# 2018

## CONSOLIDATED FINANCIAL STATEMENTS

IPL™

INNOVATIVE
PACKAGING
LEADERS

## CONTENTS

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the consolidated financial statements presented herein and the financial information presented elsewhere for the purposes of filing with the relevant Canadian Securities Commissions. This responsibility includes the selection of accounting policies and practices and making judgments and estimates necessary to prepare the consolidated financial statements.

Management has also prepared the financial information presented elsewhere for the purposes of filing with the relevant Canadian Securities Commissions and has ensured that it is consistent with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is comprised solely of independent directors. The consolidated financial statements have been audited by the independent auditors KPMG LLP, whose report follows.

**On behalf of the board**

| (signed) Alan Walsh | (signed) Pat Dalton |
|---|---|
| Chief Executive Officer | Chief Financial Officer |

Date: March 15, 2019

KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of IPL Plastics Inc.

### *Opinion*

We have audited the following consolidated financial statements of IPL Plastics Inc. (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of income for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada 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.

KPMG

***Other Matter — Comparative Information***

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 21, 2018.

***Other Information***

Management is responsible for the other information. Other information comprises of the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

*Auditors' 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 auditors' 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 Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

- 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.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

KPMG LLP

The engagement partner on the audit resulting in this auditors' report is Aaron Fima.

Montréal, Canada
March 15, 2019

*CPA auditor, CA, public accountancy permit No. A125211

**IPL Plastics Inc.**

**CONSOLIDATED STATEMENTS OF INCOME**

**For the years ended December 31, 2018 and 2017**

**(In thousands of U.S. Dollars except per share data)**

| | Notes | 2018 | 2017 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 | **$657,773** | $535,887 |
| Cost of sales | | **(548,533)** | (427,895) |
| **Gross profit** | | **109,240** | 107,992 |
| Operating expenses | 4 | **(72,014)** | (60,949) |
| Initial public offering and related costs | 5 | **(9,923)** | — |
| Business reorganization and integration costs | 5 | **(14,375)** | (12,755) |
| **Operating profit** | | **12,928** | 34,288 |
| Other (expenses)/income (net) | 7 | **(412)** | 2,082 |
| Share of profit of equity-accounted investees | 8 | **2,415** | 1,992 |
| Refinancing transaction costs | 5 | **(5,658)** | — |
| Finance costs (net) | 9 | **(16,134)** | (15,996) |
| **(Loss)/income before income taxes** | | **(6,861)** | 22,366 |
| Income taxes | 10 | **8,636** | 971 |
| **Income from continuing operations** | | **1,775** | 23,337 |
| **Discontinued operations** | | | |
| Loss from discontinued operations | | **—** | (670) |
| **Net income: all attributable to equity holders of the parent** | | **$1,775** | $22,667 |
| **Earnings per share** | | | |
| Basic earnings per share (U.S. Dollars) | 11 | **0.04** | 0.72 |
| Diluted earnings per share (U.S. Dollars) | 11 | **0.04** | 0.70 |
| **Earnings per share — continuing operations** | | | |
| Basic earnings per share (U.S. Dollars) | 11 | **0.04** | 0.74 |
| Diluted earnings per share (U.S. Dollars) | 11 | **0.04** | 0.72 |

The accompanying notes are an integral part of these consolidated financial statements.

**On behalf of the board**

(signed) David McAusland
Director

(signed) Alan Walsh
Director

Date: March 15, 2019

**IPL Plastics Inc.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**For the years ended December 31, 2018 and 2017**

**(In thousands of U.S. Dollars)**

| | Notes | 2018 | 2017 |
|---|---|---|---|
| **Comprehensive income** | | | |
| Net income for the year | | **$1,775** | $22,667 |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified to profit and loss** | | | |
| Foreign operations – foreign currency translation adjustments (“FCTA”) | | **(6,005)** | 11,589 |
| Effective portion of changes in fair value of cash flow hedges | | **(1,159)** | — |
| Share of equity-accounted investees' other comprehensive income | 8 | **—** | (336) |
| Available-for-sale financial assets – net change in fair value | | **(3,070)** | (2,367) |
| Translation reserve reclassification to consolidated statements of income on disposal of subsidiary | | **—** | (1,018) |
| **Other comprehensive (loss)/income** | | **(10,234)** | 7,868 |
| **Total other comprehensive (loss)/income** | | **(10,234)** | 7,868 |
| **Total comprehensive (loss)/income: all attributable to equity holders of the parent** | | **$(8,459)** | $30,535 |

The accompanying notes are an integral part of these consolidated financial statements.

**IPL Plastics Inc.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**As at December 31, 2018 and 2017**

**(In thousands of U.S. Dollars)**

| | Notes | 2018 | As Restated, 2017[1] |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 12 | **$49,857** | $47,609 |
| Trade and other receivables | 13 | **99,744** | 79,087 |
| Derivative financial assets | 33 | **973** | 1,324 |
| Inventories | 14 | **84,373** | 82,833 |
| | | **234,947** | 210,853 |
| **Non-current assets** | | | |
| Trade and other receivables | 13 | **13,777** | 13,935 |
| Available-for-sale financial assets | 15 | **—** | 4,104 |
| Equity-accounted investees | 8 | **3,624** | 3,519 |
| Property, plant and equipment | 17 | **264,205** | 257,421 |
| Investment property | 18 | **1,242** | 1,657 |
| Goodwill and intangible assets | 19 | **233,834** | 248,640 |
| | | **516,682** | 529,276 |
| **Total assets** | | **751,629** | 740,129 |
| **Liabilities and shareholders' equity** | | | |
| **Current liabilities** | | | |
| Loans and borrowings | 20 | **3,316** | 28,841 |
| Trade and other payables | 21 | **103,756** | 118,607 |
| Income taxes payable | | **3,515** | 5,566 |
| Deferred contingent consideration | 23 | **—** | 61 |
| Government grants deferred | 24 | **258** | 525 |
| Derivative financial liabilities | 33 | **595** | — |
| Provisions | 25 | **264** | 3,344 |
| | | **111,704** | 156,944 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 20 | **255,659** | 292,910 |
| Trade and other payables | 21 | **2,134** | 3,128 |
| Deferred contingent consideration | 23 | **—** | 143,622 |
| Government grants deferred | 24 | **2,631** | 3,014 |
| Provisions | 25 | **4,859** | 3,039 |
| Deferred tax liabilities (net) | 26 | **27,400** | 38,275 |
| | | **292,683** | 483,988 |
| **Total liabilities** | | **404,387** | 640,932 |
| **Shareholders' equity** | | | |
| Share capital | 27 | **381,340** | 117,212 |
| Other reserves | 27 | **(32,203)** | (123,283) |
| Retained earnings | | **(1,895)** | 105,268 |
| **Total shareholders' equity** | | **347,242** | 99,197 |
| **Total liabilities and shareholders' equity** | | **$751,629** | $740,129 |

The accompanying notes are an integral part of these consolidated financial statements.

**On behalf of the board**

| | |
|---|---|
| (signed) David McAusland | (signed) Alan Walsh |
| Director | Director |

Date: March 15, 2019

(1) The 2017 consolidated statement of financial position has been restated for the fair value adjustment in Macro as discussed in Note 16 of these financial statements.

## IPL Plastics Inc.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## For the years ended December 31, 2018 and 2017

## (In thousands of U.S. Dollars)

| | Share capital | Translation reserve | Share-based payment reserve | Available-for-sale reserve | Convertible loan note reserve | Other equity reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | | |
| **Balance at January 1, 2018** | **$117,212** | **$(33,658)** | **$2,362** | **$207** | **$100** | **$(92,294)** | **$105,268** | **$99,197** |
| **Total comprehensive income** | | | | | | | | |
| Net income for the year | — | — | — | — | — | — | 1,775 | 1,775 |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation adjustments | — | (6,005) | — | — | — | — | — | (6,005) |
| Effective portion in changes in fair value of cash flow hedges | | (1,159) | | | | | | (1,159) |
| Revaluation losses on available-for-sale assets | — | — | — | (3,070) | — | — | — | (3,070) |
| Realized loss on the sale of available-for-sale assets | — | — | — | 2,863 | — | — | (2,863) | — |
| **Other comprehensive income** | — | (7,164) | — | (207) | — | — | (2,863) | (10,234) |
| **Total comprehensive income** | — | (7,164) | — | (207) | — | — | (1,088) | (8,459) |
| **Fair value and translation movement in respect of Put Liability** | | | | | | | | |
| Translation difference in respect of Put Liability relating to subsidiary undertaking | — | 2,295 | — | — | — | — | — | (2,295) |
| Extinguishment of Put Liability relating to acquired subsidiary undertaking | — | 7,691 | — | — | — | 92,294 | (97,690) | 2,295 |
| | — | 5,396 | — | — | — | 92,294 | (97,690) | — |
| **Contributions and distributions** | | | | | | | | |
| Issue of common shares — settlement of Put Liability | 140,586 | — | — | — | — | — | — | 140,586 |
| Issue of common shares — exercise of options | 568 | — | (133) | — | — | — | 133 | 568 |
| Issue of new shares from initial public offering and over-allotment | 144,850 | — | — | — | — | — | — | 144,850 |
| Share issuance costs | (12,861) | — | — | — | — | — | — | (12,861) |
| Tax benefit on share issuance costs | 3,125 | | | | | | | 3,125 |
| Exercise of buyback option | (13,046) | | | | | | (8,211) | (21,257) |
| Conversion of convertible loan notes | 906 | | | | | | (446) | 460 |
| Reclassification from share-based payment reserve to retained earnings — forfeited options | — | — | (139) | — | — | — | 139 | — |
| Equity-settled share-based payment reserve — charge for year | — | — | 1,033 | — | — | — | — | 1,033 |
| **Total contributions and distributions** | 264,128 | — | 761 | — | — | — | (8,385) | 256,504 |
| **Total transactions with owners of the company** | 264,128 | 5,396 | 761 | — | — | 92,294 | (106,075) | 256,504 |
| **Balance at December 31, 2018** | $381,340 | $(35,426) | $3,123 | $— | $100 | $— | $(1,895) | $347,242 |

The accompanying notes are an integral part of these consolidated financial statements.

**IPL Plastics Inc.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY — (Continued)**

**For the years ended December 31, 2018 and 2017**

**(In thousands of U.S. Dollars)**

| | Share capital | Translation reserve | Share-based payment reserve | Available-for-sale reserve | Convertible loan note reserve | Other equity reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | |
| **Balance at January 1, 2017** | $116,639 | $(38,606) | $1,971 | $2,574 | $100 | $(43,937) | $86,314 | $125,055 |
| **Total comprehensive income** | | | | | | | | |
| Net income for the year | — | — | — | — | — | — | 22,667 | 22,667 |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation adjustments | — | 11,589 | — | — | — | — | — | 11,589 |
| Transfer of FCTA to consolidated statements of income on disposal of foreign operations | — | (1,018) | — | — | — | — | — | (1,018) |
| Recycling of FCTA on disposal of subsidiaries | — | 3,536 | — | — | — | — | (3,536) | — |
| Revaluation gains on available-for-sale assets | — | — | — | (2,367) | — | — | — | (2,367) |
| Share of equity-accounted investees' other comprehensive income | — | — | — | — | — | — | (336) | (336) |
| **Other comprehensive income** | — | 14,107 | — | (2,367) | — | — | (3,872) | 7,868 |
| **Total comprehensive income** | — | 14,107 | — | (2,367) | — | — | 18,795 | 30,535 |
| **Fair value and translation movement in respect of Put Liability** | | | | | | | | |
| Increase in fair value of Put Liability relating to acquired subsidiary undertaking | — | — | — | — | — | (48,357) | — | (48,357) |
| Translation difference in respect of Put Liability relating to subsidiary undertaking | — | (9,159) | — | — | — | — | — | (9,159) |
| | — | (9,159) | — | — | — | (48,357) | — | (57,516) |
| **Contributions and distributions** | | | | | | | | |
| Reclassification from share-based payment reserve to retained earnings — forfeited options | — | — | (10) | — | — | — | 10 | — |
| Equity-settled share-based payment reserve — charge for year | — | — | 550 | — | — | — | — | 550 |
| Issue of ordinary shares — exercise of options | 573 | — | (149) | — | — | — | 149 | 573 |
| **Total contributions and distributions** | 573 | — | 391 | — | — | — | 159 | 1,123 |
| **Total transactions with owners of the Company** | 573 | (9,159) | 391 | — | — | (48,357) | 159 | (56,393) |
| **Balance at December 31, 2017** | $117,212 | ($33,658) | $2,362 | $207 | $100 | $(92,294) | $105,268 | $99,197 |

The accompanying notes are an integral part of these consolidated financial statements.

**IPL Plastics Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended December 31, 2018 and 2017**

**(In thousands of U.S. Dollars)**

| | Notes | **2018** | 2017 |
|---|---|---|---|
| Net cash flows from operating activities before working capital movements | 30 | **$54,239** | $69,456 |
| Movements in working capital | 30 | **(35,570)** | (15,465) |
| **Net cash flows from operating activities** | | **18,669** | 53,991 |
| **Cash flows used in investing activities** | | | |
| Proceeds from sale of property, plant and equipment and intangible assets | | **1,256** | 1,610 |
| Disposal/discontinuation of subsidiary undertakings, net of cash disposed | | **424** | 43,812 |
| Dividend received from equity-accounted investees and available for sale asset | 7,8 | **2,713** | 5,979 |
| Disposal of available-for-sale asset | 15 | **1,111** | — |
| Proceeds received from sale of investment property and property held for sale | 18 | **345** | 452 |
| Acquisition of property, plant and equipment | | **(54,220)** | (49,169) |
| Acquisition of intangible assets | | **(1,157)** | (302) |
| Acquisition of subsidiaries, including associated costs and net of cash acquired | | **(787)** | (128,346) |
| Deferred consideration paid | 23 | **(79)** | (435) |
| Grants received | 24 | **188** | 1,313 |
| **Net cash used in investing activities** | | **(50,206)** | (125,086) |
| **Cash flows from financing activities** | | | |
| Finance costs paid | | **(13,770)** | (15,120) |
| Net proceeds from equity issued | 27 | **132,749** | 573 |
| Redemption of share capital | 27 | **(21,440)** | — |
| Drawdown of bank borrowings | | **494,115** | 199,466 |
| Repayment of borrowings | | **(544,309)** | (112,298) |
| **Net cash from financing activities** | | **47,345** | 72,621 |
| **Net increase in cash and cash equivalents** | | **15,808** | 1,526 |
| Cash and cash equivalents at January 1 | | **47,609** | 41,479 |
| Effect of movements in exchange rates on cash held | | **(13,560)** | 4,604 |
| **Cash and cash equivalents at December 31** | | **$49,857** | $47,609 |

The accompanying notes are an integral part of these consolidated financial statements.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

IPL Plastics Inc. (the 'Company') is incorporated in Canada. The financial statements for the year ended December 31, 2018 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as the 'Group,' 'IPLP,' or 'IPL Plastics') and show the Group's interests in its equity-accounted investees under the equity method of accounting. The audited consolidated financial statements of IPLP are prepared on the basis that the Company is a continuation of IPL Plastics Limited (''**IPL Ltd**''), previously known as IPL Plastics plc, reflecting the substance of the Scheme of Arrangement outlined below.

### Scheme of Arrangement

IPL Plastics Inc. was incorporated under the Canada Business Corporations Act on April 16, 2018 and became the holding company of IPL Ltd on June 19, 2018. This corporate restructuring was implemented by means of a scheme of arrangement under Chapter 1 of Part 9 of the Companies Act 2014 of Ireland (the ''**Scheme of Arrangement**'') which was approved by IPL Ltd shareholders on May 17, 2018 and by the High Court of Ireland on June 14, 2018.

As a result of the Scheme becoming effective, all IPL Ltd shareholders became shareholders of IPL Plastics Inc. by exchanging their respective ordinary shares of IPL Ltd for Class B common shares on the basis of five shares in IPL Ltd for one Class B common share in the Company.

On December 28, 2018, all of the issued and outstanding Class B common shares were automatically converted into common shares, on a one-for-one basis.

### Initial public offering (''IPO'')

On June 28, 2018, the initial public offering of the Company's common shares closed at a price of C$13.50 per share. 13,200,000 shares were sold under the IPO for total gross proceeds of $134.5 million (C$178.2 million). On July 27, 2018, the Underwriters, through the over-allotment option, purchased an additional 1,000,000 common shares at a price of C$13.50 per common share and for further gross proceeds of $10.3 million (C$13.5 million). The Company paid the Underwriters' commission with respect to the IPO and the shares issued pursuant to the exercise of the over-allotment option. The common shares are listed for trading on the Toronto Stock Exchange under the symbol ''IPLP''.

In connection with the IPO, each holder of Class B common shares was entitled to elect to tender for redemption by IPL Plastics Inc. (subject to the tenders made by other shareholders of IPL Ltd) all or any portion of the Class B common shares they would receive at the time the Scheme of Arrangement became effective at the same price as the initial public offering common share price of C$13.50 (''**Buy-Back Option''**). An aggregate of 2,085,678 Class B common shares were tendered under the Buy-Back Option representing a total redemption price of C$28.2 million. On July 11, 2018, the Company used C$28.2 million ($21.4 million) of the proceeds from the IPO to redeem Class B common shares pursuant to the Buy-Back Option.

### Reporting entity

Considering the corporate reorganization and the fact that the Company obtained control of IPL Ltd by issuing equity instruments in exchange for existing equity instruments of IPL Ltd, that the assets and liabilities of IPL Plastics Inc. and IPL Ltd are the same immediately before and after the reorganization and the owners of IPL Ltd before the reorganization have the same interests in the net assets of IPL Ltd and IPL Plastics Inc. immediately before and after the reorganization, the historical financial statements of IPL Plastics Inc. before and after its

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

incorporation are prepared as a continuation of the consolidated financial statements of IPL Ltd, reflecting the historical carrying value of assets and liabilities of IPL Ltd and the equity instruments of IPLP.

