

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

Annual Report and Consolidated Financial
Statements - 31 December 2017

*The Annual Report and Consolidated
Financial statements was presented
and adopted at the Board Meeting of
the Company on 29 May 2018*

Jørgen Kvist Hansen - Chairman

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Management's Statement on the Annual Report

The Executive Board has today considered and adopted the Annual Report and Consolidated Financial Statements of Toly Group International ApS for the financial year 2017.

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

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

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

Copenhagen, 29 May 2018

Executive Board

Andrew Imre Gatesy

Joseph John Vella

William Wait

Jørgen Kvist Hansen

Samuel Xuereb

Nicholas Xuereb



Independent Auditor's Report

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Toly Group International ApS for the financial year 1 January - 31 December 2017, which comprise statement of comprehensive income, statements of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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



Independent Auditor's Report - continued

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.



Independent Auditor's Report - continued

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

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 29 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jens Otto Damgaard

State Authorised Public Accountant

Mne 9231

Company Information

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

Group Chart

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

Financial Highlights of the Group

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

In connection with the change in accounting framework from Danish GAAP to IFRS during 2016, the comparative figures for the years 2013 – 2014 have not be restated.

	2017 EUR'000	2016 EUR'000	2015 EUR'000	2014* EUR'000	2013* EUR '000
Key figures					
Profit/loss					
<i>Revenue</i>	87,545	66,700	63,924	52,502	52,982
<i>Operating profit/(loss)</i>	4,750	2,341	771	170	(111)
<i>Profit before financial income and expenses</i>	5,766	4,423	1,305	583	292
<i>Net financial income and expenses</i>	9,171	4,626	1,748	273	385
<i>Net profit for the year</i>	8,915	4,268	2,027	899	33
Balance sheet					
<i>Balance sheet total</i>	63,790	47,578	42,237	35,604	32,768
<i>Equity</i>	25,541	16,626	12,358	9,986	8,228
Cash flows					
<i>Cash flows from:</i>					
<i>- operating activities</i>	11,013	3,623	1,883	2,610	3,375
<i>- investing activities</i>	(7,810)	(4,612)	(2,088)	(3,918)	(1,053)
<i>- financing activities</i>	3,008	869	(582)	1,844	(632)
<i>Change in cash and cash equivalents for the year</i>	6,211	(120)	(787)	536	1,690
Number of staff	400	396	379	357	372

Financial Highlights of the Group - continued

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013*</u>
Ratios %					
<i>Gross margin</i>	16	14.8	13,8	13,4	15,6
<i>Profit margin</i>	5.4	3.5	1,1	1,1	0,6
<i>Return on net assets</i>	7.4	4.9	1,8	1,6	0,9
<i>Solvency ratio</i>	40	34.9	29.3	28,0	25,1
<i>Return on equity</i>	42.3	29.5	15,4	9,9	0,4

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

REVIEW

Preface

The Executive Board is pleased to present its 16th Annual Report and the Financial Statements for the year ending 31st December 2017.

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

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

Market development

In 2014, Toly set out an ambitious goal to double its business and become a €100M business by 2020. The theme "Step-Up 100" was used to motivate the Toly team behind this ambitious goal. In 2017, the Group is pleased to announce that revenue reached an all time record for Toly of €88M, up from €67M in 2016 – a growth of 31% over 2016. Over the past three years, the Group has averaged 22% growth per annum. The budget for 2018 has been set at €100M, which if achieved, will be two years in advance of the plan.

In 2017, the USA became the largest sales office of Toly Group with 65% of the growth, registering revenues of \$30M (€25M). This was driven by growth in a number of different areas of the business. The new West Coast office servicing a number of new fast growing brands was the prime driver for this growth. The Belgian sales office doubled its business in one year by growing 4 key customers in the German and Swiss markets. Other successes were registered in the UK business servicing another big start up brand and Malta Sales office (Scandinavian/Middle East office) servicing both large multinational and start-up companies/brands.

The customer spread of Toly continues to be well diversified reducing the Group's customer risk. The largest customer accounts for just over 6% of turnover. In 2017, the Group added 64 new customers or brands to its portfolio.

The past year

Developments in the year

The Group's profit before tax, excluding movements in the value of investment property increased from €3M to €5.5M (€6M if tax from share of associates is excluded).

Profit before tax amounted to €5.8M compared to €4.4M in 2016, an increase of 30%. The key factors driving the operating result improvement can be split as follows:

1. Investment property – in 2016 the operating result includes a fair value gain on investment property of €1.4M versus €0.3M in 2017, resulting in a net reduction of €1.1M;
2. The Group continued to invest in its sales network and also in its back-up support from Malta, increasing the cost base, which was pivotal in driving the higher revenues of the Group;
3. The largest impact on the 2017 result was the 31% increase in revenues which contributed to increased margins, which once netted off with the increased fixed costs, left a positive impact on the Group operating profit;
4. The financial results of the supply chain arm continued to improve the financial results of the Group, with operational improvements in the key factory in Malta, coupled with strong results from the factories and sourcing activities in Korea and China.

REVIEW - continued

The past year - continued

Developments in the year - continued

As outlined in last year's report, the Group is focusing to strengthen the operational and technical arms of the business and the investment in these areas will continue in 2018.

As reported in the past few years, the Group entered into a Memorandum of Understanding with Indian investors in late 2013, to take over 100% of the share capital of Toly Products India Private Ltd, with initial payments effected in late May 2014. The balance is currently in Escrow, awaiting final clearance from the authorities in India. Although this was yet again, not settled in 2017, the directors are confident that this will be finalised sometime in 2018.

