KPMG

cutting through complexity

IFRS

Guide to annual financial statements – Illustrative disclosures

September 2014

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Contents

Notes

About this guide – Compliance focused

This guide has been produced by the KPMG International Standards Group (part of KPMG IFRG Limited) and the views expressed herein are those of the KPMG International Standards Group.

It helps you to prepare financial statements in accordance with IFRS, illustrating one possible format for financial statements based on a fictitious multinational corporation. Our fictitious corporation has been applying IFRS for some time – i.e. it is not a first-time adopter of IFRS. For more information on adopting IFRS for the first time, see Chapter 6.1 in the 11th Edition 2014/15 of our publication Insights into IFRS.

Standards covered

This guide reflects IFRSs in issue at 10 August 2014 that are required to be applied by an entity with an annual period beginning on 1 January 2014 ('currently effective' requirements). The early adoption of IFRSs that are effective for annual periods beginning after 1 January 2014 ('forthcoming' requirements) has not been illustrated.

This guide does not illustrate the requirements of IFRS 4 *Insurance Contracts*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IAS 26 *Accounting and Reporting by Retirement Benefit Plans* or IAS 34 *Interim Financial Reporting*. IAS 34 requirements are illustrated in our Guide to condensed interim financial statements – Illustrative disclosures.

In addition, IFRS and its interpretation change over time. Accordingly, this guide should not be used as a substitute for referring to the standards and interpretations themselves.

You should also have regard to applicable legal and regulatory requirements. This guide does not consider the requirements of any particular jurisdiction. For example, IFRS does not require the presentation of separate financial statements for the parent entity, and this guide includes only consolidated financial statements.

What's new in 2014?

Appendix I provides a comprehensive list of new requirements, distinguishing between those that are effective for an annual reporting period beginning on 1 January 2014, and those with a later effective date.

Of these new requirements, this guide includes updated disclosures in respect of the recoverable amount of non-financial assets (amendments to IAS 36 *Impairment of Assets*) and a change in accounting policy for accounting for levies (IFRIC 21 *Levies*).

Need for judgement

These illustrative disclosures are part of our suite of products – Guides to financial statements – and specifically focus on compliance with IFRS. Although they are not exhaustive, they illustrate the disclosures *required* by IFRS for one hypothetical corporation, largely without regard to materiality.

This guide should not be used as a boiler plate template. The preparation of your own financial statements requires judgement, in terms of the choice of accounting policies, how the disclosures should be tailored to reflect your specific circumstances, and the materiality of disclosures in the context of your organisation.

But compliance is just the beginning …

Compliance with the standards is a given for investors, but there is a bigger question that needs to be asked: are your financial statements simply a compliance exercise, or have you taken the opportunity to maximise their value to investors? After all, if the statements have to be prepared anyway, then it makes sense to get maximum mileage from your efforts.

As a starting point, ask yourself these simple questions.

1. Does the most important information have prominence in my financial statements?
2. Are my disclosures clear, including eliminating immaterial disclosures that obscure key messages?
3. Is my messaging in the financial statements aligned with other published information, such as the management report and earnings releases?

We suspect that you will implicitly know the answers to these questions, so the only question left is how can you make your reporting better? To begin answering that question, visit our Better Business Reporting website.

References and abbreviations

References are included in the left-hand margin of this guide to identify their sources. Generally, the references relate only to presentation and disclosure requirements.

IAS 1.82(a)	Paragraph 82(a) of IAS 1.
[IAS 39.46(a)]	Paragraph 46(a) of IAS 39. The square brackets are used only in Note 44 to the financial statements (significant accounting policies) to indicate that the paragraph relates to recognition and measurement requirements, as opposed to presentation and disclosure requirements.
Insights 2.3.60.10	Paragraph 2.3.60.10 of the 11th edition 2014/15 of our publication Insights into IFRS.

Items with the following markings down their left-hand margins have this significance.

In the context of consolidated financial statements, the disclosures in respect of operating segments (Note 5) and EPS (statement of profit or loss and OCI, and Note 10) apply only if the parent:

- has debt or equity instruments (operating segments) or ordinary shares/potential ordinary shares (EPS) that are traded in a public market – i.e. a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets; or
- files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

Major changes, either in terms of what was illustrated in the 2013 edition of this guide or related to requirements that are new in 2014.

The following abbreviations are used often in this guide.

CGU	Cash-generating unit
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
NCI	Non-controlling interests
Notes	Notes to the financial statements
OCI	Other comprehensive income

[*Name of the Company*]

Independent auditors’ report

Independent auditors' report[a]

[*Addressee*]

We have audited the accompanying consolidated financial statements of [*Name of Company*] (the 'Company'), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

[*Name of auditors' firm*]
[*Date of report*]
[*Address*]

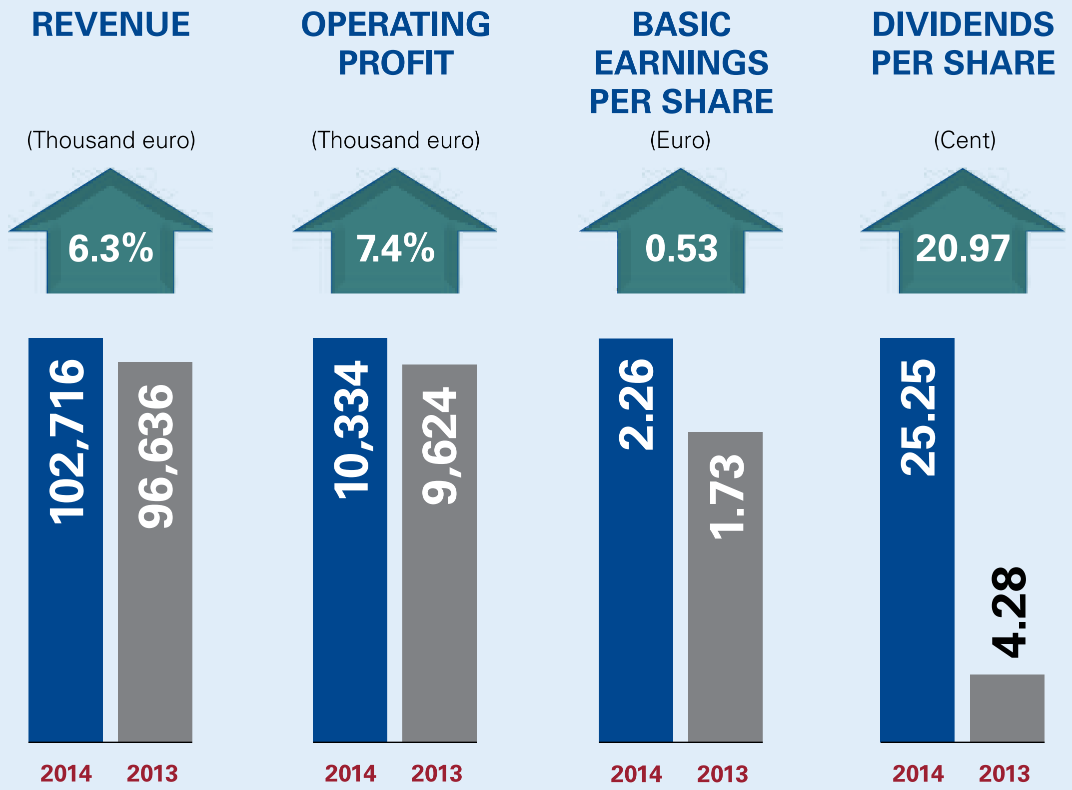
a. This example report has been prepared based on International Standard on Auditing 700 *Forming an Opinion and Reporting on Financial Statements*. Its format does not reflect the legal requirements of any particular jurisdiction.

[*Name of the Company*]

Consolidated financial statements

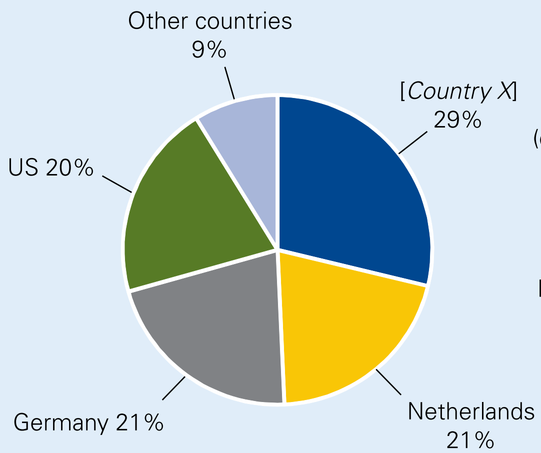
31 December 2014

Financial highlights



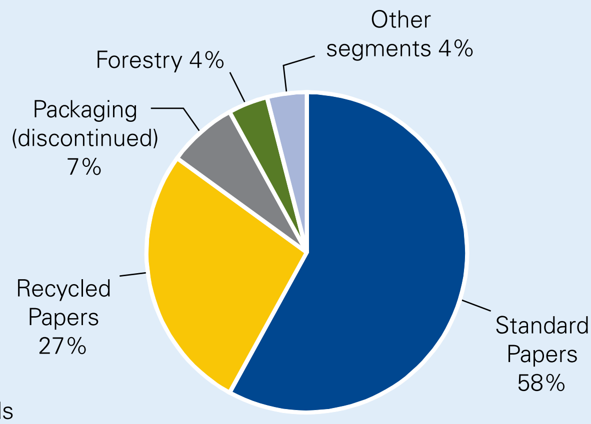
REVENUE BY REGION*

2014



REVENUE BY SEGMENT*

2014



* Includes revenues of discontinued operation (see Note 6).

INTRODUCTION
AUDITORS' REPORT
PRIMARY STATEMENTS
NOTES
APPENDICES

Consolidated statement of financial position[a]

Reference	*In thousands of euro*	*Note*	**31 December 2014**	**31 December 2013 Restated*[b]**	**1 January 2013 Restated*[b, c]**
IAS 1.10(a), 10(f), 38–38A, 40A–40B, 113					
	Assets				
IAS 1.54(a)	Property, plant and equipment	*20*	**26,586**	31,049	34,937
IAS 1.54(c)	Intangible assets and goodwill	*21*	**6,226**	4,661	5,429
IAS 1.54(f)	Biological assets	*15*	**4,698**	4,025	3,407
IAS 1.54(h)	Trade and other receivables	*17*	**213**	-	-
IAS 1.54(b), 17.49	Investment property	*22*	**1,370**	250	150
IAS 1.54(e)	Equity-accounted investees	*23*	**2,489**	1,948	1,530
IAS 1.54(d)	Other investments, including derivatives[d]	*24*	**3,631**	3,525	3,221
IAS 1.54(o), 56	Deferred tax assets	*14*	**2,116**	2,050	984
	Employee benefits	*12*	**671**	731	716
IAS 1.60	**Non-current assets[e]**		**48,000**	48,239	50,374
IAS 1.54(g)	Inventories	*16*	**11,603**	12,119	11,587
IAS 1.54(f)	Biological assets	*15*	**32**	31	29
IAS 1.54(d)	Other investments, including derivatives[d]	*24*	**662**	1,032	947
IAS 1.54(n)	Current tax assets		**34**	60	-
IAS 1.54(h)	Trade and other receivables	*17*	**32,402**	22,765	17,651
IAS 1.55	Prepayments		**330**	1,200	895
IAS 1.54(i)	Cash and cash equivalents	*18*	**1,505**	1,850	2,529
IFRS 5.38, 40, IAS 1.54(j)	Assets held for sale	*19*	**14,400**	-	-
IAS 1.60	**Current assets[e]**		**60,968**	39,057	33,638
	Total assets		**108,968**	87,296	84,012

* See Note 43.

Consolidated statement of financial position (continued)

	In thousands of euro	Note	31 December 2014	31 December 2013 Restated*[b]	1 January 2013 Restated*[b, c]
IAS 1.10(a), 10(f), 38–38A, 40A–40B, 113					
	Equity				
IAS 1.54(r), 78(e)	Share capital		**14,979**	14,550	14,550
IAS 1.55, 78(e)	Share premium		**4,777**	3,500	3,500
IAS 1.54(r), 78(e)	Reserves		**1,210**	462	332
IAS 1.55, 78(e)	Retained earnings		**20,886**	13,873	8,471
	Equity attributable to owners of the Company	25	**41,852**	32,385	26,853
IAS 1.54(q)	**Non-controlling interests**	34	**3,849**	3,109	2,720
	Total equity		**45,701**	35,494	29,573
	Liabilities				
IAS 1.54(m)	Loans and borrowings	27	**20,942**	19,031	20,358
IAS 1.55, 78(d)	Employee benefits	12	**912**	453	1,136
IAS 1.54(k)	Trade and other payables	28	**290**	5	4
IAS 1.55, 20.24	Deferred income/revenue	29	**1,424**	1,462	-
IAS 1.54(l)	Provisions	30	**1,010**	-	740
IAS 1.54(o), 56	Deferred tax liabilities	14	**549**	406	323
IAS 1.60	**Non-current liabilities**[e]		**25,127**	21,357	22,561
IAS 1.55	Bank overdraft	18	**334**	282	303
IAS 1.54(n)	Current tax liabilities		**4,853**	1,693	25
IAS 1.54(m)	Loans and borrowings	27	**4,988**	5,546	3,003
IAS 1.55, 78(d)	Employee benefits	12	**20**	388	13
IAS 1.54(k)	Trade and other payables	28	**22,698**	20,828	28,254
IAS 1.55, 11.42(b), 20.24	Deferred income/revenue	29	**177**	168	140
IAS 1.54(l)	Provisions	30	**660**	1,540	140
IFRS 5.38, 40, IAS 1.54(p)	Liabilities held for sale	19	**4,410**	-	-
IAS 1.60	**Current liabilities**[e]		**38,140**	30,445	31,878
	Total liabilities		**63,267**	51,802	54,439
	Total equity and liabilities		**108,968**	87,296	84,012

* See Note 43.

The notes on pages 16 to 125 are an integral part of these consolidated financial statements.

IAS 1.10 **a.** An entity may also use other titles – e.g. 'balance sheet' – as long as the meaning is clear and the title not misleading.

IAS 8.26, Insights 2.8.50.110 **b.** The Group has labelled the restated comparative information with the heading 'restated'.

In our view, this is necessary to highlight for users the fact that the comparative information is not the same as the information previously presented in the prior year's financial statements.

IAS 1.10(f), 40A **c.** The Group has presented a third statement of financial position as at the beginning of the preceding period, because a retrospective change in accounting policy (see Note 43) has a material effect on the information in the statement.

Insights 7.8.120.30 **d.** In our view, derivative assets and liabilities should be presented in separate line items in the statement of financial position if they are significant.

IAS 1.60–61 **e.** The Group has made a current/non-current distinction in the statement of financial position. An entity may present its assets and liabilities broadly in order of liquidity if such a presentation provides information that is reliable and more relevant. Our publication Guide to annual financial statements – Illustrative disclosures for banks provides an example presentation of assets and liabilities in order of liquidity.

INTRODUCTION

AUDITORS' REPORT

PRIMARY STATEMENTS

NOTES

APPENDICES

Consolidated statement of profit or loss and other comprehensive income[a]

For the year ended 31 December

Reference	*In thousands of euro*	*Note*	2014	2013 Restated*
IAS 1.10(b), 38–38A, 81A, 113				
	Continuing operations			
IAS 1.82(a)	Revenue	*7*	**102,716**	96,636
IAS 1.99, 103	Cost of sales[b]	*8(C)*	**(55,548)**	(56,186)
IAS 1.103	Gross profit		**47,168**	40,450
IAS 1.85	Other income	*8(A)*	**1,021**	194
IAS 1.99, 103	Selling and distribution expenses[b]	*8(C)*	**(17,984)**	(15,865)
IAS 1.99, 103	Administrative expenses[b]	*8(C)*	**(17,732)**	(14,428)
IAS 1.99, 103, 38.126	Research and development expenses[b]	*8(C)*	**(1,109)**	(697)
IAS 1.99, 103	Other expenses	*8(B)*	**(1,030)**	(30)
IAS 1.85, BC55–BC56	**Operating profit[c]**		**10,334**	9,624
IAS 1.85	Finance income		**1,161**	458
IAS 1.82(b)	Finance costs		**(1,707)**	(1,624)
IAS 1.85	**Net finance costs**	*9*	**(546)**	(1,166)
IAS 1.82(c)	Share of profit of equity-accounted investees, net of tax	*23*	**1,141**	587
IAS 1.85	**Profit before tax**		**10,929**	9,045
IAS 1.82(d), 12.77	Income tax expense	*14*	**(3,371)**	(2,520)
IAS 1.85	**Profit from continuing operations**		**7,558**	6,525
	Discontinued operation			
IFRS 5.33(a), IAS 1.82(ea)	Profit (loss) from discontinued operation, net of tax[d]	*6*	**379**	(422)
IAS 1.81A(a)	**Profit**		**7,937**	6,103
	Other comprehensive income			
IAS 1.82A(a)	**Items that will never be reclassified to profit or loss**			
IAS 1.85	Revaluation of property, plant and equipment	*20(F)*	**200**	-
IAS 1.85	Remeasurements of defined benefit liability (asset)	*12(B)*	**72**	(15)
IAS 1.85	Equity-accounted investees – share of OCI	*23, 25(D)*	**13**	(3)
IAS 1.91(b)	Related tax[e]	*14(B)*	**(90)**	5
			195	(13)
IAS 1.82A(b)	**Items that are or may be reclassified to profit or loss**			
IAS 21.52(b)	Foreign operations – foreign currency translation differences		**680**	471
IAS 1.85	Net investment hedge – net loss		**(3)**	(8)
IAS 1.85	Equity-accounted investees – share of OCI	*23, 25(D)*	**(172)**	(166)
IAS 1.85, 92	Reclassification of foreign currency differences on loss of significant influence	*33(D)*	**(20)**	-
IFRS 7.23(c)	Cash flow hedges – effective portion of changes in fair value		**(62)**	95
IFRS 7.23(d), IAS 1.92	Cash flow hedges – reclassified to profit or loss[f]		**(31)**	(11)
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value		**199**	118
IFRS 7.20(a)(ii), IAS 1.92	Available-for-sale financial assets – reclassified to profit or loss[f]		**(64)**	-
IAS 1.91(b)	Related tax[e]	*14(B)*	**(14)**	(67)
			513	432
IAS 1.81A(b)	**Other comprehensive income, net of tax**		**708**	419
IAS 1.81A(c)	**Total comprehensive income**		**8,645**	6,522

* See Notes 6, 20(H) and 43.

Consolidated statement of profit or loss and other comprehensive income (continued)

For the year ended 31 December

Reference	*In thousands of euro*	*Note*	2014	2013 Restated*
IAS 1.10(b), 38–38A, 81A, 113				
	Profit attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		**7,413**	5,736
IAS 1.81B(a)(i)	Non-controlling interests	*34*	**524**	367
			7,937	6,103
	Total comprehensive income attributable to:			
IAS 1.81B(b)(ii)	Owners of the Company		**8,094**	6,133
IAS 1.81B(b)(i)	Non-controlling interests	*34*	**551**	389
			8,645	6,522
IAS 33.4	**Earnings per share**			
IAS 33.66	Basic earnings per share (euro)	*10*	**2.26**	1.73
IAS 33.66	Diluted earnings per share (euro)	*10*	**2.15**	1.72
	Earnings per share – Continuing operations			
IAS 33.66	Basic earnings per share (euro)	*10*	**2.14**	1.87
IAS 33.66	Diluted earnings per share (euro)	*10*	**2.03**	1.86

* See Notes 6, 20(H) and 43.

The notes on pages 16 to 125 are an integral part of these consolidated financial statements.

IAS 1.10A **a.** The Group has elected to present comprehensive income using a ‘one-statement’ approach. For an illustration of the alternative ‘two-statement’ approach, see Appendix II.

IAS 1.99–100 **b.** The Group has elected to analyse expenses recognised in profit or loss based on functions within the Group. Alternatively, an entity may present the analysis based on nature if this presentation provides information that is reliable and more relevant. The analysis may also be presented in the notes.

IAS 1.85, BC55–BC56 **c.** The Group has elected to present a subtotal of ‘operating profit’, even though this term is not defined in IFRS in the context of comprehensive income, and such disclosure is not required. An entity should ensure that the amount disclosed is representative of activities that would normally be regarded as ‘operating’, and it would be inappropriate to exclude items clearly related to operations.

IFRS 5.33(a)–(b), IAS 1.82(ea) **d.** The Group has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss and OCI, and has analysed that single amount into revenue, expenses and the pre-tax profit or loss in Note 6. Alternatively, an entity may present the analysis in the statement.

IAS 1.90–91 **e.** The Group has elected to present individual components of OCI before related tax with an aggregate amount presented for tax in the statement of profit or loss and OCI, and has provided disclosures related to tax on each component of OCI in Note 14(B). Alternatively, an entity may present individual components of OCI net of related tax in the statement.

IAS 1.94 **f.** The Group has elected to present reclassification adjustments in the statement of profit or loss and OCI. Alternatively, an entity may present these adjustments in the notes.

Consolidated statement of changes in equity

For the year ended 31 December 2014

			Attributable to owners of the Company											
IAS 1.10(c), 108, 113	*In thousands of euro*	**Note**	**Share capital**	**Share premium**	**Translation reserve**	**Hedging reserve**	**Fair value reserve**	**Revaluation reserve**	**Treasury share reserve**	**Equity component of convertible notes**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	Restated balance at 31 December 2013		**14,550**	**3,500**	**156**	**490**	**96**	**-**	**(280)**	**-**	**13,873**	**32,385**	**3,109**	**35,494**
	Total comprehensive income													
IAS 1.106(d)(i)	Profit		-	-	-	-	-	-	-	-	7,413	7,413	524	7,937
IAS 1.106(d)(ii), 106A	Other comprehensive income	*14(B), 25(D)*	-	-	458	(62)	90	134	-	-	61	681	27	708
IAS 1.106(a)	**Total comprehensive income**		**-**	**-**	**458**	**(62)**	**90**	**134**	**-**	**-**	**7,474**	**8,094**	**551**	**8,645**
	Transactions with owners of the Company													
IAS 1.106(d)(iii)	**Contributions and distributions**													
	Issue of ordinary shares	*25(A)*	390	1,160	-	-	-	-	-	-	-	1,550	-	1,550
	Business combination	*33(A)*	24	63	-	-	-	-	-	-	120	207	-	207
	Issue of convertible notes	*14(C), 27(C)*	-	-	-	-	-	-	-	109	-	109	-	109
	Treasury shares sold[a]	*25(B)*	-	19	-	-	-	-	11	-	-	30	-	30
	Dividends	*25(C)*	-	-	-	-	-	-	-	-	(1,243)	(1,243)	-	(1,243)
	Equity-settled share-based payment[b]	*13*	-	-	-	-	-	-	-	-	755	755	-	755
	Share options exercised	*25(A)*	15	35	-	-	-	-	-	-	-	50	-	50
	Total contributions and distributions		**429**	**1,277**	**-**	**-**	**-**	**-**	**11**	**109**	**(368)**	**1,458**	**-**	**1,458**
IAS 1.106(d)(iii)	**Changes in ownership interests**													
	Acquisition of NCI without a change in control	*35*	-	-	8	-	-	-	-	-	(93)	(85)	(115)	(200)
	Acquisition of subsidiary with NCI	*33*	-	-	-	-	-	-	-	-	-	-	304	304
	Total changes in ownership interests		**-**	**-**	**8**	**-**	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**189**	**104**
	Total transactions with owners of the Company		**429**	**1,277**	**8**	**-**	**-**	**-**	**11**	**109**	**(461)**	**1,373**	**189**	**1,562**
	Balance at 31 December 2014		**14,979**	**4,777**	**622**	**428**	**186**	**134**	**(269)**	**109**	**20,886**	**41,852**	**3,849**	**45,701**

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2013

Reference	In thousands of euro	Note	Attributable to owners of the Company										Non-controlling interests	Total equity
			Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Treasury share reserve	Equity component of convertible notes	Retained earnings	Total		
IAS 1.10(c), 38–38A, 108, 113														
	Balance at 1 January 2013, as previously reported		14,550	3,500	(119)	434	17	-	-	-	8,414	26,796	2,720	29,516
IAS 1.106(b)	Impact of change in accounting policy	43	-	-	-	-	-	-	-	-	57	57	-	57
	Restated balance at 1 January 2013		14,550	3,500	(119)	434	17	-	-	-	8,471	26,853	2,720	29,573
	Total comprehensive income (restated)													
IAS 1.106(d)(i)	Profit		-	-	-	-	-	-	-	-	5,736	5,736	367	6,103
IAS 1.106(d)(ii), 106A	Other comprehensive income	14(B), 25(D)	-	-	275	56	79	-	-	-	(13)	397	22	419
IAS 1.106(a)	**Total comprehensive income (restated)**		-	-	275	56	79	-	-	-	5,723	6,133	389	6,522
IAS 1.106(d)(iii)	**Transactions with owners of the Company**													
	Contributions and distributions													
	Treasury shares acquired[a]	25(B)	-	-	-	-	-	-	(280)	-	-	(280)	-	(280)
	Dividends	25(C)	-	-	-	-	-	-	-	-	(571)	(571)	-	(571)
	Equity-settled share-based payment[b]	13, 14(C)	-	-	-	-	-	-	-	-	250	250	-	250
	Total transactions with owners of the Company		-	-	-	-	-	-	(280)	-	(321)	(601)	-	(601)
	Restated balance at 31 December 2013		14,550	3,500	156	490	96	-	(280)	-	13,873	32,385	3,109	35,494

The notes on pages 16 to 125 are an integral part of these consolidated financial statements.

IAS 32.33, Insights 7.3.480 — a. IFRS does not mandate a specific method of presenting treasury shares within equity. Local laws may prescribe the presentation, and an entity may or may not be allowed to recognise a portion of the treasury share transaction against share premium. An entity needs to take into account its legal environment when choosing how to present its own shares within equity. Whichever method is selected, it should be applied consistently.

Insights 4.5.900.30 — b. Generally, IFRS 2 *Share-based Payment* does not address whether an increase in equity recognised in connection with a share-based payment transaction should be presented in a separate component within equity or within retained earnings. In our view, either approach is allowed. The Group has elected to present this increase in retained earnings.

INTRODUCTION
AUDITORS' REPORT
PRIMARY STATEMENTS
NOTES
APPENDICES

Consolidated statement of cash flows

For the year ended 31 December

Reference	*In thousands of euro*	*Note*	2014	2013
IAS 1.10(d), 38–38A, 113				
IAS 7.18(b)	**Cash flows from operating activities**[a]			
	Profit[b]		**7,937**	6,103
	Adjustments for:			
	– Depreciation	*20(A)*	**5,001**	5,122
	– Amortisation	*21(A)*	**785**	795
	– (Reversal of) impairment losses on property, plant and equipment	*20(B)*	**(393)**	1,123
	– Impairment losses on intangible assets and goodwill	*21(C)*	**16**	285
	– Impairment loss on remeasurement of disposal group	*19(A)*	**35**	-
	– Change in fair value of biological assets	*15(A)*	**(587)**	(28)
	– Increase in fair value of investment property	*22(A)*	**(20)**	(60)
	– Impairment loss on trade receivables	*8(B), 31(C)*	**150**	30
	– Net finance costs	*9*	**546**	1,166
	– Share of profit of equity-accounted investees, net of tax	*23*	**(1,141)**	(587)
	– Gain on sale of property, plant and equipment	*8(A)*	**(26)**	(16)
	– Gain on sale of discontinued operation, net of tax	*6*	**(516)**	-
	– Equity-settled share-based payment transactions	*13*	**755**	248
	– Tax expense	*14*	**3,346**	2,476
			15,888	16,657
	Changes in:			
	– Inventories		**(1,306)**	(197)
	– Trade and other receivables		**(16,461)**	(5,527)
	– Prepayments		**870**	(305)
	– Trade and other payables		**6,622**	(7,421)
	– Provisions and employee benefits		**26**	274
	– Deferred income/revenue		**(29)**	1,490
	Cash generated from operating activities		**5,610**	4,971
IAS 7.31–32	Interest paid[c, d]		**(1,499)**	(1,289)
IAS 7.35	Taxes paid		**(400)**	(1,913)
IAS 7.10	**Net cash from operating activities**		**3,711**	1,769

Consolidated statement of cash flows (continued)

For the year ended 31 December

Reference	*In thousands of euro*	Note	2014	2013
IAS 1.10(d), 38–38A, 113				
	Cash flows from investing activities			
IAS 7.31	Interest received[c]		**6**	19
IAS 7.31	Dividends received[c]		**26**	32
IAS 7.16(b)	Proceeds from sale of property, plant and equipment		**1,177**	397
IAS 7.21	Proceeds from sale of investments		**1,476**	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of[e]	*6*	**10,890**	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired	*33*	**(1,799)**	-
IAS 7.16(a)	Acquisition of property, plant and equipment	*20(A)*	**(15,657)**	(2,228)
IAS 7.16(a)	Acquisition of investment property	*22(A)*	**(300)**	(40)
IAS 7.21	Purchase of non-current biological assets	*15(A)*	**(305)**	(814)
IAS 7.16(a)	Acquisition of other investments		**(359)**	(363)
IAS 24.18	Dividends from equity-accounted investees	*23(A)*	**21**	-
IAS 7.21	Development expenditure		**(1,235)**	(503)
IAS 7.10	**Net cash used in investing activities**		**(6,059)**	(2,966)
	Cash flows from financing activities			
IAS 7.17(a)	Proceeds from issue of share capital	*25(A)*	**1,550**	-
IAS 7.17(c)	Proceeds from issue of convertible notes	*27(C)*	**5,000**	-
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	*27(D)*	**2,000**	-
IAS 7.17(c)	Proceeds from loans and borrowings		**591**	4,439
IAS 7.21	Proceeds from sale of treasury shares		**30**	-
IAS 7.21	Proceeds from exercise of share options	*25(A)*	**50**	-
IAS 7.16(h)	Proceeds from settlement of derivatives		**5**	11
IAS 7.21	Transaction costs related to loans and borrowings	*27(C), (D)*	**(311)**	-
IAS 7.42A	Acquisition of non-controlling interests	*35*	**(200)**	-
IAS 7.17(b)	Repurchase of treasury shares		**-**	(280)
IAS 7.17(d)	Repayment of borrowings		**(5,055)**	(2,445)
IAS 7.17(e)	Payment of finance lease liabilities		**(454)**	(590)
IAS 7.31	Dividends paid[c]	*25(C)*	**(1,243)**	(571)
IAS 7.10	**Net cash from financing activities**		**1,963**	564
	Net decrease in cash and cash equivalents		**(385)**	(633)
	Cash and cash equivalents at 1 January*		**1,568**	2,226
IAS 7.28	Effect of movements in exchange rates on cash held		**(12)**	(25)
	Cash and cash equivalents at 31 December*	*18*	**1,171**	1,568

IAS 7.45 * Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

The notes on pages 16 to 125 are an integral part of these consolidated financial statements.

IAS 7.18–19 **a.** The Group has elected to present cash flows from operating activities using the indirect method. Alternatively, an entity may present operating cash flows using the direct method, disclosing major classes of gross cash receipts and payments related to operating activities (see Appendix III).

IAS 7.18, 20, A, Insights 2.3.30.20 **b.** The Group has used 'profit or loss' as the starting point for presenting operating cash flows using the indirect method. This is the starting point referred to in IAS 7 *Statement of Cash Flows*, although the example provided in the appendix to the standard starts with a different figure – 'profit before tax'. Because the appendix does not have the same status as the standard, it would be more appropriate to follow the standard.

IAS 7.31, Insights 2.3.50.20 **c.** In the absence of specific guidance in IFRS, an entity should choose an accounting policy, to be applied consistently, for classifying interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities.

Insights 2.3.50.38 **d.** In our view, an entity should choose an accounting policy, to be applied consistently, to classify cash flows related to capitalised interest as follows:

- as cash flows from investing activities if the other cash payments to acquire the qualifying asset are reflected as investing activities; or
- consistently with interest cash flows that are not capitalised (which has been applied by the Group).

IFRS 5.33(c), Insights 5.4.220.40 **e.** The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 6(B). However, in our view cash flows from discontinued operations may be presented in other ways.

IAS 1.10(e)

Notes to the consolidated financial statements[a]

1. Reporting entity

IAS 1.51(a)–(b), 138(a)–(b)

[*Name of Company*] (the 'Company') is domiciled in [*Country X*]. The Company's registered office is at [*address*]. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in manufacturing paper and paper-related products, cultivating trees and selling wood (see Note 5(A)).