### Basis of preparation

The audited consolidated financial statements and accompanying notes, are presented in U.S. Dollars (''US$'' or ''$'') rounded to the nearest thousand (except where stated). All references to ''$'' and ''US$'' are to U.S. Dollars and all references to ''C$'', ''£'' and ''€'', are to Canadian Dollars, Pounds sterling and euro, respectively. The accounts have been prepared in accordance with International Financial Reporting Standards (''IFRS'') and their interpretations as issued by the International Accounting Standards Board (''IASB'') under the historical cost convention, except for the following material items:

| Items | Measurement basis |
|---|---|
| Derivative financial instruments | Fair value |
| Available-for-sale financial assets | Fair value |
| Investment property | Fair value |
| Share-based payment arrangements | Fair value at date of grant for equity settled awards |
| Deferred contingent consideration | Fair value |
| Goodwill and Intangibles | Fair value at date of acquisition |

The methods used to measure fair values are discussed further within the relevant notes.

The key estimates and assumptions used in applying the Group's accounting policies and in measuring its assets and liabilities are set out in Note 2.

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2019.

### Going concern

The directors believe that sufficient financial resources are available to enable the Group to meet its obligations as they fall due, covering a period of not less than twelve months from the date of approval of the financial statements. In forming their view, the directors have taken into consideration the future financial requirements of the Group and the bank facilities which have a maturity in April 2023. On April 17, 2018, the Company entered into a new €400.0 million ($494.3 million) refinancing arrangement for a five year term with a syndicate of banks arranged by The Governor and Company of the Bank of Ireland and National Bank Financial Inc. Further details on this refinancing are set out in Note 20. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

### Basis of consolidation

*(a) Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (b) below). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

arises is tested annually for impairment. Any gain on a bargain purchase is recognized in the consolidated statements of income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income.

Any contingent consideration is measured at fair value at the date of acquisition. Where there is a put option held by a non-controlling interest **(''NCI'')** in a subsidiary undertaking whereby that party can require the Group to acquire the NCI's shareholding in the subsidiary at a future date, the Group applies the anticipated-acquisition method of accounting to this arrangement by recognizing a contingent consideration liability at fair value, being the Group's estimate of the amount required to settle that liability. Discounting is applied where the settlement of the liability is not anticipated within a 12 month period from the consolidated statement of financial position date. Any remeasurements required due to changes in fair value of the Put Liability estimation are recognized in equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in fair value or the contingent consideration are recognized in the consolidated statements of income.

The assets and liabilities of a subsidiary are measured at their fair value at the date of acquisition. Where the initial accounting for a business combination is determined provisionally, adjustments may be made to the provisional values allocated to the identifiable assets and liabilities for a period of 12 months from the date of acquisition.

The acquisition method of accounting is applied in the same manner as detailed above to the proportionate share of net identifiable assets acquired in an equity-accounted investee. Goodwill arising on the acquisition of subsidiaries is shown separately in the consolidated statements of financial position while goodwill arising on the acquisition of equity-accounted investees is recognized as part of the carrying amount of such investments.

*(b) Subsidiaries*

Subsidiary undertakings are those entities controlled by the Group when it is exposed, or has rights to variable returns from its involvement with a subsidiary and has the ability to effect returns through its power over the subsidiary. The amounts included in these consolidated financial statements in respect of subsidiaries are taken from their latest financial statements prepared up to the year end. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The results of subsidiary undertakings are included in the consolidated statements of income from the date on which control commences until the date on which control ceases.

Goodwill arising on acquisitions is dealt with as set out below.

*(In thousands of U.S. Dollars except per share data)*

**1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(c) Loss of control*

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the consolidated statements of income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*(d) Interest in equity-accounted investees*

The Group's interest in its equity-accounted investees comprises interests in associate undertakings.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

The Group's interests in its associate undertakings are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of its equity-accounted investees, until the date on which significant influence ceases.

*(e) Transactions eliminated on consolidation and equity accounting*

Intra-Group balances and income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains and income and expenses arising from transactions with an associate are eliminated to the extent of the Group's interest in the entity.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that they do not provide evidence of impairment.

**Goodwill**

Goodwill represents amounts arising on the acquisition of subsidiaries and equity-accounted investees as a result of the fair value of consideration transferred exceeding the fair value of the identifiable net assets acquired. Goodwill arising on business combinations is capitalized in the consolidated statements of financial position. Goodwill is allocated to cash-generating units or a group of cash generating units, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that Goodwill is monitored for internal reporting purposes. Goodwill is not amortized but is tested annually for impairment at December 31 each year. Goodwill is stated at cost less any accumulated impairment losses.

Goodwill arising on the acquisition of equity-accounted investees is included in the carrying amount of the investments; other goodwill is shown separately in the consolidated statements of financial position.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets

*(a) Research and development expenditure*

Research and development costs are expensed in the consolidated statements of income as incurred as the Group's development costs do not meet the criteria for recognition under IAS 38 *Intangible Assets.*

*(b) Other intangibles*

Intangible assets, including customer relationships, patents and trademarks acquired as part of a business combination and with finite useful lives, are capitalized at their acquisition date fair value where this can be measured reliably. They are amortized to the consolidated statements of income on a straight line basis over the period of their expected useful lives.

Other intangible assets purchased separately from a business are capitalized at their cost and amortized.

| | |
|---|---|
| Useful lives are as follows: | |
| Customer relationships | 8 to 15 years |
| Licences and computer software | 5 to 8 years |
| Brand names | 4 to 5 years |

### Property, plant and equipment

Buildings and non-freehold land are carried at cost less accumulated depreciation. Freehold land is carried at cost as no depreciation is provided for. All other items of property, plant and equipment are stated at cost less accumulated depreciation. The charge for depreciation is calculated to write down the cost or valuation of items of property, plant and equipment to their estimated residual values by equal annual instalments over their expected useful lives which are as follows:

| | |
|---|---|
| Freehold buildings | 25 to 50 years |
| Leasehold land and buildings | Shorter of the term of each lease and the useful life of the asset |
| Plant and machinery | 5 to 18 years |
| Fixtures and fittings | 5 to 15 years |
| Transportation assets | 3 to 5 years |
| Assets under construction | Not depreciated until commissioned and ready for use |

Expected useful lives and estimated residual values are assessed annually. Provision is also made for any impairment of items of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment are recognized on the completion of sale. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in the consolidated statements of income.

*(In thousands of U.S. Dollars except per share data)*

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where deposits are paid to manufacturers for assets which are specific to the Group's uses and requirements, these amounts are included within assets under construction in property, plant and equipment, but not depreciated until the asset has been received, installed, commissioned and ready for use.

Property, plant and equipment held for sale are disclosed separately and are measured at the lower of their carrying amount and fair value less costs to sell.

### Investment properties

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in the consolidated statements of income.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the consolidated statements of income. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

### Available-for-sale financial assets

Some of the Group's investments are classified as available-for-sale financial assets and are stated at fair value. Investments in this type of equity instrument comprised investments in listed entities (i.e. entities quoted on a recognized Stock Exchange), and unquoted financial instruments during the year.

Any dividends received from available-for-sale investments are recognized in other income in the consolidated statements of income.

Declines in fair value below cost which are significant and prolonged are regarded as impairment losses. All impairment losses are recognized in the consolidated statements of income while other changes in fair value are recognized in equity.

IPLP elected to adopt an accounting policy, under IFRS 9 to record gains and losses on quoted investments through other comprehensive income. When an investment is disposed of, the cumulative gain or loss in equity is transferred from the available-for-sale reserve to retained earnings.

### Foreign currency

*(a) Foreign currency transactions*

Transactions in foreign currencies are translated into the functional currency of the entity at the foreign exchange rate at the date of the transaction. Non-monetary assets carried at historic cost are not subsequently retranslated. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies at the consolidated statements of financial position date are translated into the functional currency at the foreign exchange rate at that date. Foreign exchange movements arising on translation are recognized in the consolidated statements of income, within operating expenses.

*(In thousands of U.S. Dollars except per share data)*

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(b) Foreign operations*

The assets and liabilities of foreign currency denominated operations, including goodwill and fair value adjustments arising on acquisition, are translated into U.S. Dollars at the reporting date. The income and expenses of foreign currency denominated operations are translated into U.S. Dollars at average rates for the year on the basis that it is representative of the rates applicable to individual transactions. Foreign exchange movements arising on translation of the net investment in a foreign operation, including those arising on long term intra-Group loans deemed to be quasi equity in nature, are recognized directly in other comprehensive income, in the foreign currency translation reserve. To the extent the hedge is effective, the portion of exchange gains or losses on foreign currency borrowings used to provide a hedge against a net investment in a foreign operation is recognized directly in other comprehensive income. When a foreign subsidiary is disposed of, the cumulative amount recognized in the currency translation reserve forms part of the gain or loss on disposal.

The principal non-U.S. Dollars currencies applicable to the Group are euro, Pounds sterling, Canadian Dollars and Chinese Renminbi. The average and closing rates for the U.S. Dollars for these currencies were:

| | Average | | Closing | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| euro | **0.8465** | 0.8853 | **0.8734** | 0.8338 |
| Pounds sterling | **0.7488** | 0.7759 | **0.7812** | 0.7398 |
| Canadian Dollars | **1.2948** | 1.2963 | **1.3629** | 1.2540 |
| Chinese Renminbi | **6.6094** | 6.7543 | **6.8778** | 6.5075 |

### Impairment of non-financial assets

The carrying amount of the Group's non-financial assets other than inventories (which are carried at the lower of cost and net realisable value), investment property (which are carried at fair value) and deferred tax assets (which are recognized based on recoverability), are tested for impairment when an event or transaction indicates that an impairment may have occurred. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount as appropriate. Goodwill is tested annually for impairment.

The recoverable amount of an asset is the greater of its net recoverable amount and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the value in use is determined for the cash-generating unit to which it belongs.

Goodwill is tested for impairment at December 31 each year or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses are recognized in the consolidated statements of income. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amounts of the other assets subject to impairment in the unit on a pro-rata basis.

An impairment loss, other than in the case of goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

*(In thousands of U.S. Dollars except per share data)*

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government grants

Capital grants for the acquisition of assets are recognized at their fair value when there is reasonable assurance that the grant will be received and any conditions attaching will be fulfilled. Capital grants are held on the consolidated statements of financial position as deferred credits and released to the consolidated statements of income by instalments over the estimated useful lives of the assets to which they relate.

Other grants are credited to the consolidated statements of income to offset the matching expenditure.

### Provisions

A provision is recognized in the consolidated statements of financial position when the Group has a present, legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when the outflow can be measured reliably. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the consolidated statements of financial position date. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### Finance leases

Leases of property, plant and equipment where substantially all the risks and rewards of ownership transfer to the Group are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest charge on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in loans and borrowings, allocated between current and non-current as appropriate. The interest element of the finance cost is charged to the consolidated statements of income over the lease period. Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term.

### Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of incentives received from the lessor, are charged to the consolidated statements of income on a straight-line basis over the period of the lease. Income earned from operating leases is credited to the consolidated statements of income when earned.

### Employee benefits

*(a) Short term employee benefits*

Short term employee benefits are recognized as an expense as the related employee service is received.

*(In thousands of U.S. Dollars except per share data)*

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(b) Retirement benefit obligations*

Defined contribution pension schemes

The Group operates defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The amount charged to the consolidated statements of income represents the contributions paid or payable to the scheme in respect of the accounting period. Under such schemes, the Group has no obligation to make further contributions to these schemes beyond the contracted amount.

*(c) Share-based payments*

The Group operates a number of equity and cash settled incentive and retention plans.

Equity settled plans

The grant date fair value of equity instruments granted is generally recognized as an employee expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the equity instrument. The fair value of the equity instruments granted is either the market price at the date of grant or is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of equity instruments expected to vest as a result of failure to meet service or non-market based performance conditions.

Cash settled plans

The Group operates an annual bonus plan for employees and also a long term cash settled bonus scheme. The plan operates on an individual basis by providing contingent entitlements to a lump sum award. Awards are applied through the issuance of shares in the Company (at the discretion of the Remuneration Committee) or the cash equivalent. The fair value of the amount payable to employees in respect of cash settled awards is recognized as an expense in the consolidated statements of income with the corresponding increase in liabilities over the period that the employees become unconditionally entitled to the payment. The liability is remeasured at each reporting date and at the settlement date based on fair value. Any changes are recognized as an employee benefit expense/credit in the consolidated statements of income. The long-term cash settled bonus scheme vested in 2017 and was fully paid.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price method is used. In the case of finished goods and work in progress, cost is defined as the aggregate cost of raw material, direct labour and the attributable proportion of production overheads based on normal operating capacity. Net realisable value is based on normal selling price, less further costs expected to be incurred to completion and disposal.

Provision is made, where necessary, for slow moving, obsolete and defective inventory.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income taxation

Income tax expense comprises current and deferred tax. It is recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

*(a) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty relating to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

*(b) Deferred tax*

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

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

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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

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

*(In thousands of U.S. Dollars except per share data)*

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' equity) only to the extent that they meet the following two conditions:

(a) They include no contractual obligations upon the Company (or the Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or the Group); and

(b) Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability measured at amortized cost.

Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these consolidated financial statements for share capital exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of finance charges in the consolidated statements of income. Finance payments associated with financial instruments that are classified as part of shareholders' equity are dealt with as appropriate in equity.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits, including bank deposits of less than three months maturity on acquisition.

### Common shares

Common shares are classified as equity and represents the nominal value of equity shares and the excess over nominal value of the fair value of consideration received. Incremental costs attributable to the issuance of new shares or options are shown in equity as a deduction from share capital.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Trade and other receivables

Trade and other receivables are initially measured at fair value and are thereafter measured at amortized cost using the effective interest method less any provision for impairment. A provision for impairment of trade and other receivables is recognized 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. Any potential provisions required for bad debts are calculated using the expected credit loss **(''ECL'')** as described under IFRS 9.

### Trade and other payables

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

### Derivative financial instruments

The Group elected to adopt the new general hedge accounting model in IFRS 9 (effective April 1, 2018) to the date of the scheme of arrangement. This required the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income and accumulated in the translation reserve. Any remaining differences (being the ineffective portion) are recognized in the consolidated statements of income. Following the completion of the Scheme on June 19, 2018, hedge accounting was no longer considered appropriate to apply and this treatment was discontinued.

### Loans and borrowings

Interest-bearing bank borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, they are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated statements of income over the period of borrowings on an effective interest basis.

### Revenue

*(a) Goods sold*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and sales taxes. Revenue is recognized when control of the products has been transferred to the buyer. This is normally deemed to occur upon shipment or delivery of goods. In the prior year, revenue was recognized when all risks and rewards of products transferred to the buyer. The Group has determined that there has been no change in Revenue recognition due to the implementation of IFRS 15.

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(b) Services*

Revenue from services rendered is recognized in the consolidated statements of income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference to surveys of work performed and agreed with the customer. Within our LF&E business, service revenue is earned primarily on the delivery of environmental containers to households or locations as prescribed by the various councils, boroughs or cities.

### Finance costs

Finance costs comprise finance income and finance expense.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, finance lease interest, derivative mark to market adjustments and arrangement and other bank related fees. Interest expense on borrowings (including arrangement and other related fees) and finance lease interest expense are recognized in the consolidated statements of income using the effective interest method. Finance costs paid are included in the consolidated statements of cash flows within financing activities.

Finance income comprises interest income on cash invested. Interest income is recognized as it accrues using the effective interest method.

### Segmental reporting

Operating segments, defined as components of the Group that engage in business activities from which they may earn revenues and incur expenses, are identified in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (''CODM''). The CODM, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors of IPL Plastics Inc. The Group has determined that it has three reportable operating segments at December 31, 2018, as detailed in Note 3.

### Transaction, reorganization and integration costs

The Group has adopted a consolidated statements of income format which seeks to highlight significant items within the Group's results for the year. The Group believes that separate presentation of such items is a more meaningful and helpful analysis as it highlights certain items that we believe are outside of our core business. Such items may include significant restructuring (including redundancy), transaction and integration costs related to acquisition activity, other start up costs, profits or losses on disposal or termination of assets and/or operations including associated transaction costs, impairment of assets, together with items that are, by their nature, not representative of our core business. Judgment is used by the Group in assessing the particular items which by virtue of their size or incidence, should be separately disclosed in the consolidated statements of income and related notes.

### Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held-for-sale are stated at the lower of their carrying amount and fair value less costs to sell.

### Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business, geographical area of operations or is material to revenue or operating profit and has been disposed of or is held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of income is restated as if the operation had been discontinued from the start of the earliest period presented. Cash flows relating to discontinued operations are treated as operating cash flows. In the prior year, there was $670k of a loss from discontinued operations recognized on the statements of income.

### New standards and interpretations

There were no changes to IFRS which became effective for the Group during the financial year which resulted in material changes to the Group's financial statements.

(a) New standards adopted in 2018

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018 and have been applied in preparing these consolidated financial statements for Fiscal 2018.

The Company adopted *IFRS 9 Financial Instruments*, which addresses the classification, measurement and recognition of financial assets and liabilities, effective January 1, 2018. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IPLP elected to adopt an accounting policy from April 1, 2018 up to the date of the scheme of arrangement, to record gains and losses on quoted investments through other comprehensive income. Adoption of the *IFRS 9 Financial Instruments* has resulted in no significant change to the financial position. The change in the fair value of the cash flow hedges has been recorded in equity.

The Company adopted *IFRS 15 Revenue from Contracts with Customers*, which specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures, effective January 1, 2018. The Standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard does not have a significant impact on the Company's financial statements.

(b) New standards not yet adopted

IFRS 16 *Leases* (effective January 1, 2019) sets out the principles for recognition, measurement, presentation and disclosure of leases for both lessee and lessor. The adoption of IFRS 16 *Leases*, will eliminate the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the recognition of a right-of-use asset and a lease liability measured at the present value of the future lease payments on the consolidated statements of financial position is required for all material leases that have a term of greater than a year. The Group has performed an initial assessment of the potential impact of IFRS 16 and will avail of the practical expedient

## 1 GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

allowing leases previously classified as operating leases, and ending within 12 months of the date of transition, to be accounted for as short-term leases. The standard will be implemented using the modified reterospective approach. The application of IFRS 16 will result in the recognition of right of use assets in the range of $20-$23 million and lease liabilities of the same value in the consolidated statements of financial position.

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

## 2 USE OF JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The areas involving a high degree of judgment, complexity or areas where assumptions and estimates are significant to the consolidated financial statements relate primarily to:

- Note 19 – impairment testing of goodwill and other intangible assets requires assumptions in calculating underlying recoverable amounts including cash flows generated by operating units and discount rates used to discount future cash flows.
- Note 16 – acquisition of subsidiary; fair value measured on a provisional basis.

### Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

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

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

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

**2 USE OF JUDGMENTS AND ESTIMATES (Continued)**

Further information about the assumptions made in measuring fair value is included in the following notes:

Note 19 — Goodwill and intangible assets

Note 18 — Investment property

Note 15 — Available-for-sale financial assets

Note 16 — Business combinations

Note 23 — Deferred contingent consideration

Note 28 — Share-based payment arrangements

**3 OPERATING SEGMENTS**

**(a) Basis for segmentation**

The Board of IPL Plastics Inc. is deemed the chief operating decision maker within the Group. The Group is organized into three strategic business units, which are its reportable segments. These segments offer different products and services and are managed separately. The Board reviews internal management reports of each business unit quarterly. The following are the Group's reportable segments;

- Large Format Packaging and Environmental Solutions ("LF&E");
- Consumer Packaging Solutions ("CPS"); and
- Returnable Packaging Solutions ("RPS").

The following summary describes the operations of each reportable segment.

| Reportable segments | Operations |
|---|---|
| Large Format Packaging and Environmental Solutions | This segment comprises the manufacture of a range of large containers, crates and pails for the food, environmental, industrial, agricultural and retail end markets in North America and Europe. |
| Consumer Packaging Solutions | This segment primarily consists of value-add specialty, customized thin-wall injection molded containers, lids and overcaps primarily for branded and private label consumer products customers and custom packaging solutions in North America, Europe and China. |
| Returnable Packaging Solutions | This segment is involved in the manufacture and sale of rigid plastic bulk packaging components and instruments to the agriculture and automotive sectors primarily in the U.S. and Europe. |

The CODM monitors the results of the reportable segments separately in order to allocate resources between them and assess performance. Divisional performance is predominantly evaluated based on Adjusted EBIT and Adjusted EBITDA (see (b) for definition and calculations).

*(In thousands of U.S. Dollars except per share data)*

**3 OPERATING SEGMENTS (Continued)**

IFRS 15 *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2018. The standard establishes a principle-based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations only when they are satisfied and the control of goods or services is transferred. In doing so, the standard applies a five-step approach to the timing of revenue recognition for all contracts with customers, except those in the scope of other IFRS standards. It replaces the separate models for goods, services and construction contracts under the previous accounting standards.

Prior to implementing IFRS 15, the Group completed an assessment of the impact of IFRS 15 and based on the straightforward nature of its revenue streams with the recognition of revenue at the point of sale and the absence of significant judgement required in determining the timing of transfer of control, concluded that the adoption of IFRS 15 does not have a material impact on the timing or nature of the Group's revenue recognition. No adjustments have been made to revenue as a result of the new standard.

In the following table, revenue is disaggregated by primary geographical market and type of revenue:

| | **2018** | 2017 |
|---|---|---|
| Revenue from sale of products (Plastics) | **$627,867** | $509,803 |
| Revenue from sale of products (Recycled metals) | **24,306** | 20,360 |
| Revenue from provision of services | **5,600** | 5,724 |
| **Total Revenue:** | **$657,773** | $535,887 |
| ***Geography*** | | |
| Ireland | **24,909** | 19,266 |
| U.K. | **137,683** | 117,868 |
| USA | **336,565** | 256,812 |
| Canada | **106,145** | 125,686 |
| Rest of world | **52,471** | 16,255 |
| **Total Revenue:** | **$657,773** | $535,887 |

All revenue is made from contracts with customers.

**(b) Information about reportable segments**

Information related to each reportable segment is set out below. Segmental performance is evaluated based on Revenue, Adjusted EBIT and Adjusted EBITDA. The Board believes that Adjusted EBIT/EBITDA, while not defined under IFRS, provides a fair reflection of the underlying trading performance of the Group. Adjusted EBITDA represents income from continuing operations before income tax credit, net finance costs, refinancing transaction costs, other expenses/(income), the Group's share of profit of equity-accounted investees, initial public offering and related costs, business reorganization and integration costs and depreciation and amortization. Adjusted EBIT is Adjusted EBITDA as described, less depreciation and amortization. Adjusted EBIT/EBITDA are therefore measured differently from net income or operating profit in the consolidated financial statements as explained and reconciled to net income from continuing operations in the table below.

*(In thousands of U.S. Dollars except per share data)*

## 3 OPERATING SEGMENTS (Continued)

| | **2018** | 2017 |
|---|---|---|
| Net income from continuing operations | **$1,775** | $23,337 |
| **Adjusted for** | | |
| Income tax credit | **(8,636)** | (971) |
| Finance costs (net) | **16,134** | 15,996 |
| Refinancing transaction costs | **5,658** | — |
| Other expenses/(income) (net) | **412** | (2,082) |
| Share of profit of equity-accounted investees | **(2,415)** | (1,992) |
| **Operating profit** | **12,928** | 34,288 |
| Initial public offering and related costs | **9,923** | — |
| Business reorganization and integration costs | **14,375** | 12,755 |
| **Adjusted EBIT** | **37,226** | 47,043 |
| Depreciation and amortization | **40,815** | 33,030 |
| **Adjusted EBITDA** | **$78,041** | $80,073 |

IPL Plastics Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(In thousands of U.S. Dollars except per share data)*

## 3 OPERATING SEGMENTS (Continued)

| | Large Format Packaging and Environmental Solutions (LF&E) | | Consumer Packaging Solutions (CPS) | | Returnable Packaging Solutions (RPS) | | Total reportable segments | | Other reconciling items[2] | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017[1] | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| External revenue | **$320,536** | $301,898 | **$186,738** | $158,067 | **$126,193** | $55,562 | **$633,467** | $515,527 | **$24,306** | $20,360 | **$657,773** | $535,887 |
| Adjusted EBITDA | **32,881** | 38,540 | **30,209** | 29,066 | **19,169** | 14,686 | **82,259** | 82,292 | **(4,218)** | (2,219) | **78,041** | 80,073 |
| Depreciation and amortization | **(17,820)** | (15,965) | **(12,785)** | (11,336) | **(9,657)** | (5,125) | **(40,262)** | (32,426) | **(553)** | (604) | **(40,815)** | (33,030) |
| Adjusted EBIT | **15,061** | 22,575 | **17,424** | 17,730 | **9,512** | 9,561 | **41,997** | 49,866 | **(4,771)** | (2,823) | **37,226** | 47,043 |
| Initial public offering and related costs (Note 5) | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — | **(9,923)** | — |
| Business reorganization and integration costs (Note 5) | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — | **(14,375)** | (12,755) |
| Other (expenses)/income (net) (Note 7) | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — | **(412)** | 2,082 |
| Share of profit of equity-accounted investees (Note 8) | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — | **2,415** | 1,992 |
| Refinancing transaction costs (Note 5) | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — | **(16,134)** | (15,996) |
| Finance costs (net) (Note 9) | | | | | | | **—** | — | **—** | — | **(5,658)** | — |
| Income tax (Note 10) | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — | **8,636** | 971 |
| Discontinued operations – Loss after tax | | | | | | | | | | | **—** | (670) |
| Net income | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — | **$1,775** | $22,667 |
| **Other segment information** | | | | | | | | | | | | |
| Capital additions (Note 17) | **$20,306** | $31,175 | **$15,788** | $20,953 | **$17,283** | $4,033 | **$53,377** | $56,161 | **$1,026** | $313 | **$54,403** | $56,474 |

(1) The 2017 results include the results of Macro Plastics Inc. from the date of acquisition (June 9, 2017) to December 31, 2017.

(2) Includes central overhead costs and the results of the Metals U.K. South recycling business.

*(In thousands of U.S. Dollars except per share data)*

## 3 OPERATING SEGMENTS (Continued)

### (c) Non-current assets

| | 2018 | 2017 |
|---|---|---|
| Ireland | **$27,551** | $29,981 |
| U.K. | **73,594** | 74,432 |
| North America | **414,821** | 419,815 |
| Rest of World | **716** | 944 |
| | **$516,682** | $525,172 |

Non-current assets exclude available-for-sale financial assets and deferred tax assets.

## 4 OPERATING EXPENSES

| | 2018 | 2017 |
|---|---|---|
| Distribution expenses | **$(5,700)** | $(7,920) |
| Sales and marketing expenses | **(12,299)** | (16,109) |
| Administrative expenses | **(54,015)** | (36,920) |
| Total | **$(72,014)** | $(60,949) |

## 5 TRANSACTION, REORGANIZATION AND INTEGRATION COSTS

Transaction, reorganization and integration costs consists of initial public offering and related costs, business reorganization and integration costs and refinancing transaction costs. In accordance with the Group's accounting policy, the following items have been presented separately as transaction, reorganization and integration costs:

| | 2018 | 2017 |
|---|---|---|
| Initial public offering and related costs(i) | **$(9,923)** | $— |
| Business reorganization and integration costs(ii) | | |
| Acquisition related costs | **(668)** | (4,582) |
| Business reorganization costs | **(13,707)** | (8,173) |
| | **(14,375)** | (12,755) |
| Refinancing transaction costs(iii) | **(5,658)** | — |
| Total | **$(29,956)** | $(12,755) |

### (i) Initial public offering and related costs:

Initial public offering and related costs includes $9.9 million of costs incurred in respect of the IPO and Scheme of Arrangement process as detailed in Note 1.

*(In thousands of U.S. Dollars except per share data)*

## 5 TRANSACTION, REORGANIZATION AND INTEGRATION COSTS (Continued)

### (ii) Business reorganization and integration costs:

In 2018, business reorganization and integration costs incurred related primarily to the start-up costs of $6.5 million (2017: $2.6 million) and $4.6 million of costs with respect to the specific reorganization initiatives focused on the LF&E division in North America. Other business reorganization and integration costs of $1.5 million (2017: $5.7 million) incurred in 2018 relate primarily to professional fees incurred and acquisition related costs. In addition, management restructuring and redundancy costs amounted to $1.8 million (2017: $4.5 million).

### (iii) Refinancing transaction costs:

As part of the bank refinancing that was completed in April 2018, the unamortized finance costs in respect of the repaid indebtedness of the Company under the previously existing Irish bank facility agreement and under the previously existing Canadian credit agreement, which amounted to $4.8 million were expensed to the consolidated statements of income and recognized within refinancing transaction costs.

In August 2018, the unsecured subordinated debentures of C$45.0 million were repaid in full. In consideration for the early prepayment of these debentures a premium of $0.3 million which was equal to 1% of the principal amount was paid to the debenture holders with the prepayment. In addition, the unamortized finance costs in respect of the unsecured subordinated debentures were expensed to the consolidated statements of income. $0.6 million is recognized within refinancing transaction costs in respect of these transactions.

## 6 EMPLOYEE BENEFIT EXPENSES

| | Note | **2018** | 2017 |
|---|---|---|---|
| Wages and salaries | | **$101,959** | $87,916 |
| Social security contributions | | **16,598** | 13,946 |
| Pension costs – defined contribution schemes | | **2,747** | 2,059 |
| Termination benefits(i) | | **4,193** | 4,352 |
| Equity-settled and cash settled share-based payments(ii) | | **1,033** | 996 |
| Equity-settled and cash settled share-based payments(iii) | | **—** | 870 |
| | | **$126,530** | $110,139 |

(i) Classified within transaction, reorganization and integration costs

(ii) Part of these costs are classified within transaction, reorganization and integration costs

(iii) Classified within loss from discontinued operations

*(In thousands of U.S. Dollars except per share data)*

## 7 OTHER (EXPENSES)/INCOME — NET

Other expenses and income comprise the following credits/(charges):

| | 2018 | 2017 |
|---|---|---|
| **Other expenses** | | |
| Other[(i)] | **$(630)** | $(251) |
| **Other income** | | |
| Other[(ii)] | **—** | 736 |
| Income received from available-for-sale asset[(iii)] | **218** | 1,597 |
| | **$218** | $2,333 |
| Total (net) | **$(412)** | $2,082 |

### (i) Other expenses

This principally comprises of costs with respect to the disposal of property, plant and equipment in 2018.

### (ii) Other income

This principally comprises of gains with respect to the revaluation of investment properties in 2017.

### (iii) Income received from available-for-sale asset

This principally comprises of dividend income from the Group's investment in Pioneer Green Energy LLC.

## 8 EQUITY-ACCOUNTED INVESTEES

The Group has two associate undertakings; Altas Investments plc ("**Altas**") and Rilta Environmental Limited ("**Rilta**"). The Group's interest in Altas and Rilta, both of which are unlisted, are set out below.

The Group holds a 23.6% shareholding in Altas, an Irish company whose principal activity is that of an investment holding company in the road and energy sectors. On the basis of representation on the Board since June 2012 and the Group's 23.6% shareholding in Altas, the Group is deemed to have significant influence over the relevant activities of Altas and therefore Altas is an associate undertaking of the Group. The carrying value of the Group's investment in Altas at December 31, 2018 is $0.1 million.

At December 31, 2018 the Group held a 25% interest in Rilta following the disposal of 75% of the Group's 100% shareholding effective January 1, 2017. Rilta is a Specialist Environmental Services ("**SES**") business that was part of the Group's operating segments prior to 2017. At year-end, the 25% shareholding was retained by the Group under a five year put and call option agreement. The Group CEO, Alan Walsh, was a Board member of Rilta since the initial date of disposal and has since resigned.

Under the terms of the put and call option agreement, the holders of the other 75% shareholding in Rilta retained the option to purchase the remaining shares. The Group had no entitlement to a share of the profits or losses of Rilta during the five-year agreement. The carrying value of Rilta as an equity-accounted investee at December 31, 2018 is $3.5 million, which is the discounted fair value of the investment under the terms of the agreement.

*(In thousands of U.S. Dollars except per share data)*

## 8 EQUITY-ACCOUNTED INVESTEES (Continued)

On January 11, 2019, the Group divested of its 25% shareholding in Rilta thereby settling the five year put and call option agreement referred to above (see Note 35).

| | **2018** | 2017 |
|---|---|---|
| Balance at January 1 | **$3,519** | $4,265 |
| Interest arising on new associate undertaking | **—** | 3,067 |
| Share of profit, after tax | **2,415** | 1,992 |
| Dividend received | **(2,495)** | (5,979) |
| Movement in fair value | **412** | — |
| Share of other comprehensive income | **—** | (336) |
| Currency translation adjustments | **(227)** | 510 |
| Balance at December 31 | **$3,624** | $3,519 |

### (i) Altas

The investment in Altas comprises entirely of equity investment with no loans outstanding.

The share of associate profit per the consolidated statements of income is $2.4 million, (2017: $2.0 million) and the Group's share of other comprehensive income is $Nil (2017: $0.3 million).

The following additional disclosures are set out in respect of the Group's 23.6% share of its associate:

| | **2018** | 2017 |
|---|---|---|
| Non-current assets | **$11** | $16 |
| Cash and cash equivalents | **15,515** | 25,610 |
| Other current assets | **69** | 4,709 |
| Non-current liabilities | **(10,441)** | (18,703) |
| Current liabilities | **(3,521)** | (9,036) |
| Net assets of Atlas (100%) | **$1,633** | $2,596 |
| Group's share of Atlas' net assets (23.6%) | **$386** | $613 |
| *Adjust for:* | | |
| Other adjustments | **(271)** | (350) |
| Carrying value at December 31 | **$115** | $263 |

The Group has given due consideration to all the relevant facts and circumstances associated with Altas in the context of whether the Group has control of this undertaking under IFRS 10 *Consolidated Financial Statements* as at December 31, 2018 and 2017. The conclusion reached, based on these assessments, is that the Group does not have control of this undertaking and that it is appropriate to account for it as an associated undertaking.

Altas' principal place of business is in Ireland and the United Kingdom.

*(In thousands of U.S. Dollars except per share data)*

## 8 EQUITY-ACCOUNTED INVESTEES (Continued)

### (ii) Rilta

The investment in Rilta held at December 31, 2018 comprises a 25% equity investment retained by the Group under a five year put and call option agreement as set out above.

The share of associate profit per the consolidated statements of income is $Nil and the Group's share of other comprehensive income is $Nil.

On January 11, 2019, the Group sold its 25% shareholding in Rilta Environmental Ltd for total proceeds of €8.25 million ($9.5 million).

The following additional disclosures are set out in respect of the Group's 25% share of its associate:

| | 2018 | 2017 |
|---|---|---|
| Non-current assets | **$31,681** | $22,586 |
| Cash and cash equivalents | **4,213** | 3,929 |
| Other current assets | **6,498** | 9,908 |
| Non-current liabilities | **(843)** | (265) |
| Current liabilities | **(7,553)** | (9,717) |
| Net assets of Rilta (100%) | **$33,996** | $26,441 |
| Group's share of Rilta' net assets (25%) | **$8,499** | $6,610 |
| *Adjust for:* | | |
| Other adjustments | **(4,990)** | (3,354) |
| Carrying value at December 31 | **$3,509** | $3,256 |

The Group has given due consideration to all the relevant facts and circumstances associated with Rilta in the context of whether the Group has control of this undertaking under IFRS 10 Consolidated Financial Statements as at December 31, 2018 and 2017. The conclusion reached, based on these assessments, is that the Group does not have control of this undertaking and that it is appropriate to account for it as an associated undertaking.

Rilta's principal place of business is in Ireland and Northern Ireland.

## 9 FINANCE COSTS (NET)

| | 2018 | 2017 |
|---|---|---|
| Financial liabilities measured at amortized cost – interest expense | **$16,479** | $15,189 |
| Convertible loan note interest (Note 22) | **149** | 150 |
| Interest on deferred contingent consideration (Note 23) | **17** | 50 |
| Other interest | **(511)** | 607 |
| | **$16,134** | $15,996 |

*(In thousands of U.S. Dollars except per share data)*

## 10 INCOME TAXES

### (a) Income tax (credit)/expense recognized in consolidated statements of income

| | 2018 | 2017 |
|---|---|---|
| **Current tax expense** | | |
| Corporation tax | **$238** | $4,992 |
| Adjustment in respect of prior years | **(1,958)** | (431) |
| **Total current taxation** | **$(1,720)** | $4,561 |
| **Deferred tax (credit)/expense** | | |
| Deferred tax expense relating to the origination and reversal of temporary differences in the current and prior years | **$(6,916)** | $3,780 |
| Deferred tax resulting from change in tax rates | **—** | (9,312) |
| **Total deferred taxation** | **(6,916)** | (5,532) |
| **Total income tax credit in consolidated statements of income** | **$(8,636)** | $(971) |

The Group is subject to income tax in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially estimated, such differences will impact the income tax and deferred tax liability in the period in which such determination is made.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in goodwill impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations also require the use of estimates.