In 2017, Toly was awarded the prestigious awards, Exporter of the Year – Large category and Overall winner during the Malta International Business Awards night.

Outlook

The Group is optimistic about the future as the industry continues to grow at a faster pace than economic growth, and Toly is growing at a faster pace than the industry. Toly is still focused on achieving its milestone of €100M, although the management team have brought forward the target from 2020 to 2018. In line with the annual theme for a number of years, "Step-up 100", the 2018 theme is "Step-Up 100 – One Step beyond" as the Group is looking to take the business to a new level beyond the €100M turnover.

In 2017, the Group invested in two new pillars, Beauty Trill, offering customers an integrated solution, marrying innovative packaging and filling, and also in the cardboard division, with a technical set-up in the Toly sales office in Marlow, UK to support the Toly's sales arm.

As the Group continued to grow, the profits made in recent years have been re-invested into the business to fuel the investment needed to meet the larger revenue line. In 2017 the Group commenced the construction of two new factories in South Korea and Malta, with the former opened in late 2017, and the Malta factory expected to commence operations mid way through 2018. Further investments are being considered in China and South Korea, in order to expand the airless business.

The Group is confident that the targets for further growth in 2018 are achievable, and the Group aims to meet the same levels of profitability as 2017. At the same time, the financing of the Group made up of bank financing and re-invested profits, has been put in place to ensure that the Group has a strong financial foundation. Over the past four years the Group has more than trebled its equity base from €8M in 2013 to €16.6M in 2016 and €25.5M in 2017.

The plans for 2018 are to continue to build a privately owned business with the key targets to:

- Commission the new Malta factory, consider new factories for China and airless in South Korea, with an increased focus in South Korea on the Korean market;
- Invest in systems by strengthening the back end systems, improving processes and focus on speed to market
- Achieve the target of €100M turnover
- Focus on new business opportunities through Beauty Trill (unique packaging/unique formulation); lipgloss and cardboard categories; applicators; expanding branding, market research and design services to Toly's customers.

The focus of executive management team and the wider Toly team, responsible to run the business follow the theme on a daily basis of "There is no room for small dreams".

REVIEW - continued

Capital base and going concern

The Group has continued to strengthen its financial position. This can be demonstrated through a further €9M increase in the equity base, following increases in the past two years, trebling the Group's equity base of the Group over a 4 year period. The Group's gearing ratio at 31 December 2017 was at 52% when compared to 107% in 2014. The cash flow statement shows an increase in cash generated from operations, which amounted to €9.4M. Capital expenditure increased considerably in the Group, reaching €6.2M.

The Group continues to maintain focus on working capital and has managed to retain a relatively balanced working capital position throughout 2017. Through the better use of KPIs across the business, greater focus has been placed on stronger cash flow management, through better debt collection, increased credit risk assessment and improved reporting.

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

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

Special risks – operating risks and financial risks

Operating and market risks

Toly is an international group. Whilst the geographical spread of both its operations and its customers help hedge against particular circumstances in specific markets, Toly will monitor carefully the economic and financial scenarios across the world. The banks which support Toly have shown their willingness to continue their support and to demonstrate this, in 2017, new financing from its bankers, was secured.

Foreign exchange risks

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

Interest rates

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

REVIEW - continued

Special risks – operating risks and financial risks - continued

Liquidity risk

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

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

Strategy and objectives and expectations for the coming year

The Group is expected to reach its milestone to be a EUR 100 million Group before 2020 and is now looking beyond and setting new objectives. In addition, the Group aims to convert this turnover to a 5% net profit and a positive cash flow in the short to medium term. With this milestone in mind, the Group Strategy is being built around this key financial objective.

Several activities continue to take place to meet this objective with the new corporate offices opened in Malta, together with a dedicated Innovation Centre. This has already had a major impact on customers, who have visited the Innovation Centre and subsequently partnered with Toly on several new projects. The Group continues to focus on enhancing the strength of its people, through highly powered training programmes and setting clear and focused KPI targets. In addition, the back end IT infrastructure is being enhanced in order to have a platform to run the business on sound and data driven decisions.

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

Research & Development

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

REVIEW - continued

Strategy and objectives and expectations for the coming year - continued

External environment

The Group remains focused on eliminating any harm towards the environment. Toly has dedicated personnel to ensure that all national legislation is adhered to and in most cases exceeded. Toly strives hard to replicate the standards in our European operation in all the countries that Toly operates; this in line with the Group's policy of promoting a high standard of environmental awareness wherever Toly is operating.

Toly also works closely with all stakeholders to ensure that all products used in Toly's processes and all products manufactured by Toly are of the highest quality in terms of environmental protection for our future generations.

Intellectual capital

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

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

Corporate social responsibility

Toly Group's policy is to manage the balance between the work place, the market place, the community and the environment. Toly has continuously aimed to contribute to the sustainable development of society and to meet the expectations of the stakeholders, namely the customers, the employees, the suppliers, the surrounding community and the environment. We are aware that our social, economic and environmental responsibilities are intrinsic to our business and will address these duties through our Corporate Policies and through our actions. The new factories being built are also set-up to make better use of natural resources for energy with less dependency on "fossil oil based" energy.

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

Gender distribution in management

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

For executive management and the remaining management team and management levels, it is the policy of the Company to ensure gender diversity and equal opportunities, and that candidates are fairly compared with focus only on qualifications and competences. So far, no target for gender equality has been set, but it will be evaluated at a later stage.

