,* with the involvement of our valuation experts (2018). • Evaluation of the accuracy and completeness of the disclosures in the notes to consolidated financial statements. • Evaluation of the potential impact of IFRS 16 on the fiscal position and the ratios, as agreed in the loan agreements.

	OBSERVATION
	Based on our materiality level and our procedures performed, consisting of mainly substantive procedures, we agree with the recognized right-of-use assets and lease liabilities and the related disclosures.

These key audit matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compared to last year we excluded the key audit matter with respect to IFRS 15, as this is not relevant for 2019. The 2018 key audit matter on the group audit has not been presented as a key audit matter. We have reflected on this in the paragraph on the Scope of the Group Audit.

Emphasis of the impact of the coronavirus

The coronavirus also impacts Schoeller Packaging B.V. Management disclosed the current impact and her plans to deal with these events or circumstances in page 69 of the financial statements. Management indicates that it is currently not possible for them to properly estimate the impact of the Coronavirus on the financial performance and health of Schoeller Packaging B.V. Our opinion is not modified in respect of this matter.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

- Report of the Management Board.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other information.

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of Schoeller Allibert Group B.V. Packaging B.V. on July 12, 2019, for the audit of the year 2019. Since 2018, we have operated as statutory auditor. We have been engaged as auditor of Schoeller Packaging B.V, the new head of the group since its incorporation in October 2019.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraudsters generally try to hide the implications of their fraud. Committing fraud and the hiding thereof may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. In identifying potential risks of material misstatement due to fraud, we evaluated the group's risk assessment, had inquiries with management, those charged with governance and others within the group, including but not limited to, legal counsel, Group controller, Director tax and component management. Initially, we have not engaged our forensic experts during our risk assessment.

  Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls and manual journal entries.

  Furthermore we identified and considered the fraud risk related to the recording of revenue in the appropriate period ("cut-off"). The company has a number of different agreements with customers on the transfer of the control, ownership and risk and rewards of the products upon sale. Some of these contain stipulations that the control is transferred when the production is completed and the goods are available for the client in the warehouse. For other customers, the control is transferred upon shipping or upon receipt and acceptance by the customers. These differences are considered as fraud risk as employees or management may override key controls or exercise undue influence on others to record improper or fictitious revenues to achieve certain targets.

  As part of our audit procedures to respond to these fraud risks, we evaluated the internal controls relevant to mitigate these risks and performed supplementary substantive audit procedures, including detailed testing of journal entries and supporting documentation in relation to post-closing adjustments. Data analytics, including testing journal entries based on certain risk-based characteristics, is part of our audit approach to address fraud risks. The cut-off risks have been addressed during the physical stock takes at year-end and by obtaining external confirmation of the customers that they have accepted the products that are stored in the Schoeller Packaging warehouses on their behalf.

  We have concluded the fraud risks leading to material misstatement in the financial statements related to regular revenue transactions to be low; based on the large number of small transactions, the transparency of price-setting between buyers and sellers, the relatively simple pricing and bonus structures and the internal processes and controls.

  We obtained written representations that all known instances of (suspected) fraud and other irregularities have been disclosed to us.

- Identifying and assessing the relevant risks and effects from non-compliance with laws and regulations as corporate tax laws and regulations, Channel Island exchange regulations, competition regulations, financial reporting regulations and the requirements under Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements to the extent material for the financial statements of Schoeller Packaging B.V. Apart from these, Schoeller Packaging B.V. is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance through imposing fines or litigation.

As a response to relevant non-compliance risks, we evaluated the related procedures ("Do's and Don't's") to identify non-compliance with the relevant laws and regulations and performed procedures that address these non-compliance risks. Our procedures included inquiries of management, those charged with governance and others within the group and we inspected board minutes, correspondence with relevant authorities and lawyers' letters. We also remained alert to indications of (suspected) non-compliance throughout the audit, both at component and group levels. We obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

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

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, April 14, 2020

Deloitte Accountants B.V.

Signed on the original: J. Hendriks

Schoeller Allibert Group B.V.

Visiting address:

Taurusavenue 35
2132 LS Hoofddorp

The Netherlands

+ 31 88 0047300
+ 31 88 0047399

Schoeller Allibert