### (b) Reconciliation of effective tax rate

| | 2018 | 2017 |
|---|---|---|
| (Loss)/income before income taxes from continuing operations | **$(6,861)** | $22,366 |
| (Loss)/income before income taxes multiplied by the standard rate of tax in Canada of 26.7% | **(1,832)** | 5,972 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **1,172** | 1,586 |
| Share of profit of equity-accounted investees | **(302)** | (249) |
| Differences in effective tax rates on overseas earnings | **(1,253)** | (798) |
| Losses for which no deferred tax asset was recognized | **368** | 287 |
| Effect of change in tax rates | **—** | (9,312) |
| Adjustments in respect of prior years | **(2,303)** | (732) |
| Other differences | **(4,486)** | 2,275 |
| | **$(8,636)** | $(971) |

*(In thousands of U.S. Dollars except per share data)*

## 10 INCOME TAXES (Continued)

At December 31, 2018, the Group recognized deferred tax assets of $7.1 million (2017: $3.5 million) on tax losses carried forward. The tax losses arose in the U.S. and Ireland tax jurisdictions and their utilization is dependent on future profits. These deferred tax assets can be carried forward for a period of at least 20 years, depending on the jurisdiction. Management has concluded that a forecast period of five years is the appropriate timescale over which to consider whether it is more likely than not that these entities will earn sufficient future profits to utilize the losses carried forward.

Deferred income tax liabilities have not been recognized for any taxes that would be payable on the unremitted earnings of certain subsidiaries as it is probable that any temporary differences will not reverse in the foreseeable future.

## 11 EARNINGS PER SHARE

### (a) Basic earnings per share

The 2017 earnings per share reflects historical earnings per share recast using the weighted average number of ordinary shares outstanding for the relevant period, after giving effect to the Scheme of Arrangement, which became effective on June 19, 2018, pursuant to which the holders of ordinary shares of IPL Ltd exchanged their shares for Class B common shares on the basis of five shares of IPL Ltd for one Class B common shares in IPLP.The calculation of basic earnings per share has been based on the income attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operations** | **Total** | Continuing operations | Discontinued operations | Total |
| Income/(loss) attributable to ordinary shareholders | **$1,775** | **$—** | **$1,775** | $23,337 | $(670) | $22,667 |
| Issued ordinary shares at January 1 | **31,719** | **—** | **31,719** | 31,418 | — | 31,418 |
| Weighted-average number of ordinary shares issued | **14,221** | **—** | **14,221** | 74 | — | 74 |
| Weighted-average number of ordinary shares at December 31 | **45,940** | **—** | **45,940** | 31,492 | — | 31,492 |
| Basic earnings per share – U.S. Dollars | **0.04** | **—** | **0.04** | 0.74 | (0.02) | 0.72 |

*(In thousands of U.S. Dollars except per share data)*

## 11 EARNINGS PER SHARE (Continued)

### (b) Diluted earnings per share

The calculation of diluted earnings per share has been based on the income attributable to ordinary shareholders noted in (a) above and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares noted below:

| | **2018** | 2017 |
|---|---|---|
| Net income attributable to ordinary shareholders | **$1,775** | $22,667 |
| Weighted-average number of ordinary shares (basic) | **45,940** | 31,492 |
| Equity instruments with a dilutive effect – share options | **963** | 1,108 |
| **Weighted-average number of ordinary shares (diluted) at December 31** | **46,903** | 32,600 |
| Diluted earnings per share – U.S. Dollars | **0.04** | 0.70 |
| Diluted earnings per share – U.S. Dollars (continuing operations) | **0.04** | 0.72 |
| Diluted loss per share – U.S. Dollars (discontinued operations) | **—** | (0.02) |

No adjustment has been made to basic earnings per share from discontinued operations as the effect of all potential ordinary shares was anti-dilutive for the year ended December 31, 2017.

At December 31, 2018 the convertible loan notes remained in the books of IPL Ltd and therefore are not included in the above calculation. At December 31, 2017, the 3,334,991 convertible loan notes were excluded from the caption ''Equity instruments with a dilutive effect – share options'' as their option price was at a value greater than that of the average share price during the year.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on market prices for the year during which the options were outstanding.

## 12 CASH AND CASH EQUIVALENTS

| | **2018** | 2017 |
|---|---|---|
| Cash and cash equivalents | **$49,857** | $47,609 |

*(In thousands of U.S. Dollars except per share data)*

## 13 TRADE AND OTHER RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| **Current** | | |
| Trade receivables | **$88,994** | $69,593 |
| Other receivables | **1,338** | 659 |
| Prepayments | **7,712** | 7,514 |
| Value added tax | **1,700** | 1,321 |
| | **$99,744** | $79,087 |
| **Non-current** | | |
| Tax credit receivable (i) | **$5,742** | $6,623 |
| Deferred consideration receivable (ii) | **6,624** | 5,716 |
| Other receivables | **1,411** | 1,596 |
| | **$13,777** | $13,935 |

### (i) Tax credit receivable

The Group has a receivable in Canada related to research and development and investment related to federal and provincial tax credits earned since 2008. These tax credits can be utilized against income tax payments in future years.

### (ii) Deferred consideration receivable

As explained in Note 8, the Group held a 25% investment in Rilta Environmental Limited under a five year put and call option agreement. Under the terms of this agreement, the holders of the other 75% shareholding in Rilta retained the option to purchase the remaining shares. The Group had no entitlement to a share of the profits or losses of Rilta during this five year agreement and the Group's return was limited to the agreed option price plus a 10% compound interest charge over the life of the retained equity investment. The carrying value of this shareholding is $3.5 million at December 31, 2018 which represents the discounted fair value of the investment under the terms of the agreement.

In addition to the put and call option, a portion of the disposal consideration took the form of a $6.0 million, 6% unsecured vendor loan note with a term of 5 years. On January 11, 2019, the Group sold its 25% shareholding in Rilta Environmental Ltd for total proceeds of €8.25 million ($9.5 million). The total proceeds include the settlement of both the 25% equity investment in the amount of €2.75 million ($3.2 million) and the vendor loan note instrument in the amount of €5.5 million ($6.3 million).

Details of impairment provisions netted against the carrying value of trade and other receivables above are set out in Note 33. These impairment provisions have been calculated using the expected credit loss method specified under IFRS 9.

See Note 33 for an analysis of credit risk on trade and other receivables to understand how the Group manages and measures credit quality of trade and other receivables.

*(In thousands of U.S. Dollars except per share data)*

## 14 INVENTORIES

| | 2018 | 2017 |
|---|---|---|
| Raw materials and consumables | **$36,136** | $41,648 |
| Work in progress | **544** | 508 |
| Finished goods | **47,693** | 40,677 |
| | **$84,373** | $82,833 |

All inventories are valued at the lower of cost or net realisable value.

A total of $312.5 million (2017: $259.3 million) of materials was included in the consolidated statements of income as an expense in cost of sales. There were write downs of inventory to net realizable value in our LF&E and RPS segments amounting to $0.3 million. Inventory impairment allowance levels are continuously reviewed by management and revised where appropriate, taking account of the latest available information on the recoverability of carrying amounts.

## 15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Listed investments | Unlisted investments | Total |
|---|---|---|---|
| Balance at January 1, 2017 | $4,474 | $1,344 | $5,818 |
| Currency translation adjustments | 557 | 96 | 653 |
| Fair value movements | (967) | (1,400) | (2,367) |
| **Balance at December 31, 2017** | **4,064** | **40** | **4,104** |
| Fair value movements | (2,823) | (40) | (2,863) |
| Disposal of Investments | (1,111) | — | (1,111) |
| Currency translation adjustments | (130) | — | (130) |
| **Balance at December 31, 2018** | **$—** | **$—** | **$—** |

### Measurement of fair value

*(i) Listed investments*

The carrying amount of listed investments held by the Group is its fair value as determined by the management and as explained below.

*Aryzta AG*

On September 13, 2018 the Company sold its shareholding in Aryzta AG for gross proceeds of $1.1 million. The fair value movement in respect of this shareholding resulted in a loss of $2.8 million in the period up to the date of disposal (2017: $1.0 million), recognized in other comprehensive income. This disposal resulted in the realization of an available-for-sale loss of $2.8 million to retained earnings in 2018. This reflects the overall reduction in market value of the shares from €33.24 ($38.10) at the date of grant to €9.27 ($10.77) at the date of sale.

*(In thousands of U.S. Dollars except per share data)*

## 15 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

*(ii) Unlisted investments*

Unlisted investments include investments in shares and are carried at fair value. There was a fair value movement recognized in the year to bring the residual value to $Nil at December 31, 2018 (2017: $0.04 million).

During the prior year, the Group reassessed the fair value of its investment in Pioneer Green Energy LLC which has resulted in a decrease in the asset value of $1.4 million charged through the available-for-sale reserve. The reassessment in the current year had no impact in the consolidated statements of income and the available-for-sale reserve in respect of Pioneer is now at $Nil.

The following is a reconciliation from the opening balance to the closing balance for Level 3 fair values:

| | Level 3 fair values |
|---|---|
| **Balance at January 1, 2017** | **$1,344** |
| Fair value movement | (1,400) |
| Currency translation adjustments | 96 |
| **Balance at December 31, 2017** | **40** |
| Fair value movement | (40) |
| **Balance at December 31, 2018** | **$—** |

## 16 BUSINESS COMBINATIONS

### Business combinations — 2018

There were no acquisitions made by the Group during the year ended December 31, 2018.

### Business combinations — 2017

*(i) Macro Plastics, Inc.*

On June 9, 2017, the Group acquired 100% of the ordinary share capital of Macro Plastics, Inc. a US based business which is one of the largest manufacturers of rigid bulk bins worldwide, is a market leader in providing value added rigid plastic bulk packaging solutions to the agricultural and automotive sectors, and operates some of the largest bulk machines in North America. The fair value of the assets and liabilities acquired were provisional at December 31, 2017.

Adjustments in the amount of $0.5 million were made to the provisional fair values of trade and other payables as presented at June 9, 2017.

*(In thousands of U.S. Dollars except per share data)*

## 16 BUSINESS COMBINATIONS (Continued)

The following table summarizes the final recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

| | At June 9, 2017 |
|---|---|
| Property, plant and equipment | $46,884 |
| Intangible assets | 34,148 |
| Inventories | 15,577 |
| Trade and other receivables | 15,392 |
| Cash and cash equivalents | 11,729 |
| Prepayments | 442 |
| Trade and other payables and provisions | (21,981) |
| Loans and borrowings acquired | (23,334) |
| Income tax asset (net) | 357 |
| Deferred tax liability | (13,880) |
| **Total identifiable net assets acquired** | **65,334** |
| Consideration transferred at date of acquisition – cash | 127,124 |
| **Goodwill at date of acquisition** | **$61,790** |

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

| Assets acquired | Valuation technique |
|---|---|
| **Property, plant and equipment** | |
| Land | *Market approach:* The valuation model considers the market value of the land at the date of acquisition. The value of the asset was calculated based on the market price of an asset of comparable features like location and size. The value of the land was assessed by analyzing asking prices and sales prices paid in comparable transactions in the respective areas adjusting the derived values for differences between comparable property and subject property like location, zoning, size, market condition, etc. and applied the adjusted unit price to the property. |
| Buildings | *Income approach:* The principle behind the income approach is that the value of the asset is equal to the earnings potential of this asset i.e. the present value of rental savings attributable to owning the asset. The direct capitalization method was applied as it is a widely used and simple approach to apply. Market rents per unit of space and yields were utilized for each building taking into consideration its specific usage, type of construction and condition. The derivation of market rents was based on local real estate market research and experiences in the market of industrial properties. The overall condition of the buildings was also taken into account. |
| Machinery and equipment, fixtures and fittings, computer equipment and motor vehicles | *Depreciated replacement cost ("DRC") approach (Trending method):* The principle behind the DRC approach is that a prudent investor will not purchase an asset for more than it will cost him/her to replace this asset with an asset of comparable utility. The valuation process involved a number of steps; determining the replacement cost followed by an adjustment for additional functional/economic obsolescence. The useful life and effective age was then calculated and depreciated over its new economic life to reflect obsolescence related to effective age. The estimate of the minimum value was then calculated, based on quotation prices or experience from past project costs. |
| **Intangible assets** | |
| Customer relationships | *Excess earnings approach:* This is a form of the income approach which is described in detail above at buildings. An estimate of Revenue and Adjusted EBITDA margins are forecasted and discounted over the assumed life of the relationships. |
| **Inventories** | |
| | *Market comparison technique:* The fair value is determined based on estimated selling price in the ordinary course of business less the estimated cost of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. |

*(In thousands of U.S. Dollars except per share data)*

## 17 PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Plant, machinery, fixtures and fittings | Transport vehicles | Assets under construction | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at January 1, 2017 | **$51,461** | **$178,841** | **$1,125** | **$10,306** | **$241,733** |
| Acquisitions through business combinations (Note 16) | 17,488 | 27,116 | — | 2,280 | 46,884 |
| Additions | 167 | 8,177 | 339 | 47,791 | 56,474 |
| Reclassified from assets under construction | 1,512 | 29,538 | — | (31,050) | — |
| Disposals | — | (2,405) | (287) | — | (2,692) |
| Currency translation adjustments | 1,861 | 18,209 | 117 | 1,657 | 21,844 |
| **Balance as at December 31, 2017** | **$72,489** | **$259,476** | **$1,294** | **$30,984** | **$364,243** |
| Additions | 2,527 | 24,779 | 207 | 26,890 | 54,403 |
| Reclassified from assets under construction | 6,927 | 26,192 | — | (33,119) | — |
| Disposals | (137) | (10,283) | (47) | (223) | (10,690) |
| Transfer to inventories | — | (1,345) | — | — | (1,345) |
| Currency translation adjustments | (3,682) | (15,538) | (67) | (689) | (19,976) |
| **Balance at December 31, 2018** | **$78,124** | **$283,281** | **$1,387** | **$23,843** | **$386,635** |

| | Land and buildings | Plant, machinery, fixtures and fittings | Transport vehicles | Assets under construction | Total |
|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | |
| Balance at January 1, 2017 | **$(4,630)** | **(66,873)** | **(758)** | **—** | **(72,261)** |
| Charge for the year | (2,567) | (24,965) | (116) | — | (27,648) |
| Disposals | — | 1,086 | 287 | — | 1,373 |
| Currency translation adjustments | (391) | (7,828) | (67) | — | (8,286) |
| **Balance at December 31, 2017** | **$(7,588)** | **$(98,580)** | **$(654)** | **$—** | **$(106,822)** |
| Charge for the year | (3,084) | (30,591) | (157) | — | (33,832) |
| Disposals | 85 | 9,027 | 44 | — | 9,156 |
| Currency translation adjustments | 1,599 | 7,433 | 36 | — | 9,068 |
| **Balance at December 31, 2018** | **$(8,988)** | **$(112,711)** | **$(731)** | **$—** | **$(122,430)** |
| **Carrying amounts** | | | | | |
| At December 31, 2017 | $64,901 | $160,896 | $640 | $30,984 | $257,421 |
| At December 31, 2018 | $69,136 | $170,570 | $656 | $23,843 | $264,205 |

All property, plant and equipment of the Group are stated at depreciated historic cost, notwithstanding that upon acquisition through business combinations, an initial assessment of fair value is undertaken and adjustments made accordingly.

The amount included in the carrying amount of property, plant and equipment at December 31, 2018 that relate to assets under construction was $23.8 million (2017: $31.0 million). This amount relates to various capital projects ongoing across the Group and includes $10.8 million (2017: $10.4 million) in respect of deposits paid to manufacturers for equipment under construction to the exact specifications required by the Group.

*(In thousands of U.S. Dollars except per share data)*

## 17 PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in the total net book value of plant and machinery is $0.5 million (2017: $0.4 million) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was $0.1 million (2017: $Nil).

The process for identifying impairments of property, plant and equipment is the same as the process as outlined in Note 19 for identifying the impairments to the carrying amount of goodwill. During the year, there were no items that the Group identified where the recoverable amounts had fallen below the carrying values and as a result, no impairment charges were booked (2017: $Nil).

## 18 INVESTMENT PROPERTY

| | **2018** | 2017 |
|---|---|---|
| Balance at January 1 | **$1,657** | $1,477 |
| Uplift in fair value in the year | **—** | 459 |
| Disposal in the year | **(345)** | (452) |
| Currency translation adjustments | **(70)** | 173 |
| Balance at December 31 | **$1,242** | $1,657 |

The Group holds a number of properties, comprising land and buildings held for rental income or capital appreciation and not occupied by the Group, which are classified as investment properties. These properties are located in the Republic of Ireland and the United Kingdom.

In 2018, the Group disposed of an investment property in the U.K. The property was disposed of at a profit of $0.01 million.

Rental income on investment properties of $0.01 million was earned during the year (2017: $0.03 million).

### Measurement of fair value

*Fair value hierarchy*

The carrying amount of the Group's investment properties is the fair value of the property as determined by management. In general, valuations have been supported by either market rental yields or estimated disposal prices. All properties were valued by professionally qualified external valuers during 2018.

The fair value measurement for investment property of $1.2 million (2017: $1.7 million) has been categorized as Level 3 fair value based on the inputs to the valuation techniques used.