2. Basis of accounting

IAS 1.16, 112(a), 10.17

These consolidated financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Company's board of directors on [*date*].

Details of the Group's accounting policies, including changes during the year, are included in Notes 43 and 44.

3. Functional and presentation currency

IAS 1.51(d)–(e)

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

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are recognised prospectively.

A. Judgements

IAS 1.122

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 7 and 44(D)(iii) – commission revenue: whether the Group acts as an agent in the transaction rather than as a principal;
- Note 44(A)(v) – classification of the joint arrangement;
- Notes 27(E) and 44(U)(i) – leases: whether an arrangement contains a lease;
- Notes 32(A) and 44(A)(ii) – consolidation: whether the Group has de facto control over an investee; and
- Notes 37(A) and 44(U) – lease classification.

B. Assumptions and estimation uncertainties

IAS 1.125, 129–130

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2015 is included in the following notes:

- Note 12(D)(i) – measurement of defined benefit obligations: key actuarial assumptions;
- Note 14(G) – recognition of deferred tax assets: availability of future taxable profit against which carryforward tax losses can be used;
- Note 21(C) – impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Notes 30 and 39 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note 33(C) – acquisition of subsidiary: fair value measured on a provisional basis.

IAS 1.113–115

a. Notes are presented in a systematic order and are cross-referred to/from items in the primary statements. IAS 1 *Presentation of Financial Statements* provides an order of notes that entities normally present. However, the standard also indicates that it may be necessary or desirable to vary the order, and that the notes providing information about the basis of preparation and specific accounting policies may be presented as a separate section of the financial statements. The Group has applied its judgement in presenting related information together in cohesive sections. It has also presented the notes sorted from most to least important, as viewed by management. The order presented is only illustrative and entities need to tailor the organisation of the notes to fit their specific circumstances.

Notes to the consolidated financial statements (continued)

4. Use of judgements and estimates (continued)

B. Assumptions and estimation uncertainties (continued)

i. Measurement of fair values

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.

IFRS 13.93(g)

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

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

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

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

IFRS 13.95

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

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

- Note 11(B) – share-based payment arrangements;[a]
- Note 15(B) – biological assets;
- Note 19(D) – disposal group held for sale;
- Note 22(B) – investment property;
- Note 31(B) – financial instruments; and
- Note 33(C)(i) – acquisition of subsidiary.[a on page 94]

IFRS 13.6(a)

a. The Group has included in the list above the reference to the disclosures about the measurement of fair values for share-based payment arrangements. However, the measurement and disclosure requirements of IFRS 13 *Fair Value Measurement* do not apply to these arrangements.

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

5. Operating segments[a]

A. Basis for segmentation

IFRS 8.20–22

The Group has the following six strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

IAS 41.46(a)

Reportable segments	Operations
Standard Papers	Buying, manufacturing and distributing pulp and paper
Recycled Papers	Buying, recycling and distributing pulp and paper
Packaging (sold in May 2014; see Note 6)	Designing and manufacturing packaging materials
Forestry	Cultivating and managing forest resources and related services
Timber Products	Manufacturing and distributing softwood lumber, plywood, veneer, composite panels, engineered lumber, raw materials and building materials
Research and Development	Conducting research and development activities

The Group's CEO reviews the internal management reports of each division at least quarterly.

IFRS 8.16, IAS 41.46(a)

Other operations include the cultivation and sale of farm animals (sheep and cattle), the construction of storage units and warehouses, the rental of investment property and the manufacture of furniture and related parts (see Notes 7 and 15). None of these segments met the quantitative thresholds for reportable segments in 2014 or 2013.

IFRS 8.27(a)

There are varying levels of integration between the Forestry and Timber Products segments, and the Standard Papers and Recycled Papers segments. This integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis.

IFRS 8.IN13, 27–28

a. Operating segment disclosures are consistent with the information reviewed by the chief operating decision maker (CODM) and will vary from one entity to another and may not be in accordance with IFRS.

To help understand the segment information presented, an entity discloses information about the measurement basis adopted, such as the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, the nature and effect of any asymmetrical allocations to reportable segments and reconciliations of segment information to the corresponding IFRS amounts in the financial statements.

The Group's internal measures are consistent with IFRS. Therefore, the reconciling items are limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

5. Operating segments (continued)

B. Information about reportable segments

IFRS 8.27

Information related to each reportable segment is set out below. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

		Reportable segments								
IFRS 8.16	**2014** *In thousands of euro*	**Standard Papers**	**Recycled Papers**	**Packaging (discontinued)***	**Forestry**	**Timber Products**	**Research and Development**	**Total reportable segments**	**All other segments**	**Total**
IFRS 8.23(a), 32	External revenues[a]	64,118	30,367	7,543	3,967	2,700	-	108,695	1,564	110,259
IFRS 8.23(b)	Inter-segment revenue[a]	-	317	940	2,681	1,845	875	6,658	891	7,549
	Segment revenue	64,118	30,684	8,483	6,648	4,545	875	115,353	2,455	117,808
IFRS 8.21(b), 23	Segment profit (loss) before tax	6,627	5,595	(158)	1,208	(263)	101	13,110	771	13,881
IFRS 8.23(c)	Interest income[a]	109	42	-	45	10	-	206	4	210
IFRS 8.23(d)	Interest expense[a]	(589)	(397)	-	(349)	(76)	-	(1,411)	(5)	(1,416)
IFRS 8.23(e)	Depreciation and amortisation[a]	(1,999)	(1,487)	(623)	(1,069)	(233)	(189)	(5,600)	(231)	(5,831)
IFRS 8.23(g)	Share of profit (loss) of equity-accounted investees[a]	1,109	-	-	32	-	-	1,141	-	1,141
IFRS 8.23(i)	Other material non-cash items:[a]									
IAS 36.129(a)	– Impairment losses on non-financial assets	-	-	-	-	(116)	-	(116)	-	(116)
IAS 36.129(b)	– Reversal of impairment losses on non-financial assets	493	-	-	-	-	-	493	-	493
IFRS 8.21(b)	**Segment assets**[a]	41,054	23,025	-	24,929	4,521	2,323	95,852	7,398	103,250
IFRS 8.24(a)	Equity-accounted investees	2,209	-	-	280	-	-	2,489	-	2,489
IFRS 8.24(b)	Capital expenditure	9,697	6,365	-	1,158	545	1,203	18,968	560	19,528
IFRS 8.21(b)	**Segment liabilities**[a]	39,399	12,180	-	6,390	1,236	169	59,374	237	59,611

* See Note 6.

IFRS 8.23 a. The Group has disclosed these amounts for each reportable segment because they are regularly provided to the CODM.

5. Operating segments (continued)

B. Information about reportable segments (continued)

Reference		Reportable segments (Restated)*								
IFRS 8.16	**2013** *In thousands of euro*	**Standard Papers**	**Recycled Papers**	**Packaging (discontinued)****	**Forestry**	**Timber Products**	**Research and Development**	**Total reportable segments**	**All other segments**	**Total (Restated)***
IFRS 8.23(a), 32	External revenues[a]	67,092	22,060	23,193	3,483	2,985	-	118,813	1,016	119,829
IFRS 8.23(b)	Inter-segment revenue[a]	-	323	2,835	2,676	1,923	994	8,751	765	9,516
	Segment revenue	67,092	22,383	26,028	6,159	4,908	994	127,564	1,781	129,345
IFRS 8.21(b), 23	Segment profit (loss) before tax	4,106	3,811	(458)	971	1,280	67	9,777	195	9,972
IFRS 8.23(c)	Interest income[a]	91	24	-	27	7	-	149	3	152
IFRS 8.23(d)	Interest expense[a]	(577)	(355)	-	(301)	(63)	-	(1,296)	(4)	(1,300)
IFRS 8.23(e)	Depreciation and amortisation[a]	(2,180)	(1,276)	(1,250)	(696)	(201)	(165)	(5,768)	(199)	(5,967)
IFRS 8.23(g)	Share of profit (loss) of equity-accounted investees[a]	561	-	-	26	-	-	587	-	587
IFRS 8.23(i)	Other material non-cash items:[a]									
IAS 36.129(a)	– Impairment losses on non-financial assets	(1,408)	-	-	-	-	-	(1,408)	-	(1,408)
IAS 36.129(b)	– Reversal of impairment losses on non-financial assets	-	-	-	-	-	-	-	-	-
IFRS 8.21(b)	**Segment assets**[a]	25,267	16,003	13,250	18,222	3,664	1,946	78,352	3,683	82,035
IFRS 8.24(a)	Equity-accounted investees	1,700	-	-	248	-	-	1,948	-	1,948
IFRS 8.24(b)	Capital expenditure	1,136	296	127	722	369	123	2,773	150	2,923
IFRS 8.21(b)	**Segment liabilities**[a]	26,907	14,316	2,959	4,540	1,456	158	50,336	454	50,790

IFRS 8.29

* As a result of the acquisition of Papyrus Pty Limited (Papyrus) during 2014 (see Note 33), the Group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the year ended 31 December 2013.

** See Note 6.

IFRS 8.23 a. The Group has disclosed these amounts for each reportable segment because they are regularly provided to the CODM.

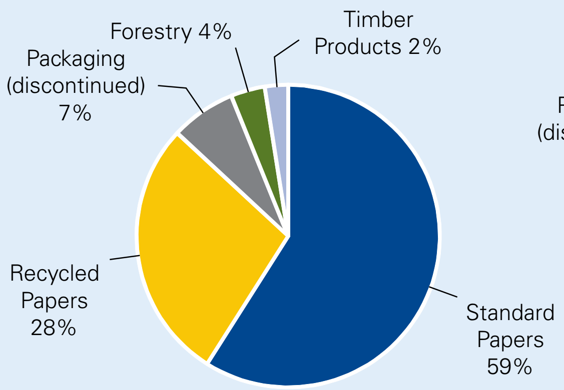
Notes to the consolidated financial statements (continued)

5. Operating segments (continued)

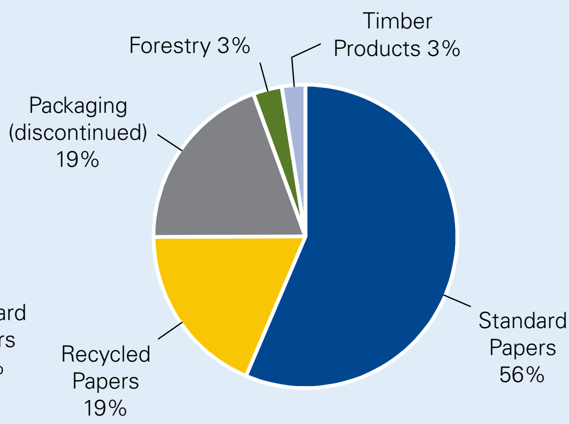
B. Information about reportable segments (continued)

*i. External revenues**

2014

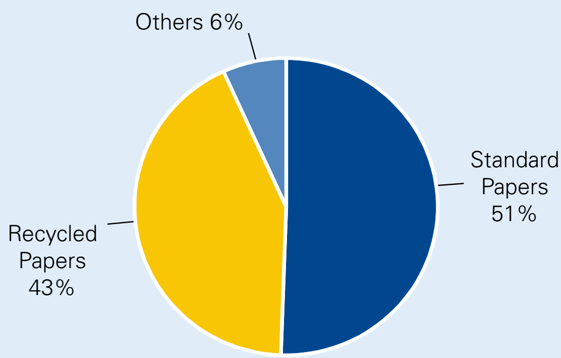


2013

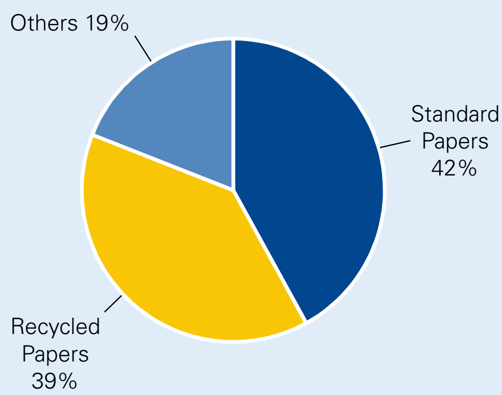


*ii. Profit before tax**

2014

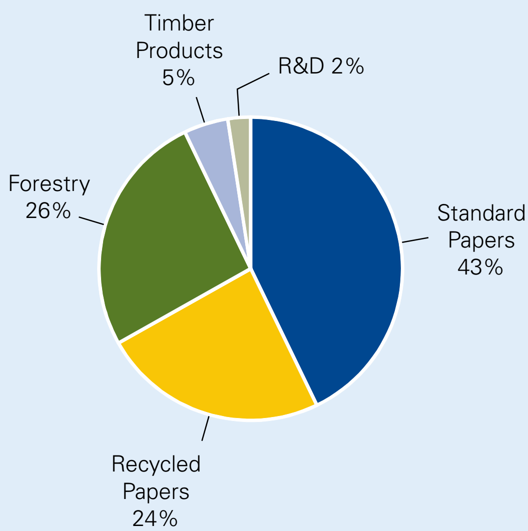


2013

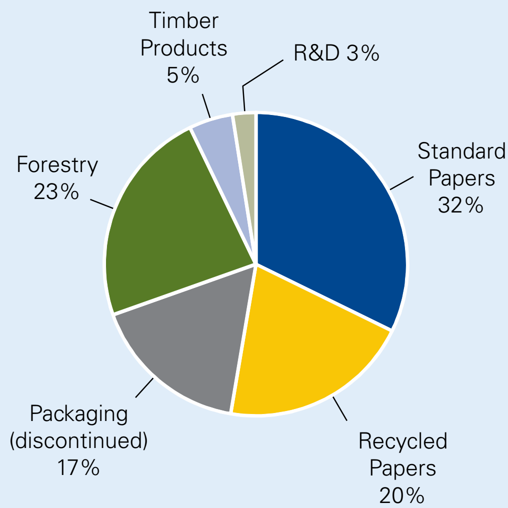


*iii. Assets**

2014



2013



* As a percentage of the total for all reportable segments. Excludes other segments.

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

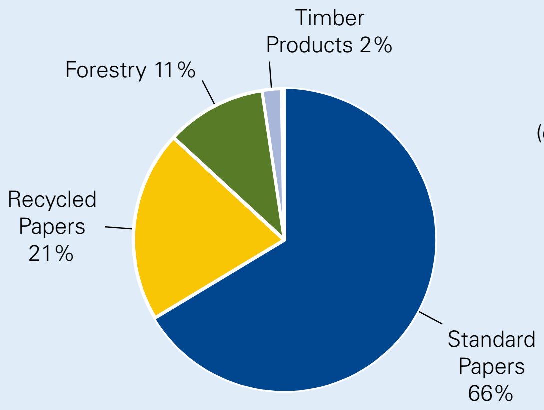
Notes to the consolidated financial statements (continued)

5. Operating segments (continued)

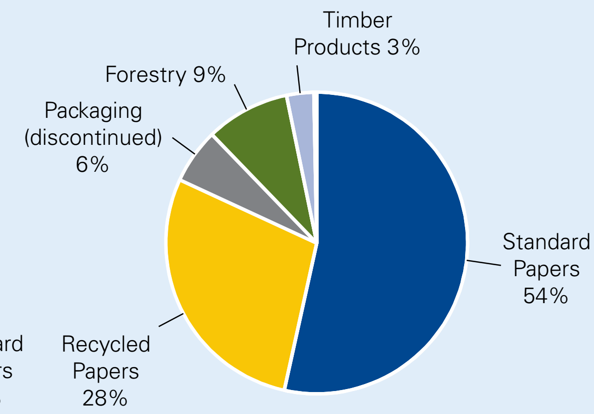
B. Information about reportable segments (continued)

*iv. Liabilities**

2014



2013



* As a percentage of the total for all reportable segments. Excludes other segments.

C. Reconciliations of information on reportable segments to IFRS measures[a on page 18]

In thousands of euro	***Note***	**2014**	**2013**
i. Revenues (IFRS 8.28(a))			
Total revenue for reportable segments		**115,353**	127,564
Revenue for other segments		**2,455**	1,781
Elimination of inter-segment revenue		**(7,549)**	(9,516)
Elimination of discontinued operations	*6*	**(7,543)**	(23,193)
Consolidated revenue		**102,716**	96,636
ii. Profit before tax (IFRS 8.28(b))			
Total profit before tax for reportable segments		**13,110**	9,777
Profit before tax for other segments		**771**	195
Elimination of inter-segment profit		**(1,691)**	(1,167)
Elimination of discontinued operation	*6*	**158**	458
Unallocated amounts:			
– Other corporate expenses		**(2,560)**	(805)
– Share of profit of equity-accounted investees	*23*	**1,141**	587
Consolidated profit before tax from continuing operations (restated)*		**10,929**	9,045
iii. Assets (IFRS 8.28(c))			
Total assets for reportable segments		**95,852**	78,352
Assets for other segments		**7,398**	3,683
Equity-accounted investees	*23*	**2,489**	1,948
Other unallocated amounts		**3,229**	3,313
Consolidated total assets		**108,968**	87,296
iv. Liabilities (IFRS 8.28(d))			
Total liabilities for reportable segments		**59,374**	50,336
Liabilities for other segments		**237**	454
Other unallocated amounts		**3,656**	1,012
Consolidated total liabilities (restated)*		**63,267**	51,802

* See Note 43.

Notes to the consolidated financial statements (continued)

5. Operating segments (continued)

C. Reconciliations of information on reportable segments to IFRS measures (continued)

IFRS 8.28(e)

v. Other material items

2014 *In thousands of euro*	**Reportable segment totals**	**Adjustments**	**Consolidated totals**
Interest income	**206**	**2**	**208**
Interest expense	**1,411**	**2**	**1,413**
Capital expenditure	**18,968**	**560**	**19,528**
Depreciation and amortisation	**5,600**	**186**	**5,786**
Impairment losses on non-financial assets	**116**	**-**	**116**
Reversal of impairment losses on non-financial assets	**493**	**-**	**493**

2013 *In thousands of euro*	**Reportable segment totals**	**Adjustments**	**Consolidated totals**
Interest income	149	2	151
Interest expense	1,296	3	1,299
Capital expenditure	2,773	150	2,923
Depreciation and amortisation	5,768	149	5,917
Impairment losses on non-financial assets	1,408	-	1,408

IFRS 8.33(a)–(b)

D. Geographic information[a, b]

The Standard Papers, Recycled Papers and Forestry segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in [*Country X*], the Netherlands, Germany, the UK and the US.

The geographic information below analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the following information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

i. Revenue

In thousands of euro	**2014**	**2013**
[Country X]	**31,696**	34,298
All foreign countries		
Germany	**23,556**	25,877
Netherlands	**22,654**	25,641
UK	**4,001**	5,300
US	**22,643**	23,268
Other countries	**5,709**	5,445
Packaging (discontinued)	**(7,543)**	(23,193)
	102,716	96,636

Insights 5.2.220.20 a. In our view, the disclosure of revenue from external customers by region – e.g. Europe or Asia – is not sufficient if the revenue attributed to an individual foreign country is material.

IFRS 8.32, IG5 b. As part of the required 'entity-wide disclosures', an entity discloses revenue from external customers for each product and service, or each group of similar products and services, regardless of whether the information is used by the CODM in assessing segment performance. This disclosure is based on the financial information used to produce the entity's financial statements. The Group has not provided additional disclosures in this regard, because the revenue information provided in the overall table of information about reportable segments has already been prepared in accordance with IFRS.

Notes to the consolidated financial statements (continued)

5. Operating segments (continued)

D. Geographic information (continued)

ii. Non-current assets

In thousands of euro	2014	2013
[Country X]	**15,013**	14,273
All foreign countries		
Germany	**6,104**	7,877
Netherlands	**9,608**	8,986
UK	**2,002**	1,998
US	**7,691**	7,807
Other countries	**951**	992
	41,369	41,933

Non-current assets exclude financial instruments, deferred tax assets and employee benefit assets.

E. Major customer

IFRS 8.34

Revenues from one customer of the Group's Standard Papers and Recycled Papers segments represented approximately €20,000 thousand (2013: €17,500 thousand) of the Group's total revenues.

6. Discontinued operation

See accounting policy in Note 44(C).

IFRS 5.30, 41(a)–(b), (d)

In May 2014, the Group sold its entire Packaging segment (see Note 5). Management committed to a plan to sell this segment early in 2014, following a strategic decision to place greater focus on the Group's key competencies – i.e. the manufacture of paper used in the printing industry, forestry and the manufacture of timber products.

The Packaging segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been restated to show the discontinued operation separately from continuing operations.

IAS 1.98(e)

A. Results of discontinued operation[a]

Reference	*In thousands of euro*	*Note*	2014	2013
IFRS 5.33(b)(i)	Revenue		**7,543**	23,193
IFRS 5.33(b)(i)	Expenses		**(7,705)**	(23,659)
IFRS 5.33(b)(i)	**Results from operating activities**		**(162)**	(466)
IFRS 5.33(b)(ii), IAS 12.81(h)(ii)	Income tax	*14(A)*	**25**	44
IFRS 5.33(b)(i)	**Results from operating activities, net of tax**		**(137)**	(422)
IFRS 5.33(b)(iii)	Gain on sale of discontinued operation		**846**	-
IFRS 5.33(b)(ii), IAS 12.81(h)(i)	Income tax on gain on sale of discontinued operation	*14(A)*	**(330)**	-
IFRS 5.33(a)	**Profit (loss) for the year**		**379**	(422)
IAS 33.68	Basic earnings (loss) per share (euro)[b]	*10*	**0.12**	(0.14)
IAS 33.68	Diluted earnings (loss) per share (euro)[b]	*10*	**0.12**	(0.14)

IFRS 5.33(d)

The profit from the discontinued operation of €379 thousand (2013: loss of €422 thousand) is attributable entirely to the owners of the Company. Of the profit from continuing operations of €7,558 thousand (2013: €6,525 thousand), an amount of €7,034 thousand is attributable to the owners of the Company (2013: €6,158 thousand).

IFRS 5.33(c)

B. Cash flows from (used in) discontinued operation[c]

In thousands of euro	*Note*	2014	2013
Net cash used in operating activities		**(225)**	(910)
Net cash from investing activities	*(C)*	**10,890**	-
Net cash flow for the year		**10,665**	(910)

IAS 7.40(d)

C. Effect of disposal on the financial position of the Group

Reference	*In thousands of euro*	*Note*	2014
	Property, plant and equipment		**(7,986)**
	Inventories		**(134)**
	Trade and other receivables		**(3,955)**
IAS 7.40(c)	Cash and cash equivalents		**(110)**
	Deferred tax liabilities		**110**
	Trade and other payables		**1,921**
	Net assets and liabilities		**(10,154)**
IAS 7.40(a)–(b)	Consideration received, satisfied in cash		**11,000**
	Cash and cash equivalents disposed of		**(110)**
	Net cash inflow	*(B)*	**10,890**

Insights 5.4.220.12–17 a. Transactions between the continuing and discontinued operations (see Note 5(B)–(C)) are eliminated in the discontinued operation. In our view, if the transactions between the continuing and discontinued operations are expected to continue after the operations are disposed of, then one acceptable approach is to present the results of the discontinued operation in a way that reflects the continuance of the relationship.

IAS 33.68 b. Alternatively, basic and diluted earnings per share for the discontinued operation may be presented in the statement of profit or loss and OCI.

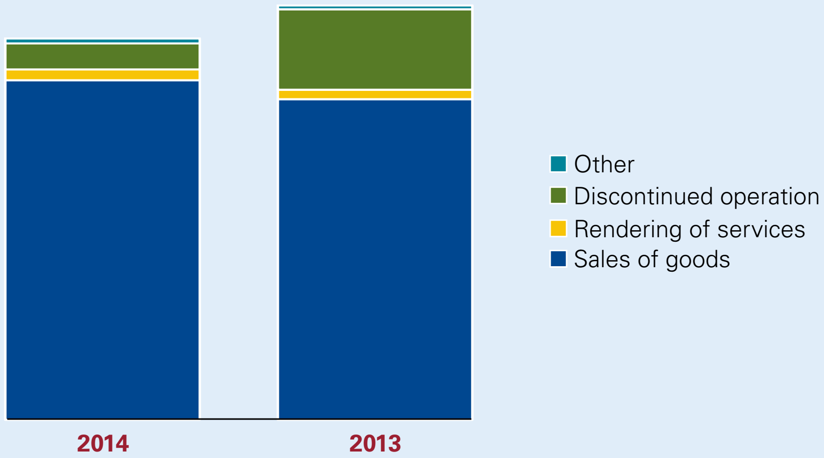
IFRS 5.33(c) c. Alternatively, the disclosure of the net cash flow attributable to the operating, investing and financing activities of the discontinued operation may be presented separately in the statement of cash flows.

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

7. Revenue[a]

See accounting policy in Note 44(D).



Reference	In thousands of euro	Note	Continuing operations 2014	Continuing operations 2013	Discontinued operation (see Note 6) 2014	Discontinued operation (see Note 6) 2013	Total 2014	Total 2013
IAS 18.35(b)(i)	Sales of goods		**98,176**	92,690	**7,543**	23,193	**105,719**	115,883
IAS 18.35(b)(ii)	Rendering of services		**3,120**	2,786	**-**	-	**3,120**	2,786
IAS 18.35(b)(ii)	Commissions		**451**	307	**-**	-	**451**	307
IAS 40.75(f)(i)	Investment property rentals	*37(B)*	**310**	212	**-**	-	**310**	212
IAS 11.39(a)	Construction contract revenue		**659**	641	**-**	-	**659**	641
			102,716	96,636	**7,543**	23,193	**110,259**	119,829

IAS 1.122

In respect of commissions, management considers that the following factors indicate that the Group acts as an agent.

- The Group neither takes title to nor is exposed to inventory risk related to the goods, and has no significant responsibility in respect of the goods sold.
- Although the Group collects the revenue from the final customer, all credit risk is borne by the supplier of the goods.
- The Group cannot vary the selling prices set by the supplier by more than 1%.

At 31 December 2014, the Group has deferred revenue of €50 thousand (2013: €38 thousand) relating to its customer loyalty programme (see Note 29).

IAS 18.35(b)(iii), Insights 4.2.720.20

a. Although interest and dividends are also referred to as 'revenue' in IAS 18 *Revenue*, the Group has presented these amounts within 'finance income' (see Note 9). In our experience, this presentation is generally followed by entities other than financial institutions.

Notes to the consolidated financial statements (continued)

8. Income and expenses

IAS 1.97

A. Other income

	In thousands of euro	*Note*	2014	2013
IAS 41.40	Change in fair value of biological assets	*15(A)*	**587**	28
IAS 40.76(d)	Increase in fair value of investment property	*22(A)*	**20**	60
	Government grants	*29(A)*	**238**	-
IAS 1.98(c)	Gain on sale of property, plant and equipment		**26**	16
	Rental income from property sub-leases	*37(A)(ii)*	**150**	90
			1,021	194

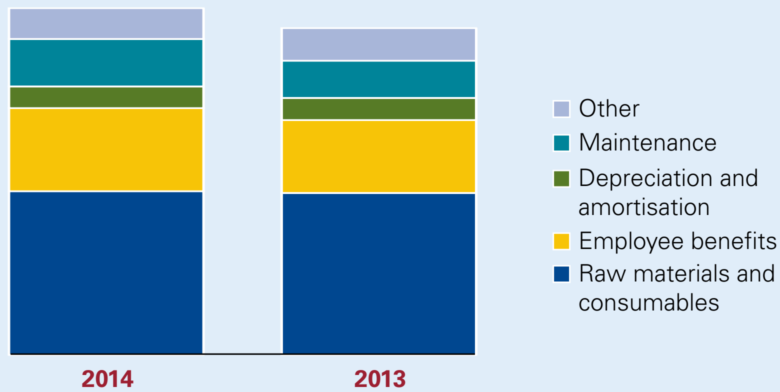
IAS 1.97

B. Other expenses[a]

	In thousands of euro	*Note*	2014	2013
IFRS 5.41(c)	Impairment loss on remeasurement of disposal group	*19(A)*	**35**	-
IFRS 7.20(e)	Impairment loss on trade receivables[b]	*31(C)(ii)*	**150**	30
	Settlement of pre-existing relationship with acquiree	*33(A)*	**326**	-
	Onerous contract charge on property sub-leases	*30(D)*	**160**	-
IAS 1.87	Earthquake-related expenses		**359**	-
			1,030	30

IAS 1.104

C. Expenses by nature



	In thousands of euro	*Note*	2014	2013 Restated*
	Changes in inventories of finished goods and work in progress		**(1,641)**	(343)
	Raw materials and consumables		**43,716**	43,208
IAS 1.104	Employee benefits	*13*	**22,154**	19,439
IAS 1.104	Depreciation and amortisation	*20(A), 21(A)*	**5,786**	5,917
	Impairment of property, plant and equipment and goodwill **a on page 56**	*20, 21(C)*	**(377)**	1,408
	Consultancy		**4,866**	2,732
	Advertising		**2,550**	2,650
	Maintenance		**12,673**	9,957
	Lease and contingent rent	*37(A)(ii)*	**475**	477
	Other		**2,171**	1,731
	Total cost of sales, selling and distribution, administrative and research and development expenses		**92,373**	87,176

* See Note 43.

Insights 4.1.30.10–40

a. There is no guidance in IFRS on how specific expenses are allocated to functions. An entity establishes its own definitions of functions. In our view, cost of sales includes only expenses directly or indirectly attributable to the production process. Only expenses that cannot be allocated to a specific function are classified as 'other expenses'.

b. IFRS is silent about whether impairment losses on trade receivables are presented in profit or loss as finance costs or operating expenses. Although the Group has presented these amounts as part of 'other expenses', other presentations – e.g. as 'finance costs' – are also possible as long as the disclosure requirements of IFRS 7 *Financial Instruments: Disclosures* are met.

Notes to the consolidated financial statements (continued)

9. Net finance costs

See accounting policies in Notes 44(B), (G) and (P).

Reference	*In thousands of euro*	***Note***	**2014**	**2013**
IAS 1.97	Interest income on:			
IFRS 7.20(b)	– Unimpaired held-to-maturity investments		**191**	117
IFRS 7.20(d)	– Impaired held-to-maturity investments		**7**	6
IFRS 7.20(b)	– Loans and receivables		**2**	1
IFRS 7.20(b)	– Available-for-sale financial assets		**8**	27
IFRS 7.20(b)	Total interest income arising from financial assets not measured at fair value through profit or loss[a]		**208**	151
IFRS 3.B64(p)(ii)	Remeasurement to fair value of pre-existing interest in acquiree	33(D)	**250**	-
	Available-for-sale financial assets:			
IAS 18.35(b)(v)	– Dividend income		**26**	32
IFRS 7.20(a)(ii)	– Reclassified from OCI		**64**	-
IFRS 7.20(a)(i)	Financial assets at fair value through profit or loss – net change in fair value:			
	– Held-for-trading		**74**	-
	– Designated on initial recognition		**508**	264
IFRS 7.23(d)	Cash flow hedges – reclassified from OCI		**31**	11
	Finance income		**1,161**	458
IFRS 7.20(b)	Financial liabilities measured at amortised cost – interest expense[b]		**(1,413)**	(1,299)
IAS 21.52(a)	Net foreign exchange loss		**(138)**	(243)
IAS 37.84(e)	Unwind of discount on site restoration provision	30	**(60)**	(50)
IFRS 7.20(e)	Held-to-maturity investments – impairment loss	31(C)(ii)	**(60)**	-
IFRS 7.20(a)(i)	Change in fair value of contingent consideration	31(B)(iii)	**(20)**	-
IFRS 7.24(b)	Cash flow hedges – ineffective portion of changes in fair value		**(15)**	(13)
IFRS 7.24(c)	Net investment hedge – ineffective portion of changes in fair value		**(1)**	-
IFRS 7.20(a)(i)	Financial assets at fair value through profit or loss – net change in fair value:			
	– Held-for-trading		**-**	(19)
	Finance costs		**(1,707)**	(1,624)
	Net finance costs recognised in profit or loss		**(546)**	(1,166)

IFRS 7.20(b) **a.** The Group has provided a disaggregation, by categories of financial assets, of total interest income for financial assets not at fair value through profit or loss. Although this level of disaggregation is optional, an entity is required to disclose separately any material items of income, expense and gains and losses arising from financial assets and financial liabilities.