Subsequent events

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

Statements of comprehensive income

	Notes	Group		Company	
		Year ended 31 December		2016	
		2017	2016	2017	2016
		EUR '000	EUR '000	EUR '000	EUR '000
Revenue	4	87,545	66,700	-	-
Production costs	5	(73,519)	(56,847)	-	-
Gross profit		14,026	9,853	-	-
Selling and distribution costs	5	(1,713)	(1,391)	-	-
Administrative expenses	5	(7,861)	(6,721)	(106)	(17)
Other operating income	7	747	848	389	445
Other operating expenses	8	(449)	(248)	-	-
Operating profit		4,750	2,341	283	428
Fair value gain on investment property	14	285	1,391	-	-
Share of profits of associates	16	1,370	1,242	-	-
Finance income	9	141	43	7	32
Finance costs	10	(780)	(594)	(165)	(133)
Profit before tax		5,766	4,423	125	327
Tax income	11	3,405	203	-	-
Profit for the year - attributable to owners of the Company		9,171	4,626	125	327
Other comprehensive income: <i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences		(256)	(358)	-	-
Total comprehensive income - attributable to the owners of the Company		8,915	4,268	125	327

The notes on pages 20 to 58 are an integral part of these financial statements.

Statements of financial position

	Notes	Group		Company	
		As at 31 December		As at 31 December	
		2017	2016	2017	2016
		EUR '000	EUR '000	EUR '000	EUR '000
ASSETS					
Non-current assets					
Intangible assets	12	256	181	-	-
Property, plant and equipment	13	15,621	10,203	-	-
Investment property	14	6,922	6,617	-	-
Investment in subsidiaries	15	-	-	7,253	7,253
Investment in associates	16	6,441	5,215	315	315
Available-for-sale financial assets	17	32	32	-	-
Total non-current assets		29,272	22,248	7,568	7,568
Current assets					
Inventories	18	5,555	5,572	-	-
Trade and other receivables	19	21,257	16,937	432	559
Current tax assets		99	119	-	-
Cash and cash equivalents	20	7,607	2,702	144	53
Total current assets		34,518	25,330	576	612
Total assets		63,790	47,578	8,144	8,180

Statements of financial position - continued

	Notes	Group		Company	
		As at 31 December		As at 31 December	
		2017	2016	2017	2016
		EUR '000	EUR '000	EUR '000	EUR '000
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Share capital	21	800	800	800	800
Share premium	21	5,684	5,684	5,684	5,684
Other reserve	22	(835)	(579)	-	-
Retained earnings/(accumulated losses)		19,892	10,721	(2,389)	(2,514)
Total equity		25,541	16,626	4,095	3,970
LIABILITIES					
Non-current liabilities					
Trade and other payables	24	1,422	-	-	-
Borrowings	25	4,284	4,189	-	-
Deferred tax liabilities	23	492	495	-	-
Provisions for other liabilities and charges		117	121	-	-
Total non-current liabilities		6,315	4,805	-	-
Current liabilities					
Trade and other payables	24	22,577	18,661	4,049	4,210
Current tax liabilities		320	62	-	-
Borrowings	25	9,037	7,424	-	-
Total current liabilities		31,934	26,147	4,049	4,210
Total liabilities		38,249	30,952	4,049	4,210
Total equity and liabilities		63,790	47,578	8,144	8,180

The notes on pages 20 to 58 are an integral part of these financial statements.

Statement of changes in equity

Group	Attributable to owners of the Company				
	Share capital EUR '000	Share premium EUR '000	Other reserves EUR '000	Retained earnings EUR '000	Total EUR '000
Balance as at 1 January 2016	800	5,684	(221)	6,095	12,358
Comprehensive income					
Profit for the year	-	-	-	4,626	4,626
Other comprehensive income for the year - currency translation differences	-	-	(358)	-	(358)
Total comprehensive income for the year			(358)	4,626	4,268
Balance as at 31 December 2016	800	5,684	(579)	10,721	16,626
Balance as at 1 January 2017	800	5,684	(579)	10,721	16,626
Comprehensive income					
Profit for the year	-	-	-	9,171	9,171
Other comprehensive income for the year - currency translation differences	-	-	(256)	-	(256)
Total comprehensive income for the year	-	-	(256)	9,171	8,915
Balance as at 31 December 2017	800	5,684	(835)	19,892	25,541

Statement of changes in equity - continued

Company	Share capital EUR '000	Share premium EUR '000	Retained earnings EUR '000	Total EUR '000
Balance as at 1 January 2016	800	5,684	(2,841)	3,643
Comprehensive income				
Profit for the year - total comprehensive income	-	-	327	327
Balance as at 31 December 2016	800	5,684	(2,514)	3,970
Balance as at 1 January 2017				
Comprehensive income				
Profit for the year - total comprehensive income	-	-	125	125
Balance as at 31 December 2017	800	5,684	(2,389)	4,095

Statements of cash flows

	Notes	Group		Company	
		2017 EUR '000	2016 EUR '000	2017 EUR '000	2016 EUR '000
Cash generated from operations	26	7,969	3,840	249	97
Interest paid	10	(780)	(594)	(165)	(133)
Interest received	9	141	43	7	32
Income tax received		3,683	334	-	-
Net cash generated from/(used in) operating activities		11,013	3,623	91	(4)
Cash flows from investing activities					
Purchase of intangible assets	12	(166)	(65)	-	-
Purchase of property, plant and equipment	13	(7,514)	(4,589)	-	-
Purchase of investment property	14	(130)	-	-	-
Proceeds from sale of intangibles and property, plant and equipment		-	42	-	-
Cash flows used in investing activities		(7,810)	(4,612)	-	-
Cash flows from financing activities					
Proceeds from borrowings		3,008	869	-	-
Cash flows generated from financing activities		3,008	869	-	-
Net movement in cash and cash equivalents		6,211	(120)	91	(4)
Cash and cash equivalents at beginning of the year		(2,113)	(2,104)	53	57
Effect of translation from functional to presentation currency		(6)	111	-	-
Cash and cash equivalents at the end of the year	20	4,092	(2,113)	144	53

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation and adoption of IFRS

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

The Group and Company first adopted IFRSs during the year ended 31 December 2016, with a date of transition to IFRSs of 1 January 2015.