*(In thousands of U.S. Dollars except per share data)*

## 18 INVESTMENT PROPERTY (Continued)

### Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used. The estimated disposal prices method is used for land held for sale or capital appreciation.

| | **2018** | 2017 |
|---|---|---|
| **Analysis of carrying value by valuation technique** | | |
| Estimated disposal price | **$1,242** | $1,657 |

| *Valuation technique* | *Significant unobservable inputs* | *Inter-relationship between key unobservable inputs and fair value measurement* |
|---|---|---|
| *Estimated disposal prices:* This method of valuation is used for land and buildings held for sale or capital appreciation. The value determined is based on comparable market transactions after correspondence with independent registered property appraisers in the year. | Ireland:<br>• Comparable market prices.<br>U.K.:<br>• Comparable market prices. | The estimated fair value would increase/(decrease) if:<br>• Comparable market prices were higher/(lower). |

*(In thousands of U.S. Dollars except per share data)*

## 19 GOODWILL AND INTANGIBLE ASSETS

| | Goodwill | Customer relationships | Brand names, computer software and licences | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at January 1, 2017 | **$162,855** | **$41,737** | **$8,529** | **$213,121** |
| Acquisitions through business combinations (Note 16) | **61,790** | 34,148 | **—** | 95,938 |
| Additions | **—** | — | **283** | 283 |
| Disposals | **—** | — | **(3,391)** | (3,391) |
| Currency translation adjustments | **15,401** | 4,318 | **(414)** | 19,305 |
| **Balance at December 31, 2017** | **$240,046** | **$80,203** | **$5,007** | **$325,256** |
| Additions | **—** | — | **430** | 430 |
| Currency translation adjustments | **(18,193)** | (4,122) | **3,573** | (18,742) |
| **Balance at December 31, 2018** | **$221,853** | **$76,081** | **$9,010** | **$306,944** |
| **Accumulated amortization and impairment losses** | | | | |
| Balance at January 1, 2017 | **$(57,918)** | **$(3,636)** | **$(3,887)** | **$(65,441)** |
| Amortization | **—** | (4,622) | **(760)** | (5,382) |
| Disposals | **—** | — | **3,391** | 3,391 |
| Currency translation adjustments | **(7,673)** | (473) | **(1,038)** | (9,184) |
| **Balance at December 31, 2017** | **$(65,591)** | **$(8,731)** | **$(2,294)** | **$(76,616)** |
| Amortization | **—** | (5,937) | **(1,046)** | (6,983) |
| Currency translation adjustments | **12,799** | 661 | **(2,971)** | 10,489 |
| **Balance at December 31, 2018** | **$(52,792)** | **$(14,007)** | **$(6,311)** | **$(73,110)** |
| **Carrying amounts** | | | | |
| At December 31, 2017 | **$174,455** | $71,472 | **$2,713** | $248,640 |
| At December 31, 2018 | **$169,061** | $62,074 | **$2,699** | $233,834 |

Customer relationships, brand names, computer software and licences are amortized in accordance with the Group's accounting policy. Amortization is included in administrative expenses and cost of sales.

Goodwill acquired on business combinations is allocated to cash generating units (''CGUs'') for the purpose of impairment testing. The CGUs represent the lowest level within the Group at which the associated goodwill is monitored for management purposes, and are not larger than the operating segments. The group of CGUs identified by the Group are as follows:

- CPS — Europe and China
- CPS — North America
- LF&E — Europe
- LF&E — North America

*(In thousands of U.S. Dollars except per share data)*

**19 GOODWILL AND INTANGIBLE ASSETS (Continued)**

- Metals Recycling U.K.
- RPS

These CGUs have been updated from the prior year to reflect the new operating segments in use.

A summary of the goodwill held by group of CGUs is presented below:

| | **2018** | 2017 |
|---|---|---|
| CPS – Europe and China | **$4,881** | $5,112 |
| CPS – North America | **35,225** | 37,035 |
| LF&E – Europe | **19,911** | 20,857 |
| LF&E – North America | **35,333** | 37,148 |
| Metals Recycling U.K. | **11,921** | 12,513 |
| RPS | **61,790** | 61,790 |
| Total | **$169,061** | $174,455 |

The cash flow forecasts employed for this computation are extracted from a three-year plan approved by the Board. Cash flows for a further two years are extrapolated using a group CGUs' specific growth rates ranging from 1.5% to 3.1% with growth rates ranging from 1.5% – 2% (2017: 1.5% – 2%) applied to arrive at a terminal period valuation for each group of CGUs. A present value of the future cash flows is also calculated using a discount rate representing the Group's estimated average cost of capital ranging from 7.72% to 11.86% (2017: 8.70% to 9.91%).

Projected cash flows are most sensitive to assumptions regarding future profitability, replacement capital expenditure requirements and working capital investment and tax considerations. The values applied to these key assumptions are derived from a combination of external and internal factors, based on past experience together with management's future expectations about business performance.

The discount rates were estimated based on an appropriate weighted average cost of capital (WACC) for each CGU. The discount rates were estimated by applying the Group's weighted average cost of capital as adjusted to reflect the market assessment of risks and for which the cash flow projections have not been adjusted.

The Group's earnings are significantly dependent on the selling prices and margins obtained for products sold. These, in turn, are largely determined by market supply and demand. There is a range of factors that affect this supply and demand: competing products, the availability of source material and other general conditions in the market place.

The carrying value for the net assets of the group of CGUs identified above, including the attributable goodwill is calculated based on the sum of the net assets of the entities comprising the group of CGUs. The carrying value is compared to the expected recoverable value. The value-in-use calculations are sensitive to changes in assumptions, particularly relating to assumptions on cash flows generated by each of the group of CGUs, growth rates and discount rates applied to these cash flows.

As a result of this exercise, no impairment charge was recognized in the current or prior years.

*(In thousands of U.S. Dollars except per share data)*

## 19 GOODWILL AND INTANGIBLE ASSETS (Continued)

An increase of 10% in the discount rate at the reporting date would have resulted in an impairment charge for the year of $0.5 million (2017: $Nil). A 10% reduction in the cash flow projections would have resulted in an impairment charge for the year of $5.3 million (2017: $Nil).

## 20 LOANS AND BORROWINGS

| | **2018** | 2017 |
|---|---|---|
| **Current** | | |
| Term Loan | **$3,149** | $28,181 |
| Bank and other loans | **$3,149** | $28,181 |
| Subordinated term borrowings from NCI's (Note 34) | **—** | 546 |
| Finance lease liabilities | **167** | 114 |
| Total current loans and borrowings | **$3,316** | $28,841 |
| **Non-current** | | |
| Term Loan | **$127,649** | $202,370 |
| Revolving Credit Facility | **129,500** | 59,009 |
| Other | **(1,867)** | (3,442) |
| Bank and other loans | **$255,282** | $257,937 |
| Subordinated term borrowings from NCI's (Note 34) | **—** | 34,734 |
| Finance lease liabilities | **377** | 239 |
| Total non-current loans and borrowings | **$255,659** | $292,910 |

The Group is primarily funded by committed bank facilities and free cash flow generated from operations.

On April 17, 2018, IPLP entered into a new €400.0 million ($494.3 million), multi-currency banking facility, with a five-year term, with a syndicate of banks arranged by The Governor and Company of the Bank of Ireland and National Bank Financial Inc. The new facility combines a term loan facility of €110.0 million ($135.9 million) with a Revolving Credit Facility of €290.0 million ($358.4 million).

The Group's bank facilities are secured by charges on the assets of IPL Plastics Inc. and its subsidiary undertakings, subject to exceptions (the "**Subsidiary Guarantors**"). The Company and the Subsidiary Guarantors have provided first ranking security interests, first fixed and floating charges, or negative pledge agreements to the security agent for the benefit of the secured parties over all of their property, assets and undertaking. The Company and the Subsidiary Guarantors have also pledged, with few exceptions, all shares held by them as security.

The Group's bank borrowings are denominated in euro, Pounds sterling, U.S. Dollars and Canadian Dollars. Interest rates for euro, Pounds sterling, U.S. Dollars and Canadian Dollars denominated loans under its committed facilities are based on the applicable margin for the facility and spread over EURIBOR interest rates, GBP LIBOR, U.S. Dollars LIBOR and CDOR, as applicable, for a minimum period of three months. The Group's euro, Pounds sterling and U.S. Dollars denominated loans are at a variable interest rate whereas the Group's Canadian Dollars loans are a mix of fixed and variable interest rates.

The Group's committed banking facilities total $458.0 million at December 31, 2018. At December 31, 2018, the Group had net debt of $210.5 million. Net debt is defined by the Group as loans and borrowings and convertible loan notes less cash and cash equivalents and excludes the Put Liability (as defined in Note 23).

*(In thousands of U.S. Dollars except per share data)*

## 20 LOANS AND BORROWINGS (Continued)

Included in net debt are subordinated loans which amounted to $Nil million at December 31, 2018 (December 31, 2017: $35.3 million) which were provided by certain shareholders of IPL Plastics Inc. On August 31, 2018 the unsecured subordinated debentures of C$45.0 million were repaid in full. In consideration for the early prepayment, pursuant to the terms of the debentures a premium equal to 1% of the principal amount was paid to the debenture holders.

The New Facilities Agreement contains affirmative covenants customary for credit facilities of this nature, including, but not limited to, compliance with applicable laws and regulations, payment of taxes, delivery of financial and other information to the lenders, notice to the lenders upon the occurrence of certain material events, preservation of assets, maintenance of insurance, access to books and records by the secured parties, preservation of intellectual property and further assurances. The New Facilities Agreement contains customary negative covenants including but not limited to, restrictions on the Company and each of the other borrowers' and guarantors' ability to make certain distributions, acquire, merge, consolidate or amalgamate with other companies, make certain investments or capital expenditures, substantially change their business, enter into certain joint ventures, dispose of certain assets, provide certain forms of financial assistance, incur indebtedness or transact or have any outstanding financial instruments other than certain permitted indebtedness, hypothecate, charge, pledge or otherwise encumber their assets other than certain permitted encumbrances. In addition to these affirmative and negative covenants, the New Facilities Agreement also contains financial maintenance covenants, including (i) an Interest Coverage ratio of not less than 3.00 to 1.00; and (ii) a Total Net Leverage ratio which varies between 3.50 to 1.00 and 4.50 to 1.00 depending on certain conditions (as Interest Coverage and Total Net Leverage are defined in net facilities as agreed).

As of December 31, 2018, the Company was in compliance with all covenants contained in the New Facilities Agreement, and no event of default (as defined in the New Facilities Agreement) had occurred or been waived.

## 21 TRADE AND OTHER PAYABLES

| | **2018** | 2017 |
|---|---|---|
| **Current** | | |
| Trade payables | **$65,567** | $83,470 |
| Tax and social welfare | **8,418** | 8,001 |
| Convertible loan note accrued interest (Note 22) | **211** | 254 |
| Accruals | **29,560** | 26,146 |
| Value added tax — Overseas | **—** | 736 |
| | **$103,756** | $118,607 |
| **Non-current** | | |
| Convertible loan note classed as a financial liability (Note 22) | **$1,420** | $1,945 |
| Accruals | **714** | 15 |
| Other payables | **—** | 1,168 |
| | **$2,134** | $3,128 |

For information on the Group's contractual maturity analysis of all liabilities, including trade and other payables, see Note 33.

*(In thousands of U.S. Dollars except per share data)*

## 22 CONVERTIBLE LOAN NOTE LIABILITIES

| | Principal classed as equity | Principal classed as debt | Accrued interest – debt | Total |
|---|---|---|---|---|
| **Balance at January 1, 2017** | **$82** | **$1,710** | **$223** | **$2,015** |
| Interest charged during the year | — | — | 150 | 150 |
| Interest paid during the year | — | — | (150) | (150) |
| Currency translation adjustment | 12 | 235 | 31 | 278 |
| **Balance at December 31, 2017** | **94** | **1,945** | **254** | **2,293** |
| Interest charged during the year | — | — | 149 | 149 |
| Interest paid during the year | — | — | (181) | (181) |
| CLN's converted to shares | — | (451) | — | (451) |
| Currency translation adjustment | (4) | (74) | (11) | (89) |
| **Balance at December 31, 2018** | **$90** | **$1,420** | **$211** | **$1,721** |

The main terms of the convertible loan notes **(''CLNs'')** issued on January 13, 2006 and on July 20, 2006 by the Company are as follows:

### 1 Convertible Loan Notes issued on January 13, 2006

The CLNs issued on January 13, 2006 are convertible into common shares at a fixed share price of €3.37 ($4.06).

The Company shall never be required to redeem the CLNs unless a specified event of default has occurred in relation to the Company. Payment of any principal and interest in respect of the CLNs is subordinated to all monies owing in respect of bank debt. Interest accrues on the principal amount outstanding on the CLNs at a rate of 4.0% per annum and is payable on an annual basis in arrears.

Following the fifth anniversary of the issue of the CLNs, each noteholder is now entitled to convert not less than 50% of the CLNs (including accrued but unpaid interest) into common shares during the following periods:

a) A period of 14 working days following notification by the Company that it intends to redeem the CLNs.

b) On an annual basis, a period of 10 working days following the earlier of (i) the announcement of the annual results or (ii) the publication of the audited accounts of the Company.

If a noteholder did not elect to convert a minimum of 50% of their CLNs into ordinary shares within 60 days of the fifth anniversary of the issue of the CLNs, which has now passed, the Company is entitled to redeem the CLNs held by that noteholder at any time thereafter.

As at December 31, 2018, €149,991 ($0.2 million) (2017: €149,991 ($0.2 million)) of the January 13, 2006 CLNs have not been converted. During the year, and under the terms of the offer made to the holders of CLNs, the Group repurchased $Nil CLNs (2017: $Nil).

### 2 Convertible Loan Notes issued on July 20, 2006

The CLNs issued on July 20, 2006 were convertible into common shares in the Company at a fixed share price of €4.00 ($5.06) until April 30, 2011. To the extent that a noteholder has not converted all his CLNs then from April 20, 2011 onward the Company will have the option to

*(In thousands of U.S. Dollars except per share data)*

## 22 CONVERTIBLE LOAN NOTE LIABILITIES (Continued)

redeem the CLNs for cash at its absolute discretion. In 2011, $8.8 million that was held in equity relating to the CLNs issued on July 20, 2006 were reclassified to the retained earnings as the conversion date for these instruments had passed.

The Company shall never be required to redeem the CLNs unless a specified event of default has occurred in relation to the Company. Payment of any principal and interest in respect of the CLNs is subordinated to all monies owing in respect of bank debt. Interest accrues on the principal amount outstanding on the CLNs at a rate of 4.0% per annum and is payable on an annual basis in arrears.

In 2018, €750,000 ($0.9 million) of the convertible loan notes were redeemed in exchange for ordinary shares of IPL Plastics Ltd. These €750,000 CLN's were converted to 375,000 ordinary shares at a price of €2.00 per share. As at December 31, 2018, €2,435,000 ($2.8 million) (2017: €3,185,000 ($3.8 million)) of the July 20, 2006 CLNs have not been converted.

## 23 DEFERRED CONTINGENT CONSIDERATION

| | **2018** | 2017 |
|---|---|---|
| Balance at January 1 | **$143,683** | $76,568 |
| Put Liability arising on equity investment by non-controlling interests | **—** | 9,963 |
| Movement in Put Liability arising from fair value increase and accretion of interest | **—** | 48,357 |
| Interest charged to consolidated statements of income (Note 9) | **17** | 50 |
| Paid during the year | **(79)** | (435) |
| Settlement of Put Liability | **(145,916)** | — |
| Currency translation adjustments | **2,295** | 9,180 |
| Balance at December 31 | **$—** | $143,683 |
| Classified as current liabilities | **$—** | $61 |
| Classified as non-current liabilities | **$—** | $143,622 |

The liability for deferred consideration at year end comprises $Nil (2017: $143.6 million) included within non-current liabilities in respect of IPL Inc. and $Nil million (2017: $0.1 million) relating to Straight Limited.

The Group's liability in respect of the 33.33% shareholding in IPL Inc. that it did not own at December 31, 2017 amounted to $143.6 million and was known as the ''**Put Liability**''. The Put Liability was measured at fair value and represented the anticipated consideration required to acquire the IPL Inc. minority interests' shareholdings in July 2021 (date from when the Put was to become exercisable), discounted to present value. This was prior to the reorganization completed on February 28, 2018.

On December 6, 2017, shareholders approved a reorganization of the existing IPL Inc. shareholding structure by agreeing to an exchange of the minority shareholders' equity interests in IPL Inc. for shares in IPL Ltd. On February 28, 2018, the minority shareholders' equity interests in IPL Inc. were exchanged for 47,238,242 shares in IPL Ltd, under the authority given by shareholders at the extraordinary general meeting on December 6, 2017. The completion of this transaction has the effect of settling the Put Liability from February 28, 2018. There was no significant difference between the fair value of the Put Liability at the exchange date and as at December 31, 2017. The excess of the fair value over the nominal value of the shares issued was accounted for through a merger relief reserve, in accordance with Irish Company Law. The merger relief reserve is included as part of share capital in IPLP.

*(In thousands of U.S. Dollars except per share data)*

## 24 GOVERNMENT GRANTS DEFERRED

| | 2018 | 2017 |
|---|---|---|
| Balance at January 1 | **$3,539** | $2,373 |
| Additions | **188** | 1,313 |
| Amortization in the year | **(507)** | (378) |
| Currency translation adjustments | **(331)** | 231 |
| Balance at December 31 | **$2,889** | $3,539 |
| Classified as current liabilities | **$258** | $525 |
| Classified as non-current liabilities | **$2,631** | $3,014 |

## 25 PROVISIONS

| | 2018 | 2017 |
|---|---|---|
| Balance at January 1 | **$6,383** | $6,661 |
| Utilized during the year | **(1,868)** | (565) |
| Additions during the period | **631** | — |
| Currency translation adjustments | **(23)** | 287 |
| Balance at December 31 | **$5,123** | $6,383 |
| Classified as current liabilities | **$264** | $3,344 |
| Classified as non-current liabilities | **$4,859** | $3,039 |

The Group's provisions in the current and prior year primarily relate to environmental provisions.

An environmental provision of $4.1 million (2017: $6.0 million), recognized as part of business combination accounting for a subsidiary in accordance with IFRS 3, relates primarily to contingent environmental remediation costs associated with that company's production facilities.

## 26 DEFERRED TAX

| | 2018 Assets | 2018 Liabilities | 2018 Net | 2017 Assets | 2017 Liabilities | 2017 Net |
|---|---|---|---|---|---|---|
| Property, plant and equipment | **$14** | **$(28,011)** | **$(27,997)** | $19 | $(26,182) | $(26,163) |
| Losses forward | **7,142** | **—** | **7,142** | 3,909 | (361) | 3,548 |
| Other timing differences | **9,251** | **(608)** | **8,643** | 2,301 | — | 2,301 |
| Intangible assets | **—** | **(15,188)** | **(15,188)** | — | (17,961) | (17,961) |
| Total | **$16,407** | **$(43,807)** | **$(27,400)** | $6,229 | $(44,504) | $(38,275) |

Prior year amounts shown above exclude amounts relating to disposal groups. There are no discontinued operations in 2018.