IAS 32.40 **b.** The Group has grouped dividends classified as an expense with interest on other liabilities. Alternatively, they may be presented as a separate item. If there are differences between interest and dividends with respect to matters such as tax deductibility, then it is desirable to disclose them separately.

Notes to the consolidated financial statements (continued)

10. Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

IAS 33.70(a)

i. Profit attributable to ordinary shareholders (basic)

In thousands of euro	2014 Continuing operations	2014 Discontinued operation	2014 Total	2013 Continuing operations (Restated)*	2013 Discontinued operation (Restated)*	2013 Total (Restated)*
Profit (loss) for the year, attributable to the owners of the Company	**7,034**	**379**	**7,413**	6,158	(422)	5,736
Dividends on non-redeemable preference shares (see Note 25(C))	**(438)**	**-**	**(438)**	(438)	-	(438)
Profit (loss) attributable to ordinary shareholders	**6,596**	**379**	**6,975**	5,720	(422)	5,298

* See Notes 6 and 43.

IAS 33.70(b)

ii. Weighted-average number of ordinary shares (basic)

In thousands of shares	*Note*	2014	2013
Issued ordinary shares at 1 January	*25(A)(i)*	**3,100**	3,100
Effect of treasury shares held	*25(B)(vi)*	**(49)**	(40)
Effect of share options exercised	*25(A)(i)*	**3**	-
Effect of shares issued related to a business combination	*25(A)(i)*	**6**	-
Effect of shares issued in October 2014	*25(A)(i)*	**23**	-
Weighted-average number of ordinary shares at 31 December		**3,083**	3,060

B. Diluted earnings per share

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

IAS 33.70(a)

i. Profit attributable to ordinary shareholders (diluted)

In thousands of euro	2014 Continuing operations	2014 Discontinued operation	2014 Total	2013 Continuing operations (Restated)*	2013 Discontinued operation (Restated)*	2013 Total (Restated)*
Profit (loss) attributable to ordinary shareholders (basic)	**6,596**	**379**	**6,975**	5,720	(422)	5,298
Interest expense on convertible notes, net of tax	**61**	**-**	**61**	-	-	-
Profit (loss) attributable to ordinary shareholders (diluted)	**6,657**	**379**	**7,036**	5,720	(422)	5,298

* Sees Notes 6 and 43.

Notes to the consolidated financial statements (continued)

10. Earnings per share (continued)

B. Diluted earnings per share (continued)

IAS 33.70(b)

ii. Weighted-average number of ordinary shares (diluted)

In thousands of shares	***Note***	**2014**	**2013**
Weighted-average number of ordinary shares (basic)		**3,083**	3,060
Effect of conversion of convertible notes	*27(C)*	**148**	-
Effect of share options on issue		**47**	18
Weighted-average number of ordinary shares (diluted) at 31 December		**3,278**	3,078

IAS 33.70(c)

At 31 December 2014, 135,000 options (2013: 44,000) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

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

Insights 5.3.270.80

a. Although it is not specifically required, the Group has disclosed the method used to determine the average market value of the Company's shares for the purpose of calculating the dilutive effect of outstanding share options. The disclosure is provided for illustrative purposes only.

Notes to the consolidated financial statements (continued)

11. Share-based payment arrangements

See accounting policy in Note 44(E)(ii).

IFRS 2.44–45(a), 50

A. Description of share-based payment arrangements

At 31 December 2014, the Group had the following share-based payment arrangements.

i. Share option programmes (equity-settled)

On 1 January 2009 and 1 January 2013, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 January 2014, a further grant on similar terms was offered to key management personnel and senior employees. Under these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at the grant date. Currently, these programmes are limited to key management personnel and other senior employees.

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by the physical delivery of shares.

Grant date/employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options granted to key management personnel			
On 1 January 2010	**400**	3 years' service from grant date and 5% increase in operating income in each of the 3 years	7 years
On 1 January 2013	**200**	Same as above	10 years
On 1 January 2014	**225**	Same as above	10 years
Options granted to senior employees			
On 1 January 2014	**100**	3 years' service from grant date	10 years
Total share options	**925**		

ii. Replacement awards (equity-settled)

In connection with the acquisition of Papyrus, the Group exchanged equity-settled share-based payment awards held by employees of Papyrus for 150,000 equity-settled share-based payment awards of the Group with a contractual life of nine years from the vesting date (see Note 33(A)).

iii. Share purchase plan (equity-settled)

On 1 January 2014, the Group offered 26 of its employees the opportunity to participate in an employee share purchase plan. To participate in the plan, the employees are required to save an amount of 5% of their gross monthly salary, up to a maximum of €300 per month, for a period of 36 months. Under the terms of the plan, at the end of the 36-month period the employees are entitled to purchase shares using funds saved at a price of 20% below the market price at grant date. Only employees that remain in service and save the required amount of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. Employees who cease their employment, do not save the required amount of their gross monthly salary in any month before the 36-month period expires, or elect not to exercise their options to purchase shares will be refunded their saved amounts.

iv. Share appreciation rights (cash-settled)

On 1 January 2011 and 1 January 2014, the Group granted 100,000 and 300,000 share appreciation rights (SARs), respectively, to employees that entitle them to a cash payment after three years of service. The SARs expire at the end of a five-year period after grant date. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and the time of exercise.

Notes to the consolidated financial statements (continued)

11. Share-based payment arrangements (continued)

A. Description of share-based payment arrangements (continued)

iv. Share appreciation rights (cash-settled) (continued)

Details of the liabilities arising from the SARs were as follows.

In thousands of euro		*Note*	2014	2013
IFRS 2.51(b)(i)	Total carrying amount of liabilities for SARs	12	**440**	380
IFRS 2.51(b)(ii)	Total intrinsic value of liabilities for vested benefits		**-**	380

The liabilities at 31 December 2013 were settled during 2014.

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

IFRS 2.46, 47(a)(i), (iii)

The fair value of the employee share purchase plan (see (A)(iii)) has been measured using Monte Carlo simulation. The fair value of the employee share options (see (A)(i) and (A)(ii)) has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

IFRS 2.47(a)(iii)

The requirement that the employee has to save in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained. The discount has been determined by estimating the probability that the employee will stop saving based on historical behaviour.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

	Share option programmes				
	Key management personnel (see (A)(i))		Senior employees (see (A)(i))	Replacement awards (see (A)(ii))	Share purchase plan (see (A)(iii))
	2014	2013	2014	2014	2014
IFRS 2.47(a)(i) Fair value at grant date	**€3.54**	€3.75	**€3.14**	**€3.81**	**€4.02**
Share price at grant date	**€10.10**	€10.50	**€10.10**	**€10.88**	**€10.10**
Exercise price	**€10.10**	€10.50	**€10.10**	**€10.30**	**€8.08**
Expected volatility (weighted-average)	**40.1%**	40.9%	**40.1%**	**42.4%**	**43.3%**
Expected life (weighted-average)	**8.6 years**	8.8 years	**5.4 years**	**5.9 years**	**3.0 years**
Expected dividends	**3.2%**	3.2%	**3.2%**	**3.2%**	**3.2%**
Risk-free interest rate (based on government bonds)	**3.9%**	3.8%	**3.8%**	**3.9%**	**3.9%**

IFRS 2.47(a)(ii)

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

At 31 December 2014, a total amount of €78 thousand was invested by the participants in the share purchase plan (see Note 40(B)(ii)) and has been included in 'other trade payables' (see Note 28).

Notes to the consolidated financial statements (continued)

11. Share-based payment arrangements (continued)

B. Measurement of fair values (continued)

ii. Cash-settled share-based payment arrangement[a]

The fair value of the SARs (see (A)(iv)) has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at grant date and measurement date of the SARs were as follows.

		Grant date 1 January 2014	Measurement date 31 December 2014
IFRS 2.52	Fair value	**€2.82**	**€4.40**
	Share price	**€10.10**	**€12.70**
	Exercise price	**€10.10**	**€10.10**
	Expected volatility (weighted-average)	**40.3%**	**43.1%**
	Expected life (weighted-average)	**3.6 years**	**2.8 years**
	Expected dividends	**3.2%**	**3.3%**
	Risk-free interest rate (based on government bonds)	**4.4%**	**4.5%**

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

C. Reconciliation of outstanding share options

IFRS 2.45(b) The number and weighted-average exercise prices of share options under the share option programmes (see (A)(i)) and replacement awards (see (A)(ii)) were as follows.

	In thousands of options	Number of options 2014	Weighted-average exercise price 2014	Number of options 2013	Weighted-average exercise price 2013
IFRS 2.45(b)(i)	Outstanding at 1 January	**550**	**€10.18**	400	€10.00
IFRS 2.45(b)(iii)	Forfeited during the year	**(50)**	**€10.00**	(50)	€10.00
IFRS 2.45(b)(iv)	Exercised during the year	**(5)**	**€10.00**	-	-
IFRS 2.45(b)(ii)	Granted during the year	**475**	**€10.16**	200	€10.50
IFRS 2.45(b)(vi)	**Outstanding at 31 December**	**970**	**€10.18**	550	€10.18
IFRS 2.45(b)(vii)	Exercisable at 31 December	**295**	**€10.00**	350	€10.00

IFRS 2.45(d) The options outstanding at 31 December 2014 had an exercise price in the range of €8.08 to €10.50 (2013: €10.00 to €10.50) and a weighted-average contractual life of 6.4 years (2013: 5.2 years).

IFRS 2.45(c) The weighted-average share price at the date of exercise for share options exercised in 2014 was €10.00 (2013: no options exercised).

D. Expense recognised in profit or loss

For details on the related employee benefit expenses, see Note 13.

Insights 4.5.1000.10 a. Although it is not specifically required by IFRS 2, the Group has disclosed information about the fair value measurement of its SARs. In our view, these disclosures should be provided for cash-settled share-based payments. For awards granted during the period, disclosures about fair value measurement at grant date and at the reporting date should be given; for awards granted in previous periods but unexercised at the reporting date, disclosures about fair value measurement at the reporting date should be given.

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

12. Other employee benefits

See accounting policies in Notes 44(E)(i) and (E)(iii)–(vi).

In thousands of euro	*Note*	2014	2013
Net defined benefit asset		**(671)**	(731)
Total employee benefit asset		**(671)**	(731)
Net defined benefit liability		**285**	280
Liability for social security contributions		**8**	5
Liability for long-service leave		**199**	176
IFRS 2.51(b)(i) Cash-settled share-based payment liability	*11*	**440**	380
Total employee benefit liabilities		**932**	841
Non-current		**912**	453
Current[a]		**20**	388
		932	841

For details on the related employee benefit expenses, see Note 13.

IAS 19.139(a) The Group contributes to the following post-employment defined benefit plans in [*Countries X and Y*].

- Plan A entitles a retired employee to receive an annual pension payment. Directors and executive officers (see Note 40(B)(ii)) retire at age 60 and are entitled to receive annual payments equal to 70% of their final salary until the age of 65, at which time their entitlement falls to 50% of their final salary. Other retired employees are entitled to receive annual payments equal to 1/60 of final salary for each year of service that the employee provided.
- Plan B reimburses certain medical costs for retired employees.

The defined benefit plans are administered by a single pension fund that is legally separated from the Group. The board of the pension fund comprises three employee and two employer representatives and an independent chair. The board of the pension fund is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund.

IAS 19.139(b) These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

A. Funding

IAS 19.147(a) Plan A is fully funded by the Group's subsidiaries, except for the obligation for directors and executive officers, which is funded by the Company. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of Plan A is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in (D). Employees are not required to contribute to the plans. Plan B is unfunded.

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements for Plan A) for the plans of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2014 or 31 December 2013.

IAS 19.147(b) The Group expects to pay €350 thousand in contributions to its defined benefit plans in 2015.

IAS 1.69, 19.133 a. Although an entity is not required to distinguish the current and non-current portions of assets and liabilities arising from post-employment benefits, it distinguishes between the current and non-current portions of obligations arising from long-term employee benefits if it does not have the ability to defer payment beyond 12 months from the reporting date.

Notes to the consolidated financial statements (continued)

12. Other employee benefits (continued)

B. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components.[a]

		Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) liability	
	In thousands of euro	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
IAS 19.140	Balance at 1 January	**7,057**	6,718	**(7,508)**	(7,162)	**(451)**	(444)
	Included in profit or loss[b]						
IAS 19.141(a)	Current service cost	**497**	456	**-**	-	**497**	456
IAS 19.141(d)	Past service credit	**(100)**	-	**-**	-	**(100)**	-
IAS 19.141(b)	Interest cost (income)	**360**	322	**(383)**	(344)	**(23)**	(22)
		757	778	**(383)**	(344)	**374**	434
	Included in OCI[b]						
IAS 19.141(c)	Remeasurements loss (gain):						
	– Actuarial loss (gain) arising from:						
IAS 19.141(c)(ii)	- demographic assumptions	**(31)**	4	**-**	-	**(31)**	4
IAS 19.141(c)(iii)	- financial assumptions	**(21)**	8	**-**	-	**(21)**	8
	- experience adjustment	**(30)**	6	**-**	-	**(30)**	6
IAS 19.141(c)(i)	– Return on plan assets excluding interest income	**-**	-	**10**	(3)	**10**	(3)
IAS 19.141(e)	Effect of movements in exchange rates[c]	**21**	(1)	**76**	(1)	**97**	(2)
		(61)	17	**86**	(4)	**25**	13
	Other						
IAS 19.141(f)	Contributions paid by the employer	**-**	-	**(325)**	(403)	**(325)**	(403)
IAS 19.141(g)	Benefits paid	**(433)**	(456)	**424**	405	**(9)**	(51)
		(433)	(456)	**99**	2	**(334)**	(454)
IAS 19.140	**Balance at 31 December**	**7,320**	7,057	**(7,706)**	(7,508)	**(386)**	(451)

Represented by:

In thousands of euro	**2014**	**2013**
Net defined benefit asset (Plan A)	**(671)**	(731)
Net defined benefit liability (Plan B)	**285**	280
	(386)	(451)

IAS 19.139(c)

During 2014, the pension arrangements for a number of employees in [*Country X*] were adjusted to reflect new legal requirements in that country regarding the retirement age. As a result of the plan amendment, the Group's defined benefit obligation decreased by €100 thousand (2013: nil). A corresponding past service credit was recognised in profit or loss during 2014.

IAS 19.138

a. The Group has more than one defined benefit plan and has generally provided aggregated disclosures in respect of these plans, on the basis that they are not exposed to materially different risks. Further disaggregation of some or all of the disclosures – e.g. by geographic locations or by different characteristics – would be required if this were not the case.

b. Although it is not specifically required by IAS 19 *Employee Benefits*, the Group has disclosed the subtotals of items recognised in profit or loss and OCI. This disclosure is provided for illustrative purposes only.

IAS 21.39, Insights 4.4.1010

c. A net obligation under a defined benefit plan may be denominated in a foreign currency from the point of view of the sponsor's financial statements. In our view, in that case the net defined benefit liability (asset) should first be calculated in the currency in which it is denominated, and the resulting net amount should then be translated into the sponsor's functional currency. As a result, the foreign exchange gain or loss arising on translation will be recognised together with other foreign exchange gains and losses rather than as part of the IAS 19 remeasurement. This is different from the situation illustrated above. In this case, the sponsor of the plan is a foreign subsidiary, and therefore the translation difference is recognised in OCI in the usual way.

Notes to the consolidated financial statements (continued)

12. Other employee benefits (continued)

C. Plan assets

IAS 19.140(a)(i), 142

Plan assets comprise the following.

In thousands of euro	2014	2013
Equity securities: *(IAS 19.142(b))*		
– Consumer markets	**1,725**	1,842
– Pharmaceuticals	**602**	555
– Oil and gas	**218**	239
– Telecoms	**343**	260
– Financial institutions	**213**	561
	3,101	3,457
Government bonds *(IAS 19.142(c))*	**3,587**	3,254
Derivatives: *(IAS 19.142(e))*		
– Interest rate swaps	**29**	37
– Forward foreign currency contracts	**185**	70
– Longevity swaps	**97**	39
	311	146
Property occupied by the Group *(IAS 19.143)*	**525**	497
Company's own ordinary shares *(IAS 19.143)*	**182**	154
	7,706	7,508

IAS 19.142

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are rated AAA or AA, based on [*Rating Agency Y*] ratings.

IAS 19.146

At each reporting date, an Asset-Liability Matching study is performed by the pension fund's asset manager, in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the pension fund can be summarised as follows:

- a strategic asset mix comprising 40–50% equity securities, 40–50% government bonds and 0–15% other investments;
- interest rate risk is managed with the objective of reducing the cash flow interest rate risk by 40% through the use of debt instruments (government bonds) and interest rate swaps;
- currency risk is managed with the objective of reducing the risk by 30% through the use of forward foreign currency contracts; and
- longevity risk is managed with the objective of reducing the risk by 25% through the use of longevity swaps.

D. Defined benefit obligation

i. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2014	2013
Discount rate	**5.1%**	4.8%
Future salary growth	**2.5%**	2.5%
Future pension growth	**3.0%**	2.0%
Medical cost trend rate	**4.5%**	4.0%

Notes to the consolidated financial statements (continued)

12. Other employee benefits (continued)

D. Defined benefit obligation (continued)

IAS 1.125

i. Actuarial assumptions (continued)

IAS 19.144

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows.

	2014		2013	
	Plan A	Plan B	Plan A	Plan B
Longevity at age 65 for current pensioners				
Males	**18.5**	**18.2**	18.3	18.0
Females	**21.0**	**19.0**	21.0	18.8
Longevity at age 65 for current members aged 45				
Males	**19.2**	**19.0**	19.0	18.7
Females	**22.9**	**20.5**	22.9	20.0

IAS 19.147(c)

At 31 December 2014, the weighted-average duration of the defined benefit obligation was 17.1 years (2013: 17.5 years).

ii. Sensitivity analysis

IAS 1.125, 129, 19.145

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2014		31 December 2013	
Effect in thousands of euro	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(338)**	**354**	(335)	350
Future salary growth (1% movement)	**187**	**(176)**	180	(172)
Future pension growth (1% movement)	**181**	**(173)**	175	(168)
Medical cost trend rate (1% movement)	**389**	**(257)**	380	(250)
Future mortality (1% movement)	**(73)**	**69**	(70)	67

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

IAS 1.104

13. Employee benefit expenses

See accounting policy in Note 44(E).

In thousands of euro	*Note*	2014	2013
Wages and salaries		**18,286**	16,259
Social security contributions		**1,468**	1,267
Contributions to defined contribution plans (IAS 19.53)		**455**	419
Termination benefits	30(B)	**350**	450
Expenses related to post-employment defined benefit plans	12(B)	**374**	434
Expenses related to long-service leave		**26**	12
Equity-settled share-based payments (IFRS 2.51(a))	11	**755**	248
Cash-settled share-based payments[a] (IFRS 2.51(a))	11	**440**	350
	8(C)	**22,154**	19,439

IFRS 2.IG19, BC252–BC255, Insights 4.5.970.20

a. The Group has included the remeasurement of the liability in relation to its cash-settled share-based payment arrangement in 'employee benefit expenses'. Alternatively, in our view an entity may include the amount in 'finance income' or 'finance costs'.

Notes to the consolidated financial statements (continued)

14. Income taxes

See accounting policy in Note 44(H).

A. Amounts recognised in profit or loss[a]

In thousands of euro		2014	2013 Restated*
Current tax expense			
IAS 12.80(a)	Current year	**3,165**	3,597
IAS 12.80(b)	Adjustment for prior years	**116**	(34)
		3,281	3,563
Deferred tax expense			
IAS 12.80(c)	Origination and reversal of temporary differences	**168**	(808)
IAS 12.80(d)	Reduction in tax rate	**(15)**	-
IAS 12.80(f)	Recognition of previously unrecognised tax losses	**(50)**	(240)
IAS 12.80(g)	Change in recognised deductible temporary differences	**(13)**	5
		90	(1,043)
Tax expense on continuing operations		**3,371**	2,520

* See Note 43.

IAS 12.81(h)(i)–(ii) 'Tax expense on continuing operations' excludes the Group's share of the tax expense of equity-accounted investees[b] of €492 thousand (2013: €261 thousand), which has been included in 'share of profit of equity-accounted investees, net of tax'. The amount also excludes the tax income from the discontinued operation of €25 thousand (2013: €44 thousand) and the tax expense on the gain on sale of the discontinued operation of €330 thousand (2013: nil); both of these have been included in 'profit (loss) from discontinued operation, net of tax' (see Note 6).

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

B. Amounts recognised in OCI

IAS 1.90–91, 12.81(ab)

In thousands of euro	2014 Before tax	2014 Tax (expense) benefit	2014 Net of tax	2013 Before tax	2013 Tax (expense) benefit	2013 Net of tax
Revaluation of property, plant and equipment	**200**	**(66)**	**134**	-	-	-
Remeasurements of defined benefit liability (asset)	**72**	**(24)**	**48**	(15)	5	(10)
Foreign operations – foreign currency translation differences	**680**	**-**	**680**	471	-	471
Net investment hedge	**(3)**	**-**	**(3)**	(8)	-	(8)
Cash flow hedges	**(93)**	**31**	**(62)**	84	(28)	56
Available-for-sale financial assets	**135**	**(45)**	**90**	118	(39)	79
Reclassification of foreign currency differences on loss of significant influence	**(20)**	**-**	**(20)**	-	-	-
Equity-accounted investees – share of OCI	**(159)**	**-**	**(159)**	(169)	-	(169)
	812	**(104)**	**708**	481	(62)	419

Insights 3.13.580.20–80

a. The Group has allocated the entire amount of current income tax related to cash contributions to funded post-employment benefit plans to profit or loss because the cash contributions relate primarily to service costs. In our view, the allocation of the current income tax effect to profit or loss and OCI should reflect the nature of the cash contribution, unless it is impracticable to identify whether the cost to which the funding relates affects profit or loss or OCI. We believe that a number of allocation approaches are acceptable if the nature of the cash contribution is unclear.

b. Although it is not specifically required, the Group has disclosed the share of tax of equity-accounted investees. This disclosure is provided for illustrative purposes only.

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

C. Amounts recognised directly in equity

	In thousands of euro	2014 Before tax	2014 Tax	2014 Net of tax	2013 Before tax	2013 Tax	2013 Net of tax
IAS 12.81(a)	Convertible notes	**163**	**(54)**	**109**	-	-	-
IAS 12.81(a)	Share-based payments	**-**	**-**	**-**	-	2	2

D. Reconciliation of effective tax rate[a, b]

	In thousands of euro	2014	2014	2013 Restated*	2013 Restated*
IAS 12.81(c)	Profit before tax from continuing operations		**10,929**		9,045
	Tax using the Company's domestic tax rate	**33.00%**	**3,607**	33.00%	2,985
	Effect of tax rates in foreign jurisdictions	**(0.66%)**	**(72)**	(0.58%)	(52)
	Reduction in tax rate	**(0.13%)**	**(15)**	-	-
	Tax effect of:				
	Share of profit of equity-accounted investees reported net of tax	**(3.45%)**	**(377)**	(2.14%)	(194)
	Non-deductible expenses	**2.25%**	**246**	0.40%	36
	Tax-exempt income	**(0.22%)**	**(24)**	(0.55%)	(50)
	Tax incentives	**(0.81%)**	**(88)**	(0.70%)	(63)
	Current-year losses for which no deferred tax asset is recognised	**0.38%**	**41**	1.40%	127
	Recognition of tax effect of previously unrecognised tax losses	**(0.46%)**	**(50)**	(2.65%)	(240)
	Change in recognised deductible temporary differences	**(0.12%)**	**(13)**	0.06%	5
	Changes in estimates related to prior years	**1.06%**	**116**	(0.38%)	(34)
		30.84%	**3,371**	27.86%	2,520

* See Note 43.

IAS 12.85 a. The Group's reconciliation of the effective tax rate is based on its domestic tax rate, with a reconciling item in respect of tax rates applied by Group companies in other jurisdictions. The reconciliation of the effective tax rate is based on an applicable tax rate that provides the most meaningful information to users. In some cases, it might be more meaningful to aggregate separate reconciliations prepared using the domestic tax rate in each individual jurisdiction.

IAS 12.81(c) b. Rather than presenting either a numerical reconciliation between total tax expense and the product of accounting profit multiplied by the applicable tax rates, or a numerical reconciliation between the average effective tax rate and the applicable tax rate, the Group has elected to present both.

14. Income taxes (continued)

IAS 12.81(g)(i)–(ii)

E. Movement in deferred tax balances[a, b]

2014 *In thousands of euro*	Net balance at 1 January	Recognised in profit or loss (see (A))	Recognised in OCI (see (B))	Recognised directly in equity (see (C))	Acquired in business combinations (see Note 33(C))	Other (see Notes 6(C) and 19(B))	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	579	(130)	(66)	-	(35)	210	558	679	(121)
Intangible assets	56	4	-	-	(38)	-	22	98	(76)
Biological assets	(22)	(182)	-	-	-	-	(204)	-	(204)
Investment property	(30)	(7)	-	-	-	-	(37)	-	(37)
Available-for-sale financial assets	(60)	(22)	(45)	-	-	-	(127)	27	(154)
Derivatives	(39)	(5)	31	-	-	-	(13)	3	(16)
Inventories	64	96	-	-	(3)	40	197	197	-
Loans and borrowings	-	-	-	(54)	(9)	-	(63)	-	(63)
Employee benefits	(91)	21	(24)	-	-	-	(94)	160	(254)
Equity-settled share-based payments	225	88	-	-	-	-	313	313	-
Provisions	508	(13)	-	-	6	-	501	501	-
Deferred income	54	(15)	-	-	-	-	39	39	-
Other items	14	25	-	-	-	-	39	50	(11)
Carryforward tax loss	386	50	-	-	-	-	436	436	-
Tax assets (liabilities) before set-off	**1,644**	**(90)**	**(104)**	**(54)**	**(79)**	**250**	**1,567**	**2,503**	**(936)**
Set-off of tax							-	(387)	387
Net tax assets (liabilities)							**1,567**	**2,116**	**(549)**

IAS 12.81(g), Insights 3.13.640.60

a. IAS 12 *Income Taxes* requires disclosure of the amount of recognised deferred tax assets and liabilities in respect of each 'type' of temporary difference. IFRS is unclear on what constitutes a 'type', and the Group has provided the disclosures based on the classes of assets and liabilities related to the temporary differences. Another possible interpretation is to present disclosures based on the reason for the temporary difference – e.g. depreciation.

Insights 3.13.640.70

b. In our view, it is not appropriate to disclose gross deductible temporary differences because, under IFRS, it is recognised temporary differences that are required to be disclosed.

14. Income taxes (continued)

IAS 12.81(g)(i)–(ii)

E. Movement in deferred tax balances (continued)

2013 *In thousands of euro*	**Net balance at 1 January**	**Recognised in profit or loss (see (A)) Restated***	**Recognised in OCI (see (B))**	**Recognised directly in equity (see (C))**	**Balance at 31 December: Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	213	366	-	-	579	662	(83)
Intangible assets	(38)	94	-	-	56	94	(38)
Biological assets	(25)	3	-	-	(22)	-	(22)
Investment property	(10)	(20)	-	-	(30)	-	(30)
Available-for-sale financial assets	(18)	(3)	(39)	-	(60)	12	(72)
Derivatives	(12)	1	(28)	-	(39)	3	(42)
Inventories	8	56	-	-	64	64	-
Employee benefits	(90)	(6)	5	-	(91)	150	(241)
Equity-settled share-based payments[a]	141	82	-	2	225	225	-
Provisions	290	218	-	-	508	508	-
Deferred income	46	8	-	-	54	54	-
Other items	10	4	-	-	14	18	(4)
Carryforward tax loss	146	240	-	-	386	386	-
Tax assets (liabilities) before set-off	661	1,043	(62)	2	1,644	2,176	(532)
Set-off of tax					-	(126)	126
Net tax assets (liabilities)					1,644	2,050	(406)

* See Note 43.

IAS 12.68C

a. When the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative share-based payment expense, the excess of the associated income tax is recognised directly in equity. Any subsequent reduction in the excess is also recorded in equity.

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

F. Unrecognised deferred tax liabilities[a]

IAS 12.81(f), 87

At 31 December 2014, there was a deferred tax liability of €1,523 thousand (2013: €1,146 thousand) for temporary differences of €5,000 thousand (2013: €3,800 thousand) related to investments in subsidiaries and the joint venture.[b, c] However, this liability was not recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its joint venture – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

IAS 12.82A

In some of the countries in which the Group operates, local tax laws provide that gains on the disposal of certain assets are tax-exempt, provided that the gains are not distributed. At 31 December 2014, total tax-exempt reserves amounted to €613 thousand (2013: €540 thousand), which would result in a tax liability of €202 thousand (2013: €178 thousand) if the subsidiaries paid dividends from these reserves.

G. Unrecognised deferred tax assets

IAS 12.81(e)

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

In thousands of euro	2014	2013
Deductible temporary differences (will never expire)	**161**	200
Tax losses	**644**	672
	805	872

IAS 1.125, 129

In 2013, the pilot of a new type of paper was popular with customers and increased a subsidiary's profit from operating activities. As a result, the tax effect of €727 thousand of previously unrecognised tax losses was recognised because management considered it probable that future taxable profits would be available against which such losses can be used.

In 2014, an additional €152 thousand of previously unrecognised tax losses was recognised, following a further change in estimates of the subsidiary's future results from operating activities. Management has determined that the recoverability of the balance of losses of €520 thousand (expiring in 2016) is still in doubt because a trend of profitable growth in the subsidiary has not yet been fully established. If profitable growth continues for a further year, then the remaining unrecognised deferred tax asset will be recognised, resulting in additional tax income of €172 thousand.

In 2014, another subsidiary incurred a tax loss of €124 thousand. Management has established that it is uncertain whether future taxable profits would be available against which this loss can be used, and therefore this amount has been included in the balance of unrecognised losses of €644 thousand at 31 December 2014.

IAS 12.81(f), 87 a. Although it is not required, in addition to the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements for which deferred tax liabilities have not been recognised, the Group has also provided the encouraged disclosure of the amounts of unrecognised deferred tax liabilities. This disclosure is provided for illustrative purposes only.

Insights 3.13.300 b. The Group does not plan to dispose of its investments in associates in the foreseeable future, and therefore has measured deferred tax relating to these investments using the tax rates applicable to dividends, which are zero because dividends from associates are tax-exempt. As a result, no deferred tax has been recognised.

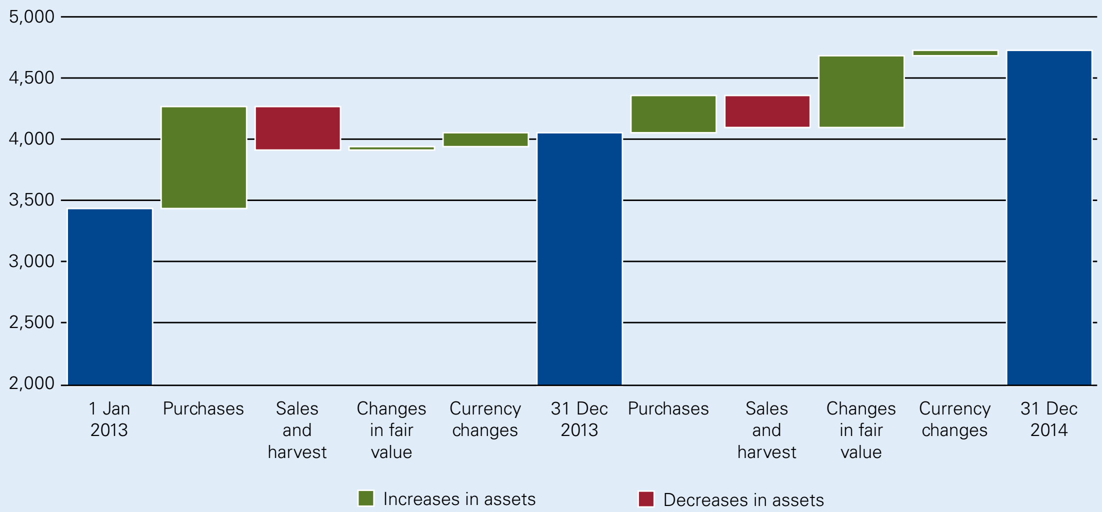
Insights 3.13.310.10 c. In our view, the ability of a joint venturer to veto the payment of dividends is sufficient to demonstrate control for the purpose of recognising deferred tax.

