KPMG

Example Public Company Limited

Guide to annual reports-illustrative disclosures 2018-2019

October 2018

kpmg.com.au

From implementation to disclosure

It's been thirteen years since the adoption of IFRS in Australia and now we begin to apply a new wave of financial reporting standards with AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* effective 1 January 2018, and AASB 16 *Leases*, effective from 1 January 2019. Our financial statements will look different in many areas to what we have seen in the past. Given the wide ranging impacts of these new standards we expect considerable focus from users of financial statements and ASIC in understanding these accounting changes and also assessing whether entities have included all the required disclosures.

Now that the revenue and financial instruments transition date has come and gone, it's time for companies to explain these accounting changes to users. In addition to transition disclosures (see Note 5) the new standards have significantly enhanced ongoing disclosures. In particular these include disclosures for the disaggregation of revenue, information about nature and timing of the satisfaction of performance obligations under AASB 15 (see Note 8) as well as enhanced disclosures for impairment and hedge accounting under AASB 9 (see Note 32).

Many companies are now working through their analysis of the possible impacts that the adoption of AASB 16 will have on the financial statements as well as broader issues such as the impact on covenant compliance, impairment testing and key ratios. Accordingly, we have updated Note 46, with illustrative disclosures to highlight a more detailed assessment of the possible impacts in the period of initial application. Similar to the run up to the adoption of AASB 15 and AASB 9 we consider that regulators will expect transition plans to be highly progressed by the date of transition with disclosures made by companies to demonstrate this. A summary of other newly effective accounting and regulatory requirements for this period, including those mentioned above, are set out on our "What's new?" page.

Once again, due to Australia's close alignment to IFRS, we have made minimal changes to the source document prepared by our international colleagues and have built the Australian-specific disclosures around that International guide. The navigation bookmarks and links will assist you to identify the changes and disclosures you need.

We trust you will find *Example Public Company Limited Guide to annual reports – illustrative disclosures* a useful reference in your annual report preparation. For further information on the contents of this publication or for assistance in the application of the new accounting standards, please contact your KPMG professional.

Andrew Yates
National Managing Partner – Audit, Assurance and Risk Consulting

How to use this guide

The purpose of this publication is to help you in preparing annual financial reports in accordance with Australian Accounting Standards (AASBs), which are International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB) as adopted by the AASB for for-profit entities.

It illustrates one possible format for financial statements for a fictitious multinational corporation involved in general business (Example Public Company Limited).

This publication relates to both annual financial years ending 31 December 2018 and 30 June 2019 and reflects standards and interpretations that have been issued by the AASB as at 15 August 2018 and that are required to be applied by an entity with an annual period beginning on 1 January 2018 and 1 July 2018 ('currently effective requirements'). The early adoption of standards or amendments to standards that are effective for annual periods beginning after 1 January 2018 ('forthcoming requirements') is not illustrated.

Although it is not exhaustive, this guide illustrates the disclosures required by IFRS for one hypothetical corporation, merely for illustrative purposes and, as such, largely without regard to materiality.

This guide should not be used as a boilerplate template. The preparation and presentation of financial statements require the preparer to exercise judgement, in terms of the choice of accounting policies, the ordering of notes to the financial statements, how the disclosures should be tailored to reflect the entity's specific circumstances, and the relevance of disclosures considering the needs of the users.

Navigating this guide

If you are using this guide for the first time:
Given Australia's close alignment to International Financial Reporting Standards (IFRS), a substantial portion of Example Public Company Limited has been based on the illustrative disclosures publication prepared by our international colleagues based on 'pure' IFRS.

However to illustrate additional Australian specific disclosure and alternative presentation methods that are commonly used in Australia, a separate section, has been included, just before the main financial statements. A clear cross-reference to the Australian section is included on affected international pages.

Australian specific disclosure is shown in section one Australian content

Illustrative disclosure based on IFRS is shown in section two Guide to annual financial statements.

This hypothetical corporation (the 'Group') used in this publication has been applying IFRS for some time – i.e. it is not a first-time adopter of IFRS. If you are preparing your first set of annual financial statements, that include an explicit and unreserved statement of compliance with IFRS, you are considered a first time adopter of IFRS. For more information on adopting IFRS for the first time, see Chapter 6.1 in the 15th edition 2018/19 of our publication Insights into IFRS.

If you are recurring user of this guide:
We direct you to our What's new page, which contains a summary of all new or revised accounting standards and regulatory changes that have been reflected in Example Public Company Limited since the previous edition of this guide and references to other resources in the guide that you might find useful to your financials statement preparation for the current period.

Materiality considerations

Preparers need to take care not to reduce the understandability of an entity's financial statements by obscuring material information with immaterial information or by aggregating material information that is different by nature or function. Individual disclosures that are not material to the financial statements do not have to be presented – even if they are a minimum requirement of a standard. Preparers need to consider the appropriate level of disclosure based on materiality for the reporting period

Specific guidance on materiality and its application to the financial statements is included in paragraphs 29–31 of AASB 101 *Presentation of Financial Statements*. In December 2017, the AASB issued *Making Materiality Judgements (AASB Practice Statement 2*) which provides practical guidance on how to apply the concept of materiality in the preparation of financial statements.

Further KPMG guidance

We also have a number of accompanying tools and publications that can be used to assist you in the preparation of your annual report and helping you to report financial information in the most meaningful way. These materials and more, can be accessed from our Financial statements preparation site, which contains a number of other valuable references and resources.

Keeping in touch

Follow 'KPMG IFRS' on LinkedIn or visit kpmg.com/ifrs for the latest on IFRS.

Whether you are new to IFRS or a current user, you can find digestible summaries of recent developments, detailed guidance on complex requirements, and practical tools such as illustrative disclosures and checklists.

KPMG Australia Financial Reporting and Accounting Standards

KPMG Global IFRS Institute

Australian Topics

Accounting & Reporting Webinars

Trust through transparency - integrated reporting

Australian Reporting Updates

Better business reporting

Standards on Issue

Revenue

Financial Instruments

Leases

This page is intentionally blank

Contents

Notes

INTRODUCTION

Australian content

Primary statements

Notes

Appendices

What's new?

Example Public Company Limited Guide to annual reports – illustrative disclosures (Example Public Company Limited, or the guide) takes account of the impact of the following new or revised accounting standards and regulatory changes:

	Effective for the first time for an annual reporting period ending:	
	31 December 2018	**30 June 2019**
Australian Accounting Standards		
Share Based Payment Transactions (Amendments to AASB 2)	✓	✓
Transfers of Investment Property (Amendments to AASB 140)	✓	✓
Annual Improvements to AASBs 2014 -2016 Cycle (Amendments to AASB 1 and AASB 128)	✓	✓
Foreign Currency Transactions and Advance Considerations (IFRIC 22)	✓	✓
AASB 9 Financial Instruments	✓	✓
AASB 15 Revenue from Contracts with Customers	✓	✓
Amendments and Clarifications to AASB 4 Insurance Contracts	✓	✓

Throughout the guide, major changes since the previous edition of this guide are highlighted as follows:

For changes effective for the first time for BOTH annual reporting periods ending 31 December 2018 and 30 June 2019, by a double black line running down the left margin of the text. The double black line in the left margin also highlights major changes in terms of what was illustrated in the 2018 edition of this guide.

Amendments to Australian Accounting Standards

Newly effective standards

AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* are effective for the first time for entities with an annual reporting period beginning on or after 1 January 2018. Applying the new standards is expected to significantly affect the disclosures included in the financial statements and are illustrated in Note 5, Note 8 and Note 32. The Group has no other transactions that would be affected by the newly effective standards or its accounting policies are already consistent with the new requirements.

Disclosure of the nature and effect of changes in accounting policies:

- Entities are required to describe the nature and effect of initially applying the new standards. This will involve providing the transition disclosures in AASB 7 *Financial Instruments: Disclosures* (as introduced by AASB 9) and AASB 15, as well as the general disclosures in paragraph 28 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, to the extent not exempted by the new standards. These disclosures are illustrated in Note 5.

  Disclosures may differ depending on the transition method chosen by the entity. For example, entities applying AASB 15 using the full retrospective method are required to follow the disclosure requirements in AASB 108, while those applying the cumulative effect method are exempted from providing the disclosures required by paragraph 28(f) of AASB 108 but are required to provide the disclosures included in paragraph C8 of AASB 15 instead. In addition, when entities choose not to restate comparative information they may need to separately disclose their significant accounting policies for all periods presented. The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e.1 January 2018).

Ongoing Disclosures:

- Entities are required to provide new 'business as usual' disclosures that are included in AASB 7 (as introduced by AASB 9) and AASB 15.
- For AASB 15, these include disaggregation of revenue and information on contract balances, performance obligations, transaction price allocated to the remaining performance obligations and significant judgements in the application of the standard.
- For AASB 9, these include information on investments in equity instruments designated at fair value through other comprehensive income, an entity's credit risk information including its credit risk management practices, quantitative and qualitative information about loss allowances and credit risk exposure and expanded hedge accounting disclosures.

Standards issued but not yet effective:

- AASB 16 *Leases* become effective for annual accounting periods commencing 1 January 2019. Note 46 has been updated to describe the Group's current assessment of the possible impacts that the application of AASB 16 will have on its financial statements in the period of initial application. Regulators have communicated their expectation that, as the implementation of the new standard progresses, more information about its impact should become reasonably estimable and preparers will be able to provide progressively more entity-specific qualitative and quantitative information about the application of the new standard in their financial statements.

  The appropriate level of disclosure will ultimately depend on the status of the reporting entity's preparations to adopt AASB 16, although preparers should have in mind that there is a growing expectation that entities will be in an advanced stage of their implementation process.

Appendix I further provides a list of AASBs that are available for early adoption in the period.

References and abbreviations

References are included in the left 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 45 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 15th edition 2018/19 of our publication Insights into IFRS.
IFRS 7	IFRS 7 as amended by IFRS 9.
IFRS 7S	The superseded IFRS 7 (applicable before 1 January 2018).

Items with the following marking down the left margins have this significance.

In the context of consolidated financial statements, the disclosures in respect of operating segments (Note 6) and EPS (statement of profit or loss and other comprehensive income (OCI), and Note 11) apply only if the parent:

- has debt or equity instruments 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 since the 2017-18 edition of this guide.

The following abbreviations are used often in this guide.

AASB — Australian Accounting Standards issued by the AASB. The AASB Accounting Standards numbering convention is as follows:

- AASB 1 – AASB 17 represent Accounting Standards issued by the AASB equivalent to an IFRS issued by the IASB (AASB 1 is the Australian equivalent to IFRS 1);
- AASB 101 onwards represent Accounting Standards issued by the AASB equivalent to an IAS issued by the IASB (AASB 136 is the Australian equivalent to IAS 36); and
- AASB 1004 onwards are those domestic Australian Accounting Standards for which there are no equivalent IASB standards.

ASIC	Australian Securities and Investments Commission Regulatory Guides (RG), Corporations Instruments (Instrument) and Class Orders (CO)
ASX	ASX Limited – Official Listing Rules. This refers to information which must be included in the annual report
ASX Appendix	ASX Limited – Appendix 4E. This refers to information that must be disclosed in the Preliminary Final Report. There is no requirement for this information to be disclosed in the annual report
IAS	International Accounting Standards issued by the predecessor of the IASB, the International Accounting Standards Committee, and amended by the IASB
IFRIC	Interpretations of the IFRS Interpretations Committee of the IASB
IFRS	International Financial Reporting Standards issued by the IASB
IU	IFRS Interpretations Committee publication *IFRIC Update*
Reg	Corporations Regulations 2001
S	Section, Corporations Act 2001

Australian content

Annual Financial Report

Example Public Company Limited

S153-S155
Reg 1.0.07

ABN 14 004 152 682

30 June 2019

Corporate governance statement

The *Corporate Governance Principles and Recommendations (Principles and Recommendations)* apply to all ASX listed entities, regardless of its legal form (i.e. company, managed investment scheme or stapled entity), whether it was established in Australia or whether it is internally or externally managed. Whilst the *Principles and Recommendations* are designed to achieve good corporate governance outcomes and meet reasonable investor expectations, the ASX Corporate Governance Council acknowledges that different entities may legitimately adopt a range of corporate governance practices.

As such, the *Principles and Recommendations* are not mandatory for listed entities nor do they prescribe practices that an entity must adopt. However, where the Board of a listed entity chooses not to follow a particular recommendation, it must explain why – the 'if not, why not' approach – including the period for which a recommendation was not followed, explanation and any alternative governance practices adopted in lieu. Where a particular recommendation has been followed for only part of the year, the part of the year for which it has been followed must be disclosed. It is not sufficient to state that there have been no changes to the practices previously reported.

Corporate Governance Principles and Recommendations (Third Edition)

With supporting changes to the ASX *Listing Rules*, a listed entity now has greater flexibility to make its corporate governance disclosures on its website or in its annual report. Where an entity chooses to provide its corporate governance statement on its website, it must lodge a copy of the statement at the same time the annual report is lodged with the ASX, thus ensuring the ASX has a permanent record at its effective date each year, regardless of an entity's website changes (Listing Rule 4.7.4). In addition, the annual report needs to include the website address of where the corporate governance statement can be found.

The corporate governance statement must also specify the date at which it is current (which must be the entity's balance date or later) and state that it has been approved by the board.

The *Principles and Recommendations* reflect a 'best practice' view of appropriate corporate governance standards that other entities may find useful when framing its own corporate governance policies and practices.

Appendix 4G

Appendix 4G *Key to disclosures Corporate Governance Council Principles and Recommendations* identifies and locates corporate governance disclosures by providing a key to where each can be found; and to assist entities with its corporate governance disclosure obligations by providing a documented verification process (Listing Rule 4.7.3).

A listed entity is required to complete and lodge an Appendix 4G at the same time it lodges its annual report with the ASX.

Approach in Example Public Company Limited

There are a number of common disclosures required in the corporate governance statement by the ASX *Listing Rules* and those required by the *Corporations Act 2001* in the Directors' report. To avoid duplication, a clear cross-reference may be made from the corporate governance statement to the location of the disclosure in the Directors' report. Alternatively, the directors' report could include components of the corporate governance statement by reference, provided the corporate governance statement is included with the financial statements and it is permitted by *ASIC Corporations (Directors' Report Relief) Instrument 2016/188*.

The corporate governance statement should not form part of the financial report upon which the company's auditor expresses an opinion, except to the extent that it includes an audited remuneration report. This would only occur when the corporate governance statement is presented within the Directors' report, because the remuneration report required by S300A must be located in the directors' report.

As the facts and circumstances are specific to an entity as to how it has followed the *Principles and Recommendations*, this publication does not include an illustrative corporate governance statement. For those entities opting to provide their corporate governance statement on their website, the example below illustrates how the corporate governance statement could be appropriately referenced from the annual report to the entity's website.

"Example Public Company Limited maintains the highest standards of corporate governance in accordance with the ASX Corporate Governance Principles and Recommendations (3rd edition). For the financial year 30 June 2019, Example Public Company Limited's Corporate Governance Statement together with the ASX Appendix 4G as applicable to the Corporate Governance Statement is available at examplepubliccompanylimited.com.au/CorporateGovernance and a copy of the statement has been lodged with the ASX."

Fourth Edition

On 2nd May 2018 the ASX Corporate Governance Council initiated a consultation process on the 4th edition of the *Principles and Recommendations*. The 4th edition proposals seek to address emerging domestic and global issues in corporate governance, and anticipated and respond to some of the governance issues identified in recent enquiries in Australia. While retaining the same eight core principles from the 3rd edition, major changes to Principle 3 have been proposed addressing values, culture and an entity's social licence to operate. The number of recommendations is proposed to increase from 29 to 38.

The 4th edition *Principles and Recommendations* are expected to be issued in early 2019 and be effective from 1 July 2019, impacting financial reports of listed entities ending on or after 30 June 2020. The ASX consultation documentation on the proposed 4th edition of the *Principles and Recommendations,* including KPMG's submission, can be viewed on the ASX website.

Although the effective date of the *Principles and Recommendations* is expected to be for financial years ending on or after 30 June 2020, KPMG and the Corporate Governance Council encourage earlier adoption.

Index to Directors' report

Directors' report[a]

For the year ended 30 June 2019

S292(1), S298(1), S299(2)

The directors present their report together with the consolidated financial statements of the Group comprising of Example Public Company Limited (the Company) and its subsidiaries for the financial year ended 30 June 2019 and the auditor's report thereon.

S300(1)(c)
S300(1)(c),(10)(a)

1 Directors

The directors of the Company at any time during or since the end of the financial year are:

S300(11)(e)

Name, qualifications and independence status	**Experience, special responsibilities and other directorships**[b]
Mr Frederick D Adair, AO B.Eng. *Chairperson* *Independent Non-Executive Director*	Extensive knowledge of all the Company's industries. Chairperson of EFT Limited since 2014, FORX Ltd since 2014, and Example Public Company Limited since 2010. Chairperson of Remuneration and Nomination Committees. Director since 2012 – appointed chairperson 2016.
Mr Garry S Andrews, B.Eng. *Chief Executive Officer*	Extensive management and engineering experience in paper and mining industries in Australia and overseas. Director since 2008 – appointed chief executive officer 2013.
Mr Benjamin Q Barton, B.Eng. *Independent Non-Executive Director*	Extensive experience in paper and packaging manufacturing. Formerly chief executive officer of Australian Paper Pack Limited, 2011 to 2016. A director of Australian Containers Packaging Limited since 2015. Member of Nomination and Audit Committees. Appointed 1 November 2018.
Ms Harriet W James, B.Com., CA, A.R.E.S.I.(Vic.) *Independent Non-Executive Director*	Extensive corporate finance expertise, and knowledge of the paper manufacturing and forestry industries. Formerly chief executive officer of Pine Trees Limited, 2007 to 2016. Chairperson of Audit Committee. Member of Remuneration Committee. Director since 2015.
Ms Kimberly Nguyen, B.Sc.,A.A.I.M.M.,F.A.I.M. *Independent Non-Executive Director*	Extensive corporate administration expertise and paper and mining industry knowledge. Formerly chief executive officer of Eastern Paper Limited, 2009 to 2017. Directorships include Deep Mines Limited and Pine Forest Limited since 2010, ABC Energy Limited since 2012, New Packaging Limited since 2014, Mining Technologies Limited since 2012 and Example Public Company Limited since 2011. Member of Nomination Committee. Director since 2015.
Mr Carlos C Martinez, B.Eng, *Independent Non-Executive Director*	Extensive engineering expertise and extensive knowledge of the packaging and paper manufacturing industries. Twenty-six years of experience as a packaging equipment engineer in South America, South East Asia and Australia. Member of Audit Committee (until 14 November 2018). Director since 2014.
Mr Richard O Stephens, B.A., LL.B. *Non-Executive Director*	Extensive legal expertise and knowledge of the paper manufacturing and forestry industries. Formerly a practising solicitor for 30 years. Other directorships include Australian Packaging Limited since 2012, and RMG Energise Limited since 2014. Member of Nomination Committee until retirement. Director since 2008. Retired as a director on 30 September 2018. Nominee of Example Investment Holdings (Australia) Limited.
Ms Veronica M Thomas, B.Com., CPA *Independent Non-Executive Director*	Extensive corporate administration and finance expertise. Twenty-five years service in an accounting and management capacity. Member of Remuneration and Audit Committees. Director since 2017.

S299(2) **a.** If consolidated financial statements are prepared, only the consolidated entity is reported on. Comparatives are only required for the directors' report when Regulation 2M.3.03 specifically requires comparatives (e.g. remuneration of key management personnel).

S300(11)(e) **b.** For listed entities, details of directorships of other listed companies held by the director at any time in the three years immediately before the end of the financial year, and the period for which the directorship has been held must be disclosed.

Directors' report (continued)

For the year ended 30 June 2019

2 Company secretary

S300(10)(D)
ASX 4.10.10

Ms Rachel M Parish BA, MBA, LLB was appointed to the position of company secretary in July 2012. Ms Rachel M Parish previously held the role of compliance manager and company secretary with another listed public company for five years, and prior to that worked as general counsel to a listed entity, and as a solicitor with a major legal practice.

3 Officers who were previously partners of the audit firm

S300(1)(ca)
S9

The following persons were officers of the Company during the financial year and were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Group:

– [insert names if applicable]

4 Directors' meetings

S300(10)(b),(c)

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

ASX 12.7
ASX 12.8

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr F D Adair	**7**	**7**	–	–	**2**	**2**	**2**	**2**
Mr G S Andrews	**7**	**7**	–	–	–	–	–	–
Mr B Q Barton	**2**	**2**	**2**	**2**	–	–	**1**	**1**
Ms H W James	**7**	**7**	**4**	**5**	**1**	**2**	–	–
Ms K Nguyen	**4**	**7**	–	–	–	–	**2**	**2**
Mr C C Martinez	**7**	**7**	**3**	**3**	–	–	–	–
Mr R O Stephens	**3**	**4**	–	–	–	–	**1**	**1**
Ms V M Thomas	**6**	**7**	**5**	**5**	**2**	**2**	–	–

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

Ms K Nguyen has only attended four of the seven directors' meetings held during the financial year due to illness.

Directors' report (continued)

For the year ended 30 June 2019

5 Principal activities

S299(1)(C)
IAS 1.138(b)

The principal activities of the Group during the course of the financial year were the manufacture and sale of paper and forestry (cultivation of pine trees and the sale of wood as well as related services).

In November 2018, the Group sold its entire Packaging division, a separate reportable segment (see Note 6 to the consolidated financial statements). The Group was committed to a plan to sell this division due to a strategic decision to change the direction of the Group in late 2018.

There were no other significant changes in the nature of the activities of the Group during the year.

G100 Guidance: 7
RG 247.53-59

Objectives

The Group's objectives are to:

- increase the return on equity to 15 percent in the next financial year and to 20 percent by the end of the 2021 financial year
- reduce the number of employee strike incidents in the next financial year
- improve the retention rate of our outstanding people resources to 85 percent by 30 June 2022 for those employees with five years or more service
- retain 90 percent of all customers on a year-to-year basis and increase customer satisfaction with our service to an average rating of 'high' for all industry segments.

In order to meet these objectives the following targets have been set for the 2020 financial year and beyond:

- grow market share for existing business and increase revenue and operating activities of at least 10 percent per annum
- reduce operating costs by five percent per annum over the next two years
- consider further strategic alliances through joint ventures to minimise the risks to the Group
- complete 90 percent of contracts within their target timeframe
- further develop the management team by establishing a leadership programme.