At December 31, 2018, the Group had unrecognized deferred tax assets in respect of trading losses and share based payments of $1.4 million (2017: $2.8 million) and on capital losses and tangible assets of $25.3 million (2017: $26.0 million).

*(In thousands of U.S. Dollars except per share data)*

## 26 DEFERRED TAX (Continued)

### Movement in deferred tax balances

| | Net balance at January 1 | Recognized in profit and loss | Foreign exchange | Acquired in business combinations | Recognized in OCI | Other | Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | | | |
| Property plant and equipment | **$(26,163)** | **$(2,551)** | **$717** | **$—** | **$—** | **$—** | **$(27,997)** | **$14** | **$(28,011)** |
| Losses forward | **3,548** | **2,956** | **189** | **—** | **—** | **449** | **7,142** | **7,142** | **—** |
| Other timing differences | **2,301** | **4,458** | **(182)** | **—** | **—** | **2,066** | **8,643** | **9,251** | **(608)** |
| Intangible assets | **(17,961)** | **2,053** | **720** | **—** | **—** | **—** | **(15,188)** | **—** | **(15,188)** |
| Tax assets/(liabilities) | **$(38,275)** | **$6,916** | **$1,444** | **$—** | **$—** | **$2,515** | **$(27,400)** | **$16,407** | **$(43,807)** |

| | Net balance at January 1 | Recognized in profit and loss | Foreign exchange | Acquired in business combinations | Recognized in OCI | Other | Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|---|---|---|
| Continuing operations 2017 | | | | | | | | | |
| Property plant and equipment | $(22,868) | $7,203 | $(575) | $(9,923) | $— | $— | $(26,163) | $19 | $(26,182) |
| Losses forward | 1,444 | (4,896) | (65) | 7,065 | — | — | 3,548 | 3,909 | (361) |
| Other timing differences | 3,991 | (2,120) | (2,387) | 1,346 | 1,471 | — | 2,301 | 2,301 | — |
| Intangible assets | (11,091) | 5,346 | 152 | (12,368) | — | — | (17,961) | — | (17,961) |
| Tax assets/(liabilities) | $(28,524) | $5,533 | $(2,875) | $(13,880) | $1,471 | $— | $(38,275) | $6,229 | $(44,504) |
| Discontinued operations 2017 | | | | | | | | | |
| Property plant and equipment | $(677) | $— | $(48) | $— | $— | $725 | $— | $— | $— |
| Losses forward | 269 | — | 19 | — | — | (288) | — | — | — |
| Other timing differences | (70) | — | (5) | — | — | 75 | — | — | — |
| Intangible assets | (390) | — | (28) | — | — | 418 | — | — | — |
| Tax assets/(liabilities) | (868) | — | (62) | — | — | 930 | — | — | — |
| Total assets/(liabilities) | $(29,392) | $5,533 | $(2,937) | $(13,880) | $1,471 | $930 | $(38,275) | $6,229 | $(44,504) |

## 27 CAPITAL AND RESERVES

### Authorised share capital:

### IPL Ltd

The authorised share capital at the end of 2018 was €4,000,000 based on ordinary share of €0.01 each during the year. The nominal value of each existing ordinary share is €0.01 (2017: €0.01). There has been no movement in the authorised share capital in the year. In 2017, the authorised share capital of IPL Ltd was increased from €2,000,000 to €4,000,000 by the creation of 200,000,000 new ordinary shares of €0.01 each during the year. The increase was approved at an Extraordinary General Meeting held in December 2017, by way of resolution of the shareholders. The increase in the authorised but unissued share capital of IPL Ltd was sought in order to create sufficient authorised share capital to enable the issue of shares pursuant to an IPO and/or the reorganization, as referred to in Note 23 and for general corporate purposes.

*(In thousands of U.S. Dollars except per share data)*

## 27 CAPITAL AND RESERVES (Continued)

### IPL Plastics Inc.

The Company is authorized to issue an unlimited number of common shares, an unlimited number of Class B common shares and an unlimited number of preferred shares, issuable in series. The Board of Directors is authorized to issue such preferred shares in one or more series and to establish the number of shares in each series and the conditions attaching thereto, prior to their issue. The share capital issued and outstanding of the Company consists only of fully paid common shares without nominal value. All common shares and Class B common shares are equally eligible to receive dividends, subject to the prior rights of the holders of preferred shares. Each common share and Class B common share carry one vote at the shareholders' meeting of the Company. Subject to the prior rights of the holders of preferred shares, upon the liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, all the Company's assets available for payment or distribution to the holders of the common shares and Class B common shares shall be paid or distributed equally, share for share, to the holders of such common shares and Class B common shares. The number of shares in issue at the year end was 53,563,693.

### Issued share capital:

The below table provides a reconciliation of the movement in the number of common shares in issue during 2018. The movement in the period from January 1, 2018 to June 19, 2018 reflects share movements in IPL Ltd prior to the Scheme of Arrangement taking effect.

| *('000)* | December 31, 2018 |
|---|---|
| **Number of shares** | |
| Ordinary Shares at January 1, 2018 – IPL Ltd | **158,593** |
| Issue of ordinary shares – exercise of share options | **1,039** |
| Issue of ordinary shares – settlement of Put Liability | **47,238** |
| Issue of ordinary shares – redemption of convertible loan notes | **375** |
| Shares in issue at June 19, 2018 – IPL Ltd | **207,245** |
| Adjustment for Scheme of Arrangement (1 for 5 share exchange)(1) | **41,449** |
| Issue of common shares through IPO and overallotment | **14,200** |
| Redemption of common shares as a result of the Buy-Back option | **(2,086)** |
| Closing number of common shares at December 31, 2018 | **53,563** |

(1) After giving effect to the Scheme of Arrangement pursuant to which the holders of ordinary shares exchanged their shares for Class B common shares on the basis of five shares of IPL Ltd for one Class B common share in IPL Plastics Inc. On December 28, 2018, all of the issued and outstanding Class B common shares were automatically converted into common shares, on a one for one basis.

The below table provides a reconciliation of the movement in the value of share capital during 2018. As a result of the Scheme of Arrangement, IPL Plastics Inc. issued equity instruments in exchange for the existing equity instruments of IPL Ltd. Considering the corporate reorganization and the fact that the Company obtained control of IPL Ltd by issuing equity instruments in exchange for existing equity instruments of IPL Ltd, that the assets and liabilities of IPL Plastics Inc. and IPL Ltd are the same immediately before and after the reorganization and the owners of IPL Ltd before the reorganization have the same interests in the net assets of IPL Ltd and IPL Plastics Inc. immediately before and after the reorganization, the historical financial statements of IPL Plastics Inc. before and after its incorporation are prepared as a continuation of the consolidated financial statements of IPL Ltd, reflecting the historical carrying value of assets and liabilities of IPL Ltd and the equity instruments of IPLP.

*(In thousands of U.S. Dollars except per share data)*

## 27 CAPITAL AND RESERVES (Continued)

| *($'000)* | Share capital | Share premium | Other reserves | Total |
|---|---|---|---|---|
| Balance at January 1, 2018 – IPL Ltd | $2,081 | $116,837 | $(1,706) | $117,212 |
| Issue of ordinary shares – exercise of share options | 13 | 555 | — | 568 |
| Issue of ordinary shares – settlement of Put liability | 577 | — | 140,009 | 140,586 |
| Issue of ordinary shares – redemption of convertible loan notes | 5 | 901 | — | 906 |
| Balance at June 19, 2018 – IPL Ltd | $2,676 | $118,293 | $138,303 | $259,272 |
| Scheme of arrangement transfer from IPL Ltd to IPLP | | | | $259,272 |
| Issue of common shares through IPO and overallotment of shares | | | | 144,851 |
| Share issuance costs | | | | (12,861) |
| Tax benefit on share issuance costs | | | | 3,124 |
| Class B common shares redeemed as a result of the Buy-Back option | | | | (13,046) |
| **Closing balance at December 31, 2018** | | | | $381,340 |

### Other Movements in Share Capital during the year:

### a) Convertible loan notes

In 2018, 750,000 of the convertible loan notes were redeemed in exchange for ordinary shares of IPL Ltd. The 750,000 CLN's were converted to 375,000 ordinary shares at a price of €2.00 ($2.28) per share.

### b) Buy-Back option

On July 11, 2018, the Company used C$28.2 million ($21.4 million) of the proceeds from the IPO to redeem an aggregate of 2,085,678 Class B common shares pursuant to the Buy-Back Option.

The excess of $8.2 million of the redemption price over the weighted average carrying value of the Class B common shares redeemed of $13.0 million has been recorded in retained earnings. On December 28, 2018, all of the issued and outstanding Class B common shares were automatically converted into common shares, on a one for one basis.

| | **2018** | 2017 |
|---|---|---|
| | **$'000** | $'000 |
| **Other Reserves** | | |
| Translation reserve | **$(35,426)** | $(33,658) |
| Share-based payment reserve | **3,123** | 2,362 |
| Available-for-sale reserve | **—** | 207 |
| Convertible loan note reserve | **100** | 100 |
| Other reserves | **—** | (92,294) |
| Total | **$(32,203)** | $(123,283) |

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the net assets of the Group's non-U.S. Dollars denominated operations, including the translation of the profits and losses of such operations from the average exchange rate for the year to the exchange rate at the reporting date, as well as from the translation of borrowings designated as a hedge of those net assets.

## 27 CAPITAL AND RESERVES (Continued)

### Share-based payment reserve

This reserve comprises amounts credited to reserves in connection with equity awards less the effect of any exercises of such awards.

### Available-for-sale reserve

The available-for-sale reserve arises on revaluations of available-for-sale financial assets. During 2018, the shares held in Aryzta AG were sold which resulted in a realization of an available-for-sale loss and reduced this reserve to $Nil.

### Convertible loan notes reserve

This reserve comprises the equity element of those convertible loan notes issued on January 13, 2006 that have not yet converted at year end. At December 31, 2018, the balance on the reserve is $0.1 million (2017: $0.1 million).

### Other reserves

This reserve relates to fair value movements in the Put Liability relating to the 33.33% of IPL Inc. not owned by the Group. The Put Liability was measured at fair value and represented the anticipated consideration required to acquire the IPL Inc. minority interests' shareholdings in July 2021 (date from when the Put Liability was to become exercisable), discounted to present value. This was prior to the reorganization completed on February 28, 2018. Refer to Note 23 for additional details.

## 28 SHARE-BASED PAYMENT ARRANGEMENTS

At December 31, 2018, the Group had the following active share-based payment arrangements:

- IPL Plastics Inc. Omnibus Incentive Plan **("Omnibus Plan")**
- IPL Plastics Inc. Director RSU and DSU Plan

***Legacy Options pre scheme of arrangement***

IPL Ltd previously granted approximately 11 million share options to certain executive officers, directors (excluding non-executive directors) or employees of the company or past executive officers, directors (excluding non-executive directors) or employees of the Company. These options were granted through the following schemes:

- One51 Group Share Option Scheme 2006
- The One Fifty One plc 2014 Share Option Scheme

These schemes together are defined as the **"Legacy Option Plan".**

The options were granted at an exercise price equal to the fair market value, as determined by the Board taking into consideration the unlisted "grey market" trading price, of the underlying shares, at the time of grant.

**28 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)**

The Omnibus Plan which supercedes the Legacy Option Plan was adopted in connection with the IPO and Scheme of Arrangement. At this time, the Legacy Option Plan was terminated and on closing of the IPO, all the outstanding options were exchanged for IPL Plastics Inc. share options under the Omnibus Plan, subject to any contractual provisions with the participant, if applicable, in accordance with the terms of the option agreements, where applicable. On closing of the IPO, 9,028,075 unexercised Legacy Option Plan were exchanged for 1,805,615 options under the Omnibus Plan.

Each such outstanding option under the Legacy Option Plan, on the exchange, vested (as to any outstanding performance-based conditions to exercise) proportionately in accordance with the conditions of grant and having regard to the proportion of the performance period which had elapsed but remained subject to any time-based conditions to exercise applicable to such option immediately prior to the conversion.

***IPL Plastics Inc. Omnibus Incentive Plan***

The Board adopted the Omnibus Incentive Plan, which allows the Board to grant, from time to time, long term equity based incentives consisting of options, Performance Share Units (''PSUs'') and Restricted Share Units (''RSUs'') to eligible participants.

The Board, in its sole discretion, shall from time to time designate the executive officers and employees to whom awards shall be granted and determine, if applicable, the number of common shares to be covered by such awards and the terms and conditions of such awards. The number of common shares reserved for issuance under the Omnibus Plan will be equal to 5,251,439 common shares, as applicable (representing approximately 10%, in aggregate, of the issued and outstanding common shares as of closing of the IPO, prior to the exercise of the over-allotment option). If an outstanding award expires or is terminated, surrendered or cancelled for any reason without having been exercised or settled in full, or if a common share acquired pursuant to an award is subject to forfeiture and is forfeited, the common shares covered by such award, if any, will again be available for issuance under the Omnibus Plan.

Options will vest in accordance with the vesting schedule established on the grant date. An option shall be exercisable during a period established by the Board, which shall not be more than ten years from the grant date of the option (or in the case of an Irish resident, seven years).

A PSU or RSU is a unit, equivalent in value to a common share, credited by means of a bookkeeping entry in the books of the Company, to an account in the name of the participant. Subject to the achievement of the applicable vesting or other conditions applicable thereto, the Company will settle all vested PSUs and RSUs and related Dividend Share Units (as defined below) by way of purchases in the open market of common shares, issue of shares from treasury or the payment of the cash equivalent or a combination thereof, as the case may be, at the discretion of the Company. For greater clarity, PSUs and RSUs are not rights to acquire common shares and holders of PSUs or RSUs are not considered shareholders of common shares and do not receive the same rights as holders of common shares. The companys current intention is to settle these awards with equity.

When dividends (other than share dividends) are paid on common shares, additional share unit equivalents (''Dividend Share Units'') will be automatically granted to each participant who holds a PSU or RSU on the record date for such dividends. This treatment does not apply to Options. The number of Dividend Share Units to be granted to a participant is equal to the aggregate number of PSUs and RSUs held by the participant on the relevant record date multiplied by the amount of the dividend paid by the Company on each common share, and then divided by the closing price of a common share on the TSX on the last trading day immediately prior to the applicable dividend payment date. Dividend Share Units granted to a participant will be subject to the same vesting conditions applicable to the related PSUs or RSUs, as applicable.

*(In thousands of U.S. Dollars except per share data)*

## 28 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

PSUs and RSUs are generally expected to fully vest at the end of a three year performance period, unless otherwise specified and permitted by the Board and the Omnibus Plan. The Omnibus Plan provides that grants and vesting of PSUs under the Omnibus Plan may be made based upon, and subject to achieving, ''performance criteria'' over a specified performance period as determined by the Board, based on the recommendations of the Human Resources and Remuneration Committee. For the Fiscal 2018 to Fiscal 2020 performance cycle, the performance related vesting conditions will be based on three metrics, equally weighted, intended to reflect drivers of shareholder value creation and indicators of corporate success: total shareholder return relative to a performance peer group, free cash flow ratio and a return metric (such as return on invested capital or return on capital employed), which will be measured over a three-year performance period. If the Company achieves superior performance, exceeding the defined maximum performance level, the number of PSUs that will vest is capped at 200% of the PSUs originally granted. Conversely, the final number of PSUs may be reduced to zero if the Company's performance falls below the pre determined threshold level. The terms and conditions of grants of PSUs, including the performance criteria, quantity, type of award, grant date, vesting conditions, vesting periods, settlement date and other terms and conditions with respect to the awards, are set out in the participant's grant agreement.

Subject to the terms of the Omnibus Plan and the applicable grant agreement, after the applicable performance period has ended, the holder of PSUs shall be entitled to receive payout on the value and number of PSUs, as determined as a function of the extent to which the corresponding performance criteria have been achieved. All PSUs in respect of which the performance criteria have not been achieved, shall automatically be forfeited and cancelled. Unless otherwise determined by the Board, upon a participant's termination of employment as a result of a resignation, all rights, title and interest in awards granted to the participant under the Omnibus Plan that are unvested on the termination date will be forfeited. Options that vested as of the termination date may be exercised until the earlier of (i) 30 days after the termination date and (ii) the expiry date of the options, after which time all remaining vested options will expire.

***IPL Plastics Inc. Director RSU and DSU Plan***

In connection with the IPO, the Board adopted a Director Deferred Share Unit and Restricted Share Unit plan (the **''RSU/DSU Plan''**), which forms part of the Company's long term incentive compensation arrangements available for our non-executive directors. The DSU/RSU Plan provides non-executive Canadian directors the opportunity to receive a portion of their compensation in the form of deferred share units (''DSUs'') and non employee non Canadian directors will receive a portion of their compensation in the form of RSUs, each representing a unit equivalent in value to a common share in accordance with the terms of the RSU/DSU Plan.

A DSU or RSU is a unit, equivalent in value to a Common Share, credited by means of a bookkeeping entry in the books of the Company, to an account in the name of the director. When dividends (other than share dividends) are paid on common shares, holders of DSUs and RSUs are entitled to receive additional DSUs or RSUs, as applicable, automatically, which are granted to each director who holds DSUs or RSUs, as applicable on the record date for such dividends. The amount of the additional DSUs or RSUs to be granted to a participant is equal to the aggregate number of DSUs and RSUs held by the participant on the relevant record date multiplied by the amount of the dividend paid by the Company on each common share, and then divided by the closing price of a common share on the TSX on the last trading day immediately prior to the applicable dividend payment date. DSUs and RSUs are paid out, through market purchases of common shares or the payment of the cash equivalent or a combination thereof, as the case may be, at the discretion of the Company. DSUs vest following the director's death, resignation or retirement from the Board. RSUs vest at the end of the restriction period, as the Board may determine from time to time at the time of grant. For greater clarity, DSUs and RSUs are not rights to acquire common shares and holders of RSUs and DSUs are not considered shareholders of common shares and do not receive the same rights as holders of common shares.