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

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2017. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that, with the possible exception of IFRS 16, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

Under IFRS 16, 'Leases', a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to endorsement by the EU, and subject to the Group also adopting IFRS 15. The Group is assessing the impact of IFRS 16.

1. Summary of significant accounting policies - continued

1.2 Consolidation

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

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

(a) Subsidiaries

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(a) Subsidiaries - continued

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

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

(b) Transactions with non-controlling interests

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

(c) Associates

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

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(c) Associates - continued

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

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

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

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

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

1.3 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation - continued

(b) Transactions and balances - continued

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

(c) Group companies

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

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

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

1.4 Revenue recognition

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

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

(a) Sale of goods

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

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

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

1. Summary of significant accounting policies - continued

1.4 Revenue recognition - continued

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

1.5 Production costs

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

Research expenses, development costs that do not meet the capitalisation criterion and amortisation of capitalised development costs are also recognised under production expenses. Amortisation of goodwill is furthermore recognised to the extent that goodwill relates to manufacturing activities.

1.6 Selling and distribution expenses

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

1.7 Administrative expenses

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

1.8 Other operating income/expenses

Other operating income and other operating expenses comprise items of a secondary nature compared to the core activities of the Group.

1.9 Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments.

1. Summary of significant accounting policies - continued

1.10 Intangible assets

(a) Goodwill

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

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

(b) Patents

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

1.11 Property, plant and equipment

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

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

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

Buildings	2%
Plant and machinery	7.5% - 20%
Office furniture and equipment	10%
Computer equipment	20%
Motor vehicles	20%

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

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

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

1. Summary of significant accounting policies - continued

1.12 Impairment of fixed assets

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

1.13 Leases

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

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

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

1.14 Investment property

Investment property, principally comprising freehold office buildings, residential units and garage spaces are held for long-term rental yields or for capital appreciation or both, and are not occupied by the group. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made.

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

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

1. Summary of significant accounting policies - continued

1.14 Investment property - continued

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

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

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

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

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

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

1.15 Inventories

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

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

1. Summary of significant accounting policies - continued

1.16 Receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss.

When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in the profit or loss.

1.17 Cash and cash equivalents

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

1.18 Share capital

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

1.19 Dividends

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

1.20 Provisions

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

1. Summary of significant accounting policies - continued

1.21 Government grants

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

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

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

1.22 Trade and other payables

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

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

1.23 Financial debts

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

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

1.24 Prepayments and deferred income

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

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

1.25 Corporate income tax and deferred tax

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

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

1. Summary of significant accounting policies - continued

1.25 Corporate income tax and deferred tax - continued

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

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

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

1.26 Statements of cash flows

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

1. Summary of significant accounting policies - continued

1.27 Definition of financial ratios

<i>Gross profit</i>	=	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
<i>Profit margin</i>	=	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
<i>Return on net asset</i>	=	$\frac{\text{Profit/loss before financials} \times 100}{\text{Total assets}}$
<i>Solvency ratio</i>	=	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
<i>Return on equity</i>	=	$\frac{\text{Net profit/loss for the year} \times 100}{\text{Average equity}}$

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

2. Financial risk management

2.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

The table below summarises the Group's main exposures to foreign currencies, other than the functional currency, as at 31 December 2017 and 2016.

Group	Assets EUR '000	Liabilities EUR '000	Net exposure EUR '000
As at 31 December 2017			
Amounts denominated in USD as a foreign currency	15,325	5,497	9,828
Amounts denominated in GBP as a foreign currency	3,822	1,487	2,335
Amounts denominated in HKD as a foreign currency	314	1,616	(1,302)
	19,461	8,600	10,861
As at 31 December 2016			
Amounts denominated in USD as a foreign currency	9,969	5,179	4,790
Amounts denominated in GBP as a foreign currency	3,546	1,056	2,490
Amounts denominated in HKD as a foreign currency	171	2,238	(2,067)
	13,686	8,473	5,213
Company			
	Assets EUR '000	Liabilities EUR '000	Net exposure EUR '000
As at 31 December 2017			
Amounts denominated in USD as a foreign currency	92	-	92
Amounts denominated in GBP as a foreign currency	1	23	(22)
Amounts denominated in HKD as a foreign currency	181	-	181
	274	23	251
As at 31 December 2016			
Amounts denominated in USD as a foreign currency	105	-	105
Amounts denominated in GBP as a foreign currency	-	47	(47)
Amounts denominated in HKD as a foreign currency	171	-	171
	276	47	229

At 31 December 2017, if the USD had weakened/strengthened by 10% against the respective functional currencies with all other variables held constant, the Group's pre-tax profit for the year would have been €982,829 (2016: €479,053) lower/higher. Similarly, if the GBP had weakened/strengthened by 10% against the respective functional currencies with all other variables held constant, the Group's pre-tax profit for the year would have been €233,487 (2016: €249,073) lower/higher. Likewise, if the HKD had weakened/strengthened by 10% against the respective functional currencies with all other variables held constant, the Group's pre-tax profit for the year would have been €130,281 (2016: €206,655) lower/higher as a result of foreign exchange losses/gains on translation of EUR denominated cash and cash equivalents and receivables into the respective functional currency.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) *Market risk* - continued

(ii) *Cash flow and fair value interest rate risk*

The Group's operating income and cash flows are substantially independent of changes in market interest rates. The Group's significant interest-bearing financial instruments comprise mainly bank borrowings, which are predominantly floating rate instruments and other loans, which are a mixture of fixed and floating rate instruments. Interest rate and related maturity information is disclosed in note 25 to this Annual Report. Up to 31 December 2017, the Group did not have any hedging policy with respect to interest rate risk as Management did not consider the exposure to such risks to be significant.