Directors' report (continued)

For the year ended 30 June 2019

S299A(1)
S299A(1)(A)
ASX 4.10.17
RG 247

6 Operating and financial review[a]

Overview of the Group

[Insert details]

G100 Guidance: 13, 14
RG 230

Shareholder returns

	2019	2018	2017	2016	2015
Profit attributable to owners of the company	**$7,359,000**	$5,727,000	$2,447,000	$2,039,000	$1,700,000
Basic EPS	**$2.242**	$1.728	$1.203	$1.172	$1.164
Dividends paid	**$1,243,000**	$571,000	$310,000	$300,000	$300,000
Dividends per share	**24.8c**	4.8c	5.0c	4.5c	4.5c
Change in share price	**$0.15**	$0.20	$0.10	$0.05	$0.05
Return on capital employed	**35.1%**	24.8%	9.2%	8.5%	8.6%

Net profit amounts have been calculated in accordance with Australian Accounting Standards (AASBs). This is the first set of the Group's annual financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements. The 2019 results are therefore not directly comparable to prior years. Changes to significant accounting policies and the impact of applying the new standards are described in Note 5.[b]

Returns to shareholders increased through both dividends and capital growth. Dividends for 2018 were fully franked and it is expected that dividends in future years will continue to be fully franked.

Investments for future performance

G100 Guidance: 15

[Insert details such as discussions on significant acquisitions of property, plant and equipment and businesses during the year and reasons for these acquisitions]

Review of financial condition

G100 Guidance: 19, 22, 24, 28, 29
RG 247.45-47

[Insert details such as discussions on capital structure and treasury policy[c,d], liquidity and funding, cash flows from operations, and the impact of legislation and other external requirements]

Review of principal businesses

S299(1)(a),
G100 Guidance: 10
RG 247.41-43

[Insert general information about operations and activities of the entity. This should include a discussion on the underlying drivers of the entity's performance]

Review of [each operating segment of the Group]

S299A(1)(a), (b), (c)
G100 Guidance: 8, 9
RG 247.43, 58
IFRS 8

[Insert details such as products, market, operating results and commentary thereon, and strategy, including significant plans that are part of that strategy and future performance]

Significant changes in the state of affairs

S299(1)(b)
S299A(1)(a)
RG 247.45

[Insert details – Where the directors are of the opinion that there have been no significant changes in the state of affairs, the directors' report might include the following wording:

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.]

a. Refer to: Regulatory Guide 247 Effective Disclosure in an operating and financial review for further guidance on Operating and financial reviews.

b. Where an entity chooses a retrospective method of transition, comparatives will be restated and this should be highlighted where amounts are included in the directors' report.

c. Preparers should review the financial instrument disclosures in the directors' report for consistency with the risk-related disclosures required under IFRS 7 and IAS 1 in the notes to the financial statements.

IFRS 7.B6

d. The disclosures of the nature and extent of risks arising from financial instruments required by IFRS 7:31–42 may be either given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Where the information is given in the other statement, the financial statements must incorporate a cross-reference to this information, otherwise, the financial statements are incomplete.

Directors' report (continued)

For the year ended 30 June 2019

S300(1)(a),(b)

7 Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

S300(1)(a)

Declared and paid during the year 2018	Cents per share	Total amount $'000	Date of payment
Final 2018 ordinary	**25.25**	**805**	31 August 2018
Final 2018 preference	**25.03**	**438**	31 August 2018
Total amount		**1,243**	

S300(1)(b)

Declared after end of year

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided and there are no income tax consequences.

	Cents per share	Total amount $'000	Date of payment
Final ordinary	**27.82**	**892**	31 August 2019
Final preference	**25.03**	**438**	31 August 2019
Total amount		**1,330**	

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports.

Preference shares are classified as a liability and distributions paid are recognised as interest expense[a].

Dividends have been dealt with in the financial report as:	*Note*	$'000
Dividends	26(C)	**1,243**
Interest expense[a]	28	**51**
Noted as a subsequent event	26(C)	**1,330**

a. Distributions paid on shares presented as financial liabilities and recognised as interest expense need to be disclosed under S300(1). The requirements of the *Corporations Act 2001* override those of Accounting Standards. The potential for confusion may be overcome by analysing the dividend disclosure contained in the directors' report (or financial report) between those amounts dealt with as a distribution of equity and any amounts accounted for as interest.

Directors' report (continued)

For the year ended 30 June 2019

S299(1)(d)
IAS 10.21 (a), (b)

8 Events subsequent to reporting date[a]

At the end of July 2019 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 today's market conditions, and the effects of the global recession, it is intended to reduce the Group's workforce by 400 positions worldwide by 30 June 2020, by means of non-replacement wherever possible. The Group expects the restructuring associated with the reduction in positions to cost $600,000 to $850,000 in the year ending 30 June 2020.

Subsequent to 30 June 2019 one of the Group's major trade customers went into liquidation following a natural disaster in August 2018 that damaged its operating plant. Of the $100,000 owed by the debtor, the Group expects to recover less than $10,000. No allowance for impairment has been made in the consolidated financial statements.

On 10 July 2019, one of the premises of Oy Kossu AG, having a carrying amount of $220,000, 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 condensed interim financial statements on 22 January 2019 the Group announced its intention to acquire all of the shares of ABC Company for $6,500,000.
On 4 July 2019 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 October 2019.

Subsequent to 30 June 2019, the loan covenant maximum leverage ratio (calculated as debt to quarterly revenue for continuing operations) related to a secured bank loan was revised from 2.5 to 3.5 times.

On 23 September 2019, an increase in the Netherlands corporate tax rate from 25 to 30 percent was substantively enacted, effective from 1 January 2020. This increase does not affect the amounts of current or deferred income taxes recognised at 30 June 2019. However, this change will increase the Group's future current tax charge accordingly. If the new tax rate was applied to calculate taxable temporary differences and tax losses recognised as at 30 June 2019, the effect would be that net deferred tax assets would increase by $27,000.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

S299(1)(e)

9 Likely developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year. This will require further investment in areas such as manufacturing and sale of paper, which have performed well over recent years and offer sound opportunities for future development.

The recently announced proposed acquisition of a further 30 percent interest in Paletel AG to bring the Group's interest in Paletel AG to 70 percent is likely to be finalised in the next financial year.

S299A(1)(c)
S299(3)
RG 247.76-78

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

IAS 10.21(a),(b)

a. Preparers should ensure that events identified in the directors' report are also included in a note to the financial statements and vice versa. Refer to Note 42 in the consolidated financial statements.

Directors' report (continued)

For the year ended 30 June 2019

S299(1)(f)
RG 68

10 Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its manufacture of paper and forestry activities.

The Group is committed to achieving a high standard of environmental performance. It has established an Environmental Management Committee to focus on this area of operating performance. The committee is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

As part of this process the committee is responsible for:

- setting and communicating environmental objectives and quantified targets
- monitoring progress against these objectives and targets
- implementing environmental management plans in operating areas which may have a significant environmental impact
- identifying where remedial actions are required and implementing action plans
- regular monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis.

To enable it to meet its responsibilities, the committee has established a regular internal reporting process. Environmental performance is reported from each site up through management to the committee on a regular basis. On a quarterly basis the committee reports to the audit committee who then report to the board on the Group's environmental performance. Compliance with the requirements of environmental regulations and with specific requirements of site environmental licences was substantially achieved across all operations with no instances of non-compliance in relation to licence requirements noted.

Based on the results of enquiries made, the board is not aware of any significant breaches during the period covered by this report.

S300(11)(a)-(d)
S205G, S608, S609,
ASIC RG 5

11 Directors' interests[a]

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Example Public Company Limited		
	Ordinary shares	**Options over ordinary shares**	**Rights over ordinary shares**
Mr F D Adair	**1,000**	–	–
Mr G S Andrews	**33,280**	**200,000**	**80,000**
Ms H W James	**2,820**	–	–
Ms K Nguyen	**5,000**	–	–

S300 **a.** Although not specified, S300 should be read as if the information is to be disclosed as at the date of the directors' report. This disclosure could be included in the remuneration report (see section 20.6). However, where the number held at the date of the report differs to the number held at the reporting date, or the definition of 'relevant interest' results in a different number, all numbers will need to be disclosed.

Introduction

AUSTRALIAN CONTENT

Primary statements

Notes

Appendices

Directors' report (continued)

For the year ended 30 June 2019

12 Share options

Unissued shares under options[a]

S300(1)(d), S300(5)

All options were granted in previous financial years. No options have been granted since the end of the previous financial year.

S300(1)(e)
S300(6)

At the date of this report unissued shares of the Group under option are:

S300(1)(e)
S300(6)

Expiry date	Exercise price	Number of shares
1 July 2021	**$10.00**	**200,000**
1 July 2027	**$10.50**	**200,000**
		400,000

All unissued shares are ordinary shares of the Company.

All options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is conditional on the Group achieving annual growth in operating profit of at least five percent each year over three years. Further details about share-based payments to directors and KMP are included in the remuneration report in section 20.

S300(6)(e)

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

S300(1)(f)
S300(7)

During or since the end of the financial year, the Group issued ordinary shares of the Company as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
5,000	**$10.00**

a. Not all share options relate to remuneration schemes, for example, some may be as a result of consideration issued for an acquisition. In this case, these disclosures are more appropriately located in a separate area of the directors' report, other than the Remuneration report. Where the share options do relate to remuneration, duplication of disclosures is not required. Where share options do relate to remuneration, entities should ensure that all required disclosures, both those by the *Corporations Act 2001* and those by the *Corporations Regulations 2001*, are provided.

Introduction

AUSTRALIAN CONTENT

Primary statements

Notes

Appendices

Directors' report (continued)

For the year ended 30 June 2019

S300(1)(g),(8)&(9)

13 Indemnification and insurance of officers and auditors

S199A, S199B

Indemnification

S300(8)(a)
S300(9)(a)
S300(9)(c)

The Company has agreed to indemnify the following current directors[a] of the Company, Mr F D Adair, Mr G S Andrews, Mr B Q Barton, Ms H W James, Ms K Nguyen, Mr C C Martinez and Ms V M Thomas and the following former directors, Mr A Brown, Mr R O Stephens and Mr K Wall, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

S300(9)(e)

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Under the terms of an agreement entered into in April 2012, the Company has agreed to indemnify certain senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The senior executives in question are the general managers of each of the Group's operating divisions. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

S300(8)(a), S300(9)(a)
S300(9)(c)
S300(9)(d)

During the year, a claim for breach of contract was brought against Mr A Smith, a former senior executive of the Company. The claim related to a contract signed by him in his former capacity as an executive officer. Under the terms of an indemnity agreement entered into during Mr Smith's term as an officer, the Company agreed to indemnify senior executives against all claims and legal costs arising from the discharge of their duties, except where the liability arises out of conduct involving a lack of good faith. Total costs of $45,000 were incurred during the year by the Company on behalf of Mr Smith.

S300(8)(a)
S300(9)(b)
S300(9)(c)
S300(9)(e)

Under the terms of an agreement entered into in April 2013, the Company has agreed to indemnify their former auditors, LMN, for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as auditor, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

S300(9)(d)

XYZ Limited, who allegedly relied upon the 2013 Independent Audit Report and acquired an interest in the Company, subsequently brought an action in the current year against the former auditors, LMN, alleging that certain contingent liabilities were not adequately disclosed in the financial report. Under the terms of the indemnity agreement, the Company incurred costs of $50,000 being the costs incurred by LMN in mounting a successful defence.

S300(9)(a) a. Either the name of the officer or the class of officer to which the officer belongs or belonged must be disclosed.

Directors' report (continued)

For the year ended 30 June 2019

S300(1)(g),(8)&(9)

13 Indemnification and insurance of officers and auditors (continued)

Insurance premiums[a]

S300(8)(b)
S300(9)(a), (d)
S300(1)(g)

Since the end of the previous financial year the Company has paid insurance premiums of $36,000 in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

S300(9)(c)

- costs and expenses incurred by the relevant officers[b] in defending proceedings, whether civil or criminal and whatever their outcome

S199B

- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the following officers of the Company and its controlled entities:

- premiums totalling $18,000 were paid in respect of the following current directors of the Company: Mr F D Adair, Mr G S Andrews, Mr B Q Barton, Ms H W James, Ms K Nguyen, Mr C C Martinez and Ms V M Thomas
- premiums totalling $8,000 were paid in respect of the following former directors of the Company: Mr A Brown, Mr R O Stephens and Mr K Wall
- premiums totalling $4,000 were paid in respect of those officers of the Company holding the position of general manager of operating divisions
- premiums totalling $6,000 were paid in respect of the directors, senior executives and secretaries of the Company's controlled entities.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

S300(9) **a.** The nature of the liability and the amount of the insurance premiums paid do not have to be disclosed where such disclosure is prohibited by the contract itself. Where these details are not disclosed, it is recommended to make a statement to this effect. For example:

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

S300(9)(a) **b.** Either the name of the officer or the class of officer to which the officer belongs or belonged must be disclosed.

Directors' report (continued)

For the year ended 30 June 2019

S300(11B)

14 Non-audit services[a]

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

S300(11B)(b)
S300(11b)
S300(11E)
S324CA, S324Cb
S300(11B)(c)

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

S300(11B)(a)
S300(11C)

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below[b].

ASIC Instrument 2016/191

In dollars	**2019**
Services other than audit and review of financial statements:	
Other regulatory audit services[c]	
Workers compensation audit	**43,410**
Other assurance services[d]	
Controls assurance services	**97,600**
Due diligence services	**362,910**
Other services[e]	
Taxation compliance services	**114,320**
	618,240
Audit and review of financial statements[f]	**1,708,500**
Total paid to KPMG[f]	**2,326,740**

S300(11B) a. 'Non-audit services' is not a defined term in the *Corporations Act 2001*. For the purposes of clear and transparent reporting any services provided by the auditor which are not the audit or review of financial statements should be included.

S300(11B)(a) b. Comparative information is not required.

c. KPMG has defined other regulatory audit services as audit services required under regulations other than the *Corporations Act 2001* including dealer's licence, workers compensation, retirement villages, franchising code of conduct, APRA reports and US Sarbanes-Oxley Act of 2002 Section 404. These services are not necessarily undertaken by the auditor.

d. KPMG has defined other assurance services as services that require an independent opinion that will be best met by the auditor, including controls assurance services.

e. KPMG has defined other services as services that do not require an independent opinion and have been provided by the auditor to drive efficiencies.

f. The amount paid for audit services and the total amount paid to auditors are not required to be disclosed in the directors' report. It is included to allow an assessment of the level of audit to non-audit fees paid to the auditor during the year.

Directors' report (continued)

For the year ended 30 June 2019

S300(11A), S300(11AA) S342A, S324DA

15 Modification of auditor rotation requirements

[Details should be inserted here, when applicable.]

S298(1A)

16 True and fair view

[Details of the directors' reasons for disclosing the additional information and reference to where this information is disclosed should be inserted here, when applicable.]

S300(14),(15)

17 Proceedings on behalf of the Company

[Details should be inserted here, when applicable.
Example wording where a person has applied for leave of the Court and has brought or intervened in proceedings on behalf of the Company may be:

[Name_applicant] has applied to the Court for leave to [bring proceedings on behalf of the Company/intervene in any proceedings] to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The application has been granted by the Court.

[Name_applicant] has [brought/intervened] on behalf of the Company, proceedings with the following details during the year:

[Name_parties to the proceedings] are parties to the proceedings

[Details of the nature and status of the proceedings (including the cause of action and any orders made by the Court)].]

S307C

18 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page [xxx][a] and forms part of the directors' report for the financial year ended 30 June 2019.

19 Rounding off

ASIC Instrument 2016/191

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that Instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

a. KPMG considers separate presentation for the lead auditor's independence declaration to be preferable due to the difficulty in determining the placement of the declaration in the directors' report to ensure it is clear that the audit partner is only providing sign off in relation to the declaration rather than the entire directors' report, to enable it to be on KPMG letterhead and therefore to facilitate improved reporting of the information to the users.

Introduction

AUSTRALIAN CONTENT

Primary statements

Notes

Appendices

Directors' report (continued)

For the year ended 30 June 2019

20 Remuneration report – audited[a,b,c,d]

S300A(1), S300A(1A)

An entity's remuneration report discusses the specific facts and circumstances of its remuneration practices. The approach in Example Public Company Limited is to present a framework for the remuneration report setting out the discussion required and providing illustrations of how some of the requirements could be disclosed in tabular format to comply with the more quantitative disclosure requirements.

20.1 Principles of compensation – audited[b]

S300A(1)(a)
S300A(1A)

[Provide a discussion of the board policy for determining the nature and amount of remuneration of the key management personnel. The headings set out below provide one framework that an entity may wish to consider as a guide. An entity tailors the disclosure to its facts and circumstances of its remuneration practices.]

Compensation packages include a mix of fixed and variable compensation, and short and long-term performance-based incentives.

S300A(1)(e)(i)

The table below represents the target remuneration mix for group executives in the current year. The short-term incentive is provided at target levels, and the long-term incentive amount is provided based on the value granted in the current year.

		At risk	
	Fixed remuneration	Short-term incentive	Long-term incentive
CEO	**50%**	**30%**	**20%**
CFO, COO	**60%**	**20%**	**20%**
Other executives	**75%**	**25%**	**–**

Fixed compensation

[Discuss the composition of fixed compensation and the frequency and basis of review, including a discussion of non-cash benefits.]

S300A(2) **a.** The directors' report of a listed disclosing entity that is a company must include a remuneration report.

S308(3C) **b.** The entire remuneration report must be audited for compliance with S300A. Using the word 'audited' within each section header of the remuneration report is one example of how the audited information might be distinguished from the unaudited disclosures contained in the directors' report. Another method could be to label each audited page as audited, so long as the end of the audited material is obvious to the reader.

S250R(2),(3) S300A(1)(g) **c.** The remuneration report of a listed company is subject to a non-binding vote of adoption by shareholders at the AGM. Where 25 percent or more of the votes cast at the most recent AGM were against adoption of that report, the subsequent remuneration report must include an explanation of the board's action in response, or if the board does not propose any action, the board's reasons for inaction.

RG 230 **d.** Some companies disclose alternative remuneration amounts that are measured and/or allocated to annual periods on a basis that is not entirely consistent with the Corporations Act requirement to use accounting standards when disclosing remuneration amounts. For example, alternative equity compensation presented might be amounts determined in the year of vesting based on the value at vesting date, rather than the grant date fair value being spread over the vesting period. These disclosures are in addition to the statutory disclosures that are measured in accordance with the accounting standards. Such companies should consider the requirements of RG 230 so that the additional, alternative disclosures are not misleading to users.

Directors' report (continued)

For the year ended 30 June 2019

20 Remuneration report – audited (continued)

20.1 Principles of compensation – audited (continued)

S300A(1)(ba)(i)

Performance-linked compensation

[If an element of remuneration is dependent on the satisfaction of a performance condition, provide a detailed summary of the performance condition, including:

- *explanation of why the performance condition was chosen*
- *a summary of the methods of assessment of satisfaction of the performance condition and why that method of assessment was chosen*
- *if the performance condition involves comparison of factors external to the company, a summary of those factors, including the identities of companies or index if such factors relate to the performance of such other company or index.*

Include discussion of any discretion to reduce the performance-based elements of remuneration, including any discretion that has been applied in the current year, or a statement such as "The remuneration committee has not exercised such discretion in the current year."

Practice is to differentiate performance-linked compensation between short-term and long-term incentive schemes.

Reg 2M.3.03(1) Item 12

The terms and conditions of each grant of a cash bonus, performance related bonus, or share-based payment compensation benefit made to a person, whether part of a specific contract for services or not, affecting compensation in the reporting period or a future reporting period is disclosed. This information is often included in the discussion of performance linked compensation.]

Consequences of performance on shareholder wealth

S300A(1AA),(1AB)

[An entity provides a discussion of the relationship between the remuneration policy and the company's performance, specifically dealing with the matters illustrated below.[a]*]*

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and the previous four financial years.[b]

		2019	2018	2017	2016	2015
S300A(1AA)(a)	Profit attributable to owners of the company	**$7,359,000**	$5,727,000	$2,447,000	$2,039,000	$1,700,000
S300A(1AB)(a)	Dividends paid	**$1,243,000**	$571,000	$310,000	$300,000	$300,000
S300A(1AB)(d)	Operating income growth	**7.4%**	6.2%	5.8%	6.1%	6.8%
S300A(1AB)(b)	Change in share price	**$0.15**	$0.20	$0.10	$0.05	$0.05
S300A(1AB)(d)	Return on capital employed	**35.1%**	24.8%	9.2%	8.5%	8.6%

ASIC RG230.20(f)(ii)

Profit is one of the financial performance targets considered in setting the Short Term Incentive (STI). Profit amounts have been calculated in accordance with Australian Accounting Standards (AASBs). Operating income is operating profit as reported in the statement of profit or loss.

S300A(1)(ba)(iv)(B)

a. When an element of remuneration includes a performance condition that involves comparing the company against one or more other companies, a company discloses that list of other companies. Some companies use a published index of companies or a subset of such an index in setting their performance conditions, such as the ASX 50 or the ASX 100 excluding specified industries. Other companies use a specific basket of worldwide competitor companies. Disclosure of the comparator companies does not always need to name the actual companies, but should be specific enough to enable a user to arrive at the actual list of companies. This may involve disclosing the name of the published index of companies (e.g. 'ASX 100 companies'), naming the index and the specific exclusions (e.g. 'ASX 100 companies excluding those in the financial services and extractive industries'), or listing the individual companies in the comparator group. Cross referencing to a list that is not contained in the remuneration report will not achieve compliance with the *Corporations Act 2001* requirements.

S300A(1AB)(c)

b. In determining the consequences of the company's performance on shareholder wealth in a financial year,the company must also have regard to any return of capital by the company to its shareholders during the year that involves:
- the cancellation of shares in the company, and
- a payment to holders of those shares that exceeds the price at which shares in that class are being traded at the time when the shares are cancelled.

Directors' report (continued)

For the year ended 30 June 2019

20 Remuneration report – audited (continued)

20.1 Principles of compensation – audited (continued)

Service contracts

S300A(1)(e)(vii)

[Where the person is employed by the company under a contract: the duration of the contract, the periods of notice required to terminate the contract, and the termination payments provided for under the contract are disclosed.

Reg 2M.3.03(1) Item 13

For each contract for services between the KMP and the disclosing entity (or any of its subsidiaries), such further explanations are disclosed as are necessary in addition to those prescribed in S300A(1)(ba) and Regulation 2M.3.03(1) Item 12 to provide an understanding of how the amount of compensation in the current reporting period was determined, and how the terms of the contract affect compensation in future periods.]

Services from remuneration consultants

S300A(1)(h)(i) S300A(1)(h)(ii)

The remuneration committee engaged Marshall Associates (Marshall) as remuneration consultant to the board to review the amount and elements of the key management personnel remuneration and provide recommendations in relation thereto.

S300A(1)(h)(iii)

In addition to the remuneration recommendations, Marshall provided the following other services to the Company throughout the year:

- summarised the key terms and conditions of each contract for services to enable the remuneration committee to assess whether the terms and conditions are consistent across different parts of the business
- advice in relation to the embodiment of risk in the assessment of performance for the vesting of remuneration awards
- expatriate compliance services.

S300A(1)(h)(iv),(v)

Marshall was paid $35,000 for the remuneration recommendations in respect of reviewing the amount and elements of remuneration.