*(In thousands of U.S. Dollars except per share data)*

## 28 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

The equity instruments granted to the Group's employees and non-executive directors under the Omnibus Plan are share-based payments as defined in IFRS 2 *Share-based Payments*. IFRS 2 requires that a recognized valuation methodology be employed to determine the fair value of equity instruments granted and stipulates that this methodology should be consistent with the methodologies used for the pricing of financial instruments.

Details of the options, PSUs, DSUs and RSUs granted under these schemes are as follows:

| *Date of grant* | Number | Vesting period | Weighted grant price | Average fair value | **Income statement expense 2018** | Income statement expense 2017 |
|---|---|---|---|---|---|---|
| December 2012/ January 2013 options[(1)] | 366,985 | 0.7 years | €1.00 ($1.15) | €0.36 ($0.40) | **$—** | $— |
| October 2014 options[(1)] | 1,081,447 | 3 years | €4.50 ($5.15) | €0.90 ($1.00) | **—** | 330 |
| July 2016 options[(1)] | 266,850 | 3 years | €8.40 ($9.62) | €2.05 ($2.29) | **220** | 200 |
| September 2017 options[(1)] | 90,333 | 3 years | €9.30 ($10.60) | €2.25 ($2.51) | **173** | 70 |
| June 2018 options | 356,471 | 5 years | C$13.50 ($9.91) | C$4.60 ($3.38) | **219** | — |
| June 2018 PSU's | 95,887 | 3.5 years | C$13.50 ($9.91) | C$13.50 ($9.91) | **168** | — |
| June 2018 DSU's | 3,703 | 3.5 years | C$13.50 ($9.91) | C$13.50 ($9.91) | **40** | — |
| September 2018 DSU's | 7,746 | 3.3 years | C$12.94 ($9.49) | C$12.94 ($9.49) | **80** | — |
| September 2018 RSU's | 3,429 | 3.3 years | C$12.94 ($9.49) | C$12.94 ($9.49) | **36** | — |
| December 2018 DSU's | 8,970 | 3 years | C$9.99 ($7.32) | C$9.99 ($7.32) | **71** | — |
| December 2018 RSU's | 3,042 | 3 years | C$9.99 ($7.32) | C$9.99 ($7.32) | **26** | — |
| **Total** | | | | | **$1,033** | **$600** |

(1) After giving effect to the reverse right on the basis of the one for 5 in the Scheme of Arrangement.

At December 31, 2018, 2,284,863 (2017: 2,194,034[(1)]) options over common shares were outstanding. The movement in the period from January 1, 2017 to June 19, 2018 reflects share option movements in IPL Ltd prior to the Scheme of Arrangement taking effect.

| *('000)* | |
|---|---|
| **Number of options** | |
| Options outstanding at January 1, 2017 | 11,263 |
| Issued share options – September 8, 2017 | 1,355 |
| Share options forfeited | (143) |
| Share options exercised | (1,505) |
| **Options outstanding at December 31, 2017** | **10,970** |
| Share options forfeited | (903) |
| Share options exercised | (1,039) |
| **Outstanding share options at June 19, 2018 – IPL Ltd** | **9,028** |
| **Adjustment for Scheme of Arrangement (1 for 5 share exchange)[(1)]** | **1,806** |
| Issued share options – June 28, 2018 | 356 |
| Issued RSUs, DSUs and PSUs – June 2018 to December 2018 | 123 |
| **Options outstanding at December 31, 2018** | **2,285** |

(1) After giving effect to the Scheme of Arrangement pursuant to which the holders of ordinary shares exchanged their shares for Class B common shares on the basis of five shares of IPL Ltd for one Class B common share in IPL Plastics Inc. On December 28, 2018, all of the issued and outstanding Class B common shares were automatically converted into common shares, on a one for one basis.

*(In thousands of U.S. Dollars except per share data)*

## 28 SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

### Long Term Cash Settled Bonus Scheme

The Group also operated a long term cash settled bonus scheme, which was accounted for as a cash-settled scheme under IFRS 2 in 2017. The scheme provided for cash awards on the satisfaction of both a share price performance condition and an earnings per share performance condition, with vesting of up to 50% of the award determined by reference to the cumulative compound growth in the price of a share over a minimum of a three year performance period, and up to 50% of the award determined by reference to the cumulative compound growth in the Company's earnings per share during that period. 1,195,000 awards were issued in October 2014 at a base price of €0.90 ($1.08). These awards are subject to the same performance conditions as those awarded under The One Fifty One plc 2014 Share Option Scheme.

Awards will not vest unless the minimum vesting target is met under each condition. Awards will normally vest no earlier than the third anniversary of the grant date. Awards lapse if not exercised within ninety days of the vesting date. These awards vested in October 2017 in accordance with the rules of the scheme. All 945,000 awards were exercised and fully paid in November 2017. The Group recognized a charge of $0.97 million in 2017 in relation to this scheme. There were no cash settled bonus schemes under IFRS 2 in 2018.

## 29 EMPLOYEE BENEFITS

### Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes in the jurisdictions in which it operates. The pension charge for the year represents contributions payable by the Group to the schemes and amounted to $2.7 million (2017: $2.1 million).

At December 31, 2018, contributions amounting to $0.3 million (2017: $0.4 million) were payable to the schemes, and are included in accruals.

*(In thousands of U.S. Dollars except per share data)*

## 30 CASH GENERATED FROM OPERATIONS

| | Notes | 2018 | 2017 |
|---|---|---|---|
| Net income for the year | | **$1,775** | $22,667 |
| Adjustments for: | | | |
| – Depreciation and amortization charges | 17,19 | **40,815** | 33,030 |
| – Exchange differences | | **(1,830)** | (129) |
| – Amortization of government grants | 24 | **(507)** | (378) |
| – Fair value movements on investment property | 18 | **—** | (459) |
| – Share of profit of equity-accounted investees | 8 | **(2,415)** | (1,992) |
| – Loss/(Gain) on sale of property, plant and equipment | | **361** | (133) |
| – (Gain) on settlement of third party loan | | **—** | (113) |
| – Income received from available-for-sale assets | | **(218)** | — |
| – (Gain)/Loss on disposal/discontinued subsidiary undertakings | | **(312)** | 670 |
| – Movement on derivative financial instruments | | **877** | (1,228) |
| – Equity-settled share-based payment transactions | 28 | **1,033** | 550 |
| – Finance costs | 9 | **16,134** | 15,996 |
| – Income taxes | 10 | **(8,636)** | (971) |
| – Income taxes paid | | **902** | (1,861) |
| – Initial public offering and related costs | | **9,923** | — |
| – Payment of IPO costs | | **(9,923)** | — |
| – Refinancing transaction costs | | **5,658** | — |
| – Business reorganization and integration costs | | **602** | 3,807 |
| **Net cash flows from operating activities before non-cash operating assets and liabilities** | | **$54,239** | $69,456 |
| Changes in: | | | |
| – Inventories | | **(1,679)** | (18,688) |
| – Trade and other receivables | | **(28,870)** | 287 |
| – Trade and other payables and provisions | | **(5,021)** | 2,936 |
| | | **(35,570)** | (15,465) |
| **Net cash flows from operating activities** | | **$18,669** | $53,991 |

*(In thousands of U.S. Dollars except per share data)*

## 30 CASH GENERATED FROM OPERATIONS (Continued)

### Reconciliation of net cash flows from financing activities to loans, borrowings and capital

| | Subordinated debt | Other loans and borrowings | Common shares | Total |
|---|---|---|---|---|
| Balance as at January 1, 2018 | $35,280 | $286,471 | $117,212 | $438,963 |
| Issue of share capital | — | — | 132,749 | 132,749 |
| Redemption of share capital | — | — | (21,440) | (21,440) |
| Drawdowns of borrowings | — | 494,115 | — | 494,115 |
| Repayment of borrowings | (35,280) | (509,029) | — | (544,309) |
| Changes from financing flows | $— | $271,557 | $228,521 | $500,078 |
| **Other movements** | | | | |
| Interest expense | $(2,684) | $(13,450) | $— | $(16,134) |
| Interest paid | 2,684 | 11,086 | — | 13,770 |
| Settlement of Put Liability | — | — | 140,586 | 140,586 |
| Conversion of convertible loan notes | — | — | 906 | 906 |
| Excess of redemption value of share capital over carrying value | — | — | 8,202 | 8,202 |
| Tax benefit on share issuance costs | — | — | 3,125 | 3,125 |
| Currency translation adjustments | — | (10,218) | — | (10,218) |
| Balance as at December 31, 2018 | $— | $258,975 | $381,340 | $640,315 |

## 31 KEY OPERATING SUBSIDIARIES

Below is the list of significant subsidiaries. The principal areas of operations are the countries of incorporation:

| Name | Registered office | Country of incorporation | Proportion held by: Company/subsidiary | Principal activity |
|---|---|---|---|---|
| IPL Inc.* | i | Canada | 100% | Manufacturer of plastic products |
| IPL Plastics Ltd* | ii | Ireland | 100% | Intermediate holding company |
| One Fifty One Capital Ltd | ii | Ireland | 100% | Investment company |
| One51 Holdings Ltd | ii | Ireland | 100% | Intermediate holding company |
| One51 ES Plastics Ltd | ii | Ireland | 100% | Manufacturer of plastic products |
| One51 ES Plastics (U.K.) Ltd | iii | United Kingdom | 100% | Manufacturer of plastic products |
| Straight Ltd | iv | United Kingdom | 100% | Manufacturer of plastic products |
| Protech Performance Plastics | v | China | 100% | Manufacturer of plastic products |
| Encore Industries, Inc. | vi | United States | 100% | Manufacturer of plastic products |
| IPL USA Inc. | vii | United States | 100% | Manufacturer of plastic products |
| Macro Plastics, Inc. | viii | United States | 100% | Manufacturer of plastic products |
| Ampthill Metal Company Ltd | ix | United Kingdom | 100% | Metal recycling |

(i) Registered Office is 4100-1155 boul, René-Lévesque O, Montréal (Québec), H3B 3V2, Canada.

(ii) Registered Office is Huguenot House, 35-38 St. Stephen's Green, Dublin 2, Ireland.

(iii) Registered Office is Denis House, Mariner, Lichfield Road Industrial Estate, Tamworth, Staffordshire, B79 7UL, United Kingdom.

(iv) Registered Office is Somerdon Road, Hull, HU9 5PE, United Kingdom.

*(In thousands of U.S. Dollars except per share data)*

## 31 KEY OPERATING SUBSIDIARIES (Continued)

(v) Registered Office is Building K, No. 1688 Zhuan Xing Road, Xin Zhuang Industry Park, Minhang District, Shanghai, China.

(vi) Registered Office is 319 Howard Drive, Sandusky, Ohio 44870, United States.

(vii) Registered Office is 221 Bolivar Street, Jefferson City, MO 65101.

(viii) Registered Office is 2250 Huntington Drive, Fairfield, California, United States.

(ix) Registered Office is Ampthill Metal Company Ltd, Station Road Industrial Estate, Ampthill, Bedford, MK45 2QY, United Kingdom

* Held directly by Company. All other subsidiaries included in the table above are held indirectly.

## 32 COMMITMENTS

### (a) Capital commitments

Future contracted capital expenditure not provided for in these consolidated financial statements is as follows:

| | **2018** | 2017 |
|---|---|---|
| Contracted | **$8,887** | $25,191 |

All contracted capital commitments are for the period of less than one year.

### (b) Leases as lessee

The Group has entered into a number of leases in respect of properties from which certain businesses operate. The expiry dates of these leases range from 1 year to 13 years.

Annual commitments exist under non-cancellable operating leases as follows:

*(i) Future minimum lease payments*

At December 31, the future minimum lease payments under non-cancellable leases were payable as follows:

| | **2018** | 2017 |
|---|---|---|
| Less than one year | **$4,493** | $3,795 |
| Between one and five years | **13,137** | 10,945 |
| More than five years | **8,854** | 9,154 |
| Total | **$26,484** | $23,894 |

*(ii) Amounts recognized in consolidated statements of income*

| | **2018** | 2017 |
|---|---|---|
| Lease expense | **$4,621** | $4,110 |

*(In thousands of U.S. Dollars except per share data)*

### 32 COMMITMENTS (Continued)

#### (c) Leases as lessor

*(i) Future minimum lease payments*

At December 31, the future minimum lease payments under non-cancellable leases are receivable as follows:

| | **2018** | 2017 |
|---|---|---|
| Less than one year | **$—** | $167 |
| Between one and five years | **—** | 623 |
| More than five years | **—** | 468 |
| Total | **$—** | $1,258 |

*(ii) Amounts recognized in consolidated statements of income*

| | | |
|---|---|---|
| Income-generating property | **$—** | $159 |

In 2018, the Group disposed of an investment property in the U.K. (See Note 18). Therefore, there were no income generating properties remaining at December 31, 2018.

#### (d) Contingent liabilities — funding arrangements

At December 31, 2018, the Group had Letters of Credit in place amounting to $0.3 million (2017: $1.1 million).

### 33 FINANCIAL RISK MANAGEMENT

The following table shows the carrying amounts and fair values of financial assets and liabilities as at December 31, 2018:

| | Fair value through profit and loss | Assets at amortized cost | Fair value through other comprehensive income | Liabilities at amortized cost | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| Cash and cash equivalents (Note 12) | **$—** | **$49,857** | **$—** | **$—** | **$49,857** | **$49,857** |
| Trade and other receivables[(i)] | **—** | **104,109** | **—** | **—** | **104,109** | **104,109** |
| Derivative financial instruments | **973** | **—** | **—** | **—** | **973** | **973** |
| | **973** | **153,966** | **—** | **—** | **154,939** | **154,939** |
| Bank borrowings (Note 20) | **—** | **—** | **—** | **(258,431)** | **(258,431)** | **(258,431)** |
| Trade and other payables[(ii)] | **—** | **—** | **—** | **(74,196)** | **(74,196)** | **(74,196)** |
| Convertible loan note (Note 22) | **—** | **—** | **—** | **(1,420)** | **(1,420)** | **(1,420)** |
| Derivative financial instruments | **(595)** | **—** | **—** | **—** | **(595)** | **(595)** |
| Finance lease liabilities (Note 20) | **—** | **—** | **—** | **(544)** | **(544)** | **(544)** |
| | **$(595)** | **$—** | **$** | **$(334,591)** | **$(335,186)** | **$(335,186)** |

(i) Trade and other receivables included in the table above only takes into consideration trade receivables, other receivables and non-current receivables. It excludes prepayments and VAT receivables which are included in the Trade and other receivables note in these financial statements.

*(In thousands of U.S. Dollars except per share data)*

## 33 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Trade and other payables included in the table above only takes into consideration trade payables, tax and social welfare payables and other payables. It excludes accruals and VAT payables which are included in the Trade and other payables note in these financial statements.

| | Fair value through profit and loss | Assets at amortized cost | Fair value through other comprehensive income | Liabilities at amortized cost | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Cash and cash equivalents (Note 12) | $— | $47,609 | $— | $— | $47,609 | $47,609 |
| Trade and other receivables[(i)] | — | 84,187 | — | — | 84,187 | 84,187 |
| Available-for-sale financial assets (Note 15) | — | — | 4,104 | — | 4,104 | 4,104 |
| Derivative financial instruments | 1,324 | — | — | — | 1,324 | 1,324 |
| | 1,324 | 131,796 | 4,104 | — | 137,224 | 137,224 |
| Bank borrowings (Note 20) | — | — | — | (286,118) | (286,118) | (286,118) |
| Subordinated term borrowings (Note 20) | — | — | — | (35,280) | (35,280) | (35,280) |
| Trade and other payables[(ii)] | — | — | — | (92,153) | (92,153) | (92,153) |
| Deferred contingent consideration (Note 23) | (143,622) | — | — | (61) | (143,683) | (143,683) |
| Convertible loan note (Note 22) | | | | (1,945) | (1,945) | (1,945) |
| Finance lease liabilities (Note 20) | — | — | — | (353) | (353) | (353) |
| | $(143,622) | — | — | $(415,910) | $(559,532) | $(559,532) |

(i) Trade and other receivables included in the table above only takes into consideration trade receivables, other receivables and non-current receivables. It excludes prepayments and VAT receivables which are included in the Trade and other receivables note in these financial statements.

(ii) Trade and other payables included in the table above only takes into consideration trade payables, tax and social welfare payables and other payables. It excludes accruals and VAT payables which are included in the Trade and other payables note in these financial statements.

The Group has availed of the exemption under IFRS 7 *Financial Instruments: Disclosure* for additional disclosures where fair value closely approximates carrying value.

### Measurement of fair values

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding table.

### Available-for-sale financial assets

Details of fair values are provided in greater detail in Note 15.

### Cash and cash equivalents

For cash and cash equivalents which have a maturity of less than three months, the carrying amount is deemed to reflect fair value.

### Trade and other receivables/trade and other payables

For receivables and payables with a remaining life of less than six months or demand balances, the carrying value less impairment provision, where appropriate, is deemed to reflect fair value.

*(In thousands of U.S. Dollars except per share data)*

## 33 FINANCIAL RISK MANAGEMENT (Continued)

### Derivative financial assets (forward contracts)

Forward currency contracts are valued using quotes from third parties on forward exchange rates at the consolidated statements of financial position date.

### Interest-bearing loans and borrowings including bank overdrafts

Variable interest rates are applied on interest-bearing loans and borrowings and accordingly the carrying value is deemed to reflect fair value.

### Finance lease liabilities and deferred contingent consideration

Fair value is based on the present value of future cash flows discounted at market rates.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

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

At December 31, 2018 and December 31, 2017, the Group recognized and measured the following financial instruments at fair value:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2018** | | | | |
| **Assets measured at fair value** | | | | |
| *At fair value through profit and loss* | | | | |
| Interest rate swaps | **$—** | **$144** | **$—** | **$144** |
| Foreign exchange contracts | **$—** | **$829** | **$—** | **$829** |
| **Liabilities measured at fair value** | | | | |
| *At fair value through profit and loss* | | | | |
| Foreign exchange contracts | **$—** | **$(595)** | **$—** | **$(595)** |
| **2017** | | | | |
| **Assets measured at fair value** | | | | |
| *Available-for-sale* | | | | |
| Available-for-sale financial assets | $4,064 | $— | $40 | $4,104 |
| *At fair value through profit and loss* | | | | |
| Foreign exchange contracts | $— | $1,324 | $— | $1,324 |
| **Liabilities measured at fair value** | | | | |
| *At fair value through equity* | | | | |
| Deferred contingent consideration — Put Liability | $— | $— | ($143,622) | ($143,622) |

## 33 FINANCIAL RISK MANAGEMENT (Continued)

### Level 2 fair values (items at fair value through profit and loss)

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|---|
| Forward exchange contracts | Market comparison techniques: The fair values are based on third party quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. | Not applicable | Not applicable |

Details regarding level 1 to 3 fair values for available-for-sale financial assets are included in Note 15.