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

Group	Floating rates EUR '000
At 31 December 2017	
<i>Interest-bearing assets</i>	
Cash at bank	491
<hr/>	
<i>Interest-bearing liabilities</i>	
Bank borrowings	7,873
Bank overdrafts	3,515
Other loans	1,883
	<hr/>
	13,271
	<hr/>
Net exposure	12,780
	<hr/>
At 31 December 2016	
<i>Interest-bearing assets</i>	
Cash at bank	420
<hr/>	
<i>Interest-bearing liabilities</i>	
Borrowings	5,928
Bank overdrafts	4,815
Other loans	848
	<hr/>
	11,591
	<hr/>
Net exposure	11,171
	<hr/>

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

Financial assets that potentially subject the Company and the Group to concentrations of credit risk consist principally of cash at bank and receivables. The Group's cash is placed with recognised financial institutions. The Group's exposure to credit risk is limited due to the large number of customers, which comprise the basis of receivables.

The Group's and the Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Maximum exposure			
	Group 2017 EUR '000	2016 EUR '000	Company 2017 EUR '000	2016 EUR '000
Trade and other receivables	21,257	16,937	432	559
Cash and cash equivalents	7,607	2,702	144	53
Total loans and receivables	28,864	19,639	576	612
Prepayments and other receivables not subject to credit risk	(2,144)	(1,605)	-	-
Amounts exposed to credit risk	26,720	18,034	576	612

The maximum exposure to credit risk at the reporting period in respect of the financial assets mentioned above is equivalent to the gross carrying amount.

The Group and the Company bank only with financial institutions with high quality standing or rating and as such the directors do not consider credit risk in this respect to be significant.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

As part of its credit risk management, the Group assesses the credit quality of its customers taking into account the financial position, past experience, and other factors. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses, which are inherent in the Group's receivables taking into account historical experience in the collection of accounts receivable. The Group has no significant concentration of credit risk with respect to its trade and other receivables in view of the significant number of customers comprising its receivable base.

The Group manages credit limits and exposures actively in a practicable manner such that past due receivables from customers are minimised at the reporting date. The Group's trade and other receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default and where regular payments are being affected by these clients. The directors do not expect any material losses from non-performance of these customers.

As at 31 December 2017, trade receivables of EUR 5,047k (2016: EUR 4,479k) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group	
	2017	2016
	EUR '000	EUR '000
Up to 12 months	5,047	4,479

As at 31 December 2017, trade receivables of EUR50.9k (2016: EUR19.4k) were impaired.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables and borrowings (refer to notes 24 and 25). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group's obligations.

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

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

	Carrying amount EUR '000	Within 1 year EUR '000	Between 1 and 5 years EUR '000	After 5 years EUR '000
Group				
At 31 December 2017				
Borrowings	13,271	8,540	4,616	188
Trade and other payables	23,999	22,577	1,422	-
	37,270	31,117	6,038	188
At 31 December 2016				
Borrowings	11,603	7,614	3,865	244
Trade and other payables	18,661	18,661	-	-
	30,264	26,275	3,865	244
Company				
At 31 December 2017				
Trade and other payables	4,049	4,049	-	-
At 31 December 2016				
Trade and other payables	4,210	4,210	-	-

2.2 Capital risk management

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

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

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

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

2.3 Fair value estimation

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

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

As at 31 December 2017 and 2016, the Group and the Company did not hold financial instruments that are measured at fair value.

At 31 December 2017 and 2016 the carrying amounts of cash at bank, trade and other receivables, trade and other payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

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

3 Critical accounting estimates and judgements

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

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4 Revenue

Revenue amounting €87,545,000 (2016: €66,700,000) mainly comprises sales and export of luxury packaging for the cosmetics, fragrance and skin care industries.

5 Expenses by nature

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Cost of production, materials and goods acquired	61,059	49,185	-	-
Directors' fees	843	648	-	-
Employee benefit expense (note 6)	12,075	11,376	-	-
Depreciation and amortisation (notes 12 and 13)	2,188	1,893	-	-
Travelling expenses	903	734	-	-
Advertising costs	25	24	-	-
Operating lease payments	102	96	-	-
Exchange differences	234	27	-	-
Other expenses	5,664	976	106	17
Total production costs, selling and distribution costs and administrative expenses	83,093	64,959	106	17

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2017 and 2016 relate to the following:

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Annual fee	104	109	11	14
Non-audit fee	32	54	-	-
	136	163	11	14

5 Expenses by nature - continued

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

	Group		Company	
	2017 EUR '000	2016 EUR '000	2017 EUR '000	2016 EUR '000
PricewaterhouseCoopers	60	54	11	14
Other audit firms	76	109	-	-
	136	163	11	14

6 Employee benefit expense

	Group	
	2017 EUR '000	2016 EUR '000
Wages and salaries	10,865	10,282
Social security expenses	847	840
Other benefits	363	254
	12,075	11,376

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

	Group	
	2017	2016
Direct	176	165
Indirect	112	125
Administrative	107	101
Executive directors - holding company	5	5
	400	396