Marshall was paid $12,500 in total for all other services.

S300A(1)(h)(vi),(vii)

The engagement of Marshall by the remuneration committee was based on a documented set of protocols that would be followed by Marshall, members of the remuneration committee, and members of the key management personnel for the way in which remuneration recommendations would be developed by Marshall and provided to the board.

S300A(1)(h)(vi)

The protocols included the prohibition of Marshall providing advice or recommendations to key management personnel before the advice or recommendations were given to members of the remuneration committee and not unless Marshall had approval to do so from members of the remuneration committee.

S300A(1)(h)(vi)

These arrangements were implemented to ensure that Marshall would be able to carry out its work, including information capture and the formation of its recommendations, free from undue influence by members of the key management personnel about whom the recommendations may relate.

The board is satisfied that the remuneration recommendations were made by Marshall free from undue influence by members of the key management personnel about whom the recommendations may relate.

S300A(1)(h)(viii)

The board undertook its own inquiries and review of the processes and procedures followed by Marshall during the course of its assignment and is satisfied that its remuneration recommendations were made free from undue influence.

These inquiries included arrangements under which Marshall was required to provide the board with a summary of the way in which it carried out its work, details of its interaction with key management personnel in relation to the assignment and other services, and respond to questioning by members of the board after the completion of the assignment.

Directors' report (continued)

For the year ended 30 June 2019

20 Remuneration report – audited (continued)

20.1 Principles of compensation – audited (continued)

S300A(1)(a)

Non-executive directors

[Non-executive directors' remuneration arrangements are usually separately described.]

Total compensation for all non-executive directors, last voted upon by shareholders at the 2015 AGM, is not to exceed $950,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. The base fee for the Chairperson is $100,000 per annum. Base fees for other directors are $50,000 per annum.

Directors' base fees cover all main board activities and membership of one committee. Non-executive director members who sit on more than one committee receive an additional payment of $2,000 per day for meetings attended.

Non-executive directors do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation.

20 Remuneration report – audited (continued)

20.2 Directors' and executive officers' remuneration – audited[a, b, c, d]

Details of the nature and amount of each major element of remuneration of each director of the Company, and other key management personnel of the consolidated entity are:

S300A(1)(c), Reg 2M.3.03(1) Items 6 – 11 *In dollars*		Short term			
		Salary & fees (D)	STI cash bonus (A)	Non-monetary benefits	Total
Directors					
Non-executive directors					
Name (Chairperson)	**2019**	**87,602**	**-**	**5,825**	**93,427**
	2018	83,660	-	4,622	88,282
Name (appointed [date])	**2019**	**19,110**	**-**	**-**	**19,110**
Name	**2019**	**42,397**	**-**	**-**	**42,397**
	2018	40,666	-	-	40,666
Name (Retired [date])	**2019**	**42,390**	**-**	**-**	**42,390**
	2018	46,666	-	-	46,666
Sub-total non-executive directors' remuneration[e]	**2019**	**313,382**	**-**	**15,611**	**328,993**
	2018	289,136	-	8,702	297,838
Executive directors					
Name, Director, CEO	**2019**	**436,613**	**102,500**	**248,506**	**787,619**
	2018	420,444	95,256	241,553	757,253
Total directors' remuneration[e]	**2019**	**749,995**	**102,500**	**264,117**	**1,116,612**
	2018	709,580	95,256	250,255	1,055,091
Executives					
Name, CFO	**2019**	**194,545**	**77,500**	**111,263**	**383,308**
	2018	188,233	74,558	109,225	372,016
Name, COO	**2019**	**490,908**	**56,000**	**139,297**	**686,205**
	2018	387,831	54,666	137,555	580,052
Name, Finance Director, Karooa Pty Limited, Example Mining Company Pty Ltd	**2019**	**380,111**	**70,000**	**112,821**	**562,932**
	2018	310,885	98,666	105,332	514,883
Former[f]					
Name, Finance Director, Example Gumnut Limited (resigned [date])	**2019**	**164,376**	**37,500**	**141,756**	**343,632**
	2018	200,634	45,666	112,069	358,369
Total executives' remuneration	**2019**	**2,924,644**	**518,528**	**1,089,609**	**4,532,781**
	2018	2,439,863	573,715	976,767	3,990,345
Total directors' and executive officers' remuneration	**2019**	**3,674,639**	**621,028**	**1,353,726**	**5,649,393**
	2018	3,149,443	668,971	1,227,022	5,045,436

Notes in relation to Directors' and executive officers' remuneration table

A. The short-term incentive bonus is for performance during the respective financial year using the criteria set out on page [x]. The amount was finally determined on 7 August 2019 (2018: 8 August 2018) after performance reviews were completed and approved by the remuneration committee.

B. The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised as an expense in each reporting period.

S300A(1)(c)

a. Remuneration disclosures are only required for the current year Key management personnel (KMP) of the consolidated entity (or for the Company where consolidated financial statements are not required). Disclosure for former KMP who were not KMP for any portion of the current year are not required, although they remain included in disclosures in notes to the financial statements.

Reg 2M.3.03(1) Items 4 and 5

b. If there has been a change in the chief executive officer, director or other key management person or executive during or since the end of the current reporting period, disclose the name of each person involved in the change, the position involved, and the date on which the change occurred.

Reg 2M.3.03(1) Items 7, 8, 9 and 11

c. The table excludes the following components of compensation which should be included where applicable: long-term incentives distributed in cash, post-employment benefits other than superannuation, shares and units, cash-settled share-based payment compensation and share-based payments giving a choice of equity- or cash-settlement.

Directors' report (continued)

For the year ended 30 June 2019

Post-employment	Other long term		Share-based payments		
Superannuation benefits	(D)	Termination benefits	Options and rights (B & C)	Total	Proportion of remuneration performance related
8,400	**-**	**-**	**-**	**101,827**	**-**
8,200	-	-	-	96,485	
1,720	**-**	**-**	**-**	**20,830**	-
3,820	**-**	**-**	**-**	**46,217**	-
3,555	-	-	-	44,221	
3,820	**-**	**-**	**-**	**46,210**	**-**
4,555	-	-	-	51,221	
28,740	**-**	**-**	**-**	**357,733**	**-**
26,765	-	-	-	324,603	
95,000	**8,325**	**-**	**215,000**	**1,105,944**	**28.7%**
89,552	8,305	-	125,000	980,110	
123,740	**8,325**	**-**	**215,000**	**1,463,677**	
116,317	8,305	-	125,000	1,304,713	
41,500	**8,325**	**-**	**215,000**	**648,133**	**45.1%**
39,556	8,305	-	125,000	545,877	
66,800	**8,325**	**-**	**62,500**	**823,830**	**7.4%**
64,887	8,305	-	-	653,244	
45,800	**8,325**	**-**	**-**	**617,057**	**11.3%**
44,661	7,865	-	-	567,409	
28,609	**8,325**	**116,658**	**-**	**497,224**	**7.5%**
56,127	7,865	-	-	430,693	
356,009	**91,575**	**116,658**	**215,000**	**5,312,023**	
393,412	79,970	-	125,000	4,588,727	
479,749	**99,900**	**116,658**	**430,000**	**6,775,700**	
509,729	88,275	-	250,000	5,893,440	

C. The fair value of performance rights with the relative TSR condition is calculated at the date of grant using the Monte-Carlo simulation model, taking into account the impact of the TSR condition and the lack of dividends during the vesting period. The fair value of performance rights with the operating income growth condition is calculated using the Black-Scholes option pricing model, taking into account the lack of dividends during the vesting period. The value disclosed is the portion of the fair value of the rights recognised as an expense in each reporting period.

D. In accordance with AASB 119 *Employee Benefits*, annual leave is classified as an other long term employee benefit.

Reg 2M.3.03(2)

d. In a remuneration report, comparative information is only required for amounts of remuneration required by Items 6, 7, 8, 9 and 11 of Corporations Regulation 2M.3.03(1). Comparative information for other remuneration report disclosures (e.g. narratives and other qualitative information) is not required.

e. There is no explicit requirement to disclose total KMP remuneration, however this is a common disclosure and may be useful to a shareholder.

Reg 2M.3.03(3)

f. The *Corporations Act 2001* requires the relevant individuals to be disclosed, regardless of whether they retired during the year. Hence, if an executive meets the definition of a KMP for only part of the current year, this executive would be included in the KMP disclosures, for the period the executive met the KMP definition. This would be the case regardless of whether the executive is still KMP at year-end. For example, a manager of a subsidiary is promoted during the year. On promotion, the manager meets the definition of a KMP. Before year end, the parent entity sells this subsidiary. The consolidated financial statements would include disclosures about this manager for the period the manager met the definition of KMP – from promotion until sale of subsidiary. However, in the following year, disclosures for this individual could be deleted from the Remuneration report.

Introduction

AUSTRALIAN CONTENT

Primary statements

Notes

Appendices

Directors' report (continued)

For the year ended 30 June 2019

20 Remuneration report – audited (continued)

20.3 Analysis of bonuses included in remuneration – audited[a]

Reg 2M.3.03(1) Item 12(e)-(f)

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company, and other key management personnel are detailed below.

	Short-term incentive bonus		
	Included in remuneration $ (A)	% vested in year	% forfeited in year (B)
KMP			
KMP name	**102,500**	**95%**	**5%**

Reg 2M.3.03(1) Item 12(c)

(A) Amounts included in remuneration for the financial year represent the amount related to the financial year based on achievement of personal goals and satisfaction of specified performance criteria. The remuneration committee approved these amounts on 7 August 2019.

Reg 2M.3.03(1) Item 12(f)

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

20.4 Equity instruments – audited[b]

Reg 2M.3.03(3)

All rights and options refer to rights and options over ordinary shares of Example Public Company Limited, which are exercisable on a one-for-one basis under the executive share plan (ESP).

20.4.1 Right and options over equity instruments granted as compensation – audited

Reg 2M.3.03(1) Item 15(a)(i)-(ii), (b)(i)-(ii),(iv) Item 18(b)

Details on rights and options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

Options	Number of options granted during 2018-19	Grant date	Fair value per option at grant date $	Exercise price per option $	Expiry date	Number of options vested during 2018-19
KMP name	–	**1 July 2016**	**5.60**	**10.10**	**1 July 2026**	**100,000**

Rights	Number of rights granted during 2018-19	Vesting condition	Grant date	Fair value at grant date $	Expiry date
KMP name	**20,000**	**Operating income**	**1 July 2018**	**10.10**	**1 July 2028**
	20,000	**Relative TSR**	**1 July 2018**	**8.50**	**1 July 2028**

Reg 2M.3.03(1) Item 15(b)(iv)-(v)
Reg 2M.3.03(1) Item 15(b)(vi)

All rights and options expire on the earlier of their expiry date or termination of the individual's employment. The rights vest and options are exercisable three years from grant date. In addition to a continuing employment service condition, vesting is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page [x]. For rights granted in the current year, the earliest vesting date is 1 July 2021.

Reg 2M.3.03(1) Item 12

a. Disclosures are required for each grant of each type of cash bonus, performance-related bonus or share-based payment to each person that affects remuneration in the current or future periods.

Reg 2M.3.03(3)

b. Disclosures related to equity instruments under Items 15 to 16 must be separated into each class of equity instrument, identifying each class by the name of the issuing entity, the class of equity instrument, and if the instrument is an option or right, the class and number of equity instruments for which it may be exercised.

Directors' report (continued)

For the year ended 30 June 2019

20 Remuneration report – audited (continued)

20.4 Equity instruments – audited (continued)

Reg 2M.3.03(1) Item 16

20.4.2 Exercise of options granted as compensation – audited

Reg 2M.3.03(1) Item 16(a), (c)

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

	Number of shares[a]	Amount paid $/share
KMP name	**5,000**	**10.00**

Reg 2M.3.03(1) Item 16(d)

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2018-19 financial year.

20.4.3 Details of equity incentives affecting current and future remuneration – audited

Reg 2M.3.03(1) Item 12(a)-(b),(e)-(g)

Details of vesting profiles of the rights and options held by each key management person of the Group are detailed below.

	Instrument		Grant date	% vested in year	% forfeited in year (A)	Financial years in which grant vests
KMP name	Options	**100,000**	**1 July 2015**	**100%**	**-%**	**1 July 2018**
	Options	**100,000**	**1 July 2017**	**-%**	**-%**	**1 July 2020**
	Rights	**40,000**	**1 July 2018**	**-%**	**-%**	**1 July 2021**

(A) The percentage forfeited in the year represents the reduction from the maximum number of instruments available to vest due to performance criteria not being achieved.

20.4.4 Analysis of movements in equity instruments – audited[b]

S300A(1)(e)(ii)-(iii)

The value of rights or options over ordinary shares in the Company granted and exercised by each key management person during the reporting period is detailed below.

	Granted in year $ (A)	Value of rights or options exercised in year $ (B)
KMP name	**372,000**	**–**

IFRS 2.7

(A) The value of rights granted in the year is the fair value of the rights calculated at grant date. The total value of the rights granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2018 to 1 July 2021).

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

Reg 2M.3.03(1) Item 16(b)

a. If the number of options or rights exercised differs from the number of equity instruments issued, the number of options or rights exercised is also disclosed.

S300A(1)(e)

b. This disclosure requirement refers specifically to "options" rather than more generically to equity instruments or "options and rights". It is not clear whether an entity is required to include other forms of share-based payments in these disclosures. In our view, an entity should choose whether to interpret "options" strictly and limit disclosures to only options, or to interpret "options" more widely and include the values of all forms of share-based payments.

Introduction

AUSTRALIAN CONTENT

Primary statements

Notes

Appendices

Directors' report (continued)

For the year ended 30 June 2019

20 Remuneration report – audited (continued)

20.4 Equity instruments – audited (continued)

Reg 2M.3.03(1) Item 17(a)-(g)
S300A(1)(e)(iv)

20.4.5 Options and rights over equity instruments[a]

The movement during the reporting period, by number of rights and options over ordinary shares in Example Public Company Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2018	Granted as compen-sation	Exercised	Lapsed	Forfeited	Held at 30 June 2019	Vested during the year	Vested and exercisable at 30 June 2019[b]
Options								
KMP name	**250,000**	–	–	**50,000**[1]	–	**200,000**	**100,000**	**100,000**
Rights								
KMP name	–	**40,000**	–	–	–	**40,000**	–	–

[1] Options that lapsed during the year were granted during the financial year ended 30 June 2015.

Reg 2M.3.03(1) Item 10

20.5 Payments to persons before taking office – audited

[insert details of any payment made as part of the consideration for the person agreeing to hold office including the monetary value and date of payment]

20.6 Key management personnel transactions[c] – audited

Loans to key management personnel and their related parties[d]

Reg 2M.3.03(1) Item 21(a),(c),(e)-(f)

Details regarding loans outstanding at the end of the reporting period to key management personnel and their related parties, where the individual's aggregate loan balance exceeded $100,000 in the reporting period, are as follows:

	Balance 1 July 2018 $	Balance 30 June 2019 $	Interest not charged $	Highest balance in period $
KMP name	**102,000**	**78,000**	**9,786**	**187,000**

Unsecured loans issued to [KMP name] during the year ended 30 June 2019 amounted to $85,000. During the year, [KMP name] repaid $109,000 of the balance outstanding on the loan.

Reg 2M.3.03(1) Item 20(a),(c),(e)-(f)

Details regarding the aggregate of all loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties, and the number of individuals in each group as at 30 June 2019, are as follows:[e]

	Opening balance $	Closing balance $	Interest not charged $	Number in group at 30 June
Total for key management personnel and their related parties	**132,000**	**78,000**	**10,796**	**2**

Reg 2M.3.03(1) Item 20(b),(g), Item 21(b),(g)

No interest is payable on the loans, and the loans are repayable in cash in full 12 months after the issue date.

Reg 2M.3.03(3) **a.** This disclosure is separated into each class of equity instrument, identifying each class by the name of the issuing entity, the class of equity instrument, and if the instrument is an option or right, the class and number of equity instruments for which it may be exercised.

Reg 2M.3.03(1)Item 17(h) **b.** Options and rights vested and unexercisable at the end of the reporting period are, where relevant, disclosed.

Reg 2M.3.03(1) Items 17-24 **c.** Individual disclosures about equity transactions, loans and other transactions are required in a remuneration report. Disclosures about these other transactions with KMP, in the aggregate, are still included in the notes to financial statements. Some level of duplication may be required to comply with both AASB 124 and the Corporations Act.

Reg 2M.3.03(3A) **d.** Loan disclosures do not include loans involved in transactions that are in substance options, including non-recourse loans to purchase shares. Such loans should be included in disclosures as options.
The disclosures in relation to options and rights holdings, equity holdings and transactions, loans, and other transactions and balances are required for transactions with KMP, close family members of KMP and entities over which KMP, or a close member of the family of those personnel, have control, joint control or significant influence.

Reg 2M.3.03(1)Items 17-22 **e.** The totals included in the table below may be different from the totals in the table above which includes only disclosures when the individual's aggregate loan balance exceeds $100,000 in the reporting period.

Directors' report (continued)

For the year ended 30 June 2019

20 Remuneration report – audited (continued)

20.6 Key management personnel transactions – audited (continued)

Reg 2M.3.03(1) Item 22

Other transactions with key management personnel[a]

A number of key management personnel (KMP), or their related parties, hold positions in other entities that result in them having control, or joint control, over the financial or operating policies of those entities.

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

Reg 2M.3.03(3B)

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

Movements in shares[b,c]

Reg 2M.3.03(1) Item 18(a),(c)-(e)

The movement during the reporting period in the number of ordinary shares in Example Public Company Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2018	Received on exercise of options	Other changes*	Held at 30 June 2019[d]
KMP name	**1,000**	**–**	**4,000**	**5,000**

* Other changes represent shares that were purchased or sold during the year

S298(2)

This Directors' report is made out in accordance with a resolution of the directors:

F D Adair

Director

Dated at ……………………….. (City) this ……… day of …………………… 2019.

Reg 2M.3.03(1) Items 22-24
Reg 2M.3.03(3B)

a. Details of each type of transaction between the disclosing entity and a KMP, or any KMP related party, are disclosed. However, disclosure is not required for transactions that meet any one of the following criteria:

a. the transaction occurs within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing at arms-length with an unrelated person; and

b. information about the transaction does not have the potential to affect adversely decisions about the allocation of scarce resources made by users of the financial statements, or the discharge of accountability by the key management person; and

c. the transaction is trivial or domestic in nature.

This disclosure exemption is only available for other transactions covered by Reg 2M.3.03(1) Items 22-24.

Reg 2M.3.03(1) Items 18

b. The disclosures related to the movements in equity instruments should be done in relation to each type of equity instrument.

Reg 2M.3.03(1) Items 18

c. When an individual ceased to be a KMP before the end of the reporting period, entities should clearly disclose the basis for the end of period number of shares disclosed. It may be appropriate to indicate 'n/a' at period end, explaining that the individual was not a KMP at that date.

Similar consideration should be given in relation to the beginning balance for individuals who became KMP during the reporting period.

Reg 2M.3.03(1) Items 18(f)

d. Separate disclosure of the number of equity instruments held nominally at the end of the reporting period is made.

Consolidated statement of financial position[a]

Reference	In thousands of dollars	Note	30 June 2019	30 June 2018 Restated*[b]	1 July 2017 Restated*[b,c]
IAS 1.10(a), (ea)-(f), 38–38A, 40A–40B, 113					
	Assets				
IAS 1.54(i)	Cash and cash equivalents	19	**1,504**	1,850	2,529
IAS 1.54(h)	Trade and other receivables	18	**32,405**	22,485	17,651
	Contract assets[g]	8	**1,271**	–	–
IAS 1.54(g)	Inventories[f]	17	**12,148**	12,119	11,587
IAS 1.54(f)	Biological assets	16	**32**	31	29
IAS 1.54(d)	Other investments, including derivatives[d]	25	**662**	1,032	947
IAS 1.54(n)	Current tax assets		**34**	60	–
IAS 1.55	Prepayments		**330**	1,200	895
IFRS 5.38, 40, IAS 1.54(j)	Assets held for sale	20	**14,400**	–	–
IAS 1.60	**Current assets**[e]		**62,786**	38,777	33,638
IAS 1.54(d)	Other investments, including derivatives[d]	25	**3,616**	3,525	3,221
IAS 1.54(e)	Equity-accounted investees	24	**2,489**	1,948	1,530
IAS 1.54(b), 17.49	Investment property	23	**1,370**	250	150
IAS 1.54(o), 56	Deferred tax assets	14	**2,187**	2,050	984
IAS 1.55	Employee benefits	13	**671**	731	716
IAS 1.54(a)	Property, plant and equipment	21	**26,586**	31,049	34,937
IAS 1.54(f)	Biological assets	16	**4,698**	4,025	3,407
IAS 1.54(c)	Intangible assets and goodwill	22	**6,226**	4,661	5,429
IAS 1.60	**Non-current assets**[e]		**47,843**	48,239	50,374
	Total assets		**110,629**	87,016	84,012

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.

IFRS 15.C3(b), C7, 9.7.2.15–7.2.16, Insights 2.8.50.110 — b. The Group has initially applied IFRS 15 and IFRS 9 at 1 July 2018. It has applied IFRS 15 using the cumulative effect method, under which the comparative information is not restated. It has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative information has been restated only for the retrospective application of certain hedging requirements in accordance with paragraph 7.2.26 of IFRS 9. See Note 5 for further information.

When comparatives are restated, in our view, although it is not specifically required by IFRS, labelling the comparatives as restated is necessary to highlight that the comparatives are not the same as the financial statements published previously.

Similarly, when new standards are applied but comparative information has not been restated (e.g. when recognising the cumulative effect of applying new standards in the opening balance of equity), it may be useful to highlight that fact.

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 the retrospective changes in accounting policies have a material effect on the information in the statement.

Insights 7.8.50.50 — d. In our view, derivative assets and liabilities should be presented as separate line items in the statement of financial position if they are significant.