### Risk exposures

The Group's operations expose it to various financial risks. The Group has a risk management program in place which seeks to limit the impact of these risks on the financial performance of the Group and it is the policy to manage these risks in a non-speculative manner.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - Currency risk
  - Interest rate risk
- Commodity price risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout this note.

### Credit risk

Credit risk arises from credit to customers arising on outstanding receivables and outstanding transactions as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customers' track record and historic default rates and the Group uses credit insurance where available on reasonable commercial terms. Individual risk limits are generally set by customer and risk is only accepted above such limits in defined circumstances. The utilization of credit limits is regularly monitored.

*(In thousands of U.S. Dollars except per share data)*

## 33 FINANCIAL RISK MANAGEMENT (Continued)

Cash and short term bank deposits are invested with institutions having considered their credit rating, with limits on amounts held with individual banks or institutions at any one time.

Regarding the Group's cash and cash equivalents, the credit ratings of the institutions in which cash is deposited was BBB— or above at December 31, 2018 based on Standard & Poor's ratings (2017: BBB— or above).

The carrying amount of financial assets, net of impairment provisions represents the Group's maximum credit exposure. The maximum exposure to credit risk at year end was as follows:

| | **Carrying amount 2018** | Carrying amount 2017 |
|---|---|---|
| Cash and cash equivalents (Note 12) | **$49,857** | $47,609 |
| Trade and other receivables | **104,109** | 84,187 |
| | **$153,966** | $131,796 |

### Trade and other receivables

The Group has detailed procedures for monitoring and managing the credit risk related to its trade and other receivables. Trade and other receivables are monitored by geographic region and by largest customers/counterparties. The maximum exposure to credit risk for trade and other receivables (net of provisions) at the reporting date by geographic region was as follows:

| | **2018** | 2017 |
|---|---|---|
| Ireland | **$9,966** | $11,592 |
| U.K. | **21,899** | 12,602 |
| Canada | **27,011** | 23,643 |
| USA | **36,850** | 32,529 |
| Rest of World | **8,383** | 3,821 |
| Total | **$104,109** | $84,187 |

Included in the Group's trade and other receivables are balances of $24.8 million (2017: $17.6 million) which are past due at the reporting date but not impaired. The aged analysis of the Group's trade and other receivables are as follows:

| | **2018** | 2017 |
|---|---|---|
| Within credit terms | **$79,277** | $66,588 |
| Outside of credit terms within 3 months | **21,992** | 19,589 |
| Outside of credit terms greater than 3 months | **6,935** | 2,834 |
| Total | **$108,204** | $89,011 |

Trade and other receivables which are not past due nor impaired at the reporting date are expected to be fully recoverable.

*(In thousands of U.S. Dollars except per share data)*

**33 FINANCIAL RISK MANAGEMENT (Continued)**

During 2018, the Group adopted *IFRS 9 Financial Instruments*, which addresses the classification, measurement and recognition of financial assets and liabilities. The standard provides guidance around expected credit losses. Each division in the Group has prepared an expected credit loss model, following the guidance from IFRS 9 to calculate the bad debt provision applicable in their area. The adoption of this model did not result in a change to the bad debt provisions held.

The movement in the provision for impairment of trade and other receivables during the year is as follows:

| | **2018** | 2017 |
|---|---|---|
| Trade and other receivables provision at the start of the year | **$(4,824)** | $(4,419) |
| **Movement:** | | |
| — Amounts (written back)/written off during the year | **(29)** | (1) |
| — Decrease in provision | **553** | 193 |
| — Currency translation adjustments | **205** | (597) |
| **Trade and other receivables provision at the end of the year** | **$(4,095)** | $(4,824) |

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Compliance with the Group's debt covenants is monitored continuously based on the management accounts. Sensitivity analysis using various scenarios is applied to forecasts to assess their impact on covenants and net debt.

*(In thousands of U.S. Dollars except per share data)*

**33 FINANCIAL RISK MANAGEMENT (Continued)**

The following are the contractual maturities of the financial liabilities:

| | Carrying amount | Contractual cash flows | 6 months or less | 6-12 months | 1-2 years | 2-5 years | > 5 years |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| Bank borrowings | **$(258,431)** | **$(307,381)** | **$(6,014)** | **$(12,273)** | **$(24,058)** | **$(264,997)** | **$(39)** |
| Trade and other payables | **(74,196)** | **(74,196)** | **(69,549)** | **(3,543)** | **(1,038)** | **(66)** | **—** |
| CLNs principal | **(1,420)** | **(2,000)** | **(116)** | **—** | **(116)** | **(348)** | **(1,420)** |
| Derivative financial asset (net) | **(378)** | **(378)** | **—** | **—** | **—** | **—** | **—** |
| Finance lease liabilities | **(544)** | **(544)** | **(84)** | **(84)** | **(153)** | **(159)** | **(64)** |
| Total | **$(334,969)** | **$(384,499)** | **$(75,763)** | **$(15,900)** | **$(25,365)** | **$(265,570)** | **$(1,523)** |
| **2017** | | | | | | | |
| Bank borrowings | $(286,118) | $(327,458) | $(12,304) | $(15,411) | $(30,657) | $(269,013) | $(73) |
| Subordinated term borrowings | (35,280) | (49,090) | (3,123) | (3,056) | (6,353) | (36,558) | — |
| Trade and other payables | (92,153) | (92,153) | (91,431) | (457) | (265) | — | — |
| Deferred contingent consideration | (143,683) | (201,383) | (61) | — | — | (201,322) | — |
| CLNs principal | (1,945) | (2,743) | (160) | — | (160) | (479) | (1,944) |
| Finance lease liabilities | (353) | (353) | (58) | (58) | (109) | (128) | — |
| | — | — | — | — | — | — | — |
| Total | $(559,532) | $(673,180) | $(107,137) | $(18,982) | $(37,544) | $(507,500) | $(2,017) |

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's risk management strategy is to manage and control market risk exposures within acceptable parameters and to manage these risks in a non-speculative manner.

*Currency risk*

Foreign exchange risk arises from foreign currency transactions, assets and liabilities. These currency risks are monitored by management on a regular basis. The Group is mainly exposed to the foreign currency exchange rate differences between U.S. Dollars and Canadian Dollars, euro and Pounds sterling.

The Group is also exposed to foreign currency risk on retranslation of its foreign currency operations in the U.K., Canada, Ireland and China from their functional currencies of Pounds sterling, Canadian Dollars, euro, and Chinese Renminbi into the U.S. Dollars presentation currency.

*Interest rate risk*

The Group holds both interest bearing assets and interest bearing liabilities. In general, the approach employed by the Group to manage its interest exposure is to maintain the majority of its cash, short term bank deposits and interest bearing borrowings on fixed and floating rates.

*(In thousands of U.S. Dollars except per share data)*

## 33 FINANCIAL RISK MANAGEMENT (Continued)

Rates are generally fixed for relatively short periods in order to match funding requirements while being able to benefit from opportunities due to movement in longer term rates.

### Exposure to currency risk

The Group's exposure to transactional (excludes non-current balances) foreign currency risk is as follows:

| | EUR | GBP | USD | RMB | CAD | Total |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| Cash and cash equivalents | **$3,555** | **$9,179** | **$13,634** | **$1,110** | **$6,025** | **$33,503** |
| Trade and other receivables | **12,380** | **16,343** | **20,021** | **1,148** | **20,267** | **70,159** |
| Bank borrowings | **—** | **(44,625)** | **(63,400)** | **—** | **(57,751)** | **(165,776)** |
| Trade and other payables | **(6,448)** | **(17,355)** | **(14,020)** | **(519)** | **(12,046)** | **(50,388)** |
| Total | **$9,487** | **$(36,458)** | **$(43,765)** | **$1,739** | **$(43,505)** | **$(112,502)** |
| **2017** | | | | | | |
| Cash and cash equivalents | $356 | $14,500 | $28,828 | $604 | $1,614 | $45,902 |
| Trade and other receivables | 372 | 12,860 | 38,409 | 182 | 15,392 | 67,215 |
| Bank borrowings | — | (12,707) | (1,919) | — | (12,032) | (26,658) |
| Trade and other payables | (5,141) | (13,045) | (50,739) | (2,725) | (33,829) | (105,479) |
| Total | $(4,413) | $1,608 | $14,579 | $(1,939) | $(28,855) | $(19,020) |

### Sensitivity analysis

A 5% strengthening or weakening in U.S. Dollars against Pounds sterling, Canadian Dollars, euro or Chinese Renminbi, based on outstanding financial assets and liabilities at December 31, 2018 and December 31, 2017, would have increased/(decreased) other comprehensive income and net income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | 5% strengthening Net income | 5% strengthening Other comprehensive income | 5% weakening Net income | 5% weakening Other comprehensive income |
|---|---|---|---|---|
| **2018** | | | | |
| Pounds sterling | **12** | **(1,042)** | **(14)** | **1,094** |
| euro | **(528)** | **16,610** | **555** | **(17,441)** |
| Canadian Dollars | **311** | **(22,060)** | **(327)** | **23,164** |
| Renminbi | **(69)** | **(269)** | **72** | **282** |
| **2017** | | | | |
| Pounds sterling | (143) | 258 | 137 | (270) |
| euro | (687) | (636) | 654 | 654 |
| Canadian Dollars | 1,359 | (6,497) | (1,295) | 6,837 |
| Renminbi | 92 | (193) | (87) | 203 |

*(In thousands of U.S. Dollars except per share data)*

## 33 FINANCIAL RISK MANAGEMENT (Continued)

### Interest rate risk

At year end, the interest rate profile of interest-bearing financial instruments was:

| | **Carrying amount 2018** | Carrying amount 2017 |
|---|---|---|
| **Fixed rate instruments** | | |
| Convertible loan notes | **$(1,420)** | $(1,945) |
| Bank borrowings | **—** | (38,574) |
| Subordinated term debt | **—** | (35,280) |
| Finance lease liabilities | **(544)** | (353) |
| Total fixed rate instruments | **$(1,964)** | $(76,152) |
| **Variable rate instruments** | | |
| Cash and cash equivalents | **49,857** | 47,609 |
| Bank borrowings | **(258,431)** | (247,544) |
| Total variable rate instruments | **$(208,574)** | $(199,935) |
| Total | **$(210,538)** | $(276,087) |

### Cash flow sensitivity analysis for variable rate instruments

At December 31, 2018, the average interest rate earned on the Group's cash and cash equivalents was Nil% (2017: Nil%). At December 31, 2018, the average interest rate paid on the Group's borrowings was 4.70% (2017: 4.73%). The effects that an increase or decrease of 50 basis points in interest rates at the reporting date would have had on the consolidated statements of income and other comprehensive income can be seen from the table below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | **2018 50 base point increase** | 2017 50 base point increase | **2018 50 base point decrease** | 2017 50 base point decrease |
|---|---|---|---|---|
| Consolidated statements of income | **$(1,043)** | $(942) | **$1,043** | $942 |
| Other comprehensive income | **—** | — | **—** | — |

### Accounting for derivatives

Derivative financial instruments are measured at fair value at inception and at each reporting date, with the movement recognized in the consolidated statements of income. The fair value of derivatives at the consolidated statements of financial position date is set out in the following table:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| **Derivatives classified at fair value through the consolidated statements of income:** | | | | |
| Interest rate swaps | **$144** | **$(595)** | $— | $— |
| Forward currency contracts | **$829** | **$—** | $1,324 | $— |

*(In thousands of U.S. Dollars except per share data)*

## 33 FINANCIAL RISK MANAGEMENT (Continued)

### Commodity Price Risk

The Group is exposed to market risk from changes in plastic resin prices that could impact the company's results of operations and financial condition. The Group has historically adopted a hybrid resin purchasing strategy which has proved to be successful over time in the U.K., Ireland and China and is now being rolled out in the North American operation. This approach allows each of its production facilities to maintain responsibility for its own raw material procurement, but leverages IPLP global buying power in order to reduce prices. The Company aims to maintain a number of suppliers of key materials and equipment so as not to become overly dependent on any one supplier. The company believe that they have maintained strong relationships with key suppliers and expect that such relationships will continue into the foreseeable future. The resin market is a global market and, based on experience, the company believes that adequate quantities of plastic resins will be available at market prices, but can give no assurances as to such availability or the prices thereof. IPLP's purchases of resin are primarily in U.S. Dollars. If the price of resin increased or decreased by 5% this would result in a material change to the cost of goods sold. Historically, the company generally had the ability to pass on resin price fluctuations to certain customers, but this ability is, to some extent, dependent upon market conditions and the timings of fluctuations in resin prices and in any event may tend to lag behind the price input movements. There can be no assurance that the company will be able to successfully pass on, or continue to pass on, price fluctuations to customers.

## 34 RELATED PARTIES

The consolidated financial statements include the financial statements of the Company and subsidiaries as documented in the accounting policies in Note 1. A listing of the principal subsidiaries is provided in Note 31.

All transactions are entered into under the normal course of business on an arm's length basis. Sales to and purchases from, together with outstanding payables and receivables to and from subsidiaries are eliminated in the preparation of the consolidated financial statements. IAS 24 *Related Party Disclosures* requires the disclosure of compensation paid to the Group's key management personnel (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group). This comprises the Board of Directors and the executive officers who manage the business and affairs of the Group. In 2018, these executive officers are the Chief Executive Officer (''CEO''), Chief Financial Officer (''CFO''), Company Secretary, Head of Risk and Assurance and Head of Environmental, Health, Safety and Sustainability (collectively the ''NEOs''). During 2017, the executive officers included only the CEO and CFO.

Director and NEO remuneration amounted to:

| | **2018** | 2017 |
|---|---|---|
| Remuneration (including basic salary and benefits-in-kind) | **$1,754** | $1,079 |
| Bonus amounts to executive directors | **534** | 787 |
| Other remuneration including pension contributions | **157** | 97 |
| Fees to non-executive directors | **351** | 307 |
| Share-based payment expense for NEOs | **741** | 388 |
| Total | **$3,537** | $2,658 |

### Transactions with equity-accounted investees

Under IAS 24, the Group had a related party relationship with its associate undertaking, Altas Investments plc during the current and prior year.

**34 RELATED PARTIES (Continued)**

The following transactions took place during the year between the Group and Altas Investments plc:

- Amounts totalling $0.02 million (2017: $0.01 million) were paid to the Group by Altas for fees relating to membership of that company's Board of Directors by IPLP employees during 2018. No amounts were owing at year end (2017: $Nil).

- During the year, the Group received a dividend of $2.5 million (2017: $5.9 million) from Altas.

**Transactions with shareholders**

IPL Inc., a Canadian subsidiary of the Company had previously drawn down subordinated term debt of C$45.0 million from *Caisse de dépôt et placement du Québec* (''**CDPQ**''), Fonds de solidarité des travailleurs du Québec (F.T.Q) (''**FSTQ**'') and Investissement Québec (''**IQ**''). On August 31, 2018, the unsecured subordinated debentures of C$45.0 million were repaid in full. In consideration for the early prepayment of these debentures, a premium equal to 1% of the principal amount was paid to the debenture holders, pursuant to the terms of the debentures.

In connection with the IPO, the Company entered into an Investor Rights Agreement with CDPQ, which became effective on June 28, 2018, the date the IPO closed.

**35 SUBSEQUENT EVENTS**

*Disposal of Equity-Accounted Investee*

On January 11, 2019, the Group sold its 25% shareholding in Rilta Environmental Ltd for total proceeds of €8.25 million ($9.5 million). The total proceeds include the settlement of both the 25% equity investment in the amount of €2.75 million ($3.2 million) and the vendor loan note instrument in the amount of €5.5 million ($6.3 million).

*Acquisition of Loomans Group N.V.*

On March 15, 2019, the Group announced subject to closing conditions, that it had signed a Share Purchase Agreement (''SPA'') to acquire 100% of Loomans Group N.V. (''Loomans'') on March 29, 2019 for an enterprise value of €75.0 million ($85.5 million). Loomans has its operations and headquarters in Belgium and will be integrated into our Consumer Packaging Solutions business in Europe. On March 15, 2019, the Group will not have control over Loomans.

Loomans is a well invested, single site plastic business, operating for over fifty years. The acquisition of Loomans is consistent with IPL Plastics acquisition strategy. It diversifies the Group's geographic footprint, adding new capacity and capabilities to serve a broader customer base such as the cosmetic / personal care and beverage sectors in the consumer space. Loomans has a well-established, long standing customer base in continental Europe and provides IPL Plastics with a strong platform for future growth in this region enabling the group to participate in new and existing customers growth plans in continental Europe.

*Senior Secured Facilities Amendment*

On March 13, 2019, the Company signed a Supplemental Facilities Agreement with its syndicate of banks to enable it to utilize the accordion feature contained in the New Facilities Agreement, thereby obtaining an increase of the Revolving Credit Facility in the amount of €90.0 million

*(In thousands of U.S. Dollars except per share data)*

**35 SUBSEQUENT EVENTS (Continued)**

($101.7 million). This was done in order to finance the acquisition of Loomans. The New Facilities Agreement permits the Company to seek one further increase of the Revolving Credit Facility under this accordion feature provided the combined increases sought do not exceed an aggregate amount of €100.0 million ($113.0 million) at any time during the availability period for the Revolving Credit Facility. As of March 11, 2019, the Company had drawn $128.7 million under the Revolving Credit Facility.

In accordance with the covenants contained in the New Facilities Agreement, the Company's Total Net Leverage ratio availability will increase to 4.50 to 1.00 for the two financial quarters ending immediately after the date of completion of the acquisition which are the periods ending June 30, 2019 and September 30, 2019, before falling to 4.00 to 1.00 for the two financial quarters ending immediately after these initial two quarters and falling further to 3.50 to 1.00 for each relevant period thereafter.

IPL™

INNOVATIVE
PACKAGING
LEADERS