INTRODUCTION Basis of preparation Performance
AUDITORS' REPORT Employee benefits Income taxes
PRIMARY STATEMENTS Assets Equity & liabilities
NOTES Financial instruments Group composition
APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

15. Biological assets

See accounting policies in Notes 44(D)(i) and (I).



A. Reconciliation of carrying amount

	In thousands of euro	***Note***	**Standing timber**	**Livestock**	**Total**
IAS 41.50, IFRS 13.93(e)	Balance at 1 January 2013		3,240	196	3,436
IAS 41.50(b), IFRS 13.93(e)(iii)	Purchases		743	92	835
IAS 41.50(c), IFRS 13.93(e)(iii)	Sales of livestock		-	(63)	(63)
IAS 41.50(d), IFRS 13.93(e)(iii)	Harvested timber transferred to inventories		(293)	-	(293)
IAS 41.40, 50(a)	Change in fair value less costs to sell:				
IAS 41.51	– Due to price changes	*8(A)*	(17)	22	5
IAS 41.51	– Due to physical changes	*8(A)*	15	8	23
IAS 41.50(f)	Effect of movements in exchange rates		68	45	113
IAS 41.50	**Balance at 31 December 2013**		3,756	300	4,056
	Non-current		3,756	269	4,025
	Current		-	31	31
			3,756	300	4,056
IAS 41.50, IFRS 13.93(e)	Balance at 1 January 2014		**3,756**	**300**	**4,056**
IAS 41.50(b), IFRS 13.93(e)(iii)	Purchases		**294**	**11**	**305**
IAS 41.50(c), IFRS 13.93(e)(iii)	Sales of livestock		**-**	**(127)**	**(127)**
IAS 41.50(d), IFRS 13.93(e)(iii)	Harvested timber transferred to inventories		**(135)**	**-**	**(135)**
IAS 41.40, 50(a)	Change in fair value less costs to sell:				
IAS 41.51	– Due to price changes	*8(A)*	**92**	**59**	**151**
IAS 41.51	– Due to physical changes	*8(A)*	**315**	**121**	**436**
IAS 41.50(f)	Effect of movements in exchange rates		**30**	**14**	**44**
IAS 41.50	**Balance at 31 December 2014**		**4,352**	**378**	**4,730**
	Non-current		**4,352**	**346**	**4,698**
	Current		**-**	**32**	**32**
			4,352	**378**	**4,730**

Notes to the consolidated financial statements (continued)

15. Biological assets (continued)

A. Reconciliation of carrying amount (continued)

IAS 41.41, 43, 46(b)(i)

At 31 December 2014, standing timber comprised approximately 3,310 hectares of pine tree plantations (2013: 3,230 hectares), which ranged from newly established plantations to plantations that were 30 years old. €282 thousand (2013: €513 thousand) of the standing timber was less than one year old and considered to be immature assets.[a]

IAS 41.41, 43, 46(b)(i)–(ii)

At 31 December 2014, livestock comprised 1,875 cattle and 3,781 sheep (2013: 1,260 cattle and 3,314 sheep). During 2014, the Group sold 289 cattle and 286 sheep (2013: 150 cattle and 175 sheep).[a]

B. Measurement of fair values

i. Fair value hierarchy

IFRS 13.93(b)

The fair value measurements for the standing timber have been categorised as Level 3 fair values based on the inputs to the valuation techniques used. The fair value measurements of livestock have been categorised as Level 2 fair values based on observable market sales data (see Note 4(B)).

ii. Level 3 fair values

The following table shows a breakdown of the total gains (losses) recognised in respect of Level 3 fair values (standing timber).[b]

	In thousands of euro	2014	2013
IFRS 13.93(e)(i)	**Gain included in 'other income'**		
	– Change in fair value (realised)	**60**	3
IFRS 13.93(f)	– Change in fair value (unrealised)	**347**	(5)
IFRS 13.93(e)(ii)	**Gain included in OCI**		
IFRS 13.93(e)(ii)	– Effect of movements in exchange rates	**30**	68

IAS 41.43 a. This is an example of encouraged disclosures providing a quantified description of each group of biological assets, distinguishing between mature and immature biological assets (for standing timber), and about the basis for making such distinctions.

IFRS 13.C3 b. Because the Group classifies the entire category of standing timber as Level 3 in the fair value hierarchy, this table illustrates only those disclosures that are incremental to the information in the reconciliation in Note 15(A).

15. Biological assets (continued)

B. Measurement of fair values (continued)

iii. Valuation techniques and significant unobservable inputs

IFRS 13.93(d), 93(h), 99

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber Standing timber older than 25 years (the age at which it becomes marketable)	*Discounted cash flows:* The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for [x] years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated future timber market prices per tonne (2014: €12.8–17.9, weighted average €16.25; 2013: €11.6–16.3, weighted average €15.15). • Estimated yields per hectare (2014: 6–10, weighted average 8; 2013: 5–10, weighted average 7.5). • Estimated harvest and transportation costs (2014: 6.4–8.3%, weighted average 7.5%; 2013: 6.3–7.8%, weighted average 6.7%). • Risk-adjusted discount rate (2014: 7.9–9.0%, weighted average 8.6%; 2013: 7.1–8.3%, weighted average 7.8%).	The estimated fair value would increase (decrease) if: • the estimated timber prices per tonne were higher (lower); • the estimated yields per hectare were higher (lower); • the estimated harvest and transportation costs were lower (higher); or • the risk-adjusted discount rates were lower (higher).
Younger standing timber	*Cost approach and discounted cash flows:* The Group considers both approaches, and reconciles and weighs the estimates under each approach based on its assessment of the judgement that market participants would apply. The cost approach considers the costs of creating a comparable plantation, taking into account the costs of infrastructure, cultivation and preparation, buying and planting young trees with an estimate of the profit that would apply to this activity. Discounted cash flows consider the present value of the net cash flows expected to be generated by the plantation at maturity, the expected additional biological transformation and the risks associated with the asset; the expected net cash flows are discounted using risk-adjusted discount rates.	• Estimated costs of infrastructure per hectare (2014: €0.8–1.1, weighted average €0.95; 2013: €0.8–1.2, weighted average €0.97). • Estimated costs of cultivation and preparation per hectare (2014: €0.2–0.4, weighted average €0.3; 2013: €0.3–0.4, weighted average €0.35). • Estimated costs of buying and planting young trees (2014: €1.0–1.3, weighted average €1.25; 2013: €1.1–1.3, weighted average €1.2). • Estimated future timber market prices per tonne (2014: €13.8–19.8, weighted average €17.05; 2013: €13.7–19.5, weighted average €16.6). • Estimated yields per hectare (2014: 6–11, weighted average 8.6; 2013: 7–11, weighted average 8.9). • Risk-adjusted discount rate (2014: 8.9–9.9%, weighted average 9.4%; 2013: 9.3–9.9%, weighted average 9.6%).	The estimated fair value would increase (decrease) if: • the estimated costs of infrastructure, cultivation and preparation and buying and planting trees were higher (lower); • the estimated timber prices per tonne were higher (lower); • the estimated yields per hectare were higher (lower); or • the risk-adjusted discount rates were lower (higher).
Livestock Livestock comprises cattle and sheep, characterised as commercial or breeders	*Market comparison technique:* The fair values are based on the market price of livestock of similar age, weight and market values.	Not applicable.	Not applicable.

Notes to the consolidated financial statements (continued)

15. Biological assets (continued)

IAS 41.49(c)

C. Risk management strategy related to agricultural activities

The Group is exposed to the following risks relating to its pine tree plantations.

i. Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

ii. Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of pine. When possible, the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

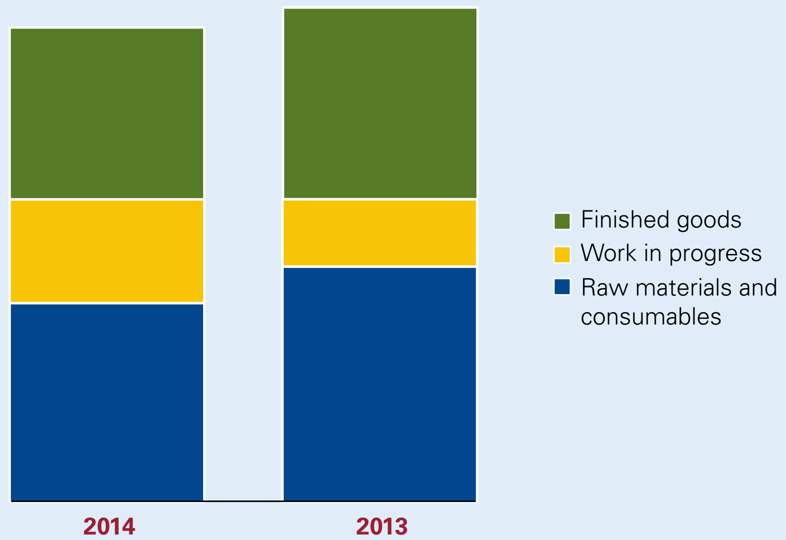
iii. Climate and other risks

The Group's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Group is also insured against natural disasters such as floods and hurricanes.

Notes to the consolidated financial statements (continued)

16. Inventories

See accounting policy in Note 44(J).



	In thousands of euro	**2014**	**2013**
IAS 1.78(c), 2.36(b)	Raw materials and consumables	**4,860**	5,753
IAS 1.78(c), 2.36(b)	Work in progress	**2,543**	1,661
IAS 1.78(c), 2.36(b)	Finished goods	**4,200**	4,705
	Inventories	**11,603**	12,119
IAS 2.36(h)	Carrying amount of inventories subject to retention of title clauses	**1,650**	2,090

IAS 1.98(a), 2.36(d) In 2014, inventories of €54,019 thousand (2013: €53,258 thousand) were recognised as an expense during the period and included in 'cost of sales' (see Note 8(C)).

IAS 2.36(e)–(g) During 2013, due to regulatory restrictions imposed on the manufacture of a new product in the Standard Papers segment, the Group tested the related product line for impairment (see Note 21(C)(ii)) and wrote down the related inventories to their net realisable value, which resulted in a loss of €42 thousand. In 2014, following a change in estimates, €10 thousand of the write-down was reversed.

In addition, during 2014 inventories of €345 thousand were written down to net realisable value (2013: €125 thousand).

The write-downs and reversals are included in 'cost of sales'.[a]

Insights 3.8.440.70 a. In our view, for an entity that presents an analysis of expenses by function in the statement of profit or loss and OCI, the write-down of inventories to net realisable value and any reversals should be included in 'cost of sales'.

Notes to the consolidated financial statements (continued)

17. Trade and other receivables

See accounting policies in Notes 44(N) and (P)(i)–(ii).

In thousands of euro		*Note*	2014	2013
IAS 1.78(b)	Trade receivables due from related parties	40(C)	**1,236**	642
	Loans to directors	40(B)(i)	**78**	32
IAS 1.78(b)	Other trade receivables		**30,953**	21,811
			32,267	22,485
IAS 1.78(b), 11.42(a)	Construction contracts in progress		**348**	280
			32,615	22,765
	Non-current		**213**	-
	Current		**32,402**	22,765
			32,615	22,765

A. Transfer of trade receivables

IFRS 7.14(a), 42D

The Group transferred trade receivables to a bank for cash proceeds. The trade receivables have not been derecognised from the statement of financial position, because the Group retains substantially all of the risks and rewards, primarily credit risk. The amount received on transfer has been recognised as a secured bank loan (see Note 27(A)).

The following table shows the carrying amount of trade receivables at the year end that have been transferred but have not been derecognised.

In thousands of euro		2014	2013
IFRS 7.42D(e)	Carrying amount of trade receivables transferred to a bank	**600**	1,000

B. Construction contracts in progress

IAS 11.40(a)

At 31 December 2014, the aggregate amount of costs incurred and recognised profits (less recognised losses) to date under open construction contracts amounted to €570 thousand (2013: €530 thousand).

IAS 11.40(c)

At 31 December 2014, trade receivables included retentions of €200 thousand (2013: €180 thousand) related to construction contracts in progress.

C. Credit and market risks, and impairment losses

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables, excluding construction contracts in progress, is included in Note 31(C).

Notes to the consolidated financial statements (continued)

18. Cash and cash equivalents

See accounting policies in Notes 44(P)(i).

IAS 7.45

In thousands of euro	2014	2013
Bank balances	**51**	988
Call deposits	**1,454**	862
Cash and cash equivalents in the statement of financial position	**1,505**	1,850
Bank overdrafts used for cash management purposes	**(334)**	(282)
Cash and cash equivalents in the statement of cash flows	**1,171**	1,568

IAS 7.48 The Group has pledged part of its call deposits (see Note 27(A)).

Notes to the consolidated financial statements (continued)

19. Disposal group held for sale[a]

See accounting policy in Note 44(O).

IFRS 5.41(a)–(b), (d)

In June 2014, management committed to a plan to sell part of a manufacturing facility within the Standard Papers segment. Accordingly, part of that facility is presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected by April 2015.

IFRS 5.41(c)

A. Impairment losses relating to the disposal group

Impairment losses of €35 thousand for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in 'other expenses' (see Note 8(B)). The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

IFRS 5.38

B. Assets and liabilities of disposal group held for sale[b]

At 31 December 2014, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

In thousands of euro	
Property, plant and equipment	**8,129**
Inventories	**2,775**
Trade and other receivables	**3,496**
Assets held for sale	**14,400**

In thousands of euro	***Note***	
Trade and other payables		**4,270**
Deferred tax liabilities	*14(E)*	**140**
Liabilities held for sale		**4,410**

IFRS 5.38

C. Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

D. Measurement of fair values

i. Fair value hierarchy

IFRS 13.93(b)

The non-recurring fair value measurement for the disposal group of €10,050 thousand (before costs to sell of €60 thousand) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4(B)).[c]

ii. Valuation technique and significant unobservable inputs

IFRS 13.93(d), 99

The following table shows the valuation technique used in measuring the fair value of the disposal group, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Cost approach and discounted cash flows: The Group considers both approaches, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. The cost approach considers the current replacement costs of replicating the manufacturing facility, including the costs of transportation, installation and start-up. Discounted cash flows consider the present value of the net cash flows expected to be generated from the facility, taking into account the budgeted EBITDA growth rate and budgeted capital expenditure growth rate; the expected net cash flows are discounted using a risk-adjusted discount rate.	• Budgeted EBITDA growth rate (4.2–5.1%, weighted average 4.7%). • Budgeted capital expenditure growth rate (3–4%, weighted average 3.5%). • Risk-adjusted discount rate (7.2–8.5%, weighted average 7.7%).

a. The part of the Group's manufacturing facility that has been presented as a disposal group held for sale does not meet the definition of a discontinued operation in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. If it did, then additional disclosures applicable to the discontinued operation would have been required.

IFRS 5.38

b. The Group has elected to disclose major classes of assets and liabilities classified as held-for-sale in the notes. Alternatively, this information may be provided in the statement of financial position.

IFRS 13.93(a)

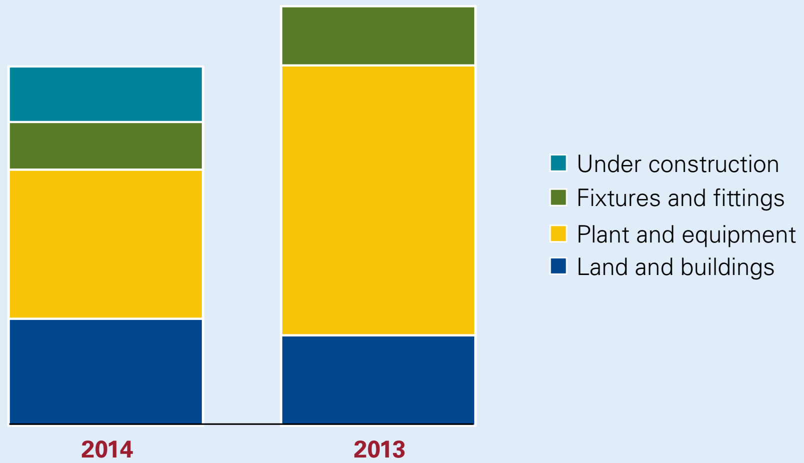
c. A non-recurring fair value measurement – e.g. related to an asset classified as held-for-sale – may occur during the reporting period. The disclosures required for a non-recurring fair value measurement are applicable in the financial statements for the period in which the fair value measurement occurred.

For further details on the disclosures of non-recurring fair value measurements, see our publication Fair Value Measurement – Questions and Answers (Question N10).

Notes to the consolidated financial statements (continued)

20. Property, plant and equipment

See accounting policies in Notes 44(K), (S)(ii) and (U).



A. Reconciliation of carrying amount[a]

	In thousands of euro	*Note*	Land and buildings	Plant and equipment	Fixtures and fittings	Under construc-tion	Total
	Cost						
IAS 16.73(d)	Balance at 1 January 2013		7,328	29,509	5,289	-	42,126
IAS 16.73(e)(i)	Additions		193	1,540	675	-	2,408
IAS 16.73(e)(ii)	Disposals		-	(1,081)	-	-	(1,081)
IAS 16.73(e)(viii)	Effect of movements in exchange rates		-	316	171	-	487
IAS 16.73(d)	**Balance at 31 December 2013**		7,521	30,284	6,135	-	43,940
IAS 16.73(d)	Balance at 1 January 2014		**7,521**	**30,284**	**6,135**	**-**	**43,940**
IAS 16.73(e)(iii)	Acquisitions through business combinations	*33(C)*	**185**	**1,580**	**190**	**-**	**1,955**
IAS 16.73(e)(i)	Other additions		**1,750**	**9,544**	**657**	**4,100**	**16,051**
IAS 16.73(e)(ix)	Reclassification to investment property – depreciation offset		**(300)**	**-**	**-**	**-**	**(300)**
IAS 16.73(e)(ix)	Revaluation of building reclassified to investment property		**200**	**-**	**-**	**-**	**200**
IAS 16.73(e)(ix)	Reclassification to investment property	*22(A)*	**(800)**	**-**	**-**	**-**	**(800)**
IAS 16.73(e)(ii)	Reclassification to assets held for sale	*19(B)*	**-**	**(9,222)**	**-**	**-**	**(9,222)**
IAS 16.73(e)(ii)	Disposals		**-**	**(11,972)**	**(2,100)**	**-**	**(14,072)**
IAS 16.73(e)(viii)	Effect of movements in exchange rates		**-**	**91**	**50**	**-**	**141**
IAS 16.73(d)	**Balance at 31 December 2014**		**8,556**	**20,305**	**4,932**	**4,100**	**37,893**

IAS 16.73(d)–(e), 38.118(c), (e)

a. Although IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* only require the reconciliation of the carrying amount at the beginning and at the end of the reporting period, the Group has also provided separate reconciliations of the gross carrying amount and accumulated depreciation. These additional reconciliations are not required and a different format may be used.

Notes to the consolidated financial statements (continued)

20. Property, plant and equipment (continued)

A. Reconciliation of carrying amount (continued)

	In thousands of euro	*Note*	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
	Accumulated depreciation and impairment losses						
IAS 16.73(d)	Balance at 1 January 2013		693	5,557	939	-	7,189
IAS 16.73(e)(vii)	Depreciation	*8(C)*	123	4,240	759	-	5,122
IAS 16.73(e)(v)	Impairment loss	*8(C), 21(C)*	-	1,123	-	-	1,123
IAS 16.73(e)(ii)	Disposals		-	(700)	-	-	(700)
IAS 16.73(e)(viii)	Effect of movements in exchange rates		-	98	59	-	157
IAS 16.73(d)	**Balance at 31 December 2013**		816	10,318	1,757	-	12,891
IAS 16.73(d)	Balance at 1 January 2014		**816**	**10,318**	**1,757**	**-**	**12,891**
IAS 16.73(e)(vii)	Depreciation	*8(C)*	**120**	**4,140**	**741**	**-**	**5,001**
IAS 16.73(e)(vi)	Reversal of impairment loss	*8(C), 21(C)*	**-**	**(393)**	**-**	**-**	**(393)**
IAS 16.73(e)(ix)	Reclassification to investment property – depreciation offset		**(300)**	**-**	**-**	**-**	**(300)**
IAS 16.73(e)(ii)	Reclassification to assets held for sale	*19(B)*	**-**	**(1,058)**	**-**	**-**	**(1,058)**
IAS 16.73(e)(ii)	Disposals		**-**	**(3,808)**	**(1,127)**	**-**	**(4,935)**
IAS 16.73(e)(viii)	Effect of movements in exchange rates		**-**	**63**	**38**	**-**	**101**
IAS 16.73(d)	**Balance at 31 December 2014**		**636**	**9,262**	**1,409**	**-**	**11,307**
IAS 1.78(a), 16.73(e)	**Carrying amounts**						
	At 1 January 2013		6,635	23,952	4,350	-	34,937
	At 31 December 2013		6,705	19,966	4,378	-	31,049
	At 31 December 2014		**7,920**	**11,043**	**3,523**	**4,100**	**26,586**

B. Impairment loss and subsequent reversal

IAS 36.126(a)–(b)

During 2013, due to regulatory restrictions imposed on the manufacture of a new product in the Standard Papers segment, the Group tested the related product line for impairment and recognised an impairment loss of €1,123 thousand with respect to plant and equipment. In 2014, €393 thousand of the loss was reversed. Further information about the impairment loss and subsequent reversal is included in Note 21(C)(ii).

C. Leased plant and equipment

IAS 17.31(a), (e)

The Group leases production equipment under a number of finance leases. One of the leases is an arrangement that is not in the legal form of a lease, but is accounted for as a lease based on its terms and conditions (see Note 27(E)). The leased equipment secures lease obligations. At 31 December 2014, the net carrying amount of leased equipment was €1,646 thousand (2013: €1,972 thousand).

IAS 7.43

During 2014, the Group acquired equipment with a carrying amount of €200 thousand (2013: €180 thousand) under a finance lease. Some leases provide the Group with the option to buy the equipment at a beneficial price.

D. Security

IAS 16.74(a)

At 31 December 2014, properties with a carrying amount of €5,000 thousand (2013: €4,700 thousand) were subject to a registered debenture that forms security for bank loans (see Note 27(A)).

Notes to the consolidated financial statements (continued)

20. Property, plant and equipment (continued)

E. Property, plant and equipment under construction

IAS 16.74(b)

During 2014, the Group acquired a piece of land for €3,100 thousand, with the intention of constructing a new factory on the site.

IAS 23.26

The Group has started construction and costs incurred up to 31 December 2014 totalled €1,000 thousand (2013: nil). Included in this amount are capitalised borrowing costs related to the acquisition of the land and the construction of the factory of €194 thousand, calculated using a capitalisation rate of 5.2%.

F. Transfer to investment property

During 2014, a building was transferred to investment property (see Note 22(A)), because it was no longer used by the Group and it was decided that the building would be leased to a third party.

IFRS 13.93(d)

Immediately before transfer, the Group remeasured the property to fair value and recognised a gain of €200 thousand in OCI. The valuation techniques and significant unobservable inputs used in measuring the fair value of the building at the date of transfer were the same as those applied to investment property at the reporting date (see Note 22(B)(ii)).

G. Change in estimates

IAS 8.39, 16.76

During 2014, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain dyeing equipment. The dyeing equipment, which management had previously intended to sell after 5 years of use, is now expected to remain in production for 12 years from the date of purchase. As a result, the expected useful life of the equipment increased and its estimated residual value decreased. The effect of these changes on actual and expected depreciation expense, included in 'cost of sales', was as follows.

In thousands of euro	**2014**	**2015**	**2016**	**2017**	**2018**	**Later**
(Decrease) increase in depreciation expense	**(256)**	(113)	150	150	130	170

H. Change in classification

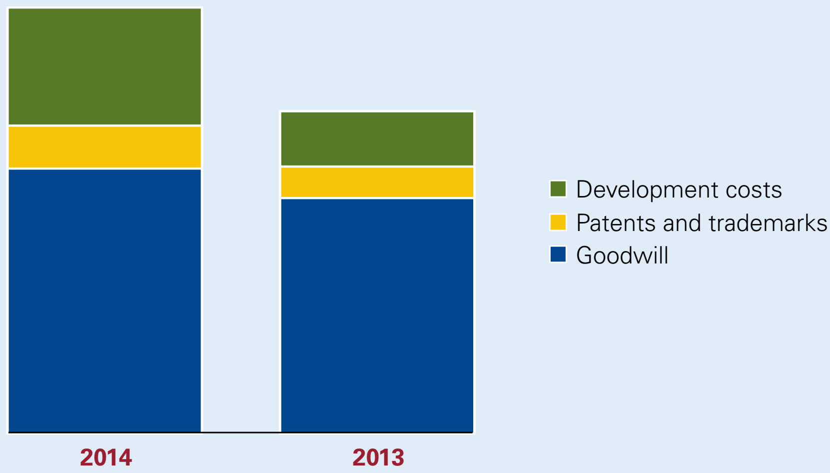
IAS 1.41(a)–(c)

During 2014, the Group modified the classification of depreciation expense on certain office space to reflect more appropriately the way in which economic benefits are derived from its use. Comparative amounts in the statement of profit or loss and OCI were restated for consistency. As a result, €120 thousand was reclassified from 'administrative expenses' to 'selling and distribution expenses'.

Notes to the consolidated financial statements (continued)

21. Intangible assets and goodwill

See accounting policies in Notes 44(L) and (S)(ii).



A. Reconciliation of carrying amount[a on page 52]

Reference	*In thousands of euro*	*Note*	Goodwill	Patents and trademarks	Development costs	Customer relationships	Total
	Cost						
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2013		3,545	1,264	4,111	-	8,920
IAS 38.118(e)(i)	Acquisitions – internally developed		-	-	515	-	515
IAS 38.118(e)(vii)	Effect of movements in exchange rates		-	(171)	(75)	-	(246)
IFRS 3.B67(d)(viii), IAS 38.118(c)	**Balance at 31 December 2013**		3,545	1,093	4,551	-	9,189
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2014		**3,545**	**1,093**	**4,551**	**-**	**9,189**
IFRS 3.B67(d)(ii), IAS 38.118(e)(i)	Acquisitions through business combinations	*33(C)–(D)*	**541**	**170**	**-**	**80**	**791**
IAS 38.118(e)(i)	Other acquisitions – internally developed		**-**	**-**	**1,272**	**-**	**1,272**
IAS 38.118(e)(vii)	Effect of movements in exchange rates		**-**	**186**	**195**	**-**	**381**
IFRS 3.B67(d)(viii), IAS 38.118(c)	**Balance at 31 December 2014**		**4,086**	**1,449**	**6,018**	**80**	**11,633**
	Accumulated amortisation and impairment losses						
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2013		138	552	2,801	-	3,491
IAS 38.118(e)(vi)	Amortisation	*8(C)*	-	118	677	-	795
IAS 38.118(e)(iv)	Impairment loss	*8(C)*	-	-	285	-	285
IAS 38.118(e)(vii)	Effect of movements in exchange rates		-	(31)	(12)	-	(43)
IFRS 3.B67(d)(viii), IAS 38.118(c)	**Balance at 31 December 2013**		138	639	3,751	-	4,528
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2014		**138**	**639**	**3,751**	**-**	**4,528**
IAS 38.118(e)(vi)	Amortisation	*8(C)*	**-**	**129**	**646**	**10**	**785**
IFRS 3.B67(d)(v)	Impairment loss	*8(C)*	**116**	**-**	**-**	**-**	**116**
IAS 38.118(e)(v)	Reversal of impairment loss	*8(C)*	**-**	**-**	**(100)**	**-**	**(100)**
IAS 38.118(e)(vii)	Effect of movements in exchange rates		**-**	**61**	**17**	**-**	**78**
IFRS 3.B67(d)(viii), IAS 38.118(c)	**Balance at 31 December 2014**		**254**	**829**	**4,314**	**10**	**5,407**
	Carrying amounts						
IAS 38.118(c)	At 1 January 2013		3,407	712	1,310	-	5,429
IAS 38.118(c)	**At 31 December 2013**		3,407	454	800	-	4,661
IAS 38.118(c)	**At 31 December 2014**		**3,832**	**620**	**1,704**	**70**	**6,226**

Notes to the consolidated financial statements (continued)

21. Intangible assets and goodwill (continued)

B. Amortisation

IAS 38.118(d)

The amortisation of patents, trademarks and development costs is allocated to the cost of inventory and is included in 'cost of sales' as inventory is sold; the amortisation of customer relationships is included in 'cost of sales'.

C. Impairment test

IAS 36.131(b)

The impairment loss and its subsequent reversal were recognised in relation to the manufacture of a new product in the Standard Papers segment and the goodwill in the Timber Products CGU as follows.

In thousands of euro	*Note*	2014	2013
Standard Papers			
Plant and equipment and development costs	*(ii)*	**(493)**	1,408
Timber Products			
Goodwill	*(iii)*	**116**	-
(Reversal of) impairment loss	*8(C)*	**(377)**	1,408

IAS 36.126(a)–(b)

The impairment loss and subsequent reversal were included in 'cost of sales'.[a]

i. Recoverability of development costs[b]

IAS 36.132

Included in the carrying amount of development costs at 31 December 2014 is an amount of €400 thousand related to a development project for a new process in one of the Group's factories in the Standard Papers segment. The regulatory approval that would allow this new process was delayed; consequently, the benefit of the new process will not be realised as soon as previously expected and management has carried out an impairment test.

The recoverable amount of the CGU that included these development costs (the factory using the process) was estimated based on the present value of the future cash flows expected to be derived from the CGU (value in use), assuming that the regulation would be passed by July 2015 and using a pre-tax discount rate of 12% and a terminal value growth rate of 2% from 2019. The recoverable amount of the CGU was estimated to be higher than its carrying amount and no impairment was required.

IAS 1.125, 129

Management considers it possible that the regulatory approval may be delayed by a further year to July 2016. Such further delay would result in an impairment of approximately €100 thousand in the carrying amount of the factory.

ii. Impairment loss and subsequent reversal in relation to a new product

IAS 36.130(a), 130(d)(i)

During 2013, a regulatory inspection revealed that a new product in the Standard Papers segment did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. Before the inspection, the product was expected to be available for sale in 2014; however, as a result of the regulatory restrictions, production and the expected launch date were deferred.

IAS 36.130(e)

Accordingly, management estimated the recoverable amount of the CGU (the product line) in 2013. The recoverable amount was estimated based on its value in use, assuming that the production line would go live in August 2015.

In 2014, following certain changes to the recovery plan, the Group reassessed its estimates and reversed part of the initially recognised impairment.

IAS 36.130(g), 132

The estimate of value in use was determined using a pre-tax discount rate of 10.5% (2013: 9.8%) and a terminal value growth rate of 3% from 2019 (2013: 3% from 2018).[b]

IAS 36.126, Insights 3.10.430.20

a. The Group has classified expenses by function and has therefore allocated the impairment loss to the appropriate function. In our view, in the rare case that an impairment loss cannot be allocated to a function, it should be included in 'other expenses' as a separate line item if it is significant (e.g. impairment of goodwill), with additional information given in a note.

IAS 36.132, 134

b. The Group has disclosed the key assumptions used (discount rate and terminal growth rate) to determine the recoverable amount of assets and CGUs, although disclosures beyond the discount rate are required only for CGUs containing goodwill or indefinite-lived intangible assets.

Notes to the consolidated financial statements (continued)

21. Intangible assets and goodwill (continued)

C. Impairment test (continued)

ii. Impairment loss and subsequent reversal in relation to a new product (continued)

IAS 36.126(a)–(b), 130(b), (d)(ii)

The impairment loss and its subsequent reversal were allocated pro rata to the individual assets constituting the production line (part of the Standard Papers segment) as follows.

In thousands of euro	*Note*	2014	2013
Plant and equipment	20(B)	**(393)**	1,123
Development costs		**(100)**	285
(Reversal of) impairment loss		**(493)**	1,408

IAS 36.130(e)

At 31 December 2014, the recoverable amount of the CGU was as follows.

In thousands of euro	2014	2013
Recoverable amount	**1,576**	1,083

iii. Impairment testing for CGUs containing goodwill[a]

IAS 36.134(a)

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows.

In thousands of euro	2014	2013
European Paper manufacturing and distribution	**2,676**	2,135
Timber Products	**960**	1,076
	3,636	3,211
Multiple units without significant goodwill (*IAS 36.135*)	**196**	196
	3,832	3,407

European Paper manufacturing and distribution

IAS 36.134(c), (e)

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see Note 4(B)).