Consolidated statement of financial position (continued)

		In thousands of dollars	*Note*	30 June 2019	30 June 2018 Restated*[b]	1 July 2017 Restated*[b,c]
		Liabilities				
IAS 1.55		Bank overdraft	*19*	**334**	282	303
IAS 1.55	‖	Contract liabilities	*8*	**160**	–	–
IAS 1.54(k)		Trade and other payables[h]	*29*	**23,541**	21,767	29,473
IAS 1.54(m)		Loans and borrowings	*28*	**4,988**	5,546	3,003
IAS 1.55, 78(d)		Employee benefits	*13*	**20**	388	13
IAS 1.54(n)		Current tax liabilities		**4,853**	1,693	25
IAS 1.54(l)		Provisions	*31*	**660**	1,540	140
IAS1.55, 11.42(b), 20.24		Deferred income/revenue	*30*	–	168	140
IFRS 5.38, 40, IAS 1.54(p)		Liabilities held for sale	*20*	**4,410**	–	–
IAS 1.60		**Current liabilities[e]**		**38,996**	31,384	33,097
IAS 1.54(m)		Loans and borrowings	*28*	**21,920**	19,031	20,538
IAS 1.55, 78(d)		Employee benefits	*13*	**912**	453	1,136
IAS 1.54(k)		Trade and other payables	*29*	**290**	5	4
IAS 1.55, 11.42(b), 20.24		Deferred income/revenue	*30*	**1,424**	1,462	–
IAS 1.54(l)		Provisions	*31*	**1,010**	–	740
IAS 1.54(o), 56		Deferred tax liabilities	*14*	**549**	406	323
IAS 1.60		**Non-current liabilities[e]**		**26,105**	21,357	22,561
		Total liabilities		**65,071**	52,741	55,658
		Net assets		**45,558**	34,275	28,354
		Equity				
IAS 1.54(r), 78(e)		Share capital		**19,756**	18,050	18,050
IAS 1.54(r), 78(e)		Reserves		**19,434**	9,768	3,818
IAS 1.55, 78(e)		Retained earnings		**2,541**	3,433	3,851
		Equity attributable to owners of the Company	*26*	**41,731**	31,251	25,719
IAS 1.54(q)		**Non-controlling interests**	*35*	**3,827**	3,024	2,635
		Total equity		**45,558**	34,275	28,354

‖ * See Notes 5 and 44

The Group has initially applied IFRS 15 and IFRS 9 at 1 July 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements.

The notes on pages 66 to 228 are an integral part of these consolidated financial statements.

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.

IFRS 15.B21, BC367 **f.** IFRS 15 and other standards do not specify where assets for rights to recover products from customers with regards to sales with a right of return should be presented. The Group has included the assets in 'inventories' and disclosed them separately in the notes (see Note 17).

IAS 1.54–55, IFRS 15.105, 109, A, BC320–BC321 **g.** Although it is not specifically required, the Group has presented in the statement of financial position line items related to contract assets and contract liabilities. An entity also applies the requirements in IAS 1 in classifying contract assets and contract liabilities as current or non-current.

Although this guide uses the terms 'contract assets' and 'contract liabilities', an entity may also use other terms.

IFRS 15.55 **h.** The Group has presented its refund liabilities as 'trade and other payables'. The Group's returns policy offers only an exchange for another good – i.e. the Group does not offer a cash refund. Therefore, refund liabilities do not meet the definition of a financial liability in IAS 32 *Financial Instruments: Presentation*. If a refund liability or a liability related to a repurchase agreement meets the definition of a financial liability in IAS 32, then it is subject to the disclosure requirements in IFRS 7.

Introduction | AUSTRALIAN CONTENT | Primary statements | Notes | Appendices

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

For the year ended 30 June

Reference	*In thousands of dollars*	*Note*	2019	2018 Restated*
IAS 1.10(b), 38–38A, 81A, 113	**Continuing operations**			
IAS 1.82(a)	Revenue[b]	*8*	**102,710**	96,629
IAS 1.99, 103	Cost of sales[d]	*9(C)*	**(55,432)**	(56,186)
IAS 1.103	Gross profit		**47,278**	40,443
IAS 1.85	Other income	*9(A)*	**1,021**	194
IAS 1.99, 103	Selling and distribution expenses[d]	*9(C)*	**(17,984)**	(15,865)
IAS 1.99, 103	Administrative expenses[d]	*9(C)*	**(17,732)**	(14,428)
IAS 1.99, 103, 38.126	Research and development expenses[d]	*9(C)*	**(1,109)**	(697)
	Impairment loss on trade receivables and contract assets[e, f]	*31(C)(ii)*	**(200)**	(30)
IAS 1.99, 103	Other expenses	*9(B)*	**(996)**	-
IAS 1.85, BC55–BC56	**Operating profit[g]**		**10,278**	9,617
IAS 1.85	Finance income[c]		**1,130**	447
IAS 1.82(b)	Finance costs		**(1,712)**	(1,618)
IAS 1.85	**Net finance costs**	*10*	**(582)**	(1,171)
IAS 1.82(c)	Share of profit of equity-accounted investees, net of tax	*24*	**1,141**	587
IAS 1.85	**Profit before tax**		**10,837**	9,033
IAS 1.82(d), 12.77	Income tax expense	*14*	**(3,339)**	(2,517)
IAS 1.85	**Profit from continuing operations**		**7,498**	6,516
	Discontinued operation			
IFRS 5.33(a), IAS 1.82(ea)	Profit (loss) from discontinued operation, net of tax[h]	*7*	**379**	(422)
IAS 1.81A(a)	**Profit for the period**		**7,877**	6,094
	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
IAS 1.82A(a)(i), 85	Revaluation of property, plant and equipment	*21(F)*	**200**	-
IAS 1.82A(a)(i), 85	Remeasurements of defined benefit liability (asset)	*13(B)*	**72**	(15)
IAS 1.82A(b)(i)	Equity investments at FVOCI – net change in fair value	*26(D)*	**141**	-
IAS 1.82A(a)(i), 91(b)	Equity-accounted investees – share of OCI	*24, 26(D)*	**13**	(3)
	Related tax[i]	*14(B)*	**(137)**	5
			289	(13)
IAS 1.82A(a)(ii)	**Items that are or may be reclassified subsequently 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 1.82A(b)(ii)	Equity-accounted investees – share of OCI	*24, 26(D)*	**(172)**	(166)
IAS 1.92	Reclassification of foreign currency differences on loss of significant influence	*34(D)*	**(20)**	-
IFRS 7.24C(b)(i), 7S.23(c)	Cash flow hedges – effective portion of changes in fair value	*26(D)*	**(62)**	95
IFRS 7.24C(b)(iv), 7S.23(d), IAS 1.92	Cash flow hedges – reclassified to profit or loss[j]	*26(D)*	**(31)**	(11)
IAS 1.85	Cost of hedging reserve – changes in fair value	*26(D)*	**34**	10
IAS 1.92	Cost of hedging reserve – reclassified to profit or loss[j]	*26(D)*	**8**	2
IFRS 7S.20(a)(ii)	Available-for-sale financial assets – net change in fair value		**-**	118
IFRS 7.20(a)(viii)	Debt investments at FVOCI – net change in fair value	*26(D)*	**55**	-
IFRS 7.20(a)(viii), IAS 1.92	Debt investments at FVOCI – reclassified to profit or loss[j]	*26(D)*	**(64)**	-
IAS 1.91(b)	Related tax[i]	*14(B)*	**19**	(70)
			444	441
IAS 1.81A(b)	**Other comprehensive income for the period, net of tax**		**733**	428
IAS 1.81A(c)	**Total comprehensive income for the period**		**8,610**	6,522

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

For the year ended 30 June

IAS 1.10(b), 38–38A, 81A, 113

In thousands of dollars	*Note*	**2019**	**2018 Restated***
Profit attributable to:			
Owners of the Company (*IAS 1.81B(a)(ii)*)		**7,359**	5,727
Non-controlling interests (*IAS 1.81B(a)(i)*)	*35*	**518**	367
		7,877	6,094
Total comprehensive income attributable to:			
Owners of the Company (*IAS 1.81B(b)(ii)*)		**8,066**	6,133
Non-controlling interests (*IAS 1.81B(b)(i)*)	*35*	**544**	389
		8,610	6,522
Earnings per share (*IAS 33.4*)			
Basic earnings per share (dollars) (*IAS 33.66, ASIC Instrument 2016/191*)	*11*	**2.242**	1.731
Diluted earnings per share (dollars) (*IAS 33.66, ASIC Instrument 2016/191*)	*11*	**2.126**	1.721
Earnings per share – continuing operations			
Basic earnings per share (dollars) (*IAS 33.66, ASIC Instrument 2016/191*)	*11*	**2.119**	1.869
Diluted earnings per share (dollars) (*IAS 33.66, ASIC Instrument 2016/191*)	*11*	**2.011**	1.858

* See Notes 5, 7, 21(H) and 44.

The Group has initially applied IFRS 15 and IFRS 9 at 1 July 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements and separately presenting impairment losses on trade receivables and contract assets.

The notes on pages 66 to 228 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*.

IFRS 15.113, IAS 1.29–30, 85, Insights 4.2.480.25
b. It appears that an entity is not required to present revenue from contracts with customers as a separate line item in the statement of profit or loss and may aggregate it with other types of revenue considering the requirements in IAS 1. However, in providing a separate disclosure of revenue from contracts with customers – either in the notes or in the statement of profit or loss – we believe that an entity should not include amounts that do not fall in the scope of IFRS 15 (see Note 8).

IAS 1.82(a), Insights 7.10.60.30
c. The Group has presented interest income on financial assets that are subsequently measured at amortised cost or FVOCI as part of 'finance income' because it does not consider it as part of its revenue-generating activities. If the interest income, calculated using the effective interest method, constituted revenue, then the entity would be required to separately present that income as interest revenue in the statement of profit or loss and OCI. It appears that an entity may present interest income from other financial assets in another revenue line item if it arises in the course of the entity's ordinary activities.

IAS 1.99–100
d. 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 1.82(ba), 85, 31, 97, 99, Insights 4.1.20.40
e. An entity that presents the analysis of expenses by function or by nature in the statement of profit or loss and OCI may face challenges in determining how this presentation interacts with the specific requirements to present the effect of some events or circumstances as a single amount in the statement of profit or loss and OCI – e.g. impairment losses under IFRS 9. The Group has applied judgement in determining an appropriate presentation, ensuring that the chosen presentation is not misleading and is relevant to the users' understanding of its financial statements. Consequently, the Group has disaggregated the impairment loss amount into:
- impairment related to trade receivables and contract assets, which is presented separately in the statement of profit or loss and OCI. Although it is not explicitly required, the Group has reclassified the comparative impairment loss (recognised under IAS 39 *Financial Instruments: Recognition and Measurement*) from 'other expenses'; and
- impairment related to investments in debt securities, which is included within 'finance costs' due to materiality.

IAS 1.85, BC55–BC56
f. The Group has elected to present a sub-total 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.

IAS 1.85, BC55–BC56
g. The Group has presented a subtotal of 'operating profit'. When an entity presents results from operating activities, it ensures 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)
h. 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 7. Alternatively, an entity may present the analysis in the statement.

IAS 1.90–91
i. 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
j. 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.

Reference	*In thousands of dollars*	**Note**	**Share capital**	**Translation reserve**	**Hedging reserve[1]**
IAS 1.10(c), 38–38A, 108, 113					
	Balance at 1 July 2017, as previously reported		18,050	(119)	434
IAS 8.28(f)–(g), 1.106(b)	Adjustment on initial application of IFRS 9, net of tax	*5(B)*	-	-	(35)
IAS 1.106(b)	Impact of restatement	*44*	-	-	-
	Restated balance at 1 July 2017		18,050	(119)	399
	Total comprehensive income (restated)				
IAS 1.106(d)(i)	Profit		-	-	-
IAS 1.106(d)(ii), 106A	Other comprehensive income	*14(B), 26(D)*	-	275	65
IAS 1.106(a)	**Total comprehensive income (restated)**		-	275	65
IAS 1.106(d)(iii)	**Transactions with owners of the Company**				
	Contributions and distributions				
	Treasury shares acquired[a]	*26(B)*	-	-	-
	Transfer to profits reserve[b]	*26(B)*	-	-	-
	Dividends	*26(C)*	-	-	-
	Equity-settled share-based payment[c]	*13(E), 14(C)*	-	-	-
	Total transactions with owners of the Company		-	-	-
	Restated balance at 30 June 2018		18,050	156	464
IAS 8.28(f)	Adjustment on initial application of IFRS 9, net of tax	*5(B)*	**-**	**-**	**-**
	Adjustment on initial application of IFRS 15, net of tax	*5(A)*	**-**	**-**	**-**
	Adjusted balance at 1 July 2018		**18,050**	**156**	**464**
	Total comprehensive income				
IAS 1.106(d)(i)	Profit		**-**	**-**	**-**
IAS 1.106(d)(ii), 106A	Other comprehensive income	*14(B), 26(D)*	**-**	**458**	**(35)**
IAS 1.106(a)	**Total comprehensive income**		**-**	**458**	**(35)**
	Hedging gains and losses and costs of hedging transferred to the cost of inventory	**-**	**-**	**-**	**8**
	Transactions with owners of the Company				
IAS 1.106(d)(iii)	**Contributions and distributions**				
	Issue of ordinary shares	*26(A)*	**1,550**	**-**	**-**
	Business combination	*34(A)*	**87**	**-**	**-**
	Issue of convertible notes	*14(C), 28(C)*	**-**	**-**	**-**
	Treasury shares sold[a]	*26(B)*	**19**	**-**	**-**
Reporting Update 12RU-005	Transfer to profits reserve[b]	*26(B)*	**-**	**-**	**-**
	Dividends	*26(C)*	**-**	**-**	**-**
	Equity-settled share-based payment[c]	*13(E), 14(C)*	**-**	**-**	**-**
	Share options exercised	*26(A)*	**50**	**-**	**-**
	Total contributions and distributions		**1,706**	**-**	**-**
IAS 1.106(d)(iii)	**Changes in ownership interests**				
	Acquisition of NCI without a change in control	*36*	**-**	**8**	**-**
	Acquisition of subsidiary with NCI	*34*	**-**	**-**	**-**
	Total changes in ownership interests		**-**	**8**	**-**
	Total transactions with owners of the Company		**1,706**	**8**	**-**
	Balance at 30 June 2019		**19,756**	**622**	**437**

1. The Hedging reserve includes the cost of the hedging reserve. These balances are detailed in Note 26D.

IAS 32.33, Insights 7.3.560

a. IFRS does not mandate a specific method of presenting treasury shares within equity. However, local laws may prescribe the allocation method. Therefore, an entity needs to take into account its legal environment when choosing how to present its own shares within equity. An entity needs to choose a presentation format, to be applied consistently to all treasury shares. The Group has elected to present the total cost of treasury shares as a separate category of equity.

Consolidated statement of changes in equity

For the year ended 30 June 2019

Attributable to owners of the Company

Fair value reserve	Revaluation reserve	Profits reserve	Treasury share reserve	Con-vertible notes	Retained earnings	Total	Non-controlling interests	Total equity
17	-	3,521	-	-	3,759	25,662	2,635	28,297
-	-	-	-	-	35	-	-	-
-	-	-	-	-	57	57	-	57
17	-	3,521	-	-	3,851	25,719	2,635	28,354
-	-	-	-	-	5,727	5,727	367	6,094
79	-	-	-	-	(13)	406	22	428
79	-	-	-	-	5,714	6,133	389	6,522
-	-	-	(280)	-	-	(280)	-	(280)
-	-	6,382	-	-	(6,382)	-	-	-
-	-	(571)	-	-	-	(571)	-	(571)
-	-	-	-	-	250	250	-	250
-	-	5,811	(280)	-	(6,132)	(601)	-	(601)
96	-	9,332	(280)	-	3,433	31,251	3,024	34,275
3	**-**	**-**	**-**	**-**	**(104)**	**(101)**	**(16)**	**(117)**
-	**-**	**-**	**-**	**-**	**1,134**	**1,134**	**85**	**1,219**
99	**-**	**9,332**	**(280)**	**-**	**4,463**	**32,284**	**3,093**	**35,377**
-	**-**	**-**	**-**	**-**	**7,359**	**7,359**	**518**	**7,877**
87	**134**	**-**	**-**	**-**	**63**	**707**	**26**	**733**
87	**134**	**-**	**-**	**-**	**7,422**	**8,066**	**544**	**8,610**
-	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**8**
-	**-**	**-**	**-**	**-**	**-**	**1,550**	**-**	**1,550**
-	**-**	**-**	**-**	**-**	**120**	**207**	**-**	**207**
-	**-**	**-**	**-**	**109**	**-**	**109**	**-**	**109**
-	**-**	**-**	**11**	**-**	**-**	**30**	**-**	**30**
-	**-**	**10,126**	**-**	**-**	**(10,126)**	**-**	**-**	**-**
-	**-**	**(1,243)**	**-**	**-**	**-**	**(1,243)**	**-**	**(1,243)**
-	**-**	**-**	**-**	**-**	**755**	**755**	**-**	**755**
-	**-**	**-**	**-**	**-**	**-**	**50**	**-**	**50**
-	**-**	**8,883**	**11**	**109**	**(9,251)**	**1,458**	**-**	**1,458**
-	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**(115)**	**(200)**
-	**-**	**-**	**-**	**-**	**-**	**-**	**305**	**305**
-	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**190**	**105**
-	**-**	**8,883**	**11**	**109**	**(9,344)**	**1,373**	**190**	**1,563**
186	**134**	**18,215**	**(269)**	**109**	**2,541**	**41,731**	**3,827**	**45,558**

The notes on pages 66 to 228 are an integral part of these consolidated financial statements.

Reporting Update 12RU-005 b. Amounts transferred to the profits reserve characterise profits available for distribution as dividends in future years and reflects the amounts transferred by individual entities in the Group and is therefore not necessarily equivalent to the consolidated Group profit for the year.

Insights 4.5.900.30 c. 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 such increase in retained earnings.

Introduction
AUSTRALIAN CONTENT
Primary statements
Notes
Appendices

Consolidated statement of cash flows

For the year ended 30 June

Reference	*In thousands of dollars*	*Note*	2019	2018 Restated*
IAS 1.10(d), 38-38A, 113				
IAS 7.18(a)	**Cash flows from operating activities**[a]			
	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[b, c]		**(1,499)**	(1,289)
IAS 7.35	Income taxes paid		**(400)**	(1,913)
IAS 7.10	**Net cash from operating activities**	*47*	**3,711**	1,769
	Cash flows from investing activities			
IAS 7.31	Interest received[b]		**6**	19
IAS 7.31	Dividends received[b]		**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[d]	*7*	**10,890**	–
IAS 7.39	Acquisition of subsidiary, net of cash acquired	*34*	**(1,799)**	–
IAS 7.16(a)	Acquisition of property, plant and equipment	*21(A)*	**(15,657)**	(2,228)
IAS 7.16(a)	Acquisition of investment property	*23(A)*	**(300)**	(40)
IAS 7.21	Purchase of non-current biological assets	*16(A)*	**(305)**	(814)
IAS 7.16(a)	Acquisition of other investments		**(359)**	(363)
IAS 24.18	Dividends from equity-accounted investees	*24(A)*	**21**	–
IAS 7.21	Development expenditure	*22(A), (D)*	**(1,235)**	(503)
IAS 7.10	**Net cash used in investing activities**		**(6,059)**	(2,966)

Consolidated statement of cash flows (continued)

For the year ended 30 June

IAS 1.10(d), 38-38A, 113

In thousands of dollars	*Note*	2019	2018 Restated*
Cash flows from financing activities			
Proceeds from issue of share capital (IAS 7.17(a))	*26(A)*	**1,550**	–
Proceeds from issue of convertible notes (IAS 7.17(c))	*28(C)*	**5,000**	–
Proceeds from issue of redeemable preference shares (IAS 7.17(c))	*28(D)*	**2,000**	–
Proceeds from loans and borrowings (IAS 7.17(c))		**591**	4,439
Proceeds from sale of treasury shares (IAS 7.21)		**30**	–
Proceeds from exercise of share options (IAS 7.21)	*26(A)*	**50**	–
Proceeds from settlement of derivatives (IAS 7.16(h))		**5**	11
Transaction costs related to loans and borrowings (IAS 7.21)	*28(C), (D)*	**(311)**	–
Acquisition of non-controlling interests (IAS 7.42A)	*36*	**(200)**	–
Repurchase of treasury shares (IAS 7.17(b))		**–**	(280)
Repayment of borrowings (IAS 7.17(d))		**(5,055)**	(2,445)
Payment of finance lease liabilities (IAS 7.17(e))		**(454)**	(590)
Dividends paid[b] (IAS 7.31, 34)	*26(C)*	**(1,243)**	(571)
Net cash from financing activities (IAS 7.10)		**1,963**	564
Net decrease in cash and cash equivalents		**(385)**	(633)
Cash and cash equivalents at 1 July**		**1,568**	2,226
Effect of movements in exchange rates on cash held (IAS 7.28)		**(13)**	(25)
Cash and cash equivalents at 30 June**	*19*	**1,170**	1,568

* See Notes 5 and 44.

The Group has initially applied IFRS 15 and IFRS 9 at 1 July 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements.

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 66 to 228 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 direct method, disclosing major classes of gross cash receipts and payments related to operating activities. Alternatively, an entity may present operating cash flows using the indirect method.

IAS 7.31, Insights 2.3.50.10-20

b. IFRS requires cash flows from interest and dividends received and paid to be disclosed separately. In our view, such disclosure is required in the statement of cash flows, rather than in the notes. In the absence of specific guidance in IFRS, an entity chooses 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. The Group has elected to classify cash flows from interest paid as operating activities, cash flows from interest received and dividends received as investing activities, and cash flows from dividends paid as financing activities.

Insights 2.3.50.38

c. 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).

IAS 7.10, IFRS 5.33(c), Insights 5.4.220.50

d. 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 by operating, investing and financing activities are disclosed in Note 7. However, in our view cash flows from discontinued operations may be presented in ways in which the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 7 regarding cash flow presentation may be met.

Notes to the consolidated financial statements

IAS 1.10(e)

1. Reporting entity

IAS 1.138(a)-(b)

Example Public Company Limited (the 'Company') is domiciled in Australia.

IAS 1.51(a)-(c)

The Company's registered office is at [address]. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

AASB 1054.8(b)

The Group is a for-profit entity and is primarily involved in manufacturing paper and paper-related products, cultivating trees and selling wood (see Note 6(A)).

IAS 1.112(a)

2. Basis of accounting[a]

AASB 1054.7, 8, 9 S296, S297

IAS 1.16, 10.17

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards `Board (AASB) and the Corporations *Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). They were authorised for issue by the Board of Directors on [date].

Details of the Group's accounting policies are included in Note 45.

This is the first set of the Group's annual financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 5.

IAS 1.51(d)-(e)
ASIC Instrument 2016/191

3. Functional and presentation currency

These consolidated financial statements are presented in dollars which is the Company's functional currency. The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

AASB 1048

a. Compliance with Australian Interpretations is required by AASB 1048 *Interpretation and Application of Accounting Standards*. A statement of compliance with Australian Accounting Standards (AASBs) therefore includes a statement of compliance with Australian Interpretations.

IAS 1.16

An entity whose financial statements and notes comply with all IFRS requirements must make an explicit and unreserved statement of such compliance in the notes. **Entities that comply with AASBs are not automatically in compliance with IFRS, particularly where the Australian specific exemptions for not-for-profit and public sector entities are utilised.**

Technically, there is no requirement to state that an entity does not comply with IFRS.

Notes to the consolidated financial statements (continued)

The following are additional Australian specific disclosures that are included in Note 26, as appropriate.

26. Capital and reserves

A. Share capital

i. Ordinary shares

IAS1.79(a)(iii)

The Company does not have authorised capital or par value in respect of its issued shares.