7 Other operating income

	Group		Company	
	2017 EUR '000	2016 EUR '000	2017 EUR '000	2016 EUR '000
Foreign exchange gains	212	216	-	-
Dividend income	-	-	273	178
Other income	535	632	116	267
	747	848	389	445

8 Other operating expenses

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Foreign exchange losses	449	209	-	-
Provision for claims of contract termination	-	39	-	-
	449	248	-	-

9 Finance income

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Bank and other interest income	141	43	7	32

10 Finance costs

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Bills, discounting charges	95	88	-	-
Bank loans and overdraft facilities	550	343	-	-
Bank charges	131	91	-	-
Finance leases	-	24	-	-
Other	4	48	165	133
	780	594	165	133

11 Tax income

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Current tax	(3,405)	(342)	-	-
Deferred tax (Note 23)	-	139	-	-
Total tax for the year	(3,405)	(203)	-	-

11 Tax income - continued

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

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Profit before tax	5,766	4,423	125	327
Tax on profit for the year	1,442	1,039	31	77
Tax effect of:				
Different tax rates in other countries	135	214	-	5
Expenses not deductible for tax purposes	18	18	-	37
Unrecognised deferred tax asset	-	(18)	-	-
Temporary differences attributable to deferred tax asset not recognised	(590)	(47)	-	-
Government grant	(3,935)	(529)	-	-
Exempt income	(348)	(419)	(31)	(119)
Effect of taxation of property	-	(487)	-	-
Over provision in previous years	-	(63)	-	-
Other differences	(127)	89	-	-
Tax income	(3,405)	(203)	-	-

In 2017, the Government of Malta granted a subsidy to Toly Products Limited in the form of a cash contribution of EUR 3,935,156 (2016: EUR 529,076), through a conversion into cash of part of the investment tax credits to which the Maltese subsidiary is entitled. The subsidy has been recognised as a tax credit in the income statement. The entitlement to this subsidy is subject to certain conditions and Management is satisfied that the relevant criteria were met.

12 Intangible assets

Group	Patents EUR '000	Goodwill EUR '000	Total EUR '000
At 1 January 2016			
Cost	359	1,450	1,809
Accumulated amortisation	(173)	(1,450)	(1,623)
Net book amount	186	-	186
Year ended 31 December 2016			
Opening net book amount	186	-	186
Additions	65	-	65
Amortisation	(70)	-	(70)
Closing net book amount	181	-	181
At 31 December 2016			
Cost	424	1,450	1,874
Accumulated amortisation	(243)	(1,450)	(1,693)
Net book amount	181	-	181
Year ended 31 December 2017			
Opening net book amount	181	-	181
Additions	166	-	166
Amortisation	(91)	-	(91)
Closing net book amount	256	-	256
At 31 December 2017			
Cost	590	1,450	2,040
Accumulated amortisation	(334)	(1,450)	(1,784)
Net book amount	256	-	256

13 Property, plant and equipment

Group

	Factory buildings and improvements to premises EUR '000	Plant and machinery EUR '000	Fixtures and fittings, tools and equipment EUR '000	Total EUR '000
At 1 January 2016				
Cost	1,950	38,245	2,461	42,656
Accumulated depreciation	(194)	(32,996)	(1,959)	(35,149)
Net book amount	1,756	5,249	502	7,507
Year ended 31 December 2016				
Opening net book amount	1,756	5,249	502	7,507
Disposals	(40)	(2)	-	(42)
Additions	330	3,914	345	4,589
Depreciation	(118)	(1,638)	(67)	(1,823)
Currency translation differences	-	-	(28)	(28)
Closing net book amount	1,928	7,523	752	10,203
At 31 December 2016				
Cost	2,240	42,157	2,778	47,175
Accumulated depreciation	(312)	(34,634)	(2,026)	(36,972)
Net book amount	1,928	7,523	752	10,203
Year ended 31 December 2017				
Opening net book amount	1,928	7,523	752	10,203
Disposals	-	-	(19)	(19)
Additions	5,354	1,822	338	7,514
Depreciation	(121)	(1,756)	(220)	(2,097)
Depreciation released on disposal	-	-	19	19
Currency translation differences	-	2	(1)	1
Closing net book amount	7,161	7,591	869	15,621
At 31 December 2017				
Cost	7,594	43,981	3,096	54,671
Accumulated depreciation	(433)	(36,390)	(2,227)	(39,050)
Net book amount	7,161	7,591	869	15,621

13 Property, plant and equipment - continued

Depreciation expense of €1,686k (2016: €1,663k) has been charged in 'cost of sales' and €410k (2016: €160k) in 'administrative expenses'.

Fixtures and fittings, tools and equipment includes the following amount where the Group is a lessee under a finance lease:

	Group	
	As at 31 December	
	2017	2016
	EUR '000	EUR '000
Cost-capitalised finance lease	-	191
Accumulated depreciation	-	(146)
Net book amount	-	45

14 Investment property

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

	Group	
	2017	2016
	EUR '000	EUR '000
At 1 January		
Cost	3,844	4,339
Fair value gains	2,773	1,382
Net book amount	6,617	5,721
Year ended 31 December		
Opening net book amount	6,617	5,721
Additions	130	-
Gains from changes in fair value	285	1,391
Currency translation differences	(110)	(495)
Closing net book amount	6,922	6,617
At 31 December		
Cost	3,864	3,844
Fair value gains	3,058	2,773
Net book amount	6,922	6,617

14 Investment property - continued

Fair valuation of investment property

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

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

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

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

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

The Group's investment property comprises residential properties, an office block and retail space leased out to third parties. All the recurring property fair value measurements at 31 December 2017 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2017 and 2016.