IAS 36.134(e)(i)

The key assumptions[b] used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

IAS 36.134(f)(ii)

In percent	2014	2013
Discount rate (*IAS 36.134(e)(v)*)	**8.7**	8.5
Terminal value growth rate (*IAS 36.134(e)(iv)*)	**1.0**	0.9
Budgeted EBITDA growth rate (average of next five years) (*IAS 36.134(e)(i)*)	**5.2**	4.8

IAS 36.134(e)(ii)

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 40% at a market interest rate of 7%.

IAS 36.134(e)(ii)–(iii)

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

IAS 36.134 a. The Group has provided separate disclosures for different CGUs containing goodwill. Such separate disclosures are required for each CGU for which the carrying amount of goodwill or intangible assets with an indefinite useful life allocated to the CGU is significant in comparison with its carrying amount.

IAS 36.134, (d)(iv)–(v), (e)(iv)–(v), (f) b. IAS 36 *Impairment of Assets* specifically requires quantitative disclosures (i.e. values) in respect of the discount rates and growth rates used to extrapolate cash flow projections. Narrative disclosures are sufficient for other key assumptions unless a reasonably possible change in the assumption would result in an impairment; in that case, the value of the assumption is disclosed.

21. Intangible assets and goodwill (continued)

C. Impairment test (continued)

iii. Impairment testing for CGUs containing goodwill (continued)

European Paper manufacturing and distribution (continued)

IAS 36.134(e)(ii)

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows.

- Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years.
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments in a number of European countries in which the CGU operates. Other environmental costs are assumed to grow with inflation in other years.
- Estimated cash flows related to a restructuring that is expected to be carried out in 2015 were reflected in the budgeted EBITDA.

IAS 36.134(f)

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately €300 thousand (2013: €250 thousand). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

		Change required for carrying amount to equal recoverable amount	
	In percent	**2014**	**2013**
IAS 36.134(f)(iii)	Discount rate	**1.6**	1.3
IAS 36.134(f)(iii)	Budgeted EBITDA growth rate	**(4.4)**	(3.6)

Timber Products

IAS 1.125, 36.130(f), 134(c)–(d)

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be higher than its recoverable amount of €960 thousand and an impairment loss of €116 thousand in 2014 (2013: nil) was recognised. The impairment loss was fully allocated to goodwill and included in 'cost of sales'.

IAS 36.134(d)(i)

The key assumptions used in the estimation of value in use were as follows.[b on page 57]

	In percent	**2014**	**2013**
IAS 36.134(d)(v)	Discount rate	**9.6**	10.0
IAS 36.134(d)(iv)	Terminal value growth rate	**1.8**	2.0
IAS 36.134(d)(i)	Budgeted EBITDA growth rate (average of next five years)	**8.0**	9.0

IAS 36.134(d)(ii)

The discount rate was a pre-tax measure[a] based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

IAS 36.55, A20, Insights 3.10.310.10–20

a. IAS 36 prima facie requires value in use to be determined using pre-tax cash flows and a pre-tax discount rate. However, in our experience it is more common to use post-tax cash flows and a post-tax discount rate such as the weighted-average cost of capital. Challenges arise in following a post-tax approach appropriately so that the resulting value in use is consistent with the pre-tax principle.

Notes to the consolidated financial statements (continued)

21. Intangible assets and goodwill (continued)

C. Impairment test (continued)

iii. Impairment testing for CGUs containing goodwill (continued)

Timber Products (continued)

IAS 36.134(d)(ii)–(iii)

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that sales prices would grow at a constant margin above forecast inflation over the next five years, in line with information obtained from external brokers who publish a statistical analysis of long-term market trends.

Following the impairment loss recognised in the Group's Timber Products CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

D. Development costs

IAS 23.26(a)–(b)

Included in development costs is an amount of €37 thousand (2013: €12 thousand) that represents borrowing costs capitalised during the year using a capitalisation rate of 5.1% (2013: 5.4%).

Notes to the consolidated financial statements (continued)

22. Investment property[a]

See accounting policy in Note 44(M).

A. Reconciliation of carrying amount

	In thousands of euro	*Note*	2014	2013[a]
IAS 40.76, IFRS 13.93(e)	Balance at 1 January		**250**	150
IAS 40.76(a), IFRS 13.93(e)(iii)	Acquisitions		**300**	40
IAS 40.76(f), IFRS 13.93(e)(iii)	Reclassification from property, plant and equipment	*20(F)*	**800**	-
IAS 40.76(d), IFRS 13.93(f)	Change in fair value	*8(A)*	**20**	60
IAS 40.76, IFRS 13.93(e)	**Balance at 31 December**		**1,370**	250

IAS 17.56(c) Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 10 years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessee and historically the average renewal period is four years. No contingent rents are charged. Further information about these leases is included in Note 37(B).

IFRS 13.93(e)(i), (f) Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

B. Measurement of fair values

i. Fair value hierarchy

IAS 40.75(e) The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every six months.

IFRS 13.93(b) The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4(B)).

ii. Valuation technique and significant unobservable inputs

IFRS 13.93(d), (h)(i), 99 The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	• Expected market rental growth (2014: 2–3%, weighted average 2.6%; 2013: 2–3%, weighted average 2.5%). • Void periods (2014 and 2013: average 6 months after the end of each lease). • Occupancy rate (2014: 90–95%, weighted average 92.5%; 2013: 91–95%, weighted average 92.8%). • Rent-free periods (2014 and 2013: 1-year period on new leases). • Risk-adjusted discount rates (2014: 5–6.3%, weighted average 5.8%; 2013: 5.7–6.8%, weighted average 6.1%).	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower); • void periods were shorter (longer); • the occupancy rate were higher (lower); • rent-free periods were shorter (longer); or • the risk-adjusted discount rate were lower (higher).

Insights 3.4.260.40 a. Because IAS 40 makes no reference to making disclosures on a class-by-class basis, it could be assumed that the minimum requirement is to make the disclosures on an aggregate basis for the whole investment property portfolio. If investment property represents a significant portion of the assets, then we prefer entities to disclose additional analysis – e.g. portfolio by types of investment property.

Notes to the consolidated financial statements (continued)

23. Equity-accounted investees[a, b]

See accounting policies in Notes 44(A)(v)–(vi), (B)(ii)–(iii) and (S)(i).

In thousands of euro	*Note*	2014	2013
Interest in joint venture	*(A)*	**2,217**	1,048
Interests in associates	*(B)*	**272**	900
Balance at 31 December		**2,489**	1,948

A. Joint venture[c]

IFRS 12.20(a), 21(a)(i)–(iii), (b)(iii)

Paletel AG (Paletel) is the only joint arrangement in which the Group participates. It is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp in Himmerland, Denmark. Paletel is not publicly listed.

IFRS 12.7(c), 20(b), 23(a), B18, IAS 1.122

Paletel is structured as a separate vehicle and the Group has a residual interest in the net assets of Paletel. Accordingly, the Group has classified its interest in Paletel as a joint venture. In accordance with the agreement under which Paletel is established, the Group and the other investor in the joint venture have agreed to make additional contributions in proportion to their interests to make up any losses, if required, up to a maximum amount of €6,000 thousand. This commitment has not been recognised in these consolidated financial statements.

IFRS 12.21(b), B12–B14

The following table summarises the financial information of Paletel as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Paletel.

	In thousands of euro	2014	2013
IFRS 12.21(a)(iv)	**Percentage ownership interest**	**40%**	40%
IFRS 12.B12(b)(ii)	Non-current assets	**5,953**	3,259
IFRS 12.B12(b)(i), B13(a)	Current assets (including cash and cash equivalents – 2014: €200 thousand, 2013: €150 thousand)	**1,089**	821
IFRS 12.B12(b)(iv), B13(c)	Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions – 2014: €1,211 thousand, 2013: €986 thousand)	**(1,716)**	(1,320)
IFRS 12.B12(b)(iii), B13(c)	Current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2014: €422 thousand, 2013: €930 thousand)	**(543)**	(1,130)
	Net assets (100%)	**4,783**	1,630
	Group's share of net assets (40%)	**1,913**	652
	Elimination of unrealised profit on downstream sales	**(96)**	(4)
	Goodwill	**400**	400
	Carrying amount of interest in joint venture	**2,217**	1,048
IFRS 12.B12(b)(v)	Revenue	**25,796**	21,405
IFRS 12.B13(d)	Depreciation and amortisation	**(445)**	(350)
IFRS 12.B13(f)	Interest expense	**(396)**	(218)
IFRS 12.B13(g)	Income tax expense	**(1,275)**	(290)
IFRS 12.B12(b)(vi), (ix)	Profit and total comprehensive income (100%)	**3,205**	690
	Profit and total comprehensive income (40%)	**1,282**	276
	Elimination of unrealised profit on downstream sales	**(92)**	(4)
	Group's share of profit and total comprehensive income	**1,190**	272
IFRS 12.B12(a)	**Dividends received by the Group**	**21**	-

a. For additional disclosure examples and explanatory notes on IFRS 12 *Disclosures of Interests in Other Entities*, see our publication Guide to annual financial statements – IFRS 12 supplement.

IFRS 12.21 b. The extent of disclosures required by IFRS 12 for individually material interests in joint arrangements and associates differs from that for individually immaterial interests.

IFRS 12.21–23, B12–B13 c. The extent of disclosures required by IFRS 12 for individually material joint ventures and joint operations is different. For example, the disclosure of summarised financial information, fair value (if there is a quoted market price) and commitments is not required for joint operations.

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

23. Equity-accounted investees (continued)

B. Associates

IFRS 12.20, 21(a)(i)–(iii), (b)(iii)

On 31 March 2014, the Group's equity interest in one of its associates, Papyrus, increased from 25 to 90% and Papyrus became a subsidiary from that date (see Note 33). Papyrus is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp in Kentucky, US. Papyrus is not publicly listed.

IFRS 12.21(b), B12–B14

The following table summarises the financial information of Papyrus as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Papyrus. The information for the comparative period presented in the table includes the results of Papyrus only for the period from 1 January 2013 to 31 March 2014, because Papyrus became a subsidiary on 31 March 2014.

	In thousands of euro	**2014**	**2013**
IFRS 12.21(a)(iv)	**Percentage ownership interest**	**25%**	25%
IFRS 12.B12(b)(ii)	Non-current assets	**-**	1,280
IFRS 12.B12(b)(i)	Current assets	**-**	1,975
IFRS 12.B12(b)(iv)	Non-current liabilities	**-**	(1,087)
IFRS 12.B12(b)(iii)	Current liabilities	**-**	(324)
	Net assets (100%)	**-**	1,844
	Group's share of net assets (25%)	**-**	461
	Elimination of unrealised profit on downstream sales	**-**	(8)
	Carrying amount of interest in associate	**-**	453
IFRS 12.B12(b)(v)	Revenue	**7,863**	19,814
IFRS 12.B12(b)(vi)	Profit from continuing operations (100%)	**271**	857
IFRS 12.B12(b)(viii)	Other comprehensive income (100%)	**(408)**	(552)
IFRS 12.B12(b)(ix)	Total comprehensive income (100%)	**(137)**	305
	Total comprehensive income (25%)	**(34)**	76
	Elimination of unrealised profit on downstream sales	**1**	(1)
	Group's share of profit and total comprehensive income	**(33)**	75

IFRS 12.7(b), 9(e), IAS 1.122

The Group also has interests in a number of individually immaterial associates. For one of these associates, the Group owns 20% of the equity interests but has less than 20% of the voting rights; however, the Group has determined that it has significant influence because it has representation on the board of the investee.

IFRS 12.21(c), B16

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates.

In thousands of euro	**2014**	**2013**
Carrying amount of interests in associates	**272**	447
Share of:		
– Profit from continuing operations	**(133)**	102
– OCI	**(57)**	(31)
	(190)	71

IFRS 12.22(c)

The Group has not recognised losses totalling €15 thousand (2013: nil) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

During 2014, the Group repaid a loan of €1,000 thousand received from one of its associates (see Notes 27 and 40(C)).

Notes to the consolidated financial statements (continued)

24. Other investments, including derivatives

See accounting policies in Notes 44(P)(i)–(ii), (P)(iv) and (S)(i).

	In thousands of euro	2014	2013
	Non-current investments		
IFRS 7.8(b)	Corporate debt securities – held-to-maturity	**2,436**	2,256
IFRS 7.8(d)	Corporate debt securities – available-for-sale	**118**	373
IFRS 7.8(d)	Equity securities – available-for-sale	**710**	511
IFRS 7.8(a)	Equity securities – designated as at fair value through profit or loss	**251**	254
IFRS 7.22(b)	Interest rate swaps used for hedging	**116**	131
		3,631	3,525
	Current investments		
IFRS 7.8(a)	Sovereign debt securities – held-for-trading	**243**	591
IFRS 7.22(b)	Forward exchange contracts used for hedging	**297**	352
	Other forward exchange contracts	**122**	89
		662	1,032

IFRS 7.7 Corporate debt securities classified as available-for-sale have stated interest rates of 5.2 to 7.0% (2013: 6.5 to 8.0%) and mature in one to two years. Corporate debt securities classified as held-to-maturity investments have interest rates of 6.3 to 7.8% (2013: 7.5 to 8.3%) and mature in two to five years.

Sovereign debt securities classified as held-for-trading have stated interest rates of 3.5 to 4.0% (2013: 3.2 to 3.8%) and mature within one year.

IFRS 7.B5(a)(i), (iii) The equity securities have been designated as at fair value through profit or loss because they are managed on a fair value basis and their performance is actively monitored.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in Note 31(C).

Notes to the consolidated financial statements (continued)

25. Capital and reserves

See accounting policies in Notes 44(B)(i)–(iii), (E)(iv), (K)(iv), (P)(ii), (P)(iv), (Q) and (R).

A. Share capital and share premium

IAS 1.79(a)(iv)

In thousands of shares	Ordinary shares 2014	Ordinary shares 2013	Non-redeemable preference shares 2014	Non-redeemable preference shares 2013
In issue at 1 January	**3,100**	3,100	**1,750**	1,750
Issued for cash	**130**	-	**-**	-
Exercise of share options	**5**	-	**-**	-
Issued in business combination	**8**	-	**-**	-
In issue at 31 December – fully paid (IAS 1.79(a)(ii))	**3,243**	3,100	**1,750**	1,750
Authorised – par value €3 (IAS 1.79(a)(i), (iii))	**10,000**	10,000	**2,000**	2,000

IAS 1.79(a)(v)

All ordinary shares rank equally with regard to the Company's residual assets. Preference shareholders participate only to the extent of the face value of the shares.

i. Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

Issue of ordinary shares

IAS 1.79(a)

In October 2014, the general meeting of shareholders approved the issue of 130,000 ordinary shares at an exercise price of €11.92 per share (2013: nil).

Additionally, 5,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2009 share option programme granted to key management personnel (2013: nil) (see Note 11). Options were exercised at an average price of €10 per option.

IAS 7.43

8,000 ordinary shares were also issued during 2014 as a result of the acquisition of Papyrus (see Note 33(A)) (2013: nil).

ii. Non-redeemable preference shares

Holders of these shares receive a non-cumulative dividend of 25.03 cents per share at the Company's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. These shares do not have voting rights.

B. Nature and purpose of reserves

i. Translation reserve

IAS 1.79(b)

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation (see Note 44(B)(iii)).

Notes to the consolidated financial statements (continued)

25. Capital and reserves (continued)

B. Nature and purpose of reserves (continued)

ii. Hedging reserve

IAS 1.79(b) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

iii. Fair value reserve

IAS 1.79(b) The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

iv. Revaluation reserve

IAS 1.79(b) The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

v. Convertible notes

IAS 1.79(b) The reserve for convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the Group in May 2014 (see Note 27(C)).

vi. Treasury share reserve

IAS 1.79(b), 32.34 The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 31 December 2014, the Group held 48,000 of the Company's shares (2013: 50,000).[a]

C. Dividends

IAS 1.107 The following dividends were declared and paid by the Company for the year.

In thousands of euro	2014	2013
25.25 cents per qualifying ordinary share (2013: 4.28 cents)	**805**	133
25.03 cents per non-redeemable preference share (2013: 25.03 cents)	**438**	438
	1,243	571

IAS 1.137(a), 10.13, 12.81(i) After the reporting date, the following dividends were proposed by the board of directors. The dividends have not been recognised as liabilities and there are no tax consequences.

In thousands of euro	2014	2013
27.92 cents per qualifying ordinary share (2013: 26.40 cents)	**892**	805
25.03 cents per non-redeemable preference share (2013: 25.03 cents)	**438**	438
	1,330	1,243

IAS 1.79(a)(vi), 32.34 a. The Group has elected to disclose the number of treasury shares held in the notes. Alternatively, it may be disclosed in the statement of financial position.

Basis of preparation
INTRODUCTION
Performance
Employee benefits
AUDITORS' REPORT
Income taxes
Assets
PRIMARY STATEMENTS
Equity & liabilities
Financial instruments
NOTES
Group composition
Other information
APPENDICES
Accounting policies

25. Capital and reserves (continued)

IAS 1.106(d)(ii), 106A

D. OCI accumulated in reserves, net of tax[a]

	In thousands of euro	Attributable to owners of the Company: Translation reserve (see (B)(i))	Hedging reserve (see (B)(ii))	Fair value reserve (see (B)(iii))	Revaluation reserve (see (B)(iv))	Retained earnings	Total	NCI (see Note 34)	Total OCI
	2014								
IAS 16.77(f)	Revaluation of property, plant and equipment	**-**	**-**	**-**	**134**	**-**	**134**	**-**	**134**
	Remeasurements of defined benefit liability (asset)	**-**	**-**	**-**	**-**	**48**	**48**	**-**	**48**
IAS 21.52(b)	Foreign operations – foreign currency translation differences	**653**	**-**	**-**	**-**	**-**	**653**	**27**	**680**
IAS 21.52(b)	Reclassification of foreign currency differences on loss of significant influence	**(20)**	**-**	**-**	**-**	**-**	**(20)**	**-**	**(20)**
IAS 21.52(b)	Net investment hedge – net loss	**(3)**	**-**	**-**	**-**	**-**	**(3)**	**-**	**(3)**
IFRS 7.23(c)	Cash flow hedges – effective portion of changes in fair value	**-**	**(41)**	**-**	**-**	**-**	**(41)**	**-**	**(41)**
IFRS 7.23(d)	Cash flow hedges – reclassified to profit or loss	**-**	**(21)**	**-**	**-**	**-**	**(21)**	**-**	**(21)**
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value	**-**	**-**	**133**	**-**	**-**	**133**	**-**	**133**
IFRS 7.20(a)(ii)	Available-for-sale financial assets – reclassified to profit or loss	**-**	**-**	**(43)**	**-**	**-**	**(43)**	**-**	**(43)**
	Equity-accounted investees – share of OCI	**(172)**	**-**	**-**	**-**	**13**	**(159)**	**-**	**(159)**
	Total	**458**	**(62)**	**90**	**134**	**61**	**681**	**27**	**708**
	2013								
	Remeasurements of defined benefit liability (asset)	-	-	-	-	(10)	(10)	-	(10)
IAS 21.52(b)	Foreign operations – foreign currency translation differences	449	-	-	-	-	449	22	471
IAS 21.52(b)	Net investment hedge – net loss	(8)	-	-	-	-	(8)	-	(8)
IFRS 7.23(c)	Cash flow hedges – effective portion of changes in fair value	-	64	-	-	-	64	-	64
IFRS 7.23(d)	Cash flow hedges – reclassified to profit or loss	-	(8)	-	-	-	(8)	-	(8)
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value	-	-	79	-	-	79	-	79
	Equity-accounted investees – share of OCI	(166)	-	-	-	(3)	(169)	-	(169)
	Total	275	56	79	-	(13)	397	22	419

IAS 1.106A a. The Group has elected to present the disaggregation of changes in each component of equity arising from transactions recognised in OCI in the notes. Alternatively, an entity may present the disaggregation in the statement of changes in equity.

Notes to the consolidated financial statements (continued)

26. Capital management

IAS 1.134–135(a)

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

IAS 1.135(a)

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 23%; in 2014 the return was 29.9% (2013: 24.3%). The weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.8% (2013: 5.5%).

Management is considering extending the Group's share option programme beyond key management and other senior employees. Currently, other employees are awarded SARs and participate in an employee share purchase programme (see Note 11(A)). The Group is in discussions with employee representatives, but no decisions have been made.

IAS 1.135(a)

The Group monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserve.[a]

The Group's policy is to keep the ratio below 2.00. The Group's adjusted net debt to equity ratio at 31 December 2014 was as follows.

In thousands of euro	2014	2013 Restated*
Total liabilities	**63,267**	51,802
Less: cash and cash equivalents	**(1,505)**	(1,850)
Adjusted net debt	**61,762**	49,952
Total equity	**45,701**	35,494
Less: hedging reserve	**(428)**	(490)
Adjusted equity	**45,273**	35,004
Adjusted net debt to adjusted equity ratio	**1.36**	1.43

* See Note 43.

IAS 1.135(a)

From time to time, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. The shares are primarily intended to be used for issuing shares under the Group's share option programme. Buy and sell decisions are made on a specific transaction basis by the Risk Management Committee; the Group does not have a defined share buy-back plan.

a. The Group has provided the definitions of 'adjusted net debt' and 'adjusted equity' because they are alternative performance measures and are not defined in IFRS. The Group has also provided the reconciliations between them and figures presented in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

27. Loans and borrowings

See accounting policies in Notes 44(B)(i)–(ii), (P)(i), (P)(iii), Q(ii), (R) and (U).

IAS 1.77

In thousands of euro	Note	2014	2013
Non-current liabilities			
Secured bank loans		**6,576**	8,093
Unsecured bond issues		**6,136**	9,200
Convertible notes		**4,678**	-
Redeemable preference shares		**1,939**	-
Finance lease liabilities		**1,613**	1,738
		20,942	19,031
Current liabilities			
Current portion of secured bank loans		**1,055**	3,985
Unsecured bank loans		**503**	117
Unsecured bond issues		**3,064**	-
Dividends on redeemable preference shares		**51**	-
Current portion of finance lease liabilities		**315**	444
Loan from associate	*40(C)*	**-**	1,000
		4,988	5,546

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note 31(C).

IFRS 7.7

A. Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.

IFRS 7.42D(e)

				31 December 2014		31 December 2013	
In thousands of euro	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured bank loan (See Note 17(A))	EUR	3.60–3.90%	2014–15	**600**	**598**	1,000	985
Secured bank loan	CHF	3.90%	2018	**1,240**	**1,240**	1,257	1,257
Secured bank loan	USD	4.70%	2016–19	**1,447**	**1,447**	1,521	1,521
Secured bank loan	EUR	4.50%	2016–19	**3,460**	**3,460**	3,460	3,460
Secured bank loan	GBP	LIBOR+1%	2014–16	**886**	**886**	4,855	4,855
Unsecured bank loan	EUR	3.80%	2015	**510**	**503**	-	-
Unsecured bank loan	EUR	5.50%	2014	**-**	**-**	117	117
Unsecured bond issues	EUR	LIBOR+0.5%	2018	**1,023**	**1,023**	1,023	1,023
Unsecured bond issues	EUR	LIBOR+1%	2019	**5,113**	**5,113**	5,113	5,113
Unsecured bond issues	EUR	LIBOR	2015	**3,064**	**3,064**	3,064	3,064
Loan from associate	EUR	4.80%	2014	**-**	**-**	1,000	1,000
Convertible notes	EUR	3.00%	2017	**5,000**	**4,678**	-	-
Redeemable preference shares	EUR	4.40%	2020	**2,000**	**1,939**	-	-
Dividends on redeemable preference shares	EUR	-	2015	**51**	**51**	-	-
Finance lease liabilities	EUR	6.5–7.0%	2014–28	**2,663**	**1,928**	3,186	2,182
Total interest-bearing liabilities				**27,057**	**25,930**	25,596	24,577

IFRS 7.7, IAS 16.74(a)

The secured bank loans are secured over land and buildings and trade receivables with a carrying amount of €5,000 thousand (2013: €4,700 thousand) (see Note 20(D)) and €600 thousand (2013: €1,000 thousand) (see Note 17(A)) respectively. Additionally, call deposits with a carrying amount of €600 thousand (2013: €600 thousand) (see Note 18) are pledged against certain secured bank loans.

Notes to the consolidated financial statements (continued)

27. Loans and borrowings (continued)

B. Breach of loan covenant

IFRS 7.19

The Group has a secured bank loan with a carrying amount of €3,460 thousand at 31 December 2014 (2013: €3,460 thousand). This loan is repayable in tranches over the next five years. However, the loan contains a covenant stating that at the end of each quarter the Group's debt (defined in the covenant as the Group's loans and borrowings and trade and other payables) cannot exceed 2.5 times the Group's quarterly revenue from continuing operations.

The Group exceeded its maximum leverage threshold in the third quarter of 2014 and the threshold was still exceeded as of 31 December 2014. However, management obtained a waiver from the bank in October 2014. Accordingly, the loan was not payable on demand at 31 December 2014 which extended until March 2015 (see Note 36).

C. Convertible notes

In thousands of euro	*Note*	
Proceeds from issue of convertible notes (1,250,000 notes at €4 par value)		**5,000**
Transaction costs		**(250)**
Net proceeds		**4,750**
Amount classified as equity (net of transaction costs of €9 thousand)	*14(C)*	**(163)**
Accreted interest		**91**
Carrying amount of liability at 31 December 2014		**4,678**

These notes were issued on 29 May 2014. They are convertible into 250,000 ordinary shares in May 2017 at the option of the holder. Any unconverted notes become payable on demand.

Convertible notes will become payable on demand if the Group's adjusted net debt to adjusted equity exceeds 1.95 (see Note 26).

D. Redeemable preference shares

In thousands of euro	
Proceeds from issue of redeemable preference shares	**2,000**
Transaction costs	**(61)**
Carrying amount at 31 December 2014	**1,939**

During 2014, 1,000,000 redeemable preference shares were issued as fully paid with a par value of €2 per share (2013: nil). The redeemable preference shares are mandatorily redeemable at par on 31 May 2020 and the Group is obliged to pay holders of these shares annual dividends of 4.4% of the par amount on 31 May each year until and including on maturity.

Redeemable preference shares do not carry the right to vote. Holders of redeemable preference shares participate in the Company's residual assets only to the extent of the face value of the shares.

E. Finance lease liabilities

IAS 17.31(b)

Finance lease liabilities are payable as follows.

	Future minimum lease payments		Interest		Present value of minimum lease payments	
In thousands of euro	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Less than one year	**535**	706	**220**	262	**315**	444
Between one and five years	**1,128**	1,124	**343**	385	**785**	739
More than five years	**1,000**	1,356	**172**	357	**828**	999
	2,663	3,186	**735**	1,004	**1,928**	2,182

IAS 17.31(c), (e)(i)–(ii)

Certain leases provide for additional payments that are contingent on changes in market rents. Contingent rents included in profit or loss amounted to €17 thousand (2013: €15 thousand).

Notes to the consolidated financial statements (continued)

27. Loans and borrowings (continued)

E. Finance lease liabilities (continued)

i. Lease of equipment not in the legal form of a lease

IAS 1.122, 17.31(e)

During 2013, the Group entered into an arrangement whereby a supplier built equipment that the supplier will use to produce a specific chemical used in manufacturing a new product in the American Paper manufacturing and distribution division for a minimum period of 16 years. The Group pays a fixed annual fee over the term of the arrangement, plus a variable charge based on the quantity of chemical delivered.

Due to the unusual nature of the product and the manufacturing process, the supplier is unlikely to be able to sell the chemical to other customers. It would not be economically feasible for the supplier to produce the chemical using different equipment. Accordingly, although the arrangement is not in the legal form of a lease, the Group concluded that the arrangement contains a lease of the equipment. The lease was classified as a finance lease. At inception of the arrangement, payments were split into lease payments and payments related to the other elements based on their relative fair values. The imputed finance costs on the liability were determined based on the Group's incremental borrowing rate (6.5%).

Notes to the consolidated financial statements (continued)

28. Trade and other payables

See accounting policies in Notes 44(P)(ii) and (P)(iv).

			In thousands of euro	Note	2014	2013 Restated*
IFRS 7.8(f)	Trade payables due to related parties	40	**174**	351
	Other trade payables		**22,204**	19,983
	Accrued expenses		**312**	487
	Trade payables		**22,690**	20,821
	Forward exchange contracts used for hedging	31(C)–(E)	**8**	7
	Interest rate swaps used for hedging	31(C)–(E)	**20**	5
	Contingent consideration	33(A)(iii)	**270**	-
	Other payables		**298**	12
			22,988	20,833
	Non-current		**290**	5
	Current		**22,698**	20,828
			22,988	20,833

* See Note 43.

Information about the Group's exposure to currency and liquidity risk is included in Note 31(C).

Notes to the consolidated financial statements (continued)

29. Deferred income/revenue

See accounting policies in Notes 44(D)(i), (F) and (N).

	In thousands of euro	*Note*	2014	2013
	Government grants[a]	*(A)*	**1,424**	1,462
IAS 11.40(b)	Customer advances		**110**	117
IAS 11.42(b)	Billing in advance of work completed		**17**	13
	Customer loyalty claims	*(B), 7*	**50**	38
			1,601	1,630
	Non-current		**1,424**	1,462
	Current		**177**	168
			1,601	1,630

A. Government grants

IAS 20.39(b)–(c)

The Group has been awarded two government grants. One of the grants, received in 2013, amounted to €1,462 thousand and was conditional on the acquisition of factory premises in a specified region. The factory has been in operation since early 2014 and the grant, recognised as deferred income, is being amortised over the useful life of the building. In accordance with the terms of the grant, the Group is prohibited from selling the factory premises for a period of 15 years from the date of the grant.

The second grant, received in 2014, was unconditional, amounted to €200 thousand and related to pine trees. It was included in 'other income' when it became receivable (see Note 8(A)).

B. Customer loyalty claims[b]

The deferred revenue related to loyalty credits granted of €50 thousand (2013: €38 thousand) has been estimated with reference to the fair value of paper products for which they could be redeemed. This is because the fair value of the loyalty credits is not directly observable. The fair value of the right to buy paper products at a discount for which the loyalty credits can be redeemed takes into account the amount of the discount available to customers that have not earned the loyalty credits and the expected forfeiture rate.

IAS 20.24

a. The Group has elected to present government grants related to assets as deferred income. Alternatively, an entity may present such grants as a deduction in arriving at the carrying amount of the asset.

b. Although it is not required by IFRIC 13 *Customer Loyalty Programmes*, the Group has provided certain disclosures for illustrative purposes only. Additional disclosures may be necessary if a customer loyalty programme is significant.

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

30. Provisions

See accounting policy in Note 44(T).

	In thousands of euro	*Note*	Warranties	Restructur-ing	Site restoration	Onerous contracts	Legal	Total
IAS 37.84(a)	Balance at 1 January 2014		200	600	740	-	-	1,540
	Assumed in a business combination	*33*	-	-	150	-	20	170
IAS 37.84(b)	Provisions made during the year		280	400	660	160	-	1,500
IAS 37.84(c)	Provisions used during the year		(200)	(500)	(800)	-	-	(1,500)
IAS 37.84(d)	Provisions reversed during the year[a]		-	(100)	-	-	-	(100)
IAS 37.84(e)	Unwind of discount	*9*	-	-	60	-	-	60
IAS 37.84(a)	**Balance at 31 December 2014**		**280**	**400**	**810**	**160**	**20**	**1,670**
	Non-current		100	-	810	100	-	1,010
	Current		180	400	-	60	20	660
			280	400	810	160	20	1,670

A. Warranties

IAS 37.85(a)–(c)

The provision for warranties relates mainly to paper sold during 2013 and 2014. The provision has been estimated based on historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year. An expected reimbursement of warranty expense incurred of €25 thousand has been included in 'other trade receivables' (see Note 17) following a supplier accepting responsibility for the defective products.

B. Restructuring

IAS 1.98(b), 125, 37.85(a)–(b)

During 2013, the Group committed to a plan to restructure a product line in the American Paper manufacturing and distribution division due to a decrease in demand as a result of deteriorated economic circumstances. Following the announcement of the plan, the Group recognised a provision of €600 thousand for expected restructuring costs, including contract termination costs, consulting fees and employee termination benefits (see Note 13). Estimated costs were based on the terms of the relevant contracts. The restructuring was completed in 2014, and €500 thousand of the provision was used during the year. The unused provision of €100 thousand was reversed and has been included in 'cost of sales'.