B. Nature and purpose of reserves

vii. Profits reserve

IAS 1.79(b)
Reporting Update 12RU-005

The profits reserve represents profits of entities within the Group transferred to a separate reserve to preserve their profit character. Such profits are available to enable payment of franked dividends in future years. Dividends amounting to $1,243 thousand (2018: $571 thousand) were distributed from the profits reserve during the year.

C. Dividends

AASB 1054.13

In thousands of dollars	2019	2018
Dividend franking account[a]		
Amount of franking credits available to shareholders of Example Public Company Limited for subsequent financial years	**4,122**	2,074

The ability to utilise the franking credits is dependent upon the ability to declare dividends.
In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $4,122 thousand (2018: $2,074 thousand) franking credits.

AASB 1054.12, 13 a. Separate disclosure is required in respect of any New Zealand imputation credits and any Australian imputation credits.

Notes to the consolidated financial statements (continued)

AASB 1054.16

47. Reconciliation of cash flows from operating activities

In thousands of dollars	*Note*	2019	2018 Restated*
Cash flows from operating activities (*IAS 7.18(b)*)			
Profit[a]		**7,877**	6,094
Adjustments for:			
– Depreciation	*21(A)*	**5,001**	5,122
– Amortisation	*22(A)*	**785**	795
– (Reversal of) impairment losses on property, plant and equipment	*21(B)*	**(393)**	1,123
– Impairment losses on intangible assets and goodwill	*22(C)*	**16**	285
– Impairment loss on remeasurement of disposal group	*20(A)*	**35**	-
– Change in fair value of biological assets	*16(A)*	**(587)**	(28)
– Increase in fair value of investment property	*23(A)*	**(20)**	(60)
– Net finance costs	*10*	**588**	1,178
– Share of profit of equity-accounted investees, net of tax	*24*	**(1,141)**	(587)
– Gain on sale of property, plant and equipment	*9(A)*	**(26)**	(16)
– Gain on sale of discontinued operation, net of tax	*7*	**(516)**	-
– Equity-settled share-based payment transactions	*13(E)*	**755**	248
– Tax expense	*14*	**3,314**	2,473
		15,688	16,627
Changes in:			
– Inventories		**(1,851)**	(197)
– Contract assets		**(489)**	-
– Trade and other receivables		**(15,772)**	(5,497)
– Contract liabilities		**(6)**	-
– Prepayments		**870**	(305)
– Trade and other payables		**7,182**	(7,421)
– Provisions and employee benefits		**26**	274
– Deferred income/revenue		**(38)**	1,490
Cash generated from operating activities		**5,610**	4,971
Interest paid (*IAS 7.31-32*)		**(1,499)**	(1,289)
Taxes paid (*IAS 7.35*)		**(400)**	(1,913)
Net cash from operating activities (*IAS 7.10*)		**3,711**	1,769

IAS 7.18, 20, A, Insights 2.3.30.20

a. 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.

Notes to the consolidated financial statements (continued)

48. Auditors' remuneration[a, b]

ASIC Instrument 2016/191

In dollars	2019	2018
Audit and review services[c]		
Auditors of the Company – KPMG		
Audit and review of financial statements (AASB 1054.10(a))	**1,708,500**	1,214,250
Other regulatory audit services[d] (AASB 1054.10(b), 11)	**43,410**	30,860
	1,751,910	1,245,110
Other auditors		
Audit and review of financial statements (AASB 1054.10(a))	**12,260**	11,310
Other services[e] (AASB 1054.10(b), 11)		
Auditors of the Company – KPMG		
In relation to other assurance, taxation and due diligence services	**574,830**	587,720
Other auditors		
In relation to other assurance services	**2,000**	2,000

a. In our opinion, audit fees exclude audit fees for audits of associates or joint ventures but would include partnerships and joint operations.

b. Disclosures are required regardless of whether the entity or a related entity make the payments. Where fees are paid on behalf of the entity by a related party outside the consolidated entity, disclosure as a related party transaction is required.

c. Half-year audit and review fees for entities in the group are included in 'audit and review services'.

d. Other regulatory audit services would include for example, dealer's licence, workers compensation, retirement villages, franchising code of conduct, APRA reports and US Sarbanes-Oxley Act of 2002 Section 404. These amounts could alternatively be disclosed under "other services" below.

AASB 1054.10,11

e. An entity must describe the nature of other services provided. There is no requirement to provide an amount for each non-audit service.

S300(2A), S300(11B)(a), S300(11C)(b)

However, an entity that has not included details of non-audit services in the directors' report but has specified that this information may be found in this note to the financial statements, discloses the amount for each non-audit service in order to comply with the *Corporations Act 2001* requirements.

Notes to the consolidated financial statements (continued)

49. Deed of cross guarantee[a,b]

ASIC Instrument 2016/785

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

ASIC Instrument 2016/785 Condition 6(v)(i)-(ii)

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

ASIC Instrument 2016/785 Condition 6(v)(i)&(ii)

The subsidiaries subject to the Deed are:

– Acacia Pty Limited

– Gumnut Limited

– Karooa Pty Limited

ASIC Instrument 2016/785 Condition 6(v)(i),(iii)&(iv)

Karooa Pty Limited became a party to the Deed on 1 January 2019, by virtue of a Deed of Assumption. Tasman Trust was released from its obligations under the Deed by executing Revocation Deeds on 30 March 2019.

Acacia Pty limited obtained relief pursuant to the Instrument for the year ended 30 June 2018, however, whilst still party to the Deed, is not eligible for relief in the current year as it has become a small propriety company. It was a large proprietary company in the previous financial year.

ASIC Instrument 2016/785 Condition 6(v)(i),(v)&(vi)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2019 is set out as follows:

ASIC Instrument 2016/785

a. Summarised consolidated income statement and balance sheet disclosures for each of the following groups of entities as at the reporting date must be included in the consolidated financial statements of the Holding Entity:

– the Closed Group

– the group comprising the Holding Entity and all of its controlled entities that are parties to the Deed of Cross Guarantee (i.e. including controlled entities not wholly owned)

– parties to the Deed of Cross Guarantee which are not controlled entities (either individually or in aggregate).

In some circumstances, the disclosures required for each of the above will not differ as all the parties to the Deed of Cross Guarantee will be members of the Closed Group. This is the case in *Example Public Company Limited* group.

These are only the financial report conditions for obtaining relief under the legislative instrument. The legislative instrument must be referred to for full details and conditions.

ASIC Instrument 2016/785

b. Comparative information is only required where the holding entity was a holding entity in a deed of cross guarantee at any time during the immediately preceding financial year.

Notes to the consolidated financial statements (continued)

49. Deed of cross guarantee (continued)

ASIC Instrument 2016/785 Condition 6(v)(v)&(vi)

Statement of profit or loss and other comprehensive income and retained earnings

In thousands of dollars	**2019**	**2018 Restated***
Revenue	**(x)**	x
Cost of sales	**(x)**	(x)
Gross profit	**(x)**	x
Operating expenses	**(x)**	(x)
Finance income	**(x)**	x
Finance costs	**(x)**	(x)
Share of profit of equity-accounted investees	**(x)**	x
Profit before tax	**(x)**	x
Tax expense	**(x)**	x
Profit after tax	**(x)**	x
Items that will be reclassified to profit or loss:	**(x)**	x
Revaluation of property, plant and equipment, net of tax	**(x)**	x
Items that are or may be reclassified subsequently to profit or loss:	**(x)**	x
Effective portion of changes in fair value of cash flow hedges, net of tax	**(x)**	x
Other comprehensive income for the year, net of tax	**(x)**	x
Total comprehensive income for the period, net of tax	**(x)**	x
Retained earnings at beginning of year	**(x)**	x
Transfers to and from reserves	**(x)**	x
Reduction in retained earnings on share buy-back	**(x)**	x
Dividends recognised during the year	**(x)**	x
Retained earnings at end of year	**(x)**	x
Attributable to:		
Owners of the Company	**(x)**	x
Non-controlling interests	**(x)**	x
Profit for the period	**(x)**	x

* See Notes 5, 7, 21(H) and 44.

Introduction
AUSTRALIAN CONTENT
Primary statements
Notes
Appendices

Notes to the consolidated financial statements (continued)

49. Deed of cross guarantee (continued)

Statement of financial position

In thousands of dollars	30 June 2019	30 June 2018 Restated*	1 July 2017 Restated*
Assets			
Cash and cash equivalents	x	x	x
Trade and other receivables	x	x	x
Inventories	x	x	x
Biological assets	x	x	x
Other investments, including derivatives	x	x	x
Current tax assets	x	x	x
Prepayments	x	x	x
Assets held for sale	x	x	x
Current assets	x	x	x
Other investments, including derivatives	x	x	x
Equity accounted investees	x	x	x
Investment property	x	x	x
Deferred tax assets	x	x	x
Property, plant and equipment	x	x	x
Biological assets	x	x	x
Intangible assets and goodwill	x	x	x
Non-current assets	x	x	x
Total assets	x	x	x
Liabilities			
Bank overdraft	x	x	x
Trade and other payables, including derivatives	x	x	x
Loans and borrowings	x	x	x
Employee benefits	x	x	x
Current tax liabilities	x	x	x
Provisions	x	x	x
Deferred income/revenue	x	x	x
Liabilities held for sale	x	x	x
Current liabilities	x	x	x
Loans and borrowings	x	x	x
Derivatives	x	x	x
Employee benefits	x	x	x
Deferred income/revenue	x	x	x
Provisions	x	x	x
Deferred tax liabilities	x	x	x
Non-current liabilities	x	x	x
Total liabilities	x	x	x
Net assets	x	x	x
Equity			
Share capital	x	x	x
Reserves	x	x	x
Retained earnings	x	x	x
Total equity	x	x	x

* See Notes 5 and 44.

Notes to the consolidated financial statements (continued)

50. Parent entity disclosures[a]

S295(2), S295(3)(a), Reg 2M.3.01

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the Group was Example Public Company Limited.

Reg 2M.3.02
Reg 2M.3.01 (1)(k)

	In thousands of dollars	2019	2018 Restated*
	Result of parent entity		
Reg 2M.3.01(1)(f)	Profit for the period	xx	xx
	Other comprehensive income	xx	xx
Reg 2M.3.01(1)(g)	Total comprehensive income for the period	xx	xx
	Financial position of parent entity at year end		
Reg 2M.3.01(1)(a)	Current assets	xx	xx
Reg 2M.3.01(1)(b)	Total assets	xx	xx
Reg 2M.3.01(1)(c)	Current liabilities	xx	xx
Reg 2M.3.01(1)(d)	Total liabilities	xx	xx
Reg 2M.3.01(1)(e)	**Total equity of the parent entity comprising of:**		
	Share capital	xx	xx
	Revaluation reserve	xx	xx
	Reserve for own shares	xx	xx
	Profits reserve	xx	xx
	Retained earnings	xx	xx
	Total equity	xx	xx

* See Notes 5, 7, 21(H) and 44.

Parent entity contingent liabilities

Reg 2M.3.01(1)(i)

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

In thousands of dollars	*Note*	2019	2018
Contingent liabilities not considered remote			
Litigation	(a)	xx	xx
Performance guarantees	(b)	xx	xx
GST liabilities of other entities within the GST group		xx	xx
Tax liabilities of other entities within the tax consolidated group		xx	xx

(a) The parent entity is defending an action brought by an environmental agency in Europe. While liability is not admitted, if defence against the action is unsuccessful, fines and legal costs could amount to $950 thousand (2018: nil) of which $250 thousand (2018: nil) would be reimbursable under an insurance policy. Based on legal advice, the directors do not expect the outcome of the action to have a material effect on the parent entity's financial position.

In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the Group.

Reporting Update 10RU-024

a. Parent entities that are APRA regulated or hold an Australian Financial Services Licence are recommended to continue to present the parent entity financial statements and notes in the group annual report.

Introduction
AUSTRALIAN CONTENT
Primary statements
Notes
Appendices

Notes to the consolidated financial statements (continued)

50. Parent entity disclosures (continued)

Parent entity contingent liabilities (continued)

(b) The parent entity has guaranteed, to an unrelated party, the performance of a subsidiary in relation to a contract for the supply of paper. In the event of default, the terms of the contract contain a minimum compensation payment to the unrelated party of $600,000. The contract is due to be fulfilled by 31 December 2019.

Reg 2M.3.01(1)(j)

Parent entity capital commitments for acquisition of property plant and equipment

During the year the Company entered into contracts to purchase plant and equipment for $x,xxx thousand (2018: $x,xxx thousand).

Reg 2M.3.01(1)(h)

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 49.

Directors' declaration

S295(4)

1. In the opinion of the directors of Example Public Company Limited (the 'Company'):

   a) the consolidated[a] financial statements and notes that are set out on pages xx to xxx and the Remuneration report[b] in sections xx to xxx in the Directors' report, are in accordance with the *Corporations Act 2001*, including:

S295(4)(d)(ii)

      (i) giving a true and fair view of the Group's[a] financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

S295(4)(d)(i)

      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

S295(4)(c), ASIC RG22

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 49 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*.[b]

S295(4)(e)

3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2019.

S295(4)(ca)

4. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

S295(5)(a)

Signed in accordance with a resolution of the directors:

S295(5)(b)

Dated at .... [city] .... day of 2019

S295(5)(c)

____

[Director_name]

Director[c]

---

a. Entities that are including parent entity financial statements (not only consolidated financial statements) will need to tailor this to reflect the parent entity's financial statements, financial position and performance.

S295(5) b. The Corporations Act does not require the Directors' declaration to refer to the Remuneration report.

c. The declaration may be signed by more than one director.

ASX additional information[a,b,c,d]

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 30 June 2019)

ASX 4.10.4

Substantial shareholders

The number of shares held by substantial shareholders and their associates is set out below:

Shareholder
Example Investment Holdings (Australia) Limited

Voting rights

ASX 4.10.6

Ordinary shares

Refer to Note 26 in the financial statements

ASX 4.10.6

Options

There are no voting rights attached to the options

ASX 4.10.6

Rights

There are no voting rights attached to the rights

ASX 4.10.6

Redeemable preference shares

There are no voting rights attached to the redeemable preference shares

ASX 4.10.6

Non-redeemable preference shares

There are no voting rights attached to the non-redeemable preference shares

ASX 4.10.6

Redeemable convertible notes

Refer to Note 28 in the financial statements

Distribution of equity security holders

	Number of equity security holder					
Category	Ordinary shares	Options	Rights	Convertible preference	Redeemable preference	Redeemable convertible notes
1 – 1,000	182	52	–	–	–	10
1,001 – 5,000	71	21	–	–	–	2
5,001 – 10,000	45	32	–	–	15	–
10,001 – 100,000	23	–	2	–	32	–
100,001 and over	1	–	1	2	1	–
	322	105	3	2	48	12

The number of shareholders holding less than a marketable parcel of ordinary shares is 105.

ASX 4.10.19 **a.** If an entity was admitted under Rule 1.3.2(b), in its first two annual reports after admission, a statement about whether the entity used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives must be included in the annual report. If the use was inconsistent, an explanation of how the cash and assets were used are to be disclosed.

The statement in the first annual report must be for the time between admission and the end of the reporting period. The statement in the second annual report must be for the whole of the reporting period.

ASX 4.10.20 **b.** If the entity is an investment entity, each of the following must be disclosed:

- a list of all investments held by it and its child entities
- the total number of transactions in securities during the reporting period, together with the total brokerage paid or accrued during the period
- the total management fees paid or accrued during the reporting period, together with a summary of any management agreement.

ASX 4.10.15 **c.** If the entity is a mining exploration entity, a list of interests in mining tenements held and location of tenements, together with the percentage interest therein, must be disclosed.

ASX 5.6 In the case of a mining company, statements contained in the annual report should comply with Listing Requirements in Appendix 5A.

ASX 4.10 **d.** Information is to be made up to a date not earlier than six weeks before the annual audited financial report is sent to shareholders.

ASX additional information (continued)

ASX 4.10.22

Securities purchased on-market[a]

The following securities were purchased on market during the financial for the purpose of the employee incentive share scheme:

	Number of shares purchased	Average price paid per share
Ordinary Shares	12,500	$10.25

ASX 4.10.16

Unquoted equity securities

Redeemable preference shares

Portfolio Asset Management Limited holds 250,000 redeemable preference shares, representing 25 per cent of the total number on issue.

Redeemable convertible notes

Insurance Investments Limited and Trust Securities Limited each hold 1,200 redeemable convertible notes. These holdings each represent 24 per cent of the total number on issue.

ASX 4.10.13

Securities exchange[b]

The Company is listed on the Australian Securities Exchange. The Home exchange is Sydney.

IAS 1.138(a)

Other information

Example Public Company Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ASX 4.10.18

On-market buy-back

[There is no current on-market buy-back]

ASX 4.10.9

Twenty largest shareholders

Name		Number of ordinary shares held	Percentage of capital held
1	Example Investment Holdings (Australia) Ltd	1,700,000	52.2
2	Aust. Nominees Limited	98,150	3.0
3	New Life Association Limited	65,400	2.0
4	Queens Trustee Limited	62,800	1.9
5	Australian Assurance Co. Limited	43,905	1.3
6	JTD Nominees Pty Limited	42,700	1.3
7	S & K Mutual Limited	42,450	1.3
8	Bank Insurance Co. Limited	41,320	1.3
9	The Life Assurance Company Limited	41,300	1.3
10	Superannuation Trustee Pty Limited	34,750	1.1
11	PLC Superannuation Fund Limited	32,720	1.0
12	Regal Insurance Pty Limited	31,400	1.0
13	Fund Managers Limited	30,100	0.9
14	Investment Placements Pty Limited	26,295	0.8
15	Credit Union Investments Limited	25,600	0.8
16	Employees Trust Fund Pty Limited	24,800	0.7
17	Securities Investment Pty Limited	22,480	0.7
18	Employee Pension Fund Pty Limited	21,290	0.7
19	Institutional Investor Limited	12,800	0.4
20	Investment Management Limited	12,240	0.4
		2,412,500	74.1

ASX 4.10.9

Name	Number of convertible preference shares held	Percentage of capital held
Substantial Investor Limited	250,000	50.0
Large Investments Limited	250,000	50.0
	500,000	100.0

ASX 4.10.22

a. The information is included where securities are purchased on-market:
- under or for the purposes of an employee incentive scheme; or
- to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

This disclosure may be included in the remuneration report.

ASX 4.10.13
ASX 4.10.14

b. If applicable, the ASX also requires disclosure of details of the following in the Annual Report:
- a list of other stock exchanges on which any of the securities are quoted
- the number of restricted securities and the date from which the securities may be sold.

ASX additional information (continued)

Offices and officers

ASX 4.10.11

Principal Registered Office[a]

Example Public Company House
20 Sydney Street
Sydney NSW 2000

Telephone: (02) 9120-2020
Facsimile: (02) 9120-2045
Internet: www.examplepublic.com.au

ASX 4.10.10

Company Secretary

Ms Rachel M Parish, BA, MBA, LLB

ASX 4.10.12

Locations of Share Registries

Sydney

ABC Registrars Pty Ltd
Level 3, 111 Hunter Street
Sydney NSW 2000
GPO Box 1234
Sydney NSW 2001

Telephone: (02) 9123-4567
Facsimile: (02) 9234-4567

Melbourne

ABC Registrars Pty Ltd
Level 1, 526 Collins Street
Melbourne VIC 3000
Box 123456 GPO
Melbourne VIC 3001

Telephone: (03) 9123-4567
Facsimile: (03) 9234-5678

ASX 4.10.11 a. If the principal administrative office differs from the principal registered office, the address and telephone number of the principal administrative office and the principle registered office must be disclosed.

Voluntary tax disclosures: Part A

The disclosures on the following pages illustrate one way in which an entity might incorporate Part A of the Tax Transparency Code (The Code) requirements, released by the Board of Taxation in May 2016, within its annual financial statements. The Code disclosures are divided into:

- Part A (Financial statements or other report – for businesses with a turnover of AU$100 million or over)
- Part B ('Taxes Paid' report – for businesses with a turnover of A$500 million or over).

The Code is a voluntary code. An entity may therefore wish to disclose that it is voluntarily adopting the Code, and to what extent it is doing it – whether it is doing Part A and Part B disclosures; and where other taxes might be reported elsewhere.

The Code proposes that where a business is only required to adopt Part A, that the information can be displayed either as improved tax disclosure in its general purpose financial report or in another document. An entity will need to consider whether a separate report would achieve the objectives of the Code, or whether it could include the information in its financial statements in a manner that provides the desired level of transparency and 'plain English' explanation.

Comparative information is not required for the first year of disclosure.

In May 2017, the Australian Accounting Standards Board (AASB), at the request of the Board of Taxation, included an Appendix to the Code, providing draft guidance on implementing the Code. The guidance sets out the necessary disclosures to ensure interested parties can better understand the differences, if any, between the effective tax rate (ETR) under the Code and the accounting ETR prepared in accordance with accounting standards. The calculation of the ETR is consistent with the example included in these financial statements.

Introduction

AUSTRALIAN CONTENT

Primary statements

Notes

Appendices

Voluntary tax disclosures: Part A (continued)

Extension of Note 14(D)

Reconciliation of accounting profit to income tax expense to income tax payable

In thousands of dollars	*Note*	2019	2018 Restated*
Profit before tax from continuing operations		**10,837**	9,033
Tax using the Company's domestic tax rate	33%	**3,576**	2,982
Non temporary differences			
Share of profit of equity-accounted investees reported net of tax		**(377)**	(194)
Effect of tax rates in foreign jurisdictions		**(72)**	(52)
Non-deductible expenses		**245**	36
Tax incentives		**(88)**	(63)
Changes in estimates related to prior years		**116**	(34)
Other movements		**(61)**	(158)
Total non temporary differences		**(237)**	(465)
Income tax expense on continuing operations		**3,339**	2,517
Income tax expense on discontinued operations[a]	7	**305**	(44)
Total consolidated income tax expense		**3,644**	2,473
Temporary differences			
Amounts recognised in OCI[b]		**-**	-
Amounts recognised directly in equity[b]		**-**	-
Net movement in deferred tax balances[c]	*14(E)*	**(58)**	1,043
Total temporary differences		**(58)**	1,043
Income taxes payable for the current financial year		**3,586**	3,516
Income taxes payable at the beginning of the year		**1,633**	30
Less: Tax paid during the year		**(400)**	(1,913)
Income taxes payable as at 30 June[d]		**4,819**	1,633
Represented in the Statement of financial position by:			
Current tax liabilities		**4,853**	1,693
Current tax assets		**(34)**	(60)
		4,819	1,633

* See Notes 5, 7, 21(H) and 44.

a. The reconciliation to the effective income tax expense illustrated in Example Public commences with 'Profit before tax from continuing operations'. To calculate the effective tax rate for continuing and discontinued operations, this reconciling item is required. Where an entity commences from a basis of continuing and discontinued operations, this reconciling item will not be required.

b. There may be items recognised in or recycled out of other comprehensive income (OCI), or recognised in equity that result in movements in temporary differences. Whilst Example Public Company Limited did not have such items for the years ended 30 June 2019 and 2018, these should be separately disclosed where the client has these and they are material.

c. This illustrative disclosure cross-references to the note to the financial statements where the net movement in deferred tax balances is further disaggregated. Such detail could be included here rather than providing a cross-reference.

d. The reconciliation to income taxes payable can also be extended to income taxes paid. Alternatively, the Code states that a reconciliation from income tax expense to income taxes paid could be provided. If presented in the annual financial statements, this would necessitate reconciling the prior year tax expense as taxes are usually paid in the subsequent financial year.