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

Valuation processes

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

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

14. Investment property - continued

Fair valuation of investment property - continued

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

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

Valuation techniques

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

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

Description by class based on highest and best use	Fair value at 31 December 2017 EUR'000	Valuation technique	Significant unobservable input	Range of Unobservable Inputs EUR
Warehouses and office space in the United Kingdom	Eur3,153	Sales comparison approach	Sales price per square meter	€1,673 - €3,959
Residential units and car spaces	Eur3,769	Sales comparison approach	Sales price per square meter	€1,875 - €3,846

The current use of the investment property of the Group is deemed to constitute the highest and best use taking cognisance of the size and location of such property.

15 Investment in subsidiaries

	Company	
	2017 EUR '000	2016 EUR '000
As at 1 January and 31 December	7,253	7,253

15 Investment in subsidiaries - continued

The subsidiaries are shown below:

Name	Country of incorporation / place of business	Nature of business	Proportion of ordinary shares held by the Group (%)	
			As at 31 December 2017	2016
Toly Products UK Limited	United Kingdom	Supply of packaging products	100	100
Toly Products (France) SA	France	Supply and packaging products	100	100
Toly Products Limited	Malta	Manufacture and export of luxury packaging	100	100
Toly Management Limited	Malta	Management, administrative, accounting and other back office functions for group companies	100	100
Toly USA Inc.	USA	Supply of packaging products	100	100
Toly Asia Limited	Hong Kong	Supply of packaging products	100	100
Toly Belgium SPRL	Belgium	Supply of packaging products	100	100
Highgate Properties Limited	Malta	Managing real estate and property development projects	100	100
Toly Malta Sales Limited	Malta	Trade in luxury packaging for cosmetic, fragrance and skin care industries	100	100

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

16 Investment in associates

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January	5,215	3,942	315	315
Share of associates' profits	1,370	1,242	-	-
Currency translation differences	(144)	31	-	-
As at 31 December	6,441	5,215	315	315

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
At 31 December				
Cost	437	437	315	315
Share of associates' profits and reserves	6,004	4,778	-	-
As at 31 December	6,441	5,215	315	315

The associates are shown below:

Name	Country of incorporation / place of business	Nature of business	Proportion of ordinary shares held by the Group (%)	
			As at 31 December 2017	2016
Toly Korea Inc	Korea	Selling of	40	40
TAP Korea	Korea	cosmetic	12	12
Toly (Hong Kong) Limited	Hong Kong	packaging	40	40

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

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

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

16 Investment in associates - continued

Summarised financial information for material associates

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

	Group and Company	
	As at 31 December	
	2017	2016
	EUR '000	EUR '000
As at 31 December		
Non-current assets	20,375	9,219
Current assets	12,297	8,331
Non-current liabilities	(8,940)	(1,423)
Current liabilities	(10,610)	(6,816)
	<hr/>	<hr/>
Net assets	13,122	9,311
	<hr/>	<hr/>
Reconciliation to carrying amounts:		
As at 1 January	9,311	7,044
Profit for the period	3,490	2,580
Currency translation differences	321	(313)
	<hr/>	<hr/>
Closing net assets	13,122	9,311
	<hr/>	<hr/>
Year ended 31 December		
Revenue	34,696	23,664
Profit from continuing operations	3,490	2,580
	<hr/>	<hr/>
Group's share:		
Profit for the period	1,396	1,032
	<hr/>	<hr/>

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

16 Investment in associates - continued

Summarised financial information for material associates

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

	Group and Company	
	As at 31 December	
	2017	2016
	EUR '000	EUR '000
As at 31 December		
Non-current assets	903	1,020
Current assets	4,383	4,219
Non-current liabilities	(160)	(449)
Current liabilities	(1,873)	(1,319)
	<hr/>	<hr/>
Net assets	3,253	3,471
	<hr/>	<hr/>
Reconciliation to carrying amounts:		
As at 1 January	3,470	3,394
Profit for the period	233	154
Other comprehensive income/(expense)	178	(185)
Dividend paid	(170)	-
Currency translation differences	(458)	108
	<hr/>	<hr/>
Closing net assets	3,253	3,471
	<hr/>	<hr/>
Year ended 31 December		
Revenue	9,423	7,598
Profit/(loss) from continuing operations	233	154
Other comprehensive income/(expense)	178	(185)
	<hr/>	<hr/>
Group's share:		
Profit for the period	93	67
Other comprehensive income/(expense)	(71)	(74)
Dividend paid	(68)	-
	<hr/>	<hr/>

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

17 Available-for-sale financial assets

	Group	
	2017	2016
	EUR '000	EUR '000
At 1 January and 31 December	32	32

18 Inventories

	Group	
	As at 31 December	
	2017	2016
	EUR '000	EUR '000
Raw material and consumables	1,832	1,777
Work in progress	25	43
Finished goods and goods for resale	3,698	3,752
	5,555	5,572

19 Trade and other receivables

	Group		Company	
	As at 31 December		As at 31 December	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Trade receivables – gross	17,138	13,827	-	-
Less: provision for impairment of trade receivables	-	-	-	-
Trade receivables - net	17,138	13,827	-	-
Amounts due from associates	355	225	228	171
Other receivables	1,620	1,280	204	388
Prepayments	2,144	1,605	-	-
Trade receivables - current	21,257	16,937	432	559

All amounts due by the Group and the Company from associates as at 31 December 2017 and 2016 were unsecured, interest-free, and had no fixed date for repayment.