During 2014, a provision of €400 thousand was made to cover the costs associated with restructuring part of a manufacturing facility within the Standard Papers segment that will be retained when the remainder of the facility is sold (see Note 19). Estimated restructuring costs mainly include employee termination benefits (see Note 13) and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be completed by June 2015.

Insights 3.12.850 a. In our view, in the statement of profit or loss and OCI, the reversal of a provision should be presented in the same line item as the original estimate.

Notes to the consolidated financial statements (continued)

30. Provisions (continued)

C. Site restoration

i. France

IAS 37.85(a)

A provision of €740 thousand was made during 2012 and an unwind of the discount of €60 was recognised in 2013 in respect of the Group's obligation to rectify environmental damage in France. The required work was completed during 2014 at a cost of €800 thousand.

ii. Romania

IAS 1.125, 129, 37.85(a)–(b)

In accordance with Romanian law, the Group's subsidiary in Romania is required to restore contaminated land to its original condition before the end of 2017. During 2014, the Group provided €660 thousand for this purpose.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are currently available. The Group has been provided with a range of reasonably possible outcomes of the total cost, which range from €500 thousand to €700 thousand, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5.9%, which is the risk-free rate in Romania. The rehabilitation is expected to occur in the next two to three years.

IAS 34.26

The provision has increased compared with the amount of €500 thousand reported in the Company's interim financial statements as at 30 June 2014 due to a change in estimated costs. At the time of preparing the interim financial statements, the extent of restoration work required was uncertain, because the inspection report by the Romanian authorities had not yet been finalised. The estimates were subsequently revised based on the final report.

iii. Acquisition of Papyrus

As part of the acquisition of Papyrus, the Group recognised environmental provisions of €150 thousand, measured on a provisional basis (see Note 33(C)).

D. Onerous contracts

IAS 37.85(a)–(b)

In 2013, the Group entered into a non-cancellable lease for office space. Due to changes in its activities, the Group stopped using the premises on 30 September 2014, resulting in surplus lease space (see Note 37(A)). The lease will expire in 2017. The facilities have been sub-let for the remaining lease term, but changes in market conditions have meant that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided for.

E. Legal

IAS 1.125, 37.86(a)–(b)

As a result of the acquisition of Papyrus, the Group assumed a contingent liability of €20 thousand, measured on a provisional basis (see Note 33(C)).

31. Financial instruments – Fair values and risk management

A. Accounting classifications and fair values[a, b]

IFRS 7.8, 25, 13.93(a)–(b), 97, 99

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount								Fair value			
31 December 2014 *In thousands of euro*	Note	Held-for-trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Interest rate swaps used for hedging	24	-	-	116	-	-	-	-	116	-	116	-	116
Forward exchange contracts used for hedging	24	-	-	297	-	-	-	-	297	-	297	-	297
Other forward exchange contracts	24	122	-	-	-	-	-	-	122	-	122	-	122
Sovereign debt securities	24	243	-	-	-	-	-	-	243	243	-	-	243
Corporate debt securities	24	-	-	-	-	-	118	-	118	78	40	-	118
Equity securities	24	-	251	-	-	-	710	-	961	961	-	-	961
		365	251	413	-	-	828	-	1,857				
Financial assets not measured at fair value[c]													
Trade and other receivables	17	-	-	-	-	32,267	-	-	32,267				
Cash and cash equivalents	18	-	-	-	-	1,505	-	-	1,505				
Corporate debt securities	24	-	-	-	2,436	-	-	-	2,436	2,461	-	-	2,461
		-	-	-	2,436	33,772	-	-	36,208				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	28	-	-	(20)	-	-	-	-	(20)	-	(20)	-	(20)
Forward exchange contracts used for hedging	28	-	-	(8)	-	-	-	-	(8)	-	(8)	-	(8)
Contingent consideration	28	-	(270)	-	-	-	-	-	(270)	-	-	(270)	(270)
		-	(270)	(28)	-	-	-	-	(298)				
Financial liabilities not measured at fair value[c]													
Bank overdrafts	18	-	-	-	-	-	-	(334)	(334)				
Secured bank loans	27	-	-	-	-	-	-	(7,631)	(7,631)	-	(8,001)	-	(8,001)
Unsecured bank loans	27	-	-	-	-	-	-	(503)	(503)	-	(505)	-	(505)
Unsecured bond issues	27	-	-	-	-	-	-	(9,200)	(9,200)	-	(9,675)	-	(9,675)
Convertible notes – liability component	27	-	-	-	-	-	-	(4,678)	(4,678)	-	(4,671)	-	(4,671)
Redeemable preference shares	27	-	-	-	-	-	-	(1,939)	(1,939)	(1,936)	-	-	(1,936)
Dividends payable on redeemable shares	27	-	-	-	-	-	-	(51)	(51)	(51)	-	-	(51)
Finance lease liabilities	27	-	-	-	-	-	-	(1,928)	(1,928)	-	(1,856)	-	(1,856)
Trade payables*	28	-	-	-	-	-	-	(22,662)	(22,662)				
		-	-	-	-	-	-	(48,926)	(48,926)				

* Accrued expenses that are not financial liabilities (€28 thousand) are not included.

a. In this table, the Group has disclosed the fair value of each class of financial assets and financial liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets to the different categories of financial instruments as defined in IAS 39 *Financial Instruments: Recognition and Measurement*. This presentation is optional and different presentation methods may be desirable, depending on circumstances.

IFRS 7.B1–B3

b. The Group has grouped its financial instruments into 'classes'. Although IFRS 7 does not define 'classes', as a minimum instruments measured at amortised cost should be distinguished from instruments measured at fair value.

IFRS 7.29, 13.97

c. The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

31. Financial instruments – Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

		Carrying amount								Fair value			
31 December 2013 *In thousands of euro*	***Note***	**Held-for-trading**	**Designated at fair value**	**Fair value – hedging instruments**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value													
Interest rate swaps used for hedging	*24*	-	-	131	-	-	-	-	131	-	131	-	131
Forward exchange contracts used for hedging	*24*	-	-	352	-	-	-	-	352	-	352	-	352
Other forward exchange contracts	*24*	89	-	-	-	-	-	-	89	-	89	-	89
Sovereign debt securities	*24*	591	-	-	-	-	-	-	591	591	-	-	591
Corporate debt securities	*24*	-	-	-	-	-	373	-	373	373	-	-	373
Equity securities	*24*	-	254	-	-	-	511	-	765	540	-	225	765
		680	254	483	-	-	884	-	2,301				
Financial assets not measured at fair value [c on page 75]													
Trade and other receivables	*17*	-	-	-	-	22,485	-	-	22,485				
Cash and cash equivalents	*18*	-	-	-	-	1,850	-	-	1,850				
Corporate debt securities	*24*	-	-	-	2,256	-	-	-	2,256	2,259			2,259
		-	-	-	2,256	24,335	-	-	26,591				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	*28*	-	-	(5)	-	-	-	-	(5)	-	(5)	-	(5)
Forward exchange contracts used for hedging	*28*	-	-	(7)	-	-	-	-	(7)	-	(7)	-	(7)
		-	-	(12)	-	-	-	-	(12)				
Financial liabilities not measured at fair value [c on page 75]													
Bank overdrafts	*18*	-	-	-	-	-	-	(282)	(282)				
Secured bank loans	*27*	-	-	-	-	-	-	(12,078)	(12,078)		(12,861)		(12,861)
Unsecured bank loans	*27*	-	-	-	-	-	-	(117)	(117)		(115)		(115)
Unsecured bond issues	*27*	-	-	-	-	-	-	(9,200)	(9,200)		(9,381)		(9,381)
Loan from associate	*27*	-	-	-	-	-	-	(1,000)	(1,000)		(997)		(997)
Finance lease liabilities	*27*	-	-	-	-	-	-	(2,182)	(2,182)		(2,163)		(2,163)
Trade payables*	*28*	-	-	-	-	-	-	(20,789)	(20,789)				
		-	-	-	-	-	-	(45,648)	(45,648)				

* Accrued expenses that are not financial liabilities (€32 thousand) are not included.

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

B. Measurement of fair values

i. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

IFRS 13.93(d), (h), 99

Financial instruments measured at fair value

IFRS 3.B67(b)(iii)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	• Forecast annual revenue growth rate (2014: 3–8%; 2013: 4–8%). • Forecast EBITDA margin (2014: 8%; 2013: 7%). • Risk-adjusted discount rate (2014: 5.5%; 2013: 5.0%).	The estimated fair value would increase (decrease) if: • the annual revenue growth rate were higher (lower); • the EBITDA margin were higher (lower); or • the risk-adjusted discount rate were lower (higher). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.
Equity securities	*Market comparison technique:* The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities.	• Forecast annual revenue growth rate (2014: 2–6%; 2013: 3–7%). • Forecast EBITDA margin (2014: 4%; 2013: 4%). • Adjusted market multiple (2014: 4–6; 2013: 4–7).	The estimated fair value would increase (decrease) if: • the annual revenue growth rate were higher (lower); • the EBITDA margin were higher (lower); or • the adjusted market multiple were higher (lower). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.
Corporate debt securities, forward exchange contracts and interest rate swaps	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.	Not applicable.

IFRS 13.93(d), 97, 99

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other financial liabilities*	Discounted cash flows.	Not applicable.

* Other financial liabilities include secured and unsecured bank loans, unsecured bond issues, convertible notes – liability component and finance lease liabilities.

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

B. Measurement of fair values (continued)

ii. Transfers between Levels 1 and 2

IFRS 13.93(c) At 31 December 2014, available-for-sale corporate debt securities with a carrying amount of €40 thousand were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities were no longer regularly available. To determine the fair value of such debt securities, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers from Level 2 to Level 1 in 2014 and no transfers in either direction in 2013.

iii. Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	In thousands of euro	***Note***	**Equity securities available-for-sale**	**Contingent consideration**
	Balance at 1 January 2013		-	-
IFRS 13.93(e)(ii)	**Gain included in OCI**			
	– Net change in fair value (unrealised)		13	-
IFRS 13.93(e)(iii)	Purchases		212	-
	Balance at 31 December 2013		225	-
	Balance at 1 January 2014		**225**	**-**
IFRS 13.93(e)(iii)	Assumed in a business combination	*33(A)*	**-**	**(250)**
IFRS 13.93(e)(i), (f)	**Loss included in 'finance costs'**			
	– Net change in fair value (unrealised)	*9*	**-**	**(20)**
IFRS 13.93(e)(ii)	**Gain included in OCI**			
	– Net change in fair value (unrealised)		**18**	**-**
IFRS 13.93(e)(iv)	Transfers out of Level 3		**(243)**	**-**
	Balance at 31 December 2014		**-**	**(270)**

Transfer out of Level 3

IFRS 13.93(e)(iv) The Group holds an investment in equity shares of MSE Limited, which is classified as available-for-sale, with a fair value of €243 thousand at 31 December 2014 (31 December 2013: €225 thousand). The fair value of the investment was previously categorised as Level 3 at 31 December 2013 (for information on the valuation technique, see (i) above). This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares.

During 2014, MSE Limited listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at 31 December 2014.

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

B. Measurement of fair values (continued)

iii. Level 3 fair values (continued)

IFRS 13.93(h)(ii)

Sensitivity analysis

For the fair values of contingent consideration and equity securities – available-for-sale, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Contingent consideration	Profit or loss	
Effect in thousands of euro	**Increase**	**Decrease**
31 December 2014		
Annual revenue growth rate (0.5% movement)	**(80)**	**78**
EBITDA margin (0.3% movement)	**(60)**	**59**
Risk-adjusted discount rate (1% movement)	**90**	**(85)**

Equity securities – Available-for-sale	OCI, net of tax	
Effect in thousands of euro	**Increase**	**Decrease**
31 December 2013		
Annual revenue growth rate (0.5% movement)	70	(69)
EBITDA margin (0.2% movement)	79	(71)
Adjusted market multiple (5% movement)	81	(81)

C. Financial risk management[a]

The Group has exposure to the following risks arising from financial instruments:

- credit risk (see (C)(ii));
- liquidity risk (see (C)(iii)); and
- market risk (see (C)(iv)).

i. Risk management framework

IFRS 7.31

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

a. The financial risk disclosures presented are only illustrative and reflect the facts and circumstances of the Group. In particular, IFRS 7 requires the disclosure of summary quantitative data about an entity's risk exposure based on information provided internally to an entity's key management personnel, although certain minimum disclosures are also required to the extent that they are not otherwise covered by the disclosures made under the 'management approach' above.

INTRODUCTION Basis of preparation Performance
AUDITORS' REPORT Employee benefits Income taxes
PRIMARY STATEMENTS Assets Equity & liabilities
NOTES Financial instruments Group composition
APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk

IFRS 7.31, 33

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

IFRS 7.36(a)

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. Further details of concentration of revenue are included in Note 5(E).

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the Risk Management Committee.

More than 85% of the Group's customers have been transacting with the Group for over four years, and no impairment loss has been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry and existence of previous financial difficulties.

IFRS 7.33(c)

The Group is closely monitoring the economic environment in the eurozone and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In 2014, certain purchase limits have been reduced, particularly for customers operating in [*Countries A, B, C, D and E*], because the Group's experience is that the recent economic volatility has had a greater impact for customers in those countries than for customers in other countries.

IFRS 7.36(b)

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not otherwise require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (see Note 44(S)(i)).

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade and other receivables (continued)

IFRS 7.34(a), 36(a)

At 31 December 2014, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.[a]

	Carrying amount	
In thousands of euro	**2014**	**2013**
[*Countries A, B, C, D and E*]	**1,053**	1,583
Other eurozone countries	**18,516**	10,342
UK	**2,534**	2,685
US	**9,915**	7,687
Other regions	**249**	188
	32,267	22,485

IFRS 7.34(a), 36(a)

At 31 December 2014, the maximum exposure to credit risk for trade and other receivables by type of counterparty was as follows.[a]

	Carrying amount	
In thousands of euro	**2014**	**2013**
Wholesale customers	**23,804**	14,429
Retail customers	**8,090**	7,145
End-user customers	**298**	820
Other	**75**	91
	32,267	22,485

IFRS 7.34(a), 36(a)

At 31 December 2014, the Group's most significant customer, a European wholesaler, accounted for €8,034 thousand of the trade and other receivables carrying amount (2013: €4,986 thousand).

Impairment

IFRS 7.37(a)

At 31 December 2014, the ageing of trade and other receivables that were not impaired was as follows.[b]

In thousands of euro	**2014**	**2013**
Neither past due nor impaired	**28,943**	19,120
Past due 1–30 days	**2,685**	3,032
Past due 31–90 days	**375**	112
Past due 91–120 days	**37**	26
	32,040	22,290

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

IFRS 7.IG18 a. The identification of concentration of risk requires judgement in light of specific circumstances, and may arise from industry sectors, credit ratings, geographic distribution or a limited number of individual counterparties.

IFRS 7.37(a) b. The Group has disclosed an ageing analysis of only its trade and other receivables, because this is the only class of financial assets that were past due but not impaired at the reporting date. Other entities may have other classes of financial assets for which this disclosure requirement is relevant.

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade and other receivables (continued)

Impairment (continued)

IFRS 7.36(c)

An analysis of the credit quality of trade and other receivables that are neither past due nor impaired is as follows.

In thousands of euro	**2014**	**2013**
External credit ratings at least A1 from [*Rating Agency X*] or A from [*Rating Agency Y*]	**15,664**	10,139
Other customers:		
– Four or more years' trading history with the Group*	**11,258**	7,633
– Less than four years' trading history with the Group*	**1,930**	1,290
– Higher risk	**91**	58
	28,943	19,120

* Excluding 'higher risk'.

IFRS 7.16

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

In thousands of euro	**Individual impairments**	**Collective impairments**
Balance at 1 January 2013	6	20
Impairment loss recognised	6	24
Amounts written off	(2)	-
Balance at 31 December 2013	10	44
Impairment loss recognised	**144**	**6**
Amounts written off	**(4)**	**-**
Balance at 31 December 2014	**150**	**50**

IFRS 7.37(b)

At 31 December 2014, there was an impairment loss of €60 thousand related to a customer that was declared bankrupt during the year. Although the goods sold to the customer were subject to a retention of title clause, the Group has no indication that the customer is still in possession of the goods. There was also an impairment loss of €20 thousand related to trade receivables acquired as part of the acquisition of Papyrus (see Note 33(C)). The remainder of the impairment loss at 31 December 2014 related to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

Debt securities

The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a credit rating of at least A1 from [*Rating Agency X*] and A from [*Rating Agency Y*].

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Debt securities (continued)

IFRS 7.34(a), 36(a)

The maximum exposure to credit risk for debt securities classified as held-to-maturity, available-for-sale and held-for-trading at the reporting date by geographic region was as follows.

	Carrying amount	
In thousands of euro	**2014**	**2013**
[*Country X*]	**1,625**	2,328
[*Countries A, B, C, D and E*]	**69**	115
Other eurozone countries	**368**	273
UK	**436**	430
US	**299**	51
	2,797	3,197

Impairment

IFRS 7.16

The movement in the allowance for impairment in respect of corporate debt securities – held-to-maturity during the year was as follows.

In thousands of euro	**2014**	**2013**
Balance at 1 January	**20**	20
Impairment loss recognised	**60**	-
Balance at 31 December	**80**	20

The Group did not have any debt securities that were past due but not impaired at 31 December 2014 or 2013.

IFRS 7.37(b)

An impairment loss of €60 thousand in respect of held-to-maturity investments was recognised in 2014 because of significant financial difficulties being experienced by the issuers. The Group has no collateral in respect of these investments.

Cash and cash equivalents

IFRS 7.34(a), 36(a), (c)

The Group held cash and cash equivalents of €1,505 thousand at 31 December 2014 (2013: €1,850 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on [*Rating Agency Y*] ratings.

Derivatives

IFRS 7.36(c)

The derivatives are entered into with bank and financial institution counterparties, which are rated AA- to AA+, based on [*Rating Agency Y*] ratings.

Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. At 31 December 2014, the Company has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see Note 32(B)).

IFRS 7.31, 33

iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

iii. Liquidity risk (continued)

IFRS 7.31, 33

IFRS 7.34(a), B10A

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The ratio of investments to outflows was 1.65 at 31 December 2014 (2013: 1.58). The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 December 2014, the expected cash flows from trade and other receivables maturing within two months were €12,331 thousand (2013: €8,940 thousand). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

IAS 7.50(a)

In addition, the Group maintains the following lines of credit.

- €10 million overdraft facility that is unsecured. Interest would be payable at the rate of Euribor plus 150 basis points (2013: Euribor plus 160 basis points).
- €15 million that is unsecured and can be drawn down to meet short-term financing needs. The facility has a 30-day maturity that renews automatically at the option of the Group. Interest would be payable at a rate of Euribor plus 100 basis points (2013: Euribor plus 110 basis points).

Exposure to liquidity risk

IFRS 7.39(a)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.[a, b]

IFRS 7.39(a), B11A–B11D (non-derivative financial liabilities); *IFRS 7.39(b), B11A–B11D* (derivative financial liabilities)

		Contractual cash flows					
31 December 2014 *In thousands of euro*	**Carrying amount**	**Total**	**2 months or less**	**2–12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
Non-derivative financial liabilities							
Contingent consideration	270	(330)	-	-	-	(330)	-
Bank overdrafts	334	(334)	(334)	-	-	-	-
Secured bank loans	7,631	(8,431)	(689)	(420)	(1,810)	(5,512)	-
Unsecured bank loan	503	(520)	(194)	(326)	-	-	-
Unsecured bond issues	9,200	(10,272)	(59)	(3,195)	(709)	(6,309)	-
Convertible notes	4,678	(5,375)	-	(150)	(150)	(5,075)	-
Redeemable preference shares	1,939	(2,528)	(15)	(73)	(88)	(264)	(2,088)
Dividends on redeemable preference shares	51	(51)	(51)	-	-	-	-
Finance lease liabilities	1,928	(2,663)	(178)	(357)	(450)	(678)	(1,000)
Trade payables	22,662	(22,662)	(22,662)	-	-	-	-
	49,196	(53,166)	(24,182)	(4,521)	(3,207)	(18,168)	(3,088)
Derivative financial liabilities							
Interest rate swaps used for hedging	20	(21)	(1)	(6)	(6)	(8)	-
Forward exchange contracts used for hedging:							
– Outflow	8	(152)	(91)	(61)	-	-	-
– Inflow	-	142	85	57	-	-	-
	28	(31)	(7)	(10)	(6)	(8)	-

IFRS 7.39, B11, Insights 7.8.370.80

a. The Group has disclosed a contractual maturity analysis for its financial liabilities, which is the minimum disclosure under IFRS 7 in respect of liquidity risk. Because IFRS 7 does not mandate the number of time bands to be used in the analysis, the Group has applied judgement to determine an appropriate number of time bands.

Insights 7.8.370.70

b. The Group has included both the interest and principal cash flows in the analysis. In our view, this best represents the liquidity risk being faced by the Group.

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

iii. Liquidity risk (continued)

Exposure to liquidity risk (continued)

IFRS 7.39(a), B11A–B11D

IFRS 7.39(b), B11A–B11D

31 December 2013 *In thousands of euro*	**Carrying amount**	**Contractual cash flows** **Total**	**2 months or less**	**2–12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
Non-derivative financial liabilities							
Bank overdrafts	282	(282)	(282)	-	-	-	-
Secured bank loans	12,078	(13,112)	(1,720)	(3,605)	(518)	(6,357)	(912)
Unsecured bank loan	117	(125)	(63)	(62)	-	-	-
Unsecured bond issues	9,200	(10,613)	(61)	(184)	(3,306)	(1,703)	(5,359)
Finance lease liabilities	2,182	(3,186)	(177)	(354)	(458)	(666)	(1,531)
Loan from associate	1,000	(1,048)	(8)	(1,040)	-	-	-
Trade payables	20,789	(20,789)	(20,789)	-	-	-	-
	45,648	(49,155)	(23,100)	(5,245)	(4,282)	(8,726)	(7,802)
Derivative financial liabilities							
Interest rate swaps used for hedging	5	(5)	-	(2)	(1)	(2)	-
Forward exchange contracts used for hedging:							
– Outflow	7	(41)	(25)	(16)	-	-	-
– Inflow	-	32	19	13	-	-	-
	12	(14)	(6)	(5)	(1)	(2)	-

IFRS 7.39(b)–(c), B11D

The gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

IFRS 7.B10A

As disclosed in Notes 27 and 36, the Group has a secured bank loan that contains a loan covenant. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. In addition, as disclosed in Note 27(C), convertible notes will become repayable on demand if the Group's net debt to adjusted equity ratio exceeds 1.95. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to the management to ensure compliance with the agreement.

The interest payments on variable interest rate loans and bond issues in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on contingent consideration (see Note 33(A)) and derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk

IFRS 7.33

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the euro and Swiss francs (CHF). The currencies in which these transactions are primarily denominated are euro, US dollars, sterling and Swiss francs.

IFRS 7.22

At any point in time, the Group hedges 75 to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following six months. The Group also hedges at least 80% of all trade receivables and trade payables denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

Currency risks related to the principal amounts of the Group's sterling and US dollar bank loans, taken out by euro functional currency Group companies, have been fully hedged using forward contracts that mature on the same dates as the loans are due for repayment. These contracts are designated as cash flow hedges.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group – primarily euro, but also Swiss francs. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

IFRS 7.22

The Group's investment in its Swiss subsidiary, Oy Kossu AG, is hedged by a Swiss franc-denominated secured bank loan (carrying amount: €1,240 thousand (2013: €1,257 thousand)), which mitigates the foreign currency translation risk arising from the subsidiary's net assets. The fair value of the borrowing at 31 December 2014 was €1,090 thousand (2013: €1,050 thousand). The loan is designated as a net investment hedge. No ineffectiveness was recognised from the net investment hedge. The Group's investments in other subsidiaries are not hedged.

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Currency risk (continued)

IFRS 7.34(a)

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows.

	31 December 2014				31 December 2013			
In thousands of	EUR	USD	GBP	CHF	EUR	USD	GBP	CHF
Trade receivables	**1,977**	**8,365**	**2,367**	**-**	3,099	6,250	1,780	-
Secured bank loans	**-**	**(1,447)**	**(886)**	**(1,240)**	-	(1,521)	(4,855)	(1,257)
Trade payables	**(876)**	**(7,956)**	**(4,347)**	**-**	(5,411)	(10,245)	(2,680)	-
Net statement of financial position exposure	**1,101**	**(1,038)**	**(2,866)**	**(1,240)**	(2,312)	(5,516)	(5,755)	(1,257)
Next six months' forecast sales[a]	**9,000**	**23,000**	**12,000**	**-**	18,700	17,000	24,000	-
Next six months' forecast purchases[a]	**(10,000)**	**(20,000)**	**(8,000)**	**-**	(9,800)	(10,000)	(17,000)	-
Net forecast transaction exposure	**(1,000)**	**3,000**	**4,000**	**-**	8,900	7,000	7,000	-
Forward exchange contracts	**-**	**(950)**	**(946)**	**-**	-	(1,042)	(870)	-
Net exposure	**101**	**1,012**	**188**	**(1,240)**	6,588	442	375	(1,257)

IFRS 7.31

The following significant exchange rates have been applied during the year.[b]

	Average rate		Year-end spot rate	
Euro	2014	2013	2014	2013
USD 1	**0.758**	0.765	**0.750**	0.758
GBP 1	**1.193**	1.214	**1.172**	1.230
CHF 1	**0.818**	0.825	**0.810**	0.828

IFRS 7.34(a) a. Disclosure of estimated forecast sales and purchases does not form part of the minimum disclosure requirements in IFRS 7, because estimated forecast sales and purchases are not financial instruments. However, the Group has disclosed this information because it is relevant to an understanding of its exposure to currency risk. In addition, IFRS 7 requires quantitative data about risk exposures to be based on information provided internally to key management personnel and the Group provides forecast sales and purchase information to management as part of its management of currency risk.

IFRS 7.31 b. Although it is not specifically required by IFRS, the Group has disclosed the significant exchange rates applied. This disclosure is provided for illustrative purposes only.

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Currency risk (continued)

IFRS 7.40

Sensitivity analysis

A reasonably possible strengthening (weakening) of the euro, US dollar, sterling or Swiss franc against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity, net of tax	
Effect in thousands of euro	Strengthening	Weakening	Strengthening	Weakening
31 December 2014				
EUR (9% movement)	**(33)**	**33**	**25**	**(25)**
USD (10% movement)	**25**	**(25)**	**(7)**	**7**
GBP (8% movement)	**17**	**(17)**	**(5)**	**5**
CHF (3% movement)	**2**	**(2)**	**(30)**	**30**
31 December 2013				
EUR (10% movement)	(37)	37	28	(28)
USD (12% movement)	85	(85)	(8)	8
GBP (10% movement)	92	(92)	(7)	7
CHF (5% movement)	6	(6)	(50)	50

Interest rate risk

IFRS 7.22

The Group adopts a policy of ensuring that between 80 and 90% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a float rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

IFRS 7.34(a)

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	Nominal amount	
In thousands of euro	2014	2013
Fixed-rate instruments		
Financial assets	**2,554**	2,629
Financial liabilities	**(15,793)**	(10,522)
	(13,239)	(7,893)
Effect of interest rate swaps	**(8,000)**	(7,500)
	(21,239)	(15,393)
Variable-rate instruments		
Financial liabilities	**(10,086)**	(14,055)
Effect of interest rate swaps	**8,000**	7,500
	(2,086)	(6,555)

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Notes to the consolidated financial statements (continued)

31. Financial instruments – Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed-rate instruments (continued)

A change of 100 basis points in interest rates would have increased or decreased equity by €65 thousand after tax (2013: €66 thousand).

IFRS 7.40

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		Equity, net of tax	
Effect in thousands of euro	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2014				
Variable-rate instruments	**(66)**	**66**	**-**	**-**
Interest rate swaps	**61**	**(61)**	**310**	**(302)**
Cash flow sensitivity (net)	**(5)**	**5**	**310**	**(302)**
31 December 2013				
Variable-rate instruments	(142)	142	-	-
Interest rate swaps	61	(61)	280	(275)
Cash flow sensitivity (net)	(81)	81	280	(275)

Other market price risk

The Group is exposed to equity price risk, which arises from available-for-sale equity securities held for partially meeting the unfunded portion of the Group's defined benefit pension obligations as well as investments measured at fair value through profit or loss. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee.

IFRS 7.B5(a)(iii)

The primary goal of the Group's investment strategy is to maximise investment returns, both to partially meet the Group's unfunded defined benefit obligations and to improve its returns in general. Management is assisted by external advisers in this regard. Certain investments are designated as at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

IFRS 7.40

Sensitivity analysis – Equity price risk

All of the Group's listed equity investments are listed on either the London Stock Exchange or the New York Stock Exchange. For such investments classified as available-for-sale, a 2% increase in the FTSE 100 plus a 3% increase in the Dow Jones Industrial Average at the reporting date would have increased equity by €28 thousand after tax (2013: an increase of €18 thousand); an equal change in the opposite direction would have decreased equity by €28 thousand after tax (2013: a decrease of €18 thousand). For such investments classified as at fair value through profit or loss, the impact on profit or loss and equity would have been an increase or decrease of €16 thousand after tax (2013: €18 thousand).

31. Financial instruments – Fair values and risk management (continued)

D. Derivative assets and liabilities designated as cash flow hedges

IFRS 7.23(a)

The following table indicates the periods in which the cash flows associated with cash flow hedges *are expected to occur* and the carrying amounts of the related hedging instruments.

	2014				2013			
		Expected cash flows				Expected cash flows		
In thousands of euro	Carrying amount	Total	12 months or less	More than one year	Carrying amount	Total	12 months or less	More than one year
Interest rate swaps								
Assets	**116**	**140**	**48**	**92**	131	155	39	116
Liabilities	**(20)**	**(21)**	**(7)**	**(14)**	(5)	(5)	(2)	(3)
Forward exchange contracts								
Assets	**297**	**326**	**326**	**-**	352	375	375	-
Liabilities	**(8)**	**(10)**	**(10)**	**-**	(7)	(9)	(9)	-
	385	**435**	**357**	**78**	471	516	403	113

The following table indicates the periods in which the cash flows associated with cash flow hedges *are expected to impact profit or loss* and the carrying amounts of the related hedging instruments.

	2014				2013			
		Expected cash flows				Expected cash flows		
In thousands of euro	Carrying amount	Total	12 months or less	More than one year	Carrying amount	Total	12 months or less	More than one year
Interest rate swaps								
Assets	**116**	**140**	**48**	**92**	131	155	39	116
Liabilities	**(20)**	**(21)**	**(7)**	**(14)**	(5)	(5)	(2)	(3)
Forward exchange contracts								
Assets	**297**	**326**	**228**	**98**	352	375	330	45
Liabilities	**(8)**	**(10)**	**(8)**	**(2)**	(7)	(9)	(8)	(1)
	385	**435**	**261**	**174**	471	516	359	157

31. Financial instruments – Fair values and risk management (continued)

IFRS 7.13B, 13E, B50

E. Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

IFRS 7.13C, B46

In thousands of euro	*Note*	Gross and net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
31 December 2014				
Financial assets				
Other investments, including derivatives				
– Interest rate swaps used for hedging	*24*	**116**	**(5)**	**111**
– Forward exchange contracts used for hedging	*24*	**297**	**(16)**	**281**
– Other forward exchange contracts	*24*	**122**	**(7)**	**115**
		535	**(28)**	**507**
Financial liabilities				
Trade and other payables				
– Interest rate swaps used for hedging	*28*	**(20)**	**20**	**-**
– Forward exchange contracts used for hedging	*28*	**(8)**	**8**	**-**
		(28)	**28**	**-**
31 December 2013				
Financial assets				
Other investments, including derivatives				
– Interest rate swaps used for hedging	*24*	131	(2)	129
– Forward exchange contracts used for hedging	*24*	352	(8)	344
– Other forward exchange contracts	*24*	89	(2)	87
		572	(12)	560
Financial liabilities				
Trade and other payables				
– Interest rate swaps used for hedging	*28*	(5)	5	-
– Forward exchange contracts used for hedging	*28*	(7)	7	-
		(12)	12	-

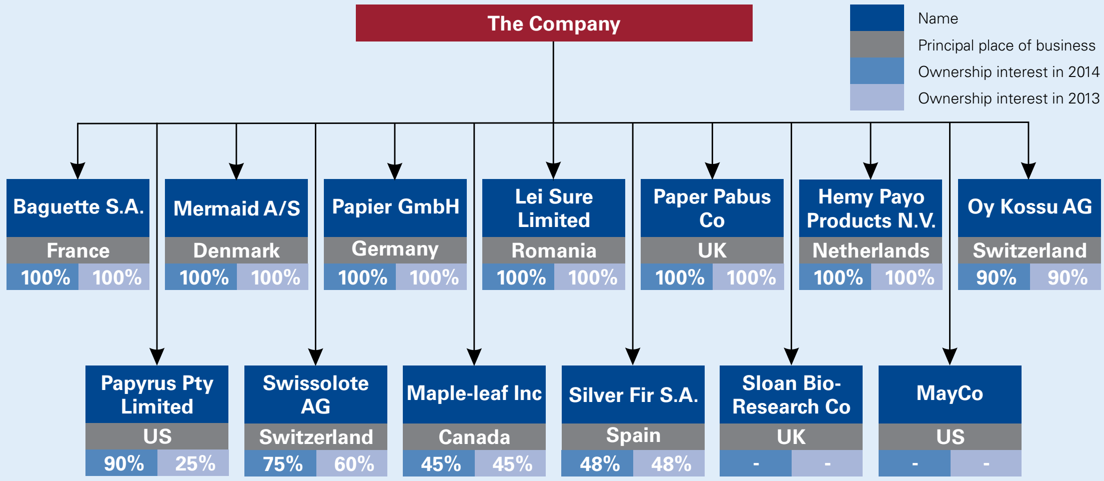
Notes to the consolidated financial statements (continued)

32. List of subsidiaries[a]

See accounting policy in Note 44(A)(ii).