Voluntary tax disclosures: Part A (continued)

Effective tax rates (ETR)

Bases of calculation of each ETR[a,b,c]

Global operations – Total consolidated tax expense ETR: IFRS calculated total consolidated company income tax expense divided by total consolidated accounting profit on continuing and discontinued operations.

Australian operations – Australian company income tax expense ETR: IFRS calculated company income tax expense for all Australian companies and Australian operations of overseas companies included in these consolidated financial statements, divided by accounting profit derived by all Australian companies and Australian operations of overseas companies included in these consolidated financial statements.

The Company income tax expense ETR: IFRS calculated company income tax expense for the parent Company divided by accounting profit on continuing and discontinued operations for the parent Company.[d]

Percentage	**2019**	**2018 Restated***
ETR[e]		
Global operations – Total consolidated tax expense	**31.90%**	28.86%
Australian operations – Australian company income tax expense	**25.68%**	28.81%
The Company income tax expense	**35.54%**	37.59%

* See Notes 5, 7, 21(H) and 44.

a. The ETRs should be calculated as company income tax expense divided by accounting profit. Calculation of the ETR based on company tax expense only will enable the users of the disclosure to make comparisons both to the company tax rate and to other companies. The Board of Taxation has specified that the global ETR should be calculated 'for the worldwide accounting consolidated group' of which the Australian operations form a part.

b. As required in the Code, this example includes company income taxes only. No adjustments have been made for other taxes as Example Public Company Limited does not have taxes other than company income tax that meets the AASB 112 definition of income taxes and therefore is in the scope of AASB 112. Other taxes (for example, government royalties, PRRT) could be included in an additional ETR disclosure. The basis of calculation of the ETR should clearly identify what has been included and any underlying assumptions.

c. The Code does not specify which entity needs to provide the disclosures, for example the ETR could be calculated on a tax consolidated group basis or on a legal entity basis or another basis. The key to providing transparency is to clearly identify any basis of calculation.

d. Disclosure of the Company (that is, the parent) ETR is not required by the Code. This is additional to what is required.

e. While not provided in this illustrative disclosure, an explanation of variances to the domestic company tax rate and movements year on year should be provided.

[*Name of the Company*]

Consolidated financial statements

31 December 2018

This page is intentionally blank

Introduction

Australian content

PRIMARY STATEMENTS

Notes

Appendices

Consolidated statement of financial position[a]

Refer to page [32] for Australian style Consolidated statement of financial position

	In thousands of euro	*Note*	31 December 2018	31 December 2017 Restated*[b]	1 January 2017 Restated*[b, c]
IAS 1.10(a), 10(ea)–(f), 29, 38–38A, 40A–40B, 54–55, 113					
	Assets				
IAS 1.54(a)	Property, plant and equipment	*21*	**26,586**	31,049	34,937
IAS 1.54(c)	Intangible assets and goodwill	*22*	**6,226**	4,661	5,429
IAS 1.54(f)	Biological assets	*16*	**4,698**	4,025	3,407
IAS 1.54(b), 17.49	Investment property	*23*	**1,370**	250	150
IAS 1.54(e)	Equity-accounted investees	*24*	**2,489**	1,948	1,530
IAS 1.54(d)	Other investments, including derivatives[d]	*25*	**3,616**	3,525	3,221
IAS 1.54(o), 56	Deferred tax assets	*14*	**2,187**	2,050	984
IAS 1.55	Employee benefits	*13*	**671**	731	716
IAS 1.60	**Non-current assets[e]**		**47,843**	48,239	50,374
IAS 1.54(f)	Biological assets	*16*	**32**	31	29
IAS 1.54(g)	Inventories[f]	*17*	**12,148**	12,119	11,587
IAS 1.55	Contract assets[g]	*8*	**1,271**	-	-
IAS 1.54(d)	Other investments, including derivatives[d]	*25*	**662**	1,032	947
IAS 1.54(n)	Current tax assets		**34**	60	-
IAS 1.54(h)	Trade and other receivables	*18*	**32,405**	22,485	17,651
IAS 1.55	Prepayments		**330**	1,200	895
IAS 1.54(i)	Cash and cash equivalents	*19*	**1,504**	1,850	2,529
			48,386	38,777	33,638
IFRS 5.38, 40, IAS 1.54(j)	Assets held for sale	*20*	**14,400**	-	-
IAS 1.60	**Current assets[e]**		**62,786**	38,777	33,638
	Total assets		**110,629**	87,016	84,012

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.

IFRS 15.C3(b), C7, 9.7.2.15–7.2.16, Insights 2.8.50.110 — b. The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. It has applied IFRS 15 using the cumulative effect method, under which the comparative information is not restated. It has also taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative information has been restated only for the retrospective application of certain hedging requirements in accordance with paragraph 7.2.26 of IFRS 9. See Note 5 for further information.

When comparatives are restated, in our view, although it is not specifically required by IFRS, labelling the comparatives as restated is necessary to highlight that the comparatives are not the same as the financial statements published previously.

Similarly, when new standards are applied but comparative information has not been restated (e.g. when recognising the cumulative effect of applying new standards in the opening balance of equity), it may be useful to highlight that fact.

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 the correction of errors (see Note 44) has a material effect on the information in the statement.

Insights 7.10.40.50 — 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.

Consolidated statement of financial position (continued)

Refer to page [32] for Australian style Consolidated statement of financial position

Reference	In thousands of euro	Note	31 December 2018	31 December 2017 Restated*[b]	1 January 2017 Restated*[b, c]
IAS 1.10(a), 10(ea)–(f), 29, 38–38A, 40A–40B, 54–55, 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		**1,219**	436	297
IAS 1.55, 78(e)	Retained earnings		**20,756**	12,765	7,372
	Equity attributable to owners of the Company	*26*	**41,731**	31,251	25,719
IAS 1.54(q)	**Non-controlling interests**	*35*	**3,827**	3,024	2,635
	Total equity		**45,558**	34,275	28,354
	Liabilities				
IAS 1.54(m)	Loans and borrowings	*28*	**21,920**	19,031	20,358
IAS 1.55, 78(d)	Employee benefits	*13*	**912**	453	1,136
IAS 1.54(k)	Trade and other payables	*29*	**290**	5	4
IAS 1.55	Deferred income	*30*	**1,424**	1,462	-
IAS 1.54(l)	Provisions	*31*	**1,010**	-	740
IAS 1.54(o), 56	Deferred tax liabilities	*14*	**549**	406	323
IAS 1.60	**Non-current liabilities**[e]		**26,105**	21,357	22,561
IAS 1.55	Bank overdraft	*19*	**334**	282	303
IAS 1.54(n)	Current tax liabilities		**4,853**	1,693	25
IAS 1.54(m)	Loans and borrowings	*28*	**4,988**	5,546	3,003
IAS 1.55, 78(d)	Employee benefits	*13*	**20**	388	13
IAS 1.54(k)	Trade and other payables[h]	*29*	**23,541**	21,767	29,473
IAS 1.55	Contract liabilities[g]	*8*	**160**	-	-
IAS 1.55	Deferred income	*30*	**-**	168	140
IAS 1.54(l)	Provisions	*31*	**660**	1,540	140
			34,556	31,384	33,097
IFRS 5.38, 40, IAS 1.54(p)	Liabilities directly associated with the assets held for sale	*20*	**4,410**	-	-
IAS 1.60	**Current liabilities**[e]		**38,966**	31,384	33,097
	Total liabilities		**65,071**	52,741	55,658
	Total equity and liabilities		**110,629**	87,016	84,012

* See Notes 5 and 44.

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements.

The notes on pages 24 to 186 are an integral part of these consolidated financial statements.

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.

IFRS 15.B21, BC367 **f.** IFRS 15 and other standards do not specify where assets for rights to recover products from customers with regards to sales with a right of return should be presented. The Group has included the assets in 'inventories' and disclosed them separately in the notes (see Note 17).

IAS 1.54–55, IFRS 15.105, 109, A, BC320–BC321 **g.** Although it is not specifically required, the Group has presented in the statement of financial position line items related to contract assets and contract liabilities. An entity also applies the requirements in IAS 1 in classifying contract assets and contract liabilities as current or non-current.

Although this guide uses the terms 'contract assets' and 'contract liabilities', an entity may also use other terms.

IFRS 15.55 **h.** The Group has presented its refund liabilities as 'trade and other payables'. The Group's returns policy offers only an exchange for another good – i.e. the Group does not offer a cash refund. Therefore, refund liabilities do not meet the definition of a financial liability in IAS 32 *Financial Instruments: Presentation*. If a refund liability or a liability related to a repurchase agreement meets the definition of a financial liability in IAS 32, then it is subject to the disclosure requirements in IFRS 7.

Introduction
Australian content
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	2018	2017 Restated*
IAS 1.10(b), 10A, 29, 38–38A, 81A–85, 113				
	Continuing operations			
IAS 1.82(a)	Revenue[b, c]	*8*	**102,710**	96,629
IAS 1.99, 103	Cost of sales[d]	*9(C)*	**(55,432)**	(56,186)
IAS 1.103	Gross profit		**47,278**	40,443
IAS 1.85	Other income	*9(A)*	**1,021**	194
IAS 1.99, 103	Selling and distribution expenses[d]	*9(C)*	**(17,984)**	(15,865)
IAS 1.99, 103	Administrative expenses[d]	*9(C)*	**(17,732)**	(14,428)
IAS 1.99, 103, 38.126	Research and development expenses[d]	*9(C)*	**(1,109)**	(697)
IAS 1.82(ba)	Impairment loss on trade receivables and contract assets[e, f]	*31(C)(ii)*	**(200)**	(30)
IAS 1.99, 103	Other expenses	*9(B)*	**(996)**	-
IAS 1.85, BC55–BC56	**Operating profit[g]**		**10,278**	9,617
IAS 1.85	Finance income[c]		**1,130**	447
IAS 1.82(b)	Finance costs		**(1,712)**	(1,618)
IAS 1.85	**Net finance costs**	*10*	**(582)**	(1,171)
IAS 1.82(c)	Share of profit of equity-accounted investees, net of tax	*24*	**1,141**	587
IAS 1.85	**Profit before tax**		**10,837**	9,033
IAS 1.82(d), 12.77	Income tax expense	*14*	**(3,339)**	(2,517)
IAS 1.85	**Profit from continuing operations**		**7,498**	6,516
	Discontinued operation			
IFRS 5.33(a), IAS 1.82(ea)	Profit (loss) from discontinued operation, net of tax[h]	*7*	**379**	(422)
IAS 1.81A(a)	**Profit for the period**		**7,877**	6,094
	Other comprehensive income			
IAS 1.82A(a)(i)	**Items that will not be reclassified to profit or loss**			
IAS 1.85	Revaluation of property, plant and equipment	*21(F)*	**200**	-
IAS 1.85	Remeasurements of defined benefit liability (asset)	*13(B)*	**72**	(15)
IFRS 7.20(a)(vii)	Equity investments at FVOCI – net change in fair value	*26(D)*	**141**	-
IAS 1.82A(b)(i)	Equity-accounted investees – share of OCI	*24, 26(D)*	**13**	(3)
IAS 1.91(b)	Related tax[i]	*14(B)*	**(137)**	5
			289	(13)
IAS 1.82A(a)(ii)	**Items that are or may be reclassified subsequently 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 1.82A(b)(ii)	Equity-accounted investees – share of OCI	*24, 26(D)*	**(172)**	(166)
IAS 1.92	Reclassification of foreign currency differences on loss of significant influence	*34(D)*	**(20)**	-
IFRS 7.24C(b)(i), 7S.23(c)	Cash flow hedges – effective portion of changes in fair value	*26(D)*	**(62)**	95
IFRS 7.24C(b)(iv), 7S.23(d), IAS 1.92	Cash flow hedges – reclassified to profit or loss[j]	*26(D)*	**(31)**	(11)
IAS 1.85	Cost of hedging reserve – changes in fair value	*26(D)*	**34**	10
IAS 1.92	Cost of hedging reserve – reclassified to profit or loss[j]	*26(D)*	**8**	2
IFRS 7S.20(a)(ii)	Available-for-sale financial assets – net change in fair value		**-**	118
IFRS 7.20(a)(viii)	Debt investments at FVOCI – net change in fair value	*26(D)*	**55**	-
IFRS 7.20(a)(viii), IAS 1.92	Debt investments at FVOCI – reclassified to profit or loss[j]	*26(D)*	**(64)**	-
IAS 1.91(b)	Related tax	*14(B)*	**19**	(70)
			444	441
IAS 1.81A(b)	**Other comprehensive income for the period, net of tax**		**733**	428
IAS 1.81A(c)	**Total comprehensive income for the period**		**8,610**	6,522

Refer to page [34] for Australian style Consolidated statement profit or loss and other comprehensive income

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

For the year ended 31 December

IAS 1.10(b), 10A, 29, 38–38A, 81A–85, 113

In thousands of euro	*Note*	2018	2017 Restated*
Profit attributable to:			
Owners of the Company (*IAS 1.81B(a)(ii)*)		**7,359**	5,727
Non-controlling interests (*IAS 1.81B(a)(i)*)	*35*	**518**	367
		7,877	6,094
Total comprehensive income attributable to:			
Owners of the Company (*IAS 1.81B(b)(ii)*)		**8,066**	6,133
Non-controlling interests (*IAS 1.81B(b)(i)*)	*35*	**544**	389
		8,610	6,522
Earnings per share (*IAS 33.4*)			
Basic earnings per share (euro) (*IAS 33.66*)	*11*	**2.24**	1.73
Diluted earnings per share (euro) (*IAS 33.66*)	*11*	**2.13**	1.72
Earnings per share – Continuing operations			
Basic earnings per share (euro) (*IAS 33.66*)	*11*	**2.12**	1.87
Diluted earnings per share (euro) (*IAS 33.66*)	*11*	**2.01**	1.86
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	*15*	**15,722**	16,942

* See Notes 5, 7, 21(H) and 44.

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements and separately presenting impairment losses on trade receivables and contract assets.

The notes on pages 24 to 186 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.

IFRS 15.113, IAS 1.29–30, 85, Insights 4.2.480.25 **b.** It appears that an entity is not required to present revenue from contracts with customers as a separate line item in the statement of profit or loss and may aggregate it with other types of revenue considering the requirements in IAS 1. However, in providing a separate disclosure of revenue from contracts with customers – either in the notes or in the statement of profit or loss – we believe that an entity should not include amounts that do not fall in the scope of IFRS 15 (see Note 8).

IAS 1.82(a), Insights 7.10.60.30 **c.** The Group has presented interest income on financial assets that are subsequently measured at amortised cost or FVOCI as part of 'finance income' because it does not consider it part of its revenue-generating activities. If the interest income, calculated using the effective interest method, constituted revenue, then the entity would be required to separately present that income as interest revenue in the statement of profit or loss and OCI. It appears that an entity may present interest income from other financial assets in another revenue line item if it arises in the course of the entity's ordinary activities.

IAS 1.99–100 **d.** 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 1.82(ba), 85, 31, 97, 99, Insights 4.1.20.40 **e.** An entity that presents the analysis of expenses by function or by nature in the statement of profit or loss and OCI may face challenges in determining how this presentation interacts with the specific requirements to present the effect of some events or circumstances as a single amount in the statement of profit or loss and OCI – e.g. impairment losses under IFRS 9. The Group has applied judgement in determining an appropriate presentation, ensuring that the chosen presentation is not misleading and is relevant to the users' understanding of its financial statements. Consequently, the Group has disaggregated the impairment loss amount into:

– impairment related to trade receivables and contract assets, which is presented separately in the statement of profit or loss and OCI. Although it is not explicitly required, the Group has reclassified the comparative impairment loss (recognised under IAS 39 *Financial Instruments: Recognition and Measurement*) from 'other expenses'; and

– impairment related to investments in debt securities, which is included within 'finance costs' due to materiality.

IAS 1.82(a), (aa), (ca), (cb) **f.** Amendments made by IFRS 9 to IAS 1 introduced additional line items that are required to be presented in the statement of profit or loss. The Group has not presented them because during the period it did not have events or transactions to be reflected in those line items.

IAS 1.85, BC55–BC56 **g.** The Group has presented a subtotal of 'operating profit'. When an entity presents results from operating activities, it ensures 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) **h.** 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 7. Alternatively, an entity may present the analysis in the statement.

IAS 1.90–91 **i.** 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 **j.** 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.

Refer to page [34] for Australian style Consolidated statement profit or loss and other comprehensive income

Consolidated statement of changes in equity

For the year ended 31 December 2018

Reference	In thousands of euro	Note	Share capital	Share premium	Translation reserve
			Attributable to owners of the Company		
IAS 1.10(c), 29, 108, 113					
	Balance at 1 January 2017, as previously reported		14,550	3,500	(119)
IAS 8.28(f)–(g), 1.106(b)	Adjustment on initial application of IFRS 9, net of tax	5(B)	-	-	-
IAS 1.106(b)	Impact of correction of errors	44	-	-	-
	Restated balance at 1 January 2017		14,550	3,500	(119)
	Total comprehensive income for the period (restated)				
IAS 1.106(d)(i)	Profit for the period		-	-	-
IAS 1.106(d)(ii), 106A	Other comprehensive income for the period	14(B), 26(D)	-	-	275
IAS 1.106(a)	**Total comprehensive income for the period (restated)**		-	-	275
IAS 1.106(d)(iii)	**Transactions with owners of the Company**				
	Contributions and distributions				
	Treasury shares acquired[a]	26(B)	-	-	-
	Dividends	26(C)	-	-	-
	Equity-settled share-based payment[b]	13(E), 14(C)	-	-	-
	Total transactions with owners of the Company		-	-	-
	Restated balance at 31 December 2017		14,550	3,500	156
IAS 8.28(f)	Adjustment on initial application of IFRS 9, net of tax	5(B)	-	-	-
	Adjustment on initial application of IFRS 15, net of tax	5(A)	-	-	-
	Adjusted balance at 1 January 2018		**14,550**	**3,500**	**156**
	Total comprehensive income for the period				
IAS 1.106(d)(i)	Profit for the period		-	-	-
IAS 1.106(d)(ii), 106A	Other comprehensive income for the period	14(B), 26(D)	-	-	**458**
IAS 1.106(a)	**Total comprehensive income for the period**		-	-	**458**
	Hedging gains and losses and costs of hedging transferred to the cost of inventory		-	-	-
	Transactions with owners of the Company				
IAS 1.106(d)(iii)	**Contributions and distributions**				
	Issue of ordinary shares	26(A)	**390**	**1,160**	-
	Issue of ordinary shares related to business combinations	34(A)	**24**	**63**	-
	Issue of convertible notes	14(C), 28(C)	-	-	-
	Treasury shares sold[a]	26(B)	-	**19**	-
	Dividends	26(C)	-	-	-
	Equity-settled share-based payment[b]	13(E), 14(C)	-	-	-
	Share options exercised	26(A)	**15**	**35**	-
	Total contributions and distributions		**429**	**1,277**	-
IAS 1.106(d)(iii)	**Changes in ownership interests**				
	Acquisition of NCI without a change in control	36	-	-	**8**
	Acquisition of subsidiary with NCI	34	-	-	-
	Total changes in ownership interests		-	-	**8**
	Total transactions with owners of the Company		**429**	**1,277**	**8**
	Balance at 31 December 2018		**14,979**	**4,777**	**622**

Refer to page [36] for Australian style Consolidated statement of changes in equity

The notes on pages 24 to 186 are an integral part of these consolidated financial statements.

IAS 32.33, Insights 7.3.560

a. IFRS does not mandate a specific method of presenting treasury shares within equity. However, local laws may prescribe the allocation method. Therefore, an entity needs to take into account its legal environment when choosing how to present its own shares within equity. An entity needs to choose a presentation format, to be applied consistently to all treasury shares. The Group has elected to present the total cost of treasury shares as a separate category of equity.

Cost of hedging reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Treasury share reserve	Equity component of convertible notes	Retained earnings	Total	Non-controlling interests	Total equity
Attributable to owners of the Company									
-	434	17	-	-	-	7,280	25,662	2,635	28,297
(35)	-	-	-	-	-	35	-	-	-
-	-	-	-	-	-	57	57	-	57
(35)	434	17	-	-	-	7,372	25,719	2,635	28,354
-	-	-	-	-	-	5,727	5,727	367	6,094
9	56	79	-	-	-	(13)	406	22	428
9	56	79	-	-	-	5,714	6,133	389	6,522
-	-	-	-	(280)	-	-	(280)	-	(280)
-	-	-	-	-	-	(571)	(571)	-	(571)
-	-	-	-	-	-	250	250	-	250
-	-	-	-	(280)	-	(321)	(601)	-	(601)
(26)	490	96	-	(280)	-	12,765	31,251	3,024	34,275
-	**-**	**3**	**-**	**-**	**-**	**(104)**	**(101)**	**(16)**	**(117)**
-	**-**	**-**	**-**	**-**	**-**	**1,134**	**1,134**	**85**	**1,219**
(26)	**490**	**99**		**(280)**	[illegible]	**13,795**	**32,284**	**3,093**	**35,377**
-	**-**	**-**	**-**	[illegible]	**-**	**7,359**	**7,359**	**518**	**7,877**
27	**(62)**	**87**	**134**	[illegible]	**-**	**63**	**707**	**26**	**733**
27	**(62)**	**87**	**134**	**-**	**-**	**7,422**	**8,066**	**544**	**8,610**
4	**4**	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**8**
-	**-**	**-**	**-**	**-**	**-**	**-**	**1,550**	**-**	**1,550**
-	**-**	**-**	**-**	**-**	**-**	**120**	**207**	**-**	**207**
-	**-**	**-**	**-**	**-**	**109**	**-**	**109**	**-**	**109**
-	**-**	**-**	**-**	**11**	**-**	**-**	**30**	**-**	**30**
-	**-**	**-**	**-**	**-**	**-**	**(1,243)**	**(1,243)**	**-**	**(1,243)**
-	**-**	**-**	**-**	**-**	**-**	**755**	**755**	**-**	**755**
-	**-**	**-**	**-**	**-**	**-**	**-**	**50**	**-**	**50**
-	**-**	**-**	**-**	**11**	**109**	**(368)**	**1,458**	**-**	**1,458**
-	**-**	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**(115)**	**(200)**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**304**	**304**
-	**-**	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**189**	**104**
-	**-**	**-**	**-**	**11**	**109**	**(461)**	**1,373**	**189**	**1,562**
5	**432**	**186**	**134**	**(269)**	**109**	**20,756**	**41,731**	**3,827**	**45,558**

Refer to page [36] for Australian style Consolidated statement of changes in equity

IAS 1.78(e), 79(b), 108, 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 under IFRS. The Group has elected to present this increase in retained earnings.