20 Cash and cash equivalents

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

	Group		Company	
	As at 31 December		As at 31 December	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Cash at bank and in hand	7,607	2,702	144	53
Bank overdrafts	(3,515)	(4,815)	-	-
	4,092	(2,113)	144	53

21 Share capital

	Group and Company	
	As at 31 December	
	2017	2016
	EUR '000	EUR '000
Authorised, issued and fully paid		
800,000 ordinary shares of EUR1 each	800	800

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

22 Other reserves

Group

	Currency translation differences EUR '000	Revaluation reserve EUR '000	Other reserve EUR '000	Total EUR '000
At 1 January 2016	(638)	451	(34)	(221)
Currency translation differences	(358)	-	-	(358)
At 31 December 2016	(996)	451	(34)	(579)
At 1 January 2017	(996)	451	(34)	(579)
Currency translation differences	(256)	-	-	(256)
At 31 December 2017	(1,252)	451	(34)	(835)

Revaluation reserve relates to fair value gains on property prior to transfer to investment property in financial year ending 31 December 2017.

23 Deferred tax

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

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

	Group		As at
	As at 31 December		1 January
	2017	2016	2015
	EUR '000	EUR '000	EUR '000
Deferred tax liability to be recovered after more than twelve months	492	495	370

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

	Group	
	As at 31 December	
	2017	2016
	EUR '000	EUR '000
Balance at 1 January	495	379
Movements during the year:		
Income statement (note 11)	-	139
Currency translation differences	(3)	(23)
Balance at 31 December	492	495

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

	Group		As at
	As at 31 December		1 January
	2017	2016	2015
	EUR '000	EUR '000	EUR '000
Fair value gains on investment property	492	495	370

23 Deferred tax - continued

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

Deferred income tax assets on tax loss carry forwards are recognised based only to the extent that realisation of the related tax benefit through future taxable profit is probable. The Group has temporary differences attributable to fixed assets and other differences give rise to a deferred tax asset of €1,197k (2016: €1,788k) which has not been recognised in these financial statements.

Further unutilised investment tax credits having a tax effect of €13,221k (2016: €14,488k) have not been recognised in these financial statements.

24 Trade and other payables

	Group		Company	
	As at 31 December 2017	2016	As at 31 December 2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Non-Current				
Trade payables	1,422	-	-	-
Current				
Trade payables	9,543	7,458	-	-
Amounts due to subsidiaries	-	-	4,002	4,141
Amounts due to associates	7,362	7,485	-	-
Amount due to other related parties	54	108	-	46
Other payables	2,593	1,079	23	15
Accruals	3,025	2,531	24	8
	22,577	18,661	4,049	4,210
Total trade and other payables	23,999	18,661	4,049	4,210

All amounts due to the Group and the Company to subsidiaries, associates and related parties as at 31 December 2017 and 2016 were unsecured, interest-free, and had no fixed date for repayment.

25 Borrowings

	Group	
	As at 31 December 2017	2016
	EUR '000	EUR '000
Bank loans	7,873	5,928
Bank overdrafts	3,515	4,815
Other loans	1,883	860
Finance leases	50	10
Balance at 31 December	13,321	11,613

25 Borrowings - continued

The weighted average effective interest rates of bank borrowings is:

	Group		
	As at 31 December		As at
	2017	2016	1 January
	%	%	2015
			%
Bank loans	4.5	4.1	4.3
Bank overdrafts	4.8	4.4	4.3

	Group		
	As at 31 December		As at
	2017	2016	1 January
	EUR '000	EUR '000	2015
			EUR '000
Maturity of borrowings (excluding interest):			
Within 1 year	9,075	7,414	6,128
Between 1 and 2 years	1,326	979	733
Between 2 and 5 years	2,673	2,981	8,262
Over 5 years	197	217	557
	13,271	11,591	15,680

Finance lease liabilities

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

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

	Group		
	As at 31 December		As at
	2017	2016	1 January
	EUR '000	EUR '000	2015
			EUR '000
Gross finance lease liabilities - minimum lease payments:			
No later than 1 year	-	10	44
Later than 1 year and no later than 5 years	50	12	37
Future finance charges on finance lease liabilities	-	-	(8)
Present value of finance lease liabilities	50	22	73

25 Borrowings - continued

The present value of finance lease liabilities is as follows:

	Group		As at
	As at 31 December		1 January
	2017	2016	2015
	EUR '000	EUR '000	EUR '000
No later than 1 year	-	10	41
Later than 1 year and no later than 5 years	50	12	32
	50	22	73

26 Cash generated from operations

Reconciliation of operating profit to cash used in operations:

	Group		Company	
	2017	2016	2017	2016
	EUR '000	EUR '000	EUR '000	EUR '000
Operating profit	4,750	2,341	283	428
Adjustments for:				
Depreciation and amortisation (notes 12,13)	2,188	1,893	-	-
Changes in working capital:				
Inventories	17	(199)	-	-
Trade and other receivables	(4,320)	(830)	127	317
Trade and other payables	5,334	635	(161)	(648)
Cash generated from operations	7,969	3,840	249	97

27 Related party transactions

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

During the year, the Company received dividends from subsidiaries amounting to €273,000 (2016: €178,000)

Additionally, key management, which includes directors and members of the Executive Committee, received compensation in the form of salaries and other short-term employment benefits amounting to €843,000 (2016: €648,000).

Year-end balances with related parties are disclosed in notes 19 and 24.

28 Commitments and guarantees

Operating lease commitments - group company as lessee

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

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

	Group		As at
	As at 31 December		1 January
	2017	2016	2015
	EUR '000	EUR '000	EUR '000
Within 1 year	91	171	129
Later than 1 year but not later than 5 years	253	278	275
Later than 5 years	43	105	230
Total	387	554	634

29 Contingencies

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

30 Statutory information

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

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