IFRS 12.10(a), 12(a)–(b)

Set out below is a list of material subsidiaries of the Group.



A. Maple-leaf Inc and Silver Fir S.A.

IFRS 12.7(a), 9(b), IAS 1.122

Although the Group owns less than half of Maple-leaf Inc and Silver Fir S.A. and has less than half of their voting power, management has determined that the Group controls these two entities. The Group controls Maple-leaf Inc by virtue of an agreement with its other shareholders; the Group has control over Silver Fir S.A., on a de facto power basis, because the remaining voting rights in the investee are widely dispersed and there is no indication that all other shareholders exercise their votes collectively.

B. Sloan Bio-Research Co and MayCo

IFRS 12.10(b)(ii)

The Group does not hold any ownership interests in two structured entities, Sloan Bio-Research Co and MayCo. However, based on the terms of agreements under which these entities were established, the Group receives substantially all of the returns related to their operations and net assets (these entities perform research activities exclusively for the Group) and has the current ability to direct these entities' activities that most significantly affect these returns. Because the owners' interests in these entities are presented as liabilities of the Group, there are no NCI for these entities.

IFRS 12.14

The Company has issued guarantees to certain banks in respect of the credit facilities of €700 thousand granted to these entities.

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a. For additional disclosure examples and explanatory notes on IFRS 12, see our publication Guide to annual financial statements – IFRS 12 supplement.

Notes to the consolidated financial statements (continued)

33. Acquisition of subsidiary

See accounting policy in Note 44(A)(i)–(iii).

IFRS 3.B64(a)–(c)

On 31 March 2014, the Group acquired 65% of the shares and voting interests in Papyrus. As a result, the Group's equity interest in Papyrus increased from 25 to 90%, obtaining control of Papyrus (see Note 23(B)).

IFRS 3.B64(d)

Taking control of Papyrus will enable the Group to modernise its production process through access to Papyrus's patented technology. The acquisition is also expected to provide the Group with an increased share of the standard paper market through access to Papyrus's customer base. The Group also expects to reduce costs through economies of scale.

IFRS 3.B64(q)

In the nine months to 31 December 2014, Papyrus contributed revenue of €20,409 thousand and profit of €425 thousand to the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that consolidated revenue would have been €107,091 thousand, and consolidated profit for the year would have been €8,128 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

IFRS 3.B64(f)

A. Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	In thousands of euro	*Note*	
IFRS 3.B64(f)(i), IAS 7.40(a)	Cash		**2,500**
IAS 7.43	Equity instruments (8,000 ordinary shares)	*25(A)(i)*	**87**
	Replacement share-based payment awards	*(ii)*	**120**
IFRS 3.B64(f)(iii)	Contingent consideration	*31(B)(iii)*	**250**
	Settlement of pre-existing relationship	*8(B)*	**(326)**
	Total consideration transferred		**2,631**

i. Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2014 of €10.88 per share.

ii. Replacement share-based payment awards

IFRS 3.B64(l)

In accordance with the terms of the acquisition agreement, the Group exchanged equity-settled share-based payment awards held by employees of Papyrus (the acquiree's awards) for equity-settled share-based payment awards of the Company (the replacement awards). The details of the acquiree's awards and replacement awards were as follows.

	Acquiree's awards	**Replacement awards**
Terms and conditions	Grant date: 1 April 2013 Vesting date: 31 March 2017 Service condition	Vesting date: 31 March 2017 Service condition
Fair value at date of acquisition	€527 thousand	€571 thousand

The value of the replacement awards is €520 thousand, after taking into account an estimated forfeiture rate of 9%. The consideration for the business combination includes €120 thousand transferred to employees of Papyrus when the acquiree's awards were substituted by the replacement awards, which relates to past service. The balance of €400 thousand will be recognised as post-acquisition compensation cost. For further details on the replacement awards, see Note 11(A)(ii).

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

33. Acquisition of subsidiary (continued)

A. Consideration transferred (continued)

iii. Contingent consideration

IFRS 3.B64(g), B67(b)

The Group has agreed to pay the selling shareholders in three years' time additional consideration of €600 thousand if the acquiree's cumulative EBITDA over the next three years exceeds €10,000 thousand. The Group has included €250 thousand as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At 31 December 2014, the contingent consideration had increased to €270 thousand (see Note 28).

iv. Settlement of pre-existing relationship

IFRS 3.B64(l)

The Group and Papyrus were parties to a long-term supply contract under which Papyrus supplied the Group with timber products at a fixed price. Under the contract, the Group could terminate the agreement early by paying Papyrus €326 thousand. This pre-existing relationship was effectively terminated when the Group acquired Papyrus.

The Group has attributed €326 thousand of the consideration transferred to the extinguishment of the supply contract, and has included the amount in 'other expenses' (see Note 8(B)). This amount is the lower of the termination amount and the value of the off-market element of the contract. The fair value of the contract at the date of acquisition was €600 thousand, of which €400 thousand related to the unfavourable aspect of the contract to the Group relative to market prices.

B. Acquisition-related costs

IFRS 3.B64(l), B64(m)

The Group incurred acquisition-related costs of €50 thousand on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

C. Identifiable assets acquired and liabilities assumed

IFRS 3.B64(i), IAS 7.40(a)–(d)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

IFRS 3.B64(h)(i) (Trade receivables)
IAS 7.40(c) (Cash and cash equivalents)

In thousands of euro	***Note***	
Property, plant and equipment	*20(A)*	**1,955**
Intangible assets	*21(A)*	**250**
Inventories		**825**
Trade receivables		**848**
Cash and cash equivalents		**375**
Loans and borrowings		**(500)**
Deferred tax liabilities	*14(E)*	**(79)**
Contingent liabilities	*30*	**(20)**
Site restoration provision	*30*	**(150)**
Trade and other payables		**(460)**
Total identifiable net assets acquired		**3,044**

IFRS 13.BC184

a. The Group has disclosed information about the fair value measurement of assets acquired in a business combination, although the disclosure requirements of IFRS 13 do not apply to the fair value of these assets if they are subsequently measured at other than fair value. This disclosure is provided for illustrative purposes only.

Notes to the consolidated financial statements (continued)

33. Acquisition of subsidiary (continued)

C. Identifiable assets acquired and liabilities assumed (continued)

IFRS 3.61

i. Measurement of fair values[a on page 94]

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

Assets acquired	Valuation technique
Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	*Relief-from-royalty method and multi-period excess earnings method:* The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Inventories	*Market comparison technique:* The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

IFRS 3.B64(h)(ii)–(iii)

The trade receivables comprise gross contractual amounts due of €900 thousand, of which €52 thousand was expected to be uncollectible at the date of acquisition.

Fair values measured on a provisional basis

IFRS 3.B67(a), IAS 1.125

The following amounts have been measured on a provisional basis.

- The fair value of Papyrus's intangible assets (patented technology and customer relationships) has been measured provisionally, pending completion of an independent valuation.

IFRS 3.B64(j), B67(c), IAS 37.86

- Papyrus's contingent liability relates to a claim for contractual penalties made by one of Papyrus's customers. Although the Group acknowledges responsibility, it disputes the amount claimed by the customer of €100 thousand. The claim is expected to go to arbitration in April 2015. The recognised fair value of €20 thousand is based on the Group's interpretation of the underlying contract, taking into account the range of possible outcomes of the arbitration process, and is supported by independent legal advice (see Note 39).
- Papyrus's operations are subject to specific environmental regulations. The Group has conducted a preliminary assessment of site restoration provisions arising from these regulations and has recognised a provisional amount. The Group will continue to review these matters during the measurement period.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

In thousands of euro	*Note*	
Consideration transferred	*(A)*	**2,631**
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of Papyrus (*IFRS 3.B64(o)(i), B64(p)(ii)*)		**304**
Fair value of pre-existing interest in Papyrus (*IFRS 3.B64(p)(i)*)		**650**
Fair value of identifiable net assets	*(C)*	**(3,044)**
Goodwill	*21(A)*	**541**

IFRS 3.B64(p)(ii)

The remeasurement to fair value of the Group's existing 25% interest in Papyrus resulted in a gain of €250 thousand (€650 thousand less the €420 thousand carrying amount of the equity-accounted investee at the date of acquisition plus €20 thousand of translation reserve reclassified to profit or loss). This amount has been included in 'finance income' (see Note 9).

IFRS 3.B64(e), B64(k)

The goodwill is attributable mainly to the skills and technical talent of Papyrus's work force and the synergies expected to be achieved from integrating the company into the Group's existing Standard Papers business. None of the goodwill recognised is expected to be deductible for tax purposes.

Notes to the consolidated financial statements (continued)

34. NCI[a]

See accounting policies in Note 44(A)(ii)–(iii) and (vi).

IFRS 12.10(a)(ii), 12, B10–B11

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.[b]

31 December 2014 *In thousands of euro*	**Papyrus Pty Limited**	**Oy Kossu AG**	**Swissolote AG**	**Maple-leaf Inc**	**Silver Fir S.A.**	**Other individually immaterial subsidiaries**	**Intra-group eliminations**	**Total**
NCI percentage	**10%**	**10%**	**25%**	**55%**	**52%**			
Non-current assets	2,500	9,550	7,438	1,550	4,948			
Current assets	1,780	5,120	1,115	890	1,272			
Non-current liabilities	(715)	(5,230)	(6,575)	(1,280)	(533)			
Current liabilities	(43)	(5,084)	(915)	(442)	(1,018)			
Net assets	3,522	4,356	1,063	718	4,669			
Carrying amount of NCI	352	436	266	395	2,428	7	(35)	3,849
Revenue	20,409	10,930	9,540	8,112	15,882			
Profit	450	566	410	245	309			
OCI	25	-	-	44	-			
Total comprehensive income	475	566	410	289	309			
Profit allocated to NCI	45	57	120	135	161	3	3	524
OCI allocated to NCI	3	-	-	24	-	-	-	27
Cash flows from operating activities	430	210	166	(268)	(135)			
Cash flows from investment activities	(120)	510	75	-	(46)			
Cash flows from financing activities (dividends to NCI: nil)	12	(600)	(320)	-	130			
Net increase (decrease) in cash and cash equivalents	322	120	(79)	(268)	(51)			

On 31 March 2014, the Group's equity interest in Papyrus increased from 25 to 90% and Papyrus became a subsidiary from that date (see Note 33). Accordingly, the information relating to Papyrus is only for the period from 1 April to 31 December 2014.

a. For additional disclosure examples and explanatory notes on IFRS 12, see our publication Guide to annual financial statements – IFRS 12 supplement.

b. Although it is not required by IFRS 12, the Group has reconciled from the summarised financial information about subsidiaries with material NCI to the total amounts in the financial statements. This disclosure is provided for illustrative purposes only.

34. NCI (continued)

31 December 2013 *In thousands of euro*	Oy Kossu AG Restated*	Swissolote AG Restated*	Maple-leaf Inc	Silver Fir S.A.	Other individually immaterial subsidiaries	Intra-group eliminations	Total
NCI percentage	10%	40%	55%	52%			
Non-current assets	9,120	7,322	1,394	4,874			
Current assets	4,960	1,278	850	638			
Non-current liabilities	(5,900)	(6,900)	(1,200)	-			
Current liabilities	(4,390)	(1,047)	(615)	(1,152)			
Net assets	3,790	653	429	4,360			
Carrying amount of NCI	379	261	236	2,267	4	(38)	3,109
Revenue	8,660	9,390	6,259	13,743			
Profit	150	252	236	285			
OCI	-	-	40	-			
Total comprehensive income	150	252	276	285			
Profit allocated to NCI	15	101	130	148	(5)	(22)	367
OCI allocated to NCI	-	-	22	-	-	-	22
Cash flows from operating activities	300	115	530	(100)			
Cash flows from investment activities	(25)	(40)	(788)	(30)			
Cash flows from financing activities (dividends to NCI: nil)	(200)	(50)	190	130			
Net increase (decrease) in cash and cash equivalents	75	25	(68)	-			

* See Note 43.

Notes to the consolidated financial statements (continued)

35. Acquisition of NCI

See accounting policies in Note 44(A)(ii)–(iii).

In June 2014, the Group acquired an additional 15% interest in Swissolote for €200 thousand in cash, increasing its ownership from 60 to 75%. The Group recognised:

- a decrease in NCI of €115 thousand;
- a decrease in retained earnings of €93 thousand; and
- an increase in the translation reserve of €8 thousand.

The carrying amount of Swissolote's net assets in the Group's financial statements on the date of the acquisition was €767 thousand.

IFRS 12.18

The following summarises the changes in the Company's ownership interest in Swissolote.

In thousands of euro

Company's ownership interest at 1 January 2014	**392**
Effect of increase in Company's ownership interest	**115**
Share of comprehensive income	**290**
Company's ownership interest at 31 December 2014	**797**

Notes to the consolidated financial statements (continued)

36. Loan covenant waiver

IFRS 7.19

As explained in Note 27(B), the Group exceeded its maximum leverage threshold (loan covenant ratio, calculated as debt to quarterly revenue for continuing operations) associated with a bank loan in the third quarter of 2014. The Group obtained a waiver of the breach of covenant in October 2014. Subsequent to 31 December 2014, the bank revised the loan covenant ratio from 2.5 to 3.5 times. On the basis of the new covenant and its forecasts, management believes that the risk of the new covenant being breached is low and that the Group will continue as a going concern for the foreseeable future.[a]

a. For example disclosures for entities that have going concern issues, see Appendix IV.

Notes to the consolidated financial statements (continued)

37. Operating leases

See accounting policy in Note 44(U).

A. Leases as lessee

IAS 17.35(d)

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain operating leases, the Group is restricted from entering into any sub-lease arrangements.

IAS 1.122, 17.15A

The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. The Group determined that the land and building elements of the warehouse and factory leases are operating leases. The rent paid to the landlord is adjusted to market rentals at regular intervals, and the Group does not have an interest in the residual value of the land and buildings. As a result, it was determined that substantially all of the risks and rewards of the land and buildings are with the landlord.

IAS 17.35(b)

One of the leased properties has been sub-let by the Group. The lease and sub-lease expire in 2017. Sub-lease payments of €50 thousand are expected to be received during 2015. The Group has recognised a provision of €160 thousand in respect of this lease (see Note 30(D)).

i. Future minimum lease payments

IAS 17.35(a)

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

In thousands of euro	**2014**	**2013**
Less than one year	**417**	435
Between one and five years	**419**	486
More than five years	**1,764**	1,805
	2,600	2,726

ii. Amounts recognised in profit or loss

IAS 17.35(c)

In thousands of euro	**Note**	**2014**	**2013**
Lease expense	*8(C)*	**435**	447
Contingent rent expense	*8(C)*	**40**	30
Sub-lease income	*8(A)*	**(150)**	(90)

B. Leases as lessor

IAS 17.56(c)

The Group leases out its investment properties (see Note 22).

i. Future minimum lease payments

IAS 17.56(a)

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

In thousands of euro	**2014**	**2013**
Less than one year	**332**	290
Between one and five years	**1,470**	1,360
More than five years	**445**	320
	2,247	1,970

ii. Amounts recognised in profit or loss

IAS 40.75(f)(i)–(iii)

During 2014, investment property rentals of €310 thousand (2013: €212 thousand) were included in 'revenue' (see Note 7). Maintenance expense, included in 'cost of sales' (see Note 8), was as follows.

In thousands of euro	**2014**	**2013**
Income-generating property	**45**	30
Vacant property	**20**	15
	65	45

Notes to the consolidated financial statements (continued)

38. Commitments

IAS 16.74(c)

During 2014, the Group entered into a contract to purchase property, plant and equipment and patents and trademarks in 2015 for €1,465 thousand (2013: nil) and €455 thousand (2013: nil) respectively.

The Group is committed to incur other capital expenditure of €150 thousand (2013: €45 thousand). The Group's joint venture is committed to incur capital expenditure of €23 thousand (2013: €11 thousand), of which the Group's share is €9 thousand (2013: €4 thousand). These commitments are expected to be settled in 2015.

IAS 40.75(h)

The Group has entered into contracts for the management and maintenance of certain commercial properties that are leased to third parties. These contracts will give rise to annual expense of €15 thousand for the next five years.

Notes to the consolidated financial statements (continued)

39. Contingencies

IAS 1.125, 37.86

A subsidiary is defending an action brought by an environmental agency in Europe. Although liability is not admitted, if the defence against the action is unsuccessful, then fines and legal costs could amount to €950 thousand, of which €250 thousand would be reimbursable under an insurance policy. Based on legal advice, management believes that the defence against the action will be successful.

As part of the acquisition of Papyrus, the Group recognised a contingent liability of €20 thousand in respect of a claim for contractual penalties made by one of Papyrus's customers (see Note 33(C)).

Notes to the consolidated financial statements (continued)

40. Related parties[a]

A. Parent and ultimate controlling party

IAS 1.138(c), 24.13

During 2014, a majority of the Company's shares were acquired by Cameron Paper Co from Brown Products Corporation. As a result, the new ultimate controlling party of the Group is AJ Pennypacker.

IAS 24.18

B. Transactions with key management personnel

i. Loans to directors[b]

During 2014, unsecured loans advanced to directors were €85 thousand (2013: €32 thousand). No interest is payable by the directors, and the loans are repayable in cash in full 12 months after the issue date. At 31 December 2014, the balance outstanding was €78 thousand (2013: €32 thousand) and is included in 'trade and other receivables' (see Note 17).

ii. Key management personnel compensation

Key management personnel compensation comprised the following.

	In thousands of euro	2014	2013
IAS 24.17(a)	Short-term employee benefits	**502**	420
IAS 24.17(b)	Post-employment benefits	**82**	103
IAS 24.17(c)	Other long-term benefits	**3**	2
IAS 24.17(d)	Termination benefits	**25**	-
IAS 24.17(e)	Share-based payments	**516**	250
		1,128	775

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan (see Note 12).

Executive officers also participate in the Group's share option programme (see Note 11(A)(i)). Furthermore, employees of the Company are entitled to participate in a share purchase programme (see Note 11(A)(iii)) if they meet the criteria of investing a percentage of each month's salary for a period of 36 months. Consequently, the Group has deducted €78 thousand from the salaries of the employees concerned (including an amount of €37 thousand that relates to key management personnel), to satisfy the criteria. The amounts withheld are included in 'trade and other payables' (see Note 28).

IAS 24.17(d)

As a result of the termination of the employment of one of the Group's executives in France, the executive received an enhanced retirement entitlement. Accordingly, the Group has recognised an expense of €25 thousand during the year (2013: nil).

iii. Key management personnel transactions

Directors of the Company control 12% of the voting shares of the Company. A relative of a director of a subsidiary has a 10% share in the Group's joint venture (see Note 23(A)).

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

IAS 24.18(b)(i)

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

a. For example disclosures for government-related entities that apply the exemption in paragraph 25 of IAS 24 *Related Party Disclosures*, see Appendix VI.

IAS 24.24

b. The Group has aggregated the disclosures about loans to directors. Separate disclosure is required if it is necessary for an understanding of the effects of related party transactions on the financial statements.

INTRODUCTION Basis of preparation Performance AUDITORS' REPORT Employee benefits Income taxes PRIMARY STATEMENTS Assets Equity & liabilities NOTES Financial instruments Group composition APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

40. Related parties (continued)

B. Transactions with key management personnel (continued)

iii. Key management personnel transactions (continued)

IAS 24.18(a)

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows.

In thousands of euro	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
Transaction	**2014**	**2013**	**2014**	**2013**
Legal fees*	**12**	13	**-**	-
Repairs and maintenance**	**410**	520	**137**	351
Inventory purchases – paper***	**66**	-	**-**	-

IAS 24.18(b)(i)

* The Group used the legal services of one of its directors in relation to advice over the sale of certain non-current assets of the Company. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

** In 2013, the Group entered into a two-year contract with On-Track Limited, a company controlled by another director, to buy repairs and maintenance services on production equipment. The total contract value is €986 thousand. The contract terms are based on market rates for these types of services and amounts are payable on a quarterly basis for the duration of the contract.

*** The Group bought various paper supplies from Alumfab Limited, a company that is controlled by another director. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

From time to time directors of the Group, or their related entities, may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

IAS 24.18

C. Other related party transactions[a]

IAS 24.18(a)–(b), 19

In thousands of euro	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2014	**2013**	**2014**	**2013**
Sale of goods and services				
Parent of the Group – Cameron Paper Co (2013: Brown Products Corporation)	**350**	320	**253**	283
Joint venture	**745**	250	**651**	126
Associates	**400**	150	**332**	233
Purchase of goods				
Joint venture	**1,053**	875	**-**	-
Others				
Joint venture				
– Dividends received (see Note 23)	**21**	-	**-**	-
Associates				
– Loan and related interest (see Note 27)	**5**	6	**-**	1,000

Insights 5.5.120.30

a. In our view, an entity should disclose the portions of transactions with joint ventures or associates that are not eliminated in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

40. Related parties (continued)

C. Other related party transactions (continued)

IAS 24.18

IAS 24.18(b)(i)–(ii), (c)–(d), 23

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the reporting date. None of the balances is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. During 2014, there were no transactions or outstanding balances with Brown Products Corporation, the previous parent of the Group. No guarantees have been given or received.

To support the activities of the joint venture, the Group and the other investors in the joint venture have agreed to make additional contributions in proportion to their interests to make up any losses, if required (see Note 23).

IAS 1.114(d)(i), 24.21

Purchase obligations in relation to recycled paper products arise from supply and service contracts signed by the Group. During 2014, the Group entered into an €89 thousand supply financing agreement with Cameron Paper Co. At 31 December 2014, the Group has used €25 thousand of its commitment under the agreement.

INTRODUCTION Basis of preparation Performance
AUDITORS' REPORT Employee benefits Income taxes
PRIMARY STATEMENTS Assets Equity & liabilities
NOTES Financial instruments Group composition
APPENDICES Other information Accounting policies

Notes to the consolidated financial statements (continued)

41. Subsequent events

IAS 10.21

A. Restructuring

At the end of January 2015, the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to current market conditions, it intends to reduce the Group's workforce by 400 positions worldwide by the end of 2015, by means of non-replacement whenever possible. The Group expects the restructuring associated with the reduction in positions to cost between €600 thousand and €850 thousand in 2015 and 2016.

IAS 10.21

B. Others

Subsequent to 31 December 2014, one of the Group's major trade customers went into liquidation following a natural disaster in February 2015 that damaged its operating plant. Of the €100 thousand owed by the customer, the Group expects to recover less than €10 thousand. No allowance for impairment has been made in these consolidated financial statements.

On 10 January 2015, one of the premises of Oy Kossu AG, having a carrying amount of €220 thousand, was seriously damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company. The Group is unable to estimate the incremental costs relating to refurbishment and temporary shift of production to other locations (in excess of the reimbursement expected).

As reported in the interim financial statements, on 22 July 2014 the Group announced its intention to acquire all of the shares of ABC Company for €6,500 thousand. On 4 January 2015, the Group's shareholders approved the transaction and the Group is now awaiting approval from regulatory authorities before proceeding with the acquisition. Management anticipates that this approval will be received by April 2015.

Subsequent to 31 December 2014, the loan covenant ratio related to a bank loan was revised (see Note 36).

Notes to the consolidated financial statements (continued)

42. Basis of measurement

IAS 1.112(a), 117(a)

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Derivative financial instruments at fair value through profit or loss	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Available-for-sale financial assets	Fair value
Contingent consideration assumed in a business combination	Fair value
Biological assets	Fair value less costs to sell
Investment property	Fair value
Liabilities for cash-settled shared-based payment arrangements	Fair value
Net defined benefit (asset) liability	Fair value of plan assets less the present value of the defined benefit obligation, limited as explained in Note 44(E)(iv)

Notes to the consolidated financial statements (continued)

43. Changes in accounting policies[a, b]

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 44 to all periods presented in these consolidated financial statements.

IAS 8.28

The Group has adopted the following amendments to a standard and new interpretation with a date of initial application of 1 January 2014.

A. IFRIC 21 *Levies*.

B. *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36).*

The nature and effects of the changes are explained below.

A. Levies[c]

The Group has adopted IFRIC 21 *Levies* with a date of initial application of 1 January 2014. The Group operates in a number of countries where it is subject to government levies. As a result of the adoption of IFRIC 21, the Group has reassessed the timing of when to accrue environmental taxes imposed by legislation at the end of the tax year (31 March) on entities that manufacture pulp products.

The interpretation clarifies that a levy is not recognised until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation.

The Group previously accrued for environmental taxes over the tax year on the basis that it would continue to operate in the future. In accordance with IFRIC 21, the Group has determined that the liability to pay the environmental taxes should be recognised in full on 31 March, when the obligating event as stated in the legislation occurs. The Group has applied the change in accounting policy retrospectively and restated the comparative period to reverse the liability previously recognised as at 31 December 2013.

The following tables summarise the impacts on the Group's consolidated financial statements.

i. Consolidated statement of financial position

IAS 8.28(f)(i), (g)

	Impact of change in accounting policy		
1 January 2013 *In thousands of euro*	**As previously reported**	**Adjustments**	**As restated**
Total assets	84,012	-	84,012
Trade and other payables (current)	(28,339)	85	(28,254)
Deferred tax liabilities	(295)	(28)	(323)
Others	(25,862)	-	(25,862)
Total liabilities	(54,496)	57	(54,439)
Retained earnings	(8,414)	(57)	(8,471)
Others	(21,102)	-	(21,102)
Total equity	(29,516)	(57)	(29,573)

IAS 8.28(f)(i)

	Impact of change in accounting policy		
31 December 2013 *In thousands of euro*	**As previously reported**	**Adjustments**	**As restated**
Total assets	87,296	-	87,296
Trade and other payables (current)	(20,924)	96	(20,828)
Deferred tax liabilities	(374)	(32)	(406)
Others	(30,568)	-	(30,568)
Total liabilities	(51,866)	64	(51,802)
Retained earnings	(13,809)	(64)	(13,873)
Others	(21,621)	-	(21,621)
Total equity	(35,430)	(64)	(35,494)

IAS 8.28–29

a. The description of the nature and effect of the change in accounting policy presented is only an example, and may not be representative of the nature and effect of the changes for specific entities.

b. For a list of new standards or amendments that are effective for the first time in 2014, see Appendix I.

c. The Group has presented the impacts of the change in accounting policy as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in tabular format; however, other forms of presentation may be possible.

Notes to the consolidated financial statements (continued)

43. Changes in accounting policies (continued)

A. Levies (continued)

ii. Consolidated statement of profit or loss and OCI

IAS 8.28(f)(i)

For the year ended 31 December 2013 *In thousands of euro*	**Impact of change in accounting policy** As previously reported	Adjustments	As restated
Administrative expenses	(14,439)	11	(14,428)
Income tax expense	(2,516)	(4)	(2,520)
Others	23,051	-	23,051
Profit	6,096	7	6,103
Total comprehensive income	6,515	7	6,522

At 31 December 2014, no liability for environmental taxes has been recognised. If the Group had applied its previous accounting policy, a liability of €102 thousand would have been recognised in 'trade and other payables' (current liabilities) to accrue the proportion of expenses relating to environmental taxes of €136 thousand to be paid by the Group at the end of the tax year (31 March 2015). A corresponding administrative expense of €102 thousand would have been recognised in profit or loss for the year ended 31 December 2014.

IAS 8.28(f)(ii)

There is no material impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for the years ended 31 December 2014 and 2013.

B. Disclosures of recoverable amount for non-financial assets

As a result of the amendments to IAS 36, the Group has expanded its disclosures of recoverable amounts when they are based on fair value less costs of disposals and recognised an impairment (see Note 21(C)).

Notes to the consolidated financial statements (continued)

44. Significant accounting policies[a]

IAS 1.112(a), 117(b), 119–121

Except for the changes explained in Note 43, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

IFRS 5.34, IAS 1.41

Certain comparative amounts in the statement of profit or loss and OCI have been reclassified or re-represented, either as a result of a change in the accounting policy regarding the presentation of items of OCI (see Note 43) or a change in the classification of certain depreciation expenses during the current year (see Note 20(H)), or as a result of an operation discontinued during the current year (see Note 6).

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

a. The example accounting policies illustrated reflect the circumstances of the Group on which these financial statements are based, by describing only the specific policies that are relevant to an understanding of the Group's financial statements. For example, the accounting policy for preference shares (Note 44(Q)(ii)) is not intended to be a complete description of the classification of such shares in general. These example accounting policies should not be relied on for a complete understanding of IFRS and should not be used as a substitute for referring to the standards and interpretations themselves. To help you identify the underlying requirements in IFRS, references to the recognition and measurement requirements in the IFRSs that are relevant for a particular accounting policy have been included and indicated by square brackets – e.g. *[IFRS 3.19]*.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

A. Basis of consolidation

i. Business combinations

[IFRS 3.4, 32, 34, 53]

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (A)(ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see (S)(ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see (P)).

[IFRS 3.B52]

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

[IFRS 3.40, 58]

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

[IFRS 3.30, B57–B61]

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

ii. Subsidiaries

[IFRS 10.6, 20]

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Non-controlling interests

[IFRS 3.19]

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.[a]

[IFRS 10.23, B96]

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv. Loss of control

[IFRS 10.25, B98–B99]

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Interests in equity-accounted investees[b]

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

[IFRS 11.15–16, IAS 28.3]

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

IFRS 3.19 — a. An entity has a choice on a combination-by-combination basis to measure any NCI in the acquiree at either the proportionate share of the acquiree's identifiable net assets or fair value. The Group has elected the former approach.

Insights 3.5.670.10 — b. Although it is not illustrated, an entity's equity-accounted investee may have accounting policies for items that do not apply to the investor. In our view, this information should be included in the accounting policy note for equity-accounted investees if it is necessary for an understanding of income from or the carrying amount of equity-accounted investees.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

A. Basis of consolidation (continued)

v. Interests in equity-accounted investees (continued)

[IAS 28.38–39]

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

vi. Transactions eliminated on consolidation

[IFRS 10.B86(c), IAS 28.28]

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.[a] Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

B. Foreign currency

i. Foreign currency transactions

[IAS 21.21]

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

[IAS 21.23]

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

[IAS 39.95(a), 102(a), AG83]

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (iii)); and
- qualifying cash flow hedges to the extent that the hedges are effective.

ii. Foreign operations

[IAS 21.39]

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

[IFRS 10.B94, IAS 21.41]

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

[IAS 21.48–48D]

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Insights 3.5.430.30 — a. In the absence of specific guidance in IFRS, the Group has elected to eliminate unrealised gains and losses resulting from transactions with equity-accounted investees against the investment in the investees. Alternatively, the elimination may be presented as a reduction in the underlying asset – e.g. inventory.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

B. Foreign currency (continued)

iii. Hedge of a net investment in foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency (euro).