Introduction
Australian content
PRIMARY STATEMENTS
Notes
Appendices

Consolidated statement of cash flows

For the year ended 31 December

Refer to page [38] for Australian style Consolidated statement of cash flows

Reference	*In thousands of euro*	*Note*	2018	2017 Restated*
IAS 1.10(d), 29, 38–38A, 113				
IAS 7.18(b)	**Cash flows from operating activities**[a]			
	Profit for the period[b]		**7,877**	6,094
	Adjustments for:			
	– Depreciation	*21(A)*	**5,001**	5,122
	– Amortisation	*22(A)*	**785**	795
	– (Reversal of) impairment losses on property, plant and equipment	*21(B)*	**(393)**	1,123
	– Impairment losses on intangible assets and goodwill	*22(C)*	**16**	285
	– Impairment loss on remeasurement of disposal group	*20(A)*	**35**	-
	– Change in fair value of biological assets	*16(A)*	**(587)**	(28)
	– Increase in fair value of investment property	*23(A)*	**(20)**	(60)
	– Net finance costs	*10*	**588**	1,178
	– Share of profit of equity-accounted investees, net of tax	*24*	**(1,141)**	(587)
	– Gain on sale of property, plant and equipment	*9(A)*	**(26)**	(16)
	– Gain on sale of discontinued operation, net of tax	*7*	**(516)**	-
	– Equity-settled share-based payment transactions	*13(E)*	**755**	248
	– Tax expense	*14*	**3,314**	2,473
			15,688	16,627
	Changes in:			
	– Inventories		**(1,851)**	(197)
	– Contract assets		**(489)**	-
	– Trade and other receivables		**(15,772)**	(5,497)
	– Contract liabilities		**(6)**	-
	– Prepayments		**870**	(305)
	– Trade and other payables		**7,182**	(7,421)
	– Provisions and employee benefits		**26**	274
	– Deferred income		**(38)**	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	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[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 7.16(d), 16(h)	Proceeds from sale of investments		**1,476**	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of[e]	*7*	**10,890**	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired	*34*	**(1,799)**	-
IAS 7.16(a)	Acquisition of property, plant and equipment	*21(A)*	**(15,657)**	(2,228)
IAS 7.16(a)	Acquisition of investment property	*23(A)*	**(300)**	(40)
IAS 7.16(a)	Purchase of non-current biological assets	*16(A)*	**(305)**	(814)
IAS 7.16(c), 16(g)	Acquisition of other investments		**(359)**	(363)
IAS 24.18	Dividends from equity-accounted investees	*24(A)*	**21**	-
IAS 7.16(a)	Development expenditure	*22(A), (D)*	**(1,235)**	(503)
IAS 7.10	**Net cash used in investing activities**		**(6,059)**	(2,966)

Consolidated statement of cash flows (continued)

For the year ended 31 December

Reference	In thousands of euro	Note	2018	2017 Restated*
IAS 1.10(d), 29, 38–38A, 113				
	Cash flows from financing activities			
IAS 7.17(a)	Proceeds from issue of share capital	26(A)	**1,550**	-
IAS 7.17(c)	Proceeds from issue of convertible notes	28(C)	**5,000**	-
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	28(D)	**2,000**	-
IAS 7.17(c)	Proceeds from loans and borrowings		**591**	4,439
IAS 7.17(a)	Proceeds from sale of treasury shares		**30**	-
IAS 7.17(a)	Proceeds from exercise of share options	26(A)	**50**	-
IAS 7.16(h)	Proceeds from settlement of derivatives		**5**	11
IAS 7.21	Transaction costs related to loans and borrowings	28(C)–(D)	**(311)**	-
IAS 7.42A	Acquisition of NCI	36	**(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, 34	Dividends paid[c]	26(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		**(13)**	(25)
	Cash and cash equivalents at 31 December**	19	**1,170**	1,568

* See Notes 5 and 44.

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements.

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 24 to 186 are an integral part of these consolidated financial statements.

Refer to page [38] for Australian style Consolidated statement of cash flows

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 taxation'. Because the appendix is illustrative only and therefore does not have the same status as the standard, it would be more appropriate to follow the standard.

IAS 7.31, Insights 2.3.50.10–20 c. IFRS requires cash flows from interest and dividends received and paid to be disclosed separately. In our view, such disclosure is required in the statement of cash flows, rather than in the notes. In the absence of specific guidance in IFRS, an entity chooses 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. The Group has elected to classify cash flows from interest paid as operating activities, cash flows from interest received and dividends received as investing activities, and cash flows from dividends paid as financing 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.

The Group has presented capitalised interest consistently with interest cash flows that are not capitalised.

IAS 7.10, IFRS 5.33(c), Insights 5.4.220.50 e. The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 7(B). However, in our view there are numerous ways in which the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 7 regarding cash flow presentation may be met.

Introduction
Australian content
PRIMARY STATEMENTS
Notes
Appendices

Introduction

Australian content

Primary statements

NOTES

Appendices

IAS 1.10(e)

Notes to the consolidated financial statements[a]

Refer to page 40 for Australian tailored version of "Note 1. Reporting entity", "Note 2. Basis of accounting", and "Note 3. Functional and presentation currency"

1. Reporting entity

IAS 1.51(a)–(b), 138(a)–(b)

[*Name of the 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 (together referred to as the 'Group'). The Group is primarily involved in manufacturing paper and paper-related products, cultivating trees and selling wood (see Note 6(A)).

2. Basis of accounting

IAS 1.16, 112(a), 116, 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 are included in Note 45.

This is the first set of the Group's annual financial statements in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 5.

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 and estimates 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 financial statements is included in the following notes:

- Note 8(D) – revenue recognition: whether revenue from made-to-order paper products is recognised over time or at a point in time;
- Note 24(B) – equity-accounted investees: whether the Group has significant influence over an investee;
- Note 28(E) – leases: whether an arrangement contains a lease;
- Note 33(A) – consolidation: whether the Group has de facto control over an investee; and
- Note 38(A) – lease classification.

B. Assumptions and estimation uncertainties

IAS 1.125, 129–130

Information about assumptions and estimation uncertainties at 31 December 2018 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 8(D) and Note 29 – revenue recognition: estimate of expected returns;
- Note 13(D)(i) – measurement of defined benefit obligations: key actuarial assumptions;
- Note 14(H) – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- Note 16(B) – determining the fair value of biological assets on the basis of significant unobservable inputs;
- Note 20(D) – determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;

IAS 1.113–114

a. Notes are presented, to the extent practicable, in a systematic order and are cross-referred to/from items in the primary statements. In determining a systematic manner of presentation, an entity considers the effect on the understandability and comparability of the financial statements. The Group has applied judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and financial position. 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)

– Note 22(C) – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs;
– Notes 31 and 40 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
– Note 32(C)(ii) – measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate; and
– Notes 34(A) and (C) – acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.

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 chief financial officer.

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 these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the 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 12(B) – share-based payment arrangements;[a]
– Note 16(B) – biological assets;
– Note 20(D) – disposal group held for sale;
– Note 23(B) – investment property;
– Note 32(B) – financial instruments; and
– Note 34(C)(i) – acquisition of subsidiary.[b]

IFRS 13.6(a) **a.** The Group has included in the list above a 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.

IFRS 13.BC184 **b.** 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.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies[a]

The Group has initially applied IFRS 15 (see A) and IFRS 9 (see B) from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for certain hedging requirements and separately presenting impairment loss on trade receivables and contract assets (see B).

The effect of initially applying these standards is mainly attributed to the following:

– earlier recognition of revenue from standard paper product contracts with a right of return (see A(a));
– earlier recognition of revenue from made-to-order paper product contracts (see A(b)); and
– an increase in impairment losses recognised on financial assets (see B(ii)).

A. IFRS 15 *Revenue from Contracts with Customers*[b]

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.[c]

IAS 8.28 — a. The description of the nature and effects of the changes in accounting policies presented is only an example that reflects the business of the Group, and may not be representative of the nature and effects of the changes for other entities. It is given for illustrative purposes largely without regard to materiality.

This guide only illustrates changes to accounting policies resulting from the adoption of IFRS 15 and IFRS 9. Other amendments to standards and interpretations that are effective for annual periods beginning on 1 January 2018 are described in Appendix I.

b. For additional illustrations of initially adopting IFRS 15, see our Guide to annual financial statements – IFRS 15 Revenue supplement.

IAS 1.38 — c. Comparative information is generally required in respect of the preceding period for all amounts reported in the current period's financial statements and, if it is relevant to understanding the current period's financial statements, also for narrative and descriptive information. However, when entities adopt new accounting standards without restating comparative information, the disclosure requirements of the new standards do not normally apply to the comparative period because the comparative information reflects the requirements of the superseded standards.

In initially applying IFRS 15 and IFRS 9, the Group has generally taken the approach of not following the new disclosure requirements for the comparative information, but instead provided information for the comparative period based on the disclosure requirements of the superseded standards (e.g. IAS 18 or the superseded IFRS 7).

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

A. IFRS 15 *Revenue from Contracts with Customers* (continued)

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings and NCI at 1 January 2018.

In thousands of euro	*Note*	Impact of adopting IFRS 15 at 1 January 2018
Retained earnings		
Standard paper products with a right of return	(a)	712
Made-to-order products recognised over time	(b)	978
Customer loyalty programme	(c)	2
Related tax		(558)
Impact at 1 January 2018		1,134
Non-controlling interests		
Standard paper products with a right of return	(a)	63
Made-to-order products recognised over time	(b)	64
Customer loyalty programme	(c)	-
Related tax		(42)
Impact at 1 January 2018		85

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

A. IFRS 15 *Revenue from Contracts with Customers* (continued)

IFRS 15.C8

The following tables summarise the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018 and its statement of profit or loss and OCI for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 31 December 2018.

Impact on the consolidated statement of financial position

31 December 2018 *In thousands of euro*	***Note***	**As reported**	**Adjustments**	**Amounts without adoption of IFRS 15**
Assets				
Inventories	*(a), (b)*	12,148	2,010	14,158
Contract assets	*(b)*	1,271	(1,271)	-
Trade and other receivables	*(b)*	32,405	(2,967)	29,438
Others		64,805	-	64,805
Total assets		110,629	(2,228)	108,401
Equity				
Retained earnings		20,756	(1,466)	19,290
Non-controlling interests		3,827	(110)	3,717
Others		20,975	-	20,975
Total equity		45,558	(1,576)	43,982
Liabilities				
Current tax liabilities		4,853	(776)	4,077
Trade and other payables	*(a)*	23,541	137	23,678
Deferred income	*(c)*	-	148	148
Contract liabilities	*(c)*	160	(160)	-
Others		36,517	-	36,517
Total liabilities		65,071	(651)	64,420
Total equity and liabilities		110,629	(2,228)	108,401

IFRS 15.C8

Impact on the consolidated statement of profit or loss and OCI

For the year ended 31 December 2018 *In thousands of euro*	***Note***	**As reported**	**Adjustments**	**Amounts without adoption of IFRS 15**
Continuing operations				
Revenue	*(a), (b), (c)*	102,710	(1,756)	100,954
Cost of sales	*(a), (b)*	(55,432)	1,203	(54,229)
Impairment loss on trade receivables and contract assets		(200)	20	(180)
Income tax expense		(3,339)	176	(3,163)
Others		(35,862)	-	(35,862)
Profit for the period		7,877	(357)	7,520
Total comprehensive income for the period		8,610	(357)	8,253

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

A. IFRS 15 *Revenue from Contracts with Customers* (continued)

a. **Standard paper products:** Under IAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made. Under IFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

   Therefore, for those contracts for which the Group was unable to make a reasonable estimate of returns, revenue is recognised sooner under IFRS 15 than under IAS 18. The impact of these changes on items other than revenue is a decrease in the refund liability, which is included in trade and other payables. In addition, there is a new asset for the right to recover returned goods, which is presented as part of inventory.

b. **Made-to-order paper products:** Under IAS 18, revenue for made-to-order paper products was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at that point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods. Under IFRS 15, revenue for made-to-order paper products is recognised over time – i.e. before the goods are delivered to the customers' premises.

   Therefore, for these products revenue is recognised sooner under IFRS 15 than under IAS 18. The impacts of these changes on items other than revenue are an increase in trade and other receivables, a new contract asset and a decrease in inventories.

c. **Customer loyalty programme:** Under IAS 18, revenue was allocated between the loyalty programme and the paper products using the residual value method. That is, consideration was allocated to the loyalty programme based on the fair value of the loyalty points and the remainder of the consideration was allocated to the paper products. Under IFRS 15, a lower proportion of the consideration is allocated to the loyalty programme.

   Therefore, for customer loyalty points less revenue is deferred under IFRS 15 than under IAS 18. The impact of these changes on items other than revenue is a decrease in deferred income, which is now included in a new balance – i.e. contract liability.

IFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams (see Notes 6 and 8).

For additional information about the Group's accounting policies relating to revenue recognition, see Note 8(D).

B. IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IAS 1.82(ba), 31, IFRS 7.44Z

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to €30 thousand, recognised under IAS 39, from 'other expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit or loss and OCI for the year ended 31 December 2017. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings and NCI (for a description of the transition method, see (iv)).

In thousands of euro	*Note*	Impact of adopting IFRS 9 on opening balance
Cost of hedging reserve		
Cumulative change in forward points	*(iii)*	(40)
Related tax		14
Restated at 31 December 2017		(26)
Fair value reserve		
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	*(ii)*	4
Related tax		(1)
Impact at 1 January 2018		3
Retained earnings		
Cost of hedging adjustment, net of tax (restated – see above)	*(iii)*	26
Recognition of expected credit losses under IFRS 9	*(ii)*	(154)
Related tax		50
Impact at 1 January 2018		(78)
Non-controlling interests		
Recognition of expected credit losses under IFRS 9	*(ii)*	(24)
Related tax		8
Impact at 1 January 2018		(16)

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see (iii)).

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 45(O)(ii).

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

IFRS 7.6, 42I

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

In thousands of euro	***Note***	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial assets					
Interest rate swaps used for hedging		Fair value – hedging instrument	Fair value – hedging instrument	131	131
Forward exchange contracts used for hedging		Fair value – hedging instrument	Fair value – hedging instrument	352	352
Other forward exchange contracts		Held-for-trading	Mandatorily at FVTPL	89	89
Sovereign debt securities		Held-for-trading	Mandatorily at FVTPL	591	591
Corporate debt securities	*(a)*	Available-for-sale	FVOCI – debt instrument	373	373
Equity securities	*(b)*	Available-for-sale	FVOCI – equity instrument	511	511
Equity securities	*(c)*	Designated as at FVTPL	Mandatorily at FVTPL	254	254
Trade and other receivables	*(d)*	Loans and receivables	Amortised cost	22,485	22,359
Cash and cash equivalents		Loans and receivables	Amortised cost	1,850	1,849
Corporate debt securities	*(e)*	Held to maturity	Amortised cost	2,256	2,243
Total financial assets				28,892	28,752

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

In thousands of euro	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities				
Interest rate swaps used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	(5)	(5)
Forward exchange contracts used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	(7)	(7)
Bank overdrafts	Other financial liabilities	Other financial liabilities	(282)	(282)
Secured bank loans	Other financial liabilities	Other financial liabilities	(12,078)	(12,078)
Unsecured bank loans	Other financial liabilities	Other financial liabilities	(117)	(117)
Unsecured bond issues	Other financial liabilities	Other financial liabilities	(9,200)	(9,200)
Loan from associate	Other financial liabilities	Other financial liabilities	(1,000)	(1,000)
Finance lease liabilities	Other financial liabilities	Other financial liabilities	(2,182)	(2,182)
Trade payables	Other financial liabilities	Other financial liabilities	(21,767)	(21,767)
Total financial liabilities			(45,638)	(45,638)

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

IFRS 7.42I, 42J

a. The corporate debt securities categorised as available-for-sale under IAS 39 are held by the Group's treasury unit in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature in one to two years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9. On transition to IFRS 9, an allowance for impairment of €4 thousand was recognised as a decrease in opening retaining earnings and an increase in fair value reserves at 1 January 2018.

b. These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

c. Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

d. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of €126 thousand in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

   Additional trade receivables of €1,825 thousand were recognised at 1 January 2018 on the adoption of IFRS 15, for which an allowance for impairment of €27 thousand was recognised (see (ii) below). These were not included in the table above.

e. Corporate debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An increase of €13 thousand in the allowance for impairment was recognised in opening retaining earnings at 1 January 2018 on transition to IFRS 9.

Introduction
Australian content
Primary statements
NOTES
Appendices

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

IFRS 7.42K–42O, IFRS 9.7.2.15

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

In thousands of euro	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount at 1 January 2018
Financial assets				
Amortised cost				
Cash and cash equivalents:				
Brought forward: *Loans and receivables*	1,850			
Remeasurement			(1)	
Carried forward: *Amortised cost*				1,849
Trade and other receivables:				
Brought forward: *Loans and receivables*	22,485*			
Remeasurement			(126)	
Carried forward: *Amortised cost*				22,359
Corporate and debt securities:				
Brought forward: *Held-to-maturity*	2,256			
Remeasurement			(13)	
Carried forward: *Amortised cost*				2,243
Total amortised cost	28,416		(140)	28,276

In millions of euro	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount at 1 January 2018
Financial assets				
FVOCI				
Debt and equity investments:				
Brought forward: *Available-for-sale*	884			
Reclassified to: FVOCI – debt		(373)		
Reclassified to: FVOCI – equity		(511)		
FVOCI – debt				
Investment securities:				
Brought forward: *Available-for-sale*		373	-	
Carried forward: FVOCI – debt				373
FVOCI – equity				
Investment securities:				
Brought forward: *Available-for-sale*		511	-	
Carried forward: FVOCI – equity				511
Total FVOCI	884	-	-	884

* Excludes additional trade receivables of €1,825 thousand recognised on the adoption of IFRS 15, for which an allowance for impairment of €27 thousand was recognised.

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.[a] Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 45(R)(i).

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

IFRS 7.42P

In thousands of euro

Loss allowance at 31 December 2017 under IAS 39	74
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables as at 31 December 2017	126
Additional trade receivables recognised on adoption of IFRS 15	27
Contract assets recognised on adoption of IFRS 15	7
Debt securities at amortised cost	13
Debt securities at FVOCI	4
Cash and cash equivalents	1
Loss allowance at 1 January 2018 under IFRS 9	252

Additional information about how the Group measures the allowance for impairment is described in Note 32(C)(ii).

IFRS 9.2.1, 9.5.5.1 a. The impairment model in IFRS 9 also applies to lease receivables, loan commitments and financial guarantee contracts. The Group has no such items.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

iii. Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases. The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under IAS 39, the change in fair value of the forward element of the forward exchange contracts ('forward points') was recognised immediately in profit or loss. However, under IFRS 9 the forward points are separately accounted for as a cost of hedging; they are recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

Under IAS 39, for all cash flow hedges the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affected profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the inventory item when it is recognised. The same approach also applies under IFRS 9 to the amounts accumulated in the cost of hedging reserve.

For an explanation of how the Group applies hedge accounting under IFRS 9, see Note 45(O)(v).

IAS 8.28(f)–(g), IFRS 7.42Q

Retrospective application of the costs of hedging approach has had the following effects (net of tax) on the amounts presented for 2017 (for a description of the transition method, see (iv) below).

Consolidated statement of financial position – 31 December 2017

In thousands of euro	IAS 39 as previously reported	Adjustments	Restated at 31 December 2017
Equity			
Reserves	462	(26)	436
Retained earnings	12,739	26	12,765
Others	21,074	-	21,074
Total equity	34,275	-	34,275

At 31 December 2017, the Group held no inventory whose purchase had been subject to hedge accounting.

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

iii. Hedge accounting (continued)

Consolidated statement of profit or loss and other comprehensive income – For the year ended 31 December 2017

In thousands of euro	IAS 39 as previously reported	Adjustments	Restated for the year ended 31 December 2017
Profit or loss			
Revenue	96,636	(7)	96,629
Finance costs	(1,613)	(5)	(1,618)
Income tax expense	(2,520)	3	(2,517)
Others	(85,978)	-	(85,978)
Profit for the period	6,525	(9)	6,516
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Cost of hedging reserve – changes in fair value	-	10	10
Cost of hedging reserve – reclassified to profit or loss	-	2	2
Related tax	(67)	(3)	(70)
Others	486	-	486
Other comprehensive income, net of tax	419	9	428
Total comprehensive income	6,522	-	6,522

IAS 8.28(f)–(g)

The application of the costs of hedging approach and of the change in policy to include cash flow hedging gains or losses in the cost of inventory had the following effects (net of tax) on the amounts presented for the year ended 31 December 2018.

Consolidated statement of financial position – 31 December 2018

In thousands of euro	Adjustments
Assets	
Deferred tax assets	**(4)**
Non-current assets	**(4)**
Inventories	**12**
Current assets	**12**
Total assets	**8**
Equity	
Reserves	**(34)**
Retained earnings	**26**
Total equity	**(8)**

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

iii. Hedge accounting (continued)

Consolidated statement of profit or loss and other comprehensive income –
For the year ended 31 December 2018

In thousands of euro	**Adjustments**
Profit or loss	
Revenue	**(6)**
Finance costs	**(36)**
Income tax expense	**15**
Profit for the period	**(27)**
Other comprehensive income	
Items that are or may be reclassified subsequently to profit or loss	
Cost of hedging reserve – changes in fair value	**34**
Cost of hedging reserve – reclassified to profit or loss	**8**
Related tax	**(15)**
Other comprehensive income, net of tax	**27**
Total comprehensive income	**-**

IAS 8.28(f)(ii)

There is no material impact on the Group's basic or diluted EPS for the years ended 31 December 2018 and 2017.

Notes to the consolidated financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies (continued)

B. IFRS 9 *Financial Instruments* (continued)

iv. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

– The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points (see below). Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

– The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

– If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

– Changes to hedge accounting policies have been applied prospectively except for the cost of hedging approach for forward points, which has been applied retrospectively to hedging relationships that existed on or were designated after 1 January 2017.

– All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

Notes to the consolidated financial statements (continued)

6. 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.

Reportable segments[b]	Operations
Non-recycled Papers	Buying, manufacturing and distributing pulp and paper
Recycled Papers	Buying, recycling and distributing pulp and paper
Packaging (sold in February 2018; see Note 7)	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 (R&D)	Conducting research and development activities

IAS 41.46(a)

The Group's chief executive officer 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 8 and 16). None of these segments met the quantitative thresholds for reportable segments in 2018 or 2017.

IFRS 8.27(a)

There are varying levels of integration between the Forestry and Timber Products segments, and the Non-recycled 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 users of the financial statements understand the segment information presented, an entity discloses information about the measurement basis adopted – e.g. 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 used in reporting segment information 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.