[IAS 39.102]

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 recognised in OCI and accumulated in the translation reserve. Any remaining differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

C. Discontinued operation

[IFRS 5.32]

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

IFRS 5.34

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

D. Revenue

i. Sale of goods

IAS 18.35(a), [IAS 18.14]

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

[IAS 18.15–16]

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of timber and paper products, the transfer usually occurs when the product is delivered to the customer's warehouse; however, for some international shipments the transfer occurs on loading the goods onto the relevant carrier at the port. Generally, for such products the customer has no right of return. For sales of livestock, transfer occurs on receipt by the customer.

Loyalty programme

[IAS 18.13, IFRIC 13.6–7]

Revenue is allocated between the loyalty programme and the other components of the sale. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when the Group has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the points under the programme will be redeemed.

ii. Rendering of services

The Group is involved in managing forest resources, as well as performing related services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

IAS 18.35(a), [IAS 18.20]

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

D. Revenue (continued)

iii. Commissions

[IAS 18.8]

If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognised is the net amount of commission made by the Group.

iv. Construction contracts

Construction contract revenue recognised results from the development of a number of storage units and warehouses for some of the Group's customers in the Timber Products segment. These storage units and warehouses are constructed based on specifically negotiated contracts with customers.

IAS 11.39(b), [IAS 11.11]

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

[IAS 11.22, 32], IAS 11.39(c)

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

[IAS 11.27, 36]

Contract expenses are recognised as incurred unless they create an asset related to future contract activity (see (N)). An expected loss on a contract is recognised immediately in profit or loss.

v. Investment property rental income

[IAS 17.50]

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental income from other property is recognised as other income.

E. Employee benefits

i. Short-term employee benefits

[IAS 19.11]

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Share-based payment transactions

[IFRS 2.14–15, 19–21, 21A]

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

[IFRS 2.30, 32]

The fair value of the amount payable to employees in respect of SARs, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

E. Employee benefits (continued)

iii. Defined contribution plans

[IAS 19.28, 51]

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iv. Defined benefit plans

[IAS 19.57, 83]

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

[IAS 19.63–64, IFRIC 14.23–24]

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

[IAS 19.122, 127–130]

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

[IAS 19.103, 109–110]

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

v. Other long-term employee benefits

[IAS 19.155–156]

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

vi. Termination benefits

[IAS 19.165]

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

F. Government grants

IAS 20.39(a), [IAS 20.7, 26, 41.34–35]

The Group recognises an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

G. Finance income and finance costs[a]

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- dividends on preference shares issued classified as financial liabilities;
- the net gain or loss on the disposal of available-for-sale financial assets;
- the net gain or loss on financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;
- the fair value loss on contingent consideration classified as a financial liability;
- impairment losses recognised on financial assets (other than trade receivables);
- the net gain or loss on hedging instruments that are recognised in profit or loss; and
- the reclassification of net gains previously recognised in OCI.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

H. Income tax

[IAS 12.58] Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

i. Current tax

[IAS 12.2, 12, 46] 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. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

[IAS 12.71] Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

[IAS 12.15, 24, 39, 44] Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements 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.

[IAS 12.56] Deferred tax assets are recognised 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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Insights 7.8.80.20 a. There is no guidance in IFRS on what is included in finance income and finance costs and the Group has disclosed as part of its accounting policy which items constitute finance income and finance costs.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

H. Income tax (continued)

ii. Deferred tax (continued)

[IAS 12.37] Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

[IAS 12.47] 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.

[IAS 12.51, 51C] 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.

[IAS 12. 74] Deferred tax assets and liabilities are offset only if certain criteria are met.

I. Biological assets

[IAS 41.12–13] Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

J. Inventories

IAS 2.36(a), [IAS 2.9, 25] Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

[IAS 2.20] The cost of standing timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

K. Property, plant and equipment

i. Recognition and measurement

IAS 16.73(a), [IFRS 1.D5, IAS 16.30] Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2005, the Group's date of transition to IFRS, was determined with reference to its fair value at that date.[a]

[IAS 16.45] If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

[IAS 16.41, 71] Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. Subsequent expenditure

[IAS 16.13] Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

iii. Depreciation

IAS 16.73(b), [IAS 16.53, 58, 60] Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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a. The Group was previously a first-time adopter of IFRS. It has included the accounting policy for the determination of cost of property, plant and equipment at the date of transition to IFRS because it regards this information as relevant to an understanding of its financial statements.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

K. Property, plant and equipment (continued)

iii. Depreciation (continued)

IAS 16.73(c)

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- buildings: 40 years
- plant and equipment: 3–12 years
- fixtures and fittings: 5–10 years.

[IAS 16.51]

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

iv. Reclassification to investment property

[IAS 40.62]

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

L. Intangible assets and goodwill

i. Recognition and measurement

Reference		
[IAS 38.107–108]	**Goodwill**	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
[IAS 38.54–55]	**Research and development**	Expenditure on research activities is recognised in profit or loss as incurred.
[IAS 38.57, 66, 71, 74]		Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
[IAS 38.74]	**Other intangible assets**	Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

[IAS 38.18]

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

IAS 38.118(a)–(b), [IAS 38.97]

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

- patents and trademarks: 3–20 years
- development costs: 2–5 years
- customer relationships: 4–5 years.

[IAS 38.104]

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

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

M. Investment property

[IAS 40.7, 33, 35]

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

[IAS 16.41, 71]

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 recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve (see (K)(iv)) is transferred to retained earnings.

N. Construction contracts in progress

[IAS 11.44]

Construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date (see (D)(iv)) less progress billings and recognised losses.

In the statement of financial position, construction contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as trade and other receivables. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred income/revenue. Advances received from customers are presented as deferred income/revenue.[a]

O. Assets held for sale

[IFRS 5.6]

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

[IFRS 5.15–15A, 18–23]

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

[IFRS 5.25, IAS 28.20]

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

IFRS 7.21

P. Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

i. Non-derivative financial assets and financial liabilities – Recognition and derecognition

[IAS 39.14, AG53–AG56]

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

[IAS 39.17, 25]

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Insights 4.2.260.40

a. Although assets or liabilities related to construction contracts in progress are required to be disclosed separately, there is no guidance on their characterisation. The Group has presented assets as trade and other receivables or, in the case of liabilities, as deferred revenue. Alternative approaches may be followed.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments (continued)

i. Non-derivative financial assets and financial liabilities – Recognition and derecognition (continued)

[IAS 39.39] The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

[IAS 32.42] Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii. Non-derivative financial assets – Measurement

IFRS 7.B5(e), [IAS 39.43, 46, 55(a)]	**Financial assets at fair value through profit or loss**	A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.
[IAS 39.43, 46(b)]	**Held-to-maturity financial assets**	These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.
[IAS 39.43, 46(a)]	**Loans and receivables**	These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.
IFRS 7.B5(b), [IAS 39.43, 46]	**Available-for-sale financial assets**	These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments (see (B)(i)), are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

iii. Non-derivative financial liabilities – Measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

iv. Derivative financial instruments and hedge accounting

[IAS 39.11] The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

[IAS 39.46] Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

[IAS 39.95] When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

[IAS 39.98] The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.[a]

IAS 39.98–99, Insights 7.7.80.40 a. For a hedge of a forecast transaction that subsequently results in the recognition of a non-financial item, an entity chooses an accounting policy, to be applied consistently, to either remove the associated gains or losses that were recognised in OCI and include them in the initial cost or other carrying amount of the non-financial item; or to retain the associated gains or losses in OCI and reclassify them to profit or loss in the periods during which the non-financial item affects profit or loss. The Group has elected to apply the second approach.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments (continued)

iv. Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

[IAS 39.101]

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Q. Share capital

i. Ordinary shares

[IAS 32.35]

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

ii. Preference shares

[IAS 32.AG25–AG26]

The Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

iii. Repurchase and reissue of ordinary shares (treasury shares)

[IAS 32.33]

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

R. Compound financial instruments

[IAS 32.28–32]

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

[IAS 32.38, AG31, 39.43]

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

[IAS 39.47]

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

S. Impairment

i. Non-derivative financial assets

[IAS 28.40, 39.58–59] Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

IFRS 7.B5(f) Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

[IAS 39.61] For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.[a]

Reference		
[IAS 39.63–64]	**Financial assets measured at amortised cost**	The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.
		In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.
IFRS 7.B5(d), [IAS 39.63–65]		An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.
[IAS 39.67–70]	**Available-for-sale financial assets**	Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.
[IAS 28.40–42]	**Equity-accounted investees**	An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Insights 7.6.430.40 a. IFRS does not contain specific quantitative thresholds for 'significant' or 'prolonged'. The Group has established and disclosed the criteria that it applies to determine whether a decline in a quoted market price is 'significant' or 'prolonged'.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

S. Impairment (continued)

ii. Non-financial assets

[IAS 36.9, 10, 59] At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

[IAS 36.18, 80] For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

[IAS 36.6, 30] The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

[IAS 36.59] An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

[IAS 36.104] Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

[IAS 36.117, 122, 124] An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortisation, if no impairment loss had been recognised.

T. Provisions

[IAS 37.14, 45, 47, IFRIC 1.8] Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

[IAS 37.39]	**Warranties**	A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.
[IAS 37.72]	**Restructuring**	A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.
[IAS 37.21]	**Site restoration**	In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.
[IAS 37.66, 68]	**Onerous contracts**	A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see (S)(ii)).

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

U. Leases

i. Determining whether an arrangement contains a lease

[IFRIC 4.6, 10]

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

[IFRIC 4.12–15]

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

ii. Leased assets

[IAS 17.8, 20, 27]

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

[IAS 17.8]

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

iii. Lease payments

[IAS 17.33, SIC-15.3]

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

[IAS 17.25]

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the consolidated financial statements (continued)

45. Standards issued but not yet adopted[a]

IAS 8.30–31

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 9 *Financial Instruments*	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 *Property, Plant and Equipment*, instead of IAS 41 *Agriculture*. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.	None. The Group does not have any bearer plants.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements.

- IFRS 14 *Regulatory Deferral Accounts*.
- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*.
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*.
- *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*.
- *Annual Improvements to IFRSs 2010–2012 Cycle*.
- *Annual Improvements to IFRSs 2011–2013 Cycle*.

IAS 1.31

a. Although new or amended IFRSs that will have no or no material effect on the financial statements need not be provided, the Group has included all new or amended IFRSs for illustrative purposes only. For a list of forthcoming requirements that are not yet mandatory for 2014 but are available for early adoption, see Appendix I.

Appendix I

New standards or amendments for 2014 and forthcoming requirements

Since the September 2013 edition of this guide, a number of standards, amendments to or interpretations of standards have been issued. This Appendix lists these new standards, amendments to or interpretations of standards in issue at 10 August 2014, which were not yet effective for periods beginning on 1 January 2013 and therefore may need to be considered for the first time when preparing IFRS financial statements for an annual period beginning on 1 January 2014.

This Appendix contains two tables, as follows.

- **New currently effective requirements:** This table lists the recent changes to IFRS that are required to be adopted in annual periods beginning on 1 January 2014.
- **Forthcoming requirements:** This table lists the recent changes to IFRS that are available for early adoption in annual periods beginning on 1 January 2014, although they are not mandatory until a later period. These requirements are not illustrated in this guide.

The tables also include a cross-reference to the relevant sections in this guide that set out the related example disclosures and further KPMG guidance, as appropriate. All of the effective dates in the tables refer to the beginning of an annual accounting period.

New currently effective requirements

Effective date	New standards or amendments	Relevant sections in this guide (KPMG guidance)
1 January 2014	*Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*	Not illustrated[1] (First Impressions: Consolidation relief for investment funds)
	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	Not illustrated (*Insights into IFRS* (Chapter 7.8))
	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	Notes 21 and 43 (*Insights into IFRS* (Chapter 3.10))
	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	Not illustrated (In the Headlines – Issue 2013/13)
	IFRIC 21 *Levies*	Note 43 (In the Headlines – Issue 2013/09)

1. An illustration of the disclosures for investment funds that early adopt these amendments is available in Appendix I of our publication Guide to annual financial statements – Illustrative disclosures for investment funds.

Forthcoming requirements

Effective date	New standards or amendments	KPMG guidance
1 July 2014	*Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*	In the Headlines – Issue 2013/20
	Annual Improvements to IFRSs 2010–2012 Cycle[2]	IFRS Newsletter: The Balancing Items – Issue 6
	Annual Improvements to IFRSs 2011–2013 Cycle[2]	IFRS Newsletter: The Balancing Items – Issue 6

Forthcoming requirements

Effective date	New standards or amendments	KPMG guidance
1 January 2016	IFRS 14 *Regulatory Deferral Accounts*	In the Headlines – Issue 2014/01
	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	In the Headlines – Issue 2014/07
	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	In the Headlines – Issue 2014/08
	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	In the Headlines – Issue 2014/12
1 January 2017	IFRS 15 *Revenue from Contracts with Customers*	In the Headlines – Issue 2014/09
1 January 2018	IFRS 9 *Financial Instruments*	*Insights into IFRS* (Chapter 7A), In the Headlines – Issue 2014/13, In the Headlines – Issue 2013/19

2. The amendments to IFRS 2 and IFRS 3 *Business Combinations* included in *Annual Improvements to IFRSs 2010–2012 Cycle* are applied to share-based payment transactions for which the grant date is on or after 1 July 2014 and to business combinations for which the date of acquisition is on or after 1 July 2014, respectively. In this guide, the Group has no transactions that would be affected by these amendments.

   The amendment to IFRS 13 included in *Annual Improvements to IFRSs 2011–2013 Cycle* is applied from the beginning of the annual period in which IFRS 13 was initially applied. In this guide, the Group has no contracts that would be affected by the amendment.

Appendix II

Presentation of comprehensive income – Two-statement approach

Consolidated income statement[a]

For the year ended 31 December

Reference	*In thousands of euro*	*Note*	2014	2013 Restated*
IAS 1.10(b), 10A, 38–38A, 81A, 113				
	Continuing operations			
IAS 1.82(a)	Revenue	7	**102,716**	96,636
IAS 1.99, 103	Cost of sales	8(C)	**(55,548)**	(56,186)
IAS 1.103	Gross profit		**47,168**	40,450
IAS 1.85	Other income	8(A)	**1,021**	194
IAS 1.99, 103	Selling and distribution expenses	8(C)	**(17,984)**	(15,865)
IAS 1.99, 103	Administrative expenses	8(C)	**(17,732)**	(14,428)
IAS 1.99, 103, 38.126	Research and development expenses	8(C)	**(1,109)**	(697)
IAS 1.99, 103	Other expenses	8(B)	**(1,030)**	(30)
IAS 1.85, BC55–BC56	**Operating profit**		**10,334**	9,624
IAS 1.85	Finance income		**1,161**	458
IAS 1.82(b)	Finance costs		**(1,707)**	(1,624)
IAS 1.85	**Net finance costs**	9	**(546)**	(1,166)
IAS 1.82(c)	Share of profit of equity-accounted investees, net of tax	23	**1,141**	587
IAS 1.85	**Profit before tax**		**10,929**	9,045
IAS 1.82(d), 12.77	Income tax expense	14	**(3,371)**	(2,520)
IAS 1.85	**Profit from continuing operations**		**7,558**	6,525
IFRS 5.33(a), IAS 1.82(ea)	**Discontinued operation**			
	Profit (loss) from discontinued operation, net of tax	6	**379**	(422)
IAS 1.81A(a)	**Profit**		**7,937**	6,103
	Profit attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		**7,413**	5,736
IAS 1.81B(a)(i)	Non-controlling interests	34	**524**	367
			7,937	6,103
IAS 33.4	**Earnings per share**			
IAS 33.66, 67A	Basic earnings per share (euro)	10	**2.26**	1.73
IAS 33.66, 67A	Diluted earnings per share (euro)	10	**2.15**	1.72
	Earnings per share – Continuing operations			
IAS 33.66, 67A	Basic earnings per share (euro)	10	**2.14**	1.87
IAS 33.66, 67A	Diluted earnings per share (euro)	10	**2.03**	1.86

* See Notes 6, 20(H) and 43.

The notes on pages 16 to 125 are an integral part of these consolidated financial statements.

IAS 1.10A

a. This Appendix illustrates the two-statement approach to the presentation of comprehensive income, consisting of an income statement displaying profit or loss, and a separate statement displaying the components of OCI.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

Reference	*In thousands of euro*	*Note*	2014	2013 Restated*
IAS 1.10A	**Profit**		**7,937**	6,103
	Other comprehensive income			
IAS 1.82A(a)	**Items that will never be reclassified to profit or loss**			
IAS 1.85	Revaluation of property, plant and equipment	20(F)	**200**	-
IAS 1.85	Remeasurements of the defined benefit liability (asset)	12(B)	**72**	(15)
IAS 1.85	Equity-accounted investees – share of OCI	23, 25(D)	**13**	(3)
IAS 1.91(b)	Related tax	14(B)	**(90)**	5
			195	(13)
IAS 1.82A(b)	**Items that are or may be reclassified to profit or loss**			
IAS 21.52(b)	Foreign operations – foreign currency translation differences		**680**	471
IAS 1.85	Net investment hedge – net loss		**(3)**	(8)
IAS 1.85	Equity-accounted investees – share of OCI	23, 25(D)	**(172)**	(166)
IAS 1.85, 92	Reclassification of foreign currency differences on loss of significant influence	33(D)	**(20)**	-
IFRS 7.23(c),	Cash flow hedges – effective portion of changes in fair value		**(62)**	95
IFRS 7.23(d), IAS 1.92	Cash flow hedges – reclassified to profit or loss		**(31)**	(11)
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value		**199**	118
IFRS 7.20(a)(ii), IAS 1.92	Available-for-sale financial assets – reclassified to profit or loss		**(64)**	-
IAS 1.91(b)	Related tax	14(B)	**(14)**	(67)
			513	432
IAS 1.81A(b)	**Other comprehensive income, net of tax**		**708**	419
IAS 1.81A(c)	**Total comprehensive income**		**8,645**	6,522
	Total comprehensive income attributable to:			
IAS 1.81B(b)(ii)	Owners of the Company		**8,094**	6,133
IAS 1.81B(b)(i)	Non-controlling interests	34	**551**	389
			8,645	6,522

* See Notes 6, 20(H) and 43.

The notes on pages 16 to 125 are an integral part of these consolidated financial statements.

INTRODUCTION

AUDITORS' REPORT

PRIMARY STATEMENTS

NOTES

APPENDICES

Appendix III

Statement of cash flows – Direct method

IAS 1.10(d), 38–38A, 113

Consolidated statement of cash flows

For the year ended 31 December

Reference	*In thousands of euro*	Note	2014	2013
IAS 7.18(a)	**Cash flows from operating activities**			
	Cash receipts from customers		**96,049**	97,996
	Cash paid to suppliers and employees		**(90,439)**	(93,025)
	Cash generated from operating activities		**5,610**	4,971
IAS 7.31–32	Interest paid		**(1,499)**	(1,289)
IAS 7.35	Income taxes paid		**(400)**	(1,913)
IAS 7.10	**Net cash from operating activities**		**3,711**	1,769
	Cash flows from investing activities			
IAS 7.31	Interest received		**6**	19
IAS 7.31	Dividends received		**26**	32
IAS 7.16(b)	Proceeds from sale of property, plant and equipment		**1,177**	397
IAS 7.21	Proceeds from sale of investments		**1,476**	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of	*6*	**10,890**	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired	*33*	**(1,799)**	-
IAS 7.16(a)	Acquisition of property, plant and equipment	*20(A)*	**(15,657)**	(2,228)
IAS 7.16(a)	Acquisition of investment property	*22(A)*	**(300)**	(40)
IAS 7.21	Purchase of non-current biological assets	*15(A)*	**(305)**	(814)
IAS 7.16(a)	Acquisition of other investments		**(359)**	(363)
IAS 24.18	Dividends from equity-accounted investees	*23(A)*	**21**	-
IAS 7.21	Development expenditure		**(1,235)**	(503)
IAS 7.10	**Net cash used in investing activities**		**(6,059)**	(2,966)
	Cash flows from financing activities			
IAS 7.17(a)	Proceeds from issue of share capital	*25(A)*	**1,550**	-
IAS 7.17(c)	Proceeds from issue of convertible notes	*27(C)*	**5,000**	-
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	*27(D)*	**2,000**	-
IAS 7.17(c)	Proceeds from loans and borrowings		**591**	4,439
IAS 7.21	Proceeds from sale of treasury shares		**30**	-
IAS 7.21	Proceeds from exercise of share options	*25(A)*	**50**	-
IAS 7.16(h)	Proceeds from settlement of derivatives		**5**	11
IAS 7.21	Transaction costs related to loans and borrowings	*27(C), (D)*	**(311)**	-
IAS 7.42A	Acquisition of non-controlling interests	*35*	**(200)**	-
IAS 7.17(b)	Repurchase of treasury shares		**-**	(280)
IAS 7.17(d)	Repayment of borrowings		**(5,055)**	(2,445)
IAS 7.17(e)	Payment of finance lease liabilities		**(454)**	(590)
IAS 7.31	Dividends paid	*25(C)*	**(1,243)**	(571)
IAS 7.10	**Net cash from financing activities**		**1,963**	564
	Net decrease in cash and cash equivalents		**(385)**	(633)
	Cash and cash equivalents at 1 January*		**1,568**	2,226
IAS 7.28	Effect of movements in exchange rates on cash held		**(12)**	(25)
	Cash and cash equivalents at 31 December*	*18*	**1,171**	1,568

IAS 7.45

* Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

The notes on pages 16 to 125 are an integral part of these consolidated financial statements.

Appendix IV

Example disclosures for going concern matters

Extracts of notes to the consolidated financial statements

2. Basis of accounting

X. Going concern basis of accounting[a, b]

IAS 1.25–26, 122

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in Note 31(C).

The Group has recognised a net profit after tax of €7,937 thousand for the year ended 31 December 2014 and, as at that date, current assets exceed current liabilities by €22,046 thousand. However, as described in Note X, significant one-off environmental costs are expected in 2015, reflecting various regulatory developments in a number of European countries.

In addition to the above, fully drawn banking facilities of €7,012 thousand are subject to review by 30 June 2015. The lenders are expected to undertake a review, which will include (but is not limited to) an assessment of:

- the financial performance of the Group against budget;
- the progress of compliance with new regulatory requirements; and
- the progress of planned divestments and/or capital raisings to meet repayment requirements.

Management believes that the repayment of the facilities will occur as required and is confident that asset sales as disclosed in Note 19 will be finalised before 30 June 2015 and that the proceeds will be sufficient to meet the repayment requirements at that date. Management anticipates that any additional repayments required will be met out of operating cash flows or from alternative forms of capital raising such as further asset sales, a rights or note issue or private placement. Management has access to underwriters and a plan for equity raising if required.

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

IAS 1.25, 10.16(b) **a.** This Appendix illustrates one possible format for disclosures.

Taking account of specific requirements in its jurisdiction, an entity discloses any material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, whether they arise during the period or after the reporting date.

Insights 1.2.70.25 **b.** Even if management concludes that there were no material uncertainties but the conclusion involved significant judgements, an entity discloses these judgements under paragraph 122 of IAS 1.

INTRODUCTION

AUDITORS' REPORT

PRIMARY STATEMENTS

NOTES

APPENDICES

Appendix V

Example disclosures for distributions of non-cash assets to owners

Extracts of notes to the consolidated financial statements[a, b]

X. Distribution of wholly owned subsidiary to owners of the Company[c]

IFRIC 17.16(a)

On 15 May 2014, the board of directors of the Company announced that the Group would distribute all of its shares in Papier GmbH, a wholly owned subsidiary within the Recycled Papers segment, to the Company's shareholders. On authorisation of the distribution, the Group recognised a dividend payable of €12,500 thousand, being the fair value of the assets to be distributed.

On 3 June 2014, the shares were distributed. The net assets comprised assets of €17,408 thousand less liabilities of €7,464 thousand as follows.

In thousands of euro	**2014**
Property, plant and equipment	**9,650**
Investment property	**100**
Intangible assets	**400**
Deferred tax assets	**225**
Inventories	**2,900**
Trade and other receivables	**4,133**
Loans and borrowings	**(3,064)**
Provisions	**(200)**
Deferred tax liabilities	**(450)**
Trade and other payables	**(3,750)**
Carrying amount of net assets distributed	**9,944**
Dividend to shareholders	**12,500**
Carrying amount of net assets distributed	**(9,944)**
Gain on distribution to owners of the Company	**2,556**[c]

IFRIC 17.16(b)

There was no change in the fair value of the assets to be distributed between the date on which the distribution was approved and the date on which the dividend was settled.

a. This Appendix illustrates the disclosures that may be necessary to provide information about distributions of non-cash assets to owners and/or non-current assets (or disposal groups) that are held for distribution (or distributed) to owners.

Insights 5.4.130.30

b. It is not clear whether a business that will be disposed of by distribution to owners could be classified as a discontinued operation before its disposal. Although IFRS 5 was amended to extend the requirements in respect of non-current assets or disposal groups held for sale to such items held for distribution to owners, the cross-referencing in the amendments does not extend to discontinued operations. In our view, although the definition of a discontinued operation has not been explicitly extended, classification of non-current assets or disposal groups held for distribution to owners as a discontinued operation is appropriate if the remaining criteria of IFRS 5 are met.

IFRIC 17.14

c. The difference between the dividend paid/payable and the carrying amount of the assets distributed is presented as a separate line item in profit or loss.

Appendix VI

Example disclosures for government-related entities under IAS 24

Extracts of notes to the consolidated financial statements[a]

40. Related parties

Example 1: Individually significant transaction because of size of transaction

In 2012, a subsidiary entity, Griffin Limited, entered into a procurement agreement with the Department of Commerce of the Government of [*Country X*], such that Griffin Limited would act as the sole supplier of recycled paper products to the Department's various agencies for a term of three years from 2013 to 2015, with an agreed bulk discount of 10% compared with the list prices that Griffin Limited would generally charge on individual orders.

The aggregate sales value under the agreement for the year ended 31 December 2014 amounted to €3,500 thousand (2013: €2,800 thousand). As at 31 December 2014, the aggregate amounts due from the Department amounted to €10 thousand (2013: €30 thousand) and were payable under normal 30 days' credit terms.

Example 2: Individually significant transaction carried out on 'non-market' terms

On 30 December 2013, the Department of Finance of the Government of [*Country X*] contracted Griffin Limited to be the sole designer and supplier of materials for office fit-outs for all of Government. The contract lasts for a term of five years from 2014 to 2018. Under the agreement, the Department of Finance will reimburse Griffin Limited for the cost of each fit-out. However, Griffin Limited will not be entitled to earn a margin above cost for this activity. The aggregate sales value under the agreement for the year ended 31 December 2014 amounted to €3,500 thousand. As at 31 December 2014, the aggregate amounts due from the Department amounted to €1,000 thousand and were payable under normal 30 days' credit terms.

Example 3: Individually significant transaction outside normal day-to-day business operations

Pursuant to an agreement dated 1 January 2014, Griffin Limited and the Department of Trade and Enterprise of the Government of [*Country X*] agreed to participate and co-operate with a third party consortium in the development, funding and operation of a research and development centre. Griffin Limited will also sub-lease a floor in its headquarters building as an administrative office for the joint operation. As at 31 December 2014, the capital invested in the venture amounted to €700 thousand and total lease payments of €100 thousand were received as rental income.

Example 4: Individually significant transaction subject to shareholder approval

Griffin Limited currently owns 40% of Galaxy Corp, with the remaining 60% owned by the Department of Commerce of the Government of [*Country X*] (25%) and Lex Corp (35%), a party indirectly controlled by the Department of Commerce.

On 1 December 2014, Griffin Limited entered into a sale-and-purchase agreement (the Agreement) with the Department of Commerce and Lex Corp, such that Griffin Limited will buy their shares in Galaxy Corp at €1 per share, at a total consideration of €6,000 thousand. The terms of the Agreement are subject to independent shareholders' approval at the extraordinary general meeting to be held on 1 February 2015. On completion of the proposed acquisition, Galaxy Corp will become a wholly owned subsidiary of Griffin Limited.

a. This Appendix illustrates a variety of disclosures that an entity may make under paragraph 26 of IAS 24; other formats are possible. We assume that the Group is indirectly controlled by the government of [*Country X*]. We also assume that, in addition to selling to various private sector entities, products are sold to government agencies and departments of [*Country X*].

INTRODUCTION
AUDITORS' REPORT
PRIMARY STATEMENTS
NOTES
APPENDICES

Extracts of notes to the consolidated financial statements (continued)

40. Related parties (continued)

Example 5: Collectively, but not individually, significant transactions

Griffin Limited operates in an economic regime dominated by entities directly or indirectly controlled by the Government of [*Country X*] through its government authorities, agencies, affiliations and other organisations, collectively referred to as government-related entities. Griffin Limited has transactions with other government-related entities, including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, lease of assets, and use of public utilities.

These transactions are conducted in the ordinary course of Griffin Limited's business on terms comparable to those with other entities that are not government-related. Griffin Limited has established procurement policies, a pricing strategy and an approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities.

For the year ended 31 December 2014, management estimates that the aggregate amount of Griffin Limited's significant transactions with other government-related entities are at least 50% of its sales of recycled paper products and between 30 and 40% of its purchase of materials.

Appendix VII

Example disclosures for entities with a service concession arrangement

Extracts of notes to the consolidated financial statements[a]

X. Service concession arrangement[b]

SIC-29.6

On 1 July 2014, the Group entered into a service concession agreement with a local township (the grantor) to construct a toll road near one of the Group's forestry operations. The construction of the toll road started in July 2014 and it was completed and available for use on 30 September 2014. Under the terms of the agreement, the Group will operate and make the toll road available to the public for a period of five years, starting from 1 October 2014. The Group will be responsible for any maintenance services required during the concession period. The Group does not expect major repairs to be necessary during the concession period.

SIC-29.6(c)(iv)

The grantor will provide the Group a guaranteed minimum annual payment for each year that the toll road is in operation. Additionally, the Group has received the right to charge users a fee for using the toll road, which the Group will collect and retain; however, this fee is capped to a maximum amount as stated in the service concession agreement. The usage fees collected and earned by the Group are over and above the guaranteed minimum annual payment to be received from the grantor. At the end of the concession period, the toll road will become the property of the grantor and the Group will have no further involvement in its operation or maintenance requirements.

SIC-29.6(c)(v)

The service concession agreement does not contain a renewal option. The rights of the grantor to terminate the agreement include poor performance by the Group and in the event of a material breach in the terms of the agreement. The rights of the Group to terminate the agreement include failure of the grantor to make payment under the agreement, a material breach in the terms of the agreement, and any changes in law that would render it impossible for the Group to fulfil its requirements under the agreement.

SIC-29.6(e), 6A

For the year ended 31 December 2014, the Group has recognised revenue of €350 thousand, consisting of €320 thousand on construction and €30 thousand on operation of the toll road, which is the amount of tolls collected. The Group has recognised profit of €20 thousand, consisting of a profit of €25 thousand on construction and a loss of €5 thousand on operation of the toll road. The revenue recognised in relation to construction in 2014 represents the fair value of the construction services provided in constructing the toll road. The Group has recognised a service concession receivable, initially measured at the fair value of the construction services, of €260 thousand representing the present value of the guaranteed annual minimum payments to be received from the grantor, discounted at a rate of 5%, of which €11 thousand represents accrued interest.

IAS 23.26(a)–(b), [IFRIC 12.22]

The Group has recognised an intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement of €95 thousand, of which €5 thousand has been amortised in 2014. The intangible asset represents the right to charge users a fee for use of the toll road.[c]

Capitalised borrowing costs included in this intangible asset amount to €6 thousand, which was determined based on an estimation of the average interest costs on borrowings of 5.7%.

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a. This Appendix illustrates one possible format for the disclosure of a service concession arrangement to help in the preparation of consolidated financial statements. Other presentation formats are possible.

SIC-29.7 b. Disclosures about the nature and extent of service concession arrangements are provided individually for each service concession arrangement or in aggregate for each class of service concession arrangement.

c. The disclosure requirements in IFRS 13 do not apply to assets and liabilities that are not measured at fair value after initial recognition.

Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies

D. Revenue

x. Service concession arrangements

[IFRIC 12.13]

Revenue related to construction or upgrade services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by the Group. If the Group provides more than one service in a service concession arrangement, then the consideration received is allocated with reference to the relative fair values of the services delivered if the amounts are separately identifiable.

L. Intangible assets and goodwill

x. Service concession arrangements

[IFRIC 12.17]

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

P. Financial instruments

x. Non-derivative financial assets – Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value on initial recognition and classified as loans and receivables. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is initially recognised at the fair value of the consideration (see also (L)(x)).

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