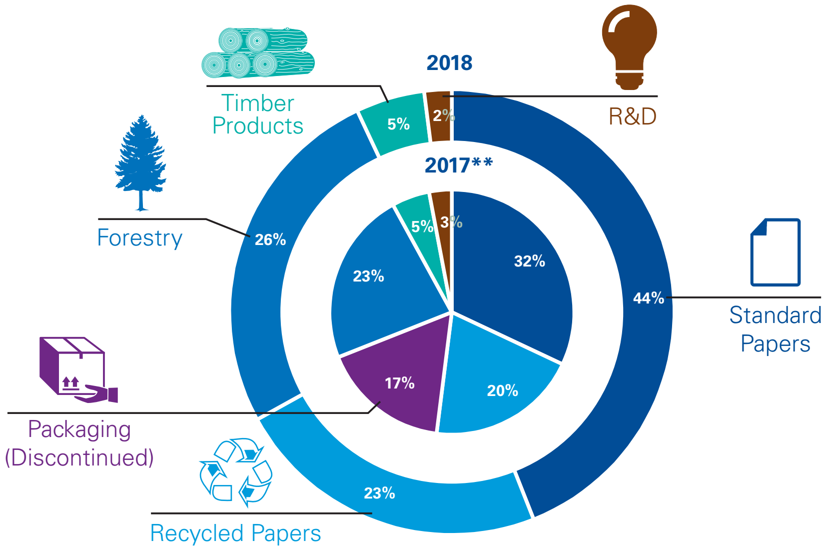
IFRS 8.12, 22(aa) **b.** When two or more operating segments are aggregated into a single operating segment, the judgements made by management in applying the aggregation criteria are disclosed. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

Notes to the consolidated financial statements (continued)

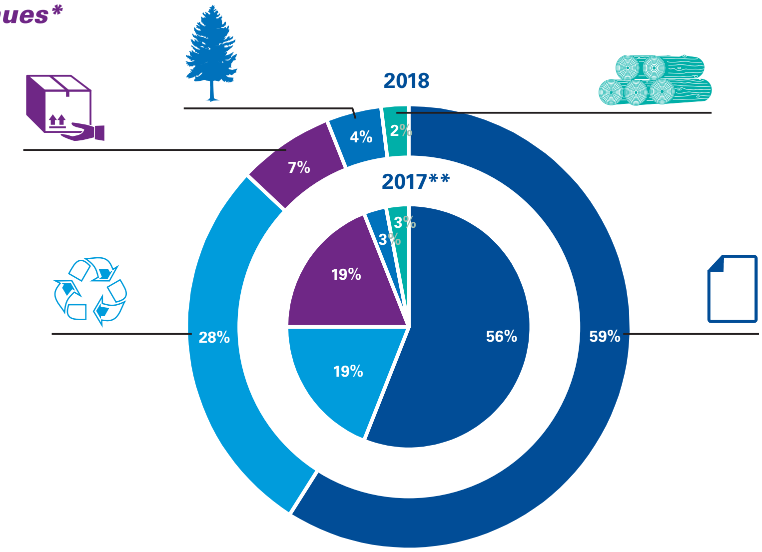
6. Operating segments (continued)

B. Information about reportable segments

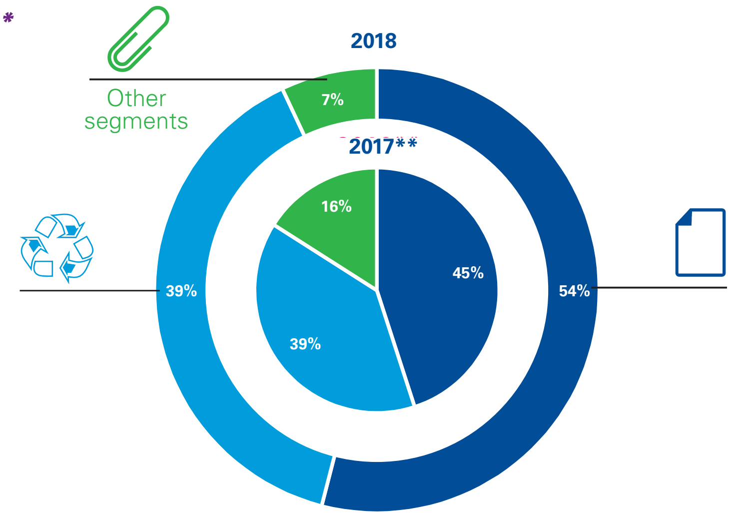
i. Assets*



ii. External revenues*



iii. Profit before tax*



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

** The Group has changed its internal organisation and the composition of its reportable segments. See page 84 for details.

Notes to the consolidated financial statements (continued)

6. Operating segments (continued)

B. Information about reportable segments (continued)

IFRS 8.27

Information related to each reportable segment is set out below. Segment profit (loss) 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.

Reference	2018 *In thousands of euro*	Reportable segments Non-recycled Papers	 Recycled Papers
IFRS 8.16			
IFRS 8.23(a), 32	External revenues[a]	**64,112**	**30,367**
IFRS 8.23(b)	Inter-segment revenue[a]	**-**	**317**
	Segment revenue	**64,112**	**30,684**
IFRS 8.21(b), 23	Segment profit (loss) before tax	**7,730**	**5,595**
IFRS 8.23(c)	Interest income[a]	**109**	**42**
IFRS 8.23(d)	Interest expense[a]	**(589)**	**(397)**
IFRS 8.23(e)	Depreciation and amortisation[a]	**(1,999)**	**(1,487)**
IFRS 8.23(g)	Share of profit (loss) of equity-accounted investees[a]	**1,109**	**-**
IFRS 8.23(i)	Other material non-cash items:[a]		
	– Impairment losses on trade receivables and contract assets	**(114)**	**(74)**
IAS 36.129(a), 130(d)(ii)	– Impairment losses on non-financial assets	**-**	**-**
IAS 36.129(b), 130(d)(ii)	– Reversal of impairment losses on non-financial assets	**493**	**-**
IFRS 8.21(b)	**Segment assets[a]**	**43,263**	**23,025**
IFRS 8.24(a)	Equity-accounted investees	**2,209**	**-**
IFRS 8.24(b)	Capital expenditure	**8,697**	**5,765**
IFRS 8.21(b)	**Segment liabilities[a]**	**39,399**	**12,180**

Reference	2017 *In thousands of euro*	Reportable segments (restated)* Non-recycled Papers	 Recycled Papers
IFRS 8.16			
IFRS 8.23(a), 32	External revenues[a]	67,085	22,060
IFRS 8.23(b)	Inter-segment revenue[a]	-	323
	Segment revenue	67,085	22,383
IFRS 8.21(b), 23	Segment profit (loss) before tax	4,660	3,811
IFRS 8.23(c)	Interest income[a]	91	24
IFRS 8.23(d)	Interest expense[a]	(577)	(355)
IFRS 8.23(e)	Depreciation and amortisation[a]	(2,180)	(1,276)
IFRS 8.23(g)	Share of profit (loss) of equity-accounted investees[a]	561	-
IFRS 8.23(i)	Other material non-cash items:[a]		
	– Impairment losses on trade receivables and contract assets	(22)	(7)
IAS 36.129(a), 130(d)(ii)	– Impairment losses on non-financial assets	(1,408)	-
IAS 36.129(b), 130(d)(ii)	– Reversal of impairment losses on non-financial assets	-	-
IFRS 8.21(b)	**Segment assets[a]**	26,967	16,003
IFRS 8.24(a)	Equity-accounted investees	1,700	-
IFRS 8.24(b)	Capital expenditure	1,136	296
IFRS 8.21(b)	**Segment liabilities[a]**	26,907	14,316

IFRS 8.29

* As a result of the acquisition of Papyrus Pty Limited ('Papyrus') during the year ended 31 December 2018 (see Note 22), the Group has changed its internal organisation and the composition of its operating segments, which resulted in a change in reportable segments. Accordingly, the Group has restated the previously reported segment information for the year ended 31 December 2017.

** See Note 7.

Packaging (discontinued)**	Forestry	Timber Products	Research and Development	Total reportable segments	All other segments	Total
Reportable segments						
7,543	**3,967**	**2,700**	**-**	**108,689**	**1,564**	**110,253**
940	**2,681**	**1,845**	**875**	**6,658**	**891**	**7,549**
8,483	**6,648**	**4,545**	**875**	**115,347**	**2,455**	**117,802**
(158)	**1,240**	**(263)**	**101**	**14,245**	**771**	**15,016**
-	**45**	**10**	**-**	**206**	**4**	**210**
-	**(349)**	**(76)**	**-**	**(1,411)**	**(5)**	**(1,416)**
(623)	**(1,069)**	**(233)**	**(189)**	**(5,600)**	**(231)**	**(5,831)**
-	**32**	**-**	**-**	**1,141**	**-**	**1,141**
(11)	**(7)**	**(5)**	**-**	**(211)**	**-**	**(211)**
-	**-**	**(116)**	**-**	**(116)**	**-**	**(116)**
-	**-**	**-**	**-**	**493**	**-**	**493**
-	**25,209**	**4,521**	**2,323**	**98,341**	**9,059**	**107,400**
-	**280**	**-**	**-**	**2,489**	**-**	**2,489**
-	**1,158**	**545**	**1,203**	**17,368**	**560**	**17,928**
-	**6,390**	**1,236**	**169**	**59,374**	**237**	**59,611**

Packaging (discontinued)**	Forestry	Timber Products	Research and Development	Total reportable segments	All other segments (restated)*	Total
Reportable segments (restated)*						
23,193	3,483	2,985	-	118,806	1,016	119,822
2,835	2,676	1,923	994	8,751	765	9,516
26,028	6,159	4,908	994	127,557	1,781	129,338
(458)	997	1,280	67	10,357	195	10,552
	27	7	-	149	3	152
	(301)	(63)	-	(1,296)	(4)	(1,300)
(1,250)	(696)	(201)	(165)	(5,768)	(199)	(5,967)
-	26	-	-	587	-	587
(3)	(1)	-	-	(33)	-	(33)
-	-	-	-	(1,408)	-	(1,408)
-	-	-	-	-	-	-
13,250	18,470	3,664	1,946	80,300	3,403	83,703
-	248	-	-	1,948	-	1,948
127	722	369	123	2,773	150	2,923
2,959	4,540	1,456	158	50,336	454	50,790

IFRS 8.23

a. The Group has disclosed these amounts for each reportable segment because they are regularly reviewed by the CODM.

IFRS 8 *Operating Segments* does not specify the disclosure requirements for a discontinued operation; nevertheless, if the CODM regularly reviews the financial results of the discontinued operation (e.g. until the discontinuance is completed), and the definition of an operating segment is otherwise met, then an entity may need to disclose such information to meet the core principle of IFRS 8.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

6. Operating segments (continued)

C. Reconciliations of information on reportable segments to IFRS measures

	In thousands of euro	Note	2018	2017 Restated*
IFRS 8.28(a)	***i. Revenues***			
	Total revenue for reportable segments		**115,347**	127,557
	Revenue for other segments		**2,455**	1,781
	Elimination of inter-segment revenue		**(7,549)**	(9,516)
	Elimination of discontinued operations	7	**(7,543)**	(23,193)
	Consolidated revenue		**102,710**	96,629
IFRS 8.28(b)	***ii. Profit before tax***			
	Total profit before tax for reportable segments		**14,245**	10,357
	Profit before tax for other segments		**771**	195
	Elimination of inter-segment profit		**(1,777)**	(1,172)
	Elimination of discontinued operation	7	**162**	466
	Unallocated amounts:			
	– Other corporate expenses		**(2,564)**	(813)
	Consolidated profit before tax from continuing operations		**10,837**	9,033
IFRS 8.28(c)	***iii. Assets***			
	Total assets for reportable segments		**98,341**	80,300
	Assets for other segments		**9,059**	3,403
	Other unallocated amounts		**3,229**	3,313
	Consolidated total assets		**110,629**	87,016
IFRS 8.28(d)	***iv. Liabilities***			
	Total liabilities for reportable segments		**61,178**	51,275
	Liabilities for other segments		**237**	454
	Other unallocated amounts		**3,656**	1,012
	Consolidated total liabilities		**65,071**	52,741

* See Notes 5, 6(B) and 44.

Notes to the consolidated financial statements (continued)

6. Operating segments (continued)

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

IFRS 8.28(e)

v. Other material items

2018 *In thousands of euro*	**Reportable segment totals**	**Adjustments**	**Consolidated totals**
Interest income	**206**	**2**	**208**
Interest expense	**(1,411)**	**(2)**	**(1,413)**
Capital expenditure	**17,368**	**560**	**17,928**
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**
Impairment losses on trade receivables and contract assets	**(211)**	**-**	**(211)**

2017 *In thousands of euro*	**Reportable segment totals (restated)***	**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)
Impairment losses on trade receivables and contract assets	(33)	-	(33)

* See Notes 5 and 6(B).

IFRS 8.33(a)–(b)

D. Geographic information[a, b]

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

Insights 5.2.220.20 **a.** In our view, entity-wide disclosures by region (e.g. Europe or Asia) do not meet the requirement to disclose information by individual foreign country (e.g. France, the Netherlands or Singapore) when it 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 Group has already met that disclosure requirement by providing the external revenue information in Note 6(B), which has been prepared in accordance with IFRS, and the disaggregated revenue information in Note 8.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

6. Operating segments (continued)

D. Geographic information (continued)

i. Revenue

In thousands of euro	2018	2017 Restated*
[Country X] (of which €4,149 (2017: €12,781) relates to discontinued packaging operation)	**32,338**	34,286
All foreign countries		
Germany (of which €1,885 (2017: €6,005) relates to discontinued packaging operation)	**23,556**	25,877
Netherlands	**22,654**	25,641
UK	**310**	212
US (of which €1,509 (2017: €4,407) relates to discontinued packaging operation)	**21,995**	22,733
Other countries	**9,400**	10,533
Packaging (discontinued)	**(7,543)**	(23,193)
	102,710	96,629

* See Note 5.

ii. Non-current assets

In thousands of euro	2018	2017
[Country X]	**14,197**	13,054
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
	40,553	40,714

Non-current assets exclude financial investments (other than equity-accounted investees), deferred tax assets and employee benefit assets.[a]

E. Major customer

IFRS 8.34

Revenues from one customer of the Group's Non-recycled Papers and Recycled Papers segments represented approximately €20,000 thousand (2017: €17,500 thousand) of the Group's total revenues.

IFRS 8.24(a), 33(b) **a.** The Group has disclosed the equity-accounted investees as the geographic information of non-current assets because they are regularly provided to the CODM. IFRS 8 does not specify which financial instruments are excluded from non-current assets reported in the geographic information.

Notes to the consolidated financial statements (continued)

7. Discontinued operation

See accounting policy in Note 45(C).

IFRS 5.30, 41(a)–(b), 41(d)

In February 2018, the Group sold its entire Packaging segment (see Note 6). Management committed to a plan to sell this segment early in 2018, 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 re-presented to show the discontinued operation separately from continuing operations.

Subsequent to the disposal, the Group has continued to purchase packaging from the discontinued operation. Although intra-group transactions have been fully eliminated in the consolidated financial results, management has elected to attribute the elimination of transactions between the continuing operations and the discontinued operation before the disposal in a way that reflects the continuance of these transactions subsequent to the disposal, because management believes this is useful to the users of the financial statements.

To achieve this presentation, management has eliminated from the results of the discontinued operation the inter-segment sales (and costs thereof, less unrealised profits) made before its disposal. Because purchases from the discontinued operation will continue after the disposal, inter-segment purchases made by the continuing operations before the disposal are retained in continuing operations.

IAS 1.98(e)

A. Results of discontinued operation[a]

Reference	*In thousands of euro*	Note	2018	2017
IFRS 5.33(b)(i)	Revenue		**8,483**	26,028
	Elimination of inter-segment revenue		**(940)**	(2,835)
	External revenue		**7,543**	23,193
IFRS 5.33(b)(i)	Expenses		**(8,641)**	(26,486)
	Elimination of expenses related to inter-segment sales		**936**	2,827
	External 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
	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) from discontinued operations, net of tax**		**379**	(422)
IAS 33.68	Basic earnings (loss) per share (euro)[b]	*11*	**0.12**	(0.14)
IAS 33.68	Diluted earnings (loss) per share (euro)[b]	*11*	**0.12**	(0.14)

IFRS 5.33(d)

The profit from the discontinued operation of €379 thousand (2017: loss of €422 thousand) is attributable entirely to the owners of the Company. Of the profit from continuing operations of €7,498 thousand (2017: €6,516 thousand), an amount of €6,978 thousand is attributable to the owners of the Company (2017: €6,149 thousand).

Insights 5.4.230.40

a. In our view, considering that IFRS 5 does not specify how the elimination should be attributed to continuing and discontinued operations (see Note 6(B)–(C)), an entity may present transactions between the continuing and discontinued operations in a way that reflects the continuance of those transactions, when that is useful to the users of the financial statements. It may be appropriate to present additional disclosure either on the face of the statement of profit or loss and OCI or in the notes. In our experience, if the additional disclosure is provided in the statement of profit or loss and OCI, then judgement may be required over whether the disaggregated information should be presented as part of the statement itself or as an additional disclosure alongside the totals in that statement. Clear disclosure of the approach taken to the elimination of intra-group transactions will be relevant, including an explanation of any additional analysis of discontinued operations in the notes to the statement of profit or loss and OCI.

IAS 33.68

b. The Group has elected to present basic and diluted EPS for the discontinued operation in the notes. Alternatively, basic and diluted EPS for the discontinued operation may be presented in the statement of profit or loss and OCI.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

7. Discontinued operation (continued)

IFRS 5.33(c)

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

In thousands of euro	*Note*	2018	2017
Net cash used in operating activities		**(225)**	(910)
Net cash from investing activities	*(C)*	**10,890**	-
Net cash flows for the year		**10,665**	(910)

IAS 7.40(d)

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

In thousands of euro	*Note*	2018
Property, plant and equipment		**(7,986)**
Inventories		**(134)**
Trade and other receivables		**(3,955)**
Cash and cash equivalents (*IAS 7.40(c)*)		**(110)**
Deferred tax liabilities		**110**
Trade and other payables		**1,921**
Net assets and liabilities		**(10,154)**
Consideration received, satisfied in cash (*IAS 7.40(a)–(b)*)		**11,000**
Cash and cash equivalents disposed of		**(110)**
Net cash inflows	*(B)*	**10,890**

IAS 7.10, IFRS 5.33(c), Insights 5.4.220.50

a. In our view, there are numerous ways in which the requirements of IFRS 5 and IAS 7 on cash flow presentation may be met. The Group has elected to present:

- a statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; and
- amounts related to discontinued operations by operating, investing and financing activities in the notes.

Alternatively, cash flows attributable to operating, investing and financing activities of discontinued operations can be presented separately in the statement of cash flows.

Notes to the consolidated financial statements (continued)

8. Revenue[a]

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 5. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

A. Revenue streams

The Group generates revenue primarily from the sale of paper and timber products and provision of forestry services to its customers (see Note 6(A)). Other sources of revenue include rental income from investment properties.

		Continuing operations		Discontinued operation (see Note 7)		Total	
In thousands of euro	*Note*	**2018**	2017	**2018**	2017	**2018**	2017
IFRS 15.113(a) **Revenue from contracts with customers**[b]		**102,394**	96,421*	**7,543**	23,193	**109,937**	119,614
Other revenue							
IAS 40.75(f)(i) Investment property rentals	*38(B)*	**310**	212	**-**	-	**310**	212
Hedging gains[c]	*32(C)(iv)*	**6**	(4)	**-**	-	**6**	(4)
		316	208	**-**	-	**316**	208
Total revenue		**102,710**	96,629	**7,543**	23,193	**110,253**	119,822

IAS 11.39(a)

* Of which €641 thousand relates to revenue from construction contracts.

IFRS 15.119(b), 127–128

a. IFRS 15 requires an entity to provide disclosure about costs to obtain or fulfil a contract with a customer. The Group does not incur such costs, and therefore the related disclosures are not illustrated in this guide. Similarly, the Group has determined that its contracts with customers do not contain a significant financing component, and therefore the related disclosures are not illustrated.

IFRS 15.113, IAS 1.29–30, 85, Insights 4.2.480.25

b. In providing a separate disclosure of revenue from contracts with customers – either in the notes or in the statement of profit or loss – we believe that an entity should not include amounts that do not fall in the scope of IFRS 15.

IFRS 9.B6.5.29(a), Insights 7.10.167.20

c. When an entity hedges a sale, whether in a forecast transaction or a firm commitment, the costs of hedging related to that sale are reclassified to profit or loss as part of the cost related to that sale in the same period as the revenue from the hedged sale is recognised. It appears that when these costs of hedging are reclassified to profit or loss, an entity may choose an accounting policy, to be applied consistently, to present them:

– *as revenue:* because they relate to a hedge of revenue. However, they should not be presented or disclosed as revenue from contracts with customers in the scope of IFRS 15, because they are not; or

– *in another appropriate line item of income or expense:* because the term 'cost related to that sale' could be interpreted as precluding presentation as revenue.

The Group has chosen to present the costs of hedging related to sales transactions as revenue.

Introduction Australian content Primary statements NOTES Appendices

Notes to the consolidated financial statements (continued)

8. Revenue (continued)

B. Disaggregation of revenue from contracts with customers

IFRS 15.114–115, IAS 18.35(b)

In the following table, revenue from contracts with customers (including revenue related to a discontinued operation) is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 6).[a, b, c, d]

	Reportable segments					
For the year ended 31 December	**Non-recycled Papers**		**Recycled Papers**		**Packaging (discontinued)**[e]	
In thousands of euro	**2018**	2017	**2018**	2017	**2018**	2017
Primary geographical markets						
Europe	**51,276**	54,335	**24,290**	17,872	**6,034**	18,786
US	**12,832**	12,752	**6,075**	4,190	**1,509**	4,407
	64,108	67,087	**30,365**	22,062	**7,543**	23,193
Major products/service lines						
Standard paper products	**48,081**	50,315	**22,774**	16,547	**-**	-
Made-to-order paper products	**16,027**	16,772	**7,591**	5,516	**-**	-
Forestry services	**-**	-	**-**	-	**-**	-
Timber products	**-**	-	**-**	-	**-**	-
Packaging and other	**-**	-	**-**	-	**7,543**	23,193
	64,108	67,087	**30,365**	22,062	**7,543**	23,193
Timing of revenue recognition						
Products transferred at a point in time	**48,081**	67,087	**22,774**	22,062	**7,543**	23,193
Products and services transferred over time	**16,027**	-	**7,591**	-	**-**	-
Revenue from contracts with customers	**64,108**	67,087	**30,365**	22,062	**7,543**	23,193
Other revenue	**4**	(2)	**2**	(2)	**-**	-
External revenue as reported in Note 6	**64,112**	67,085	**30,367**	22,060	**7,543**	23,193

IFRS 15.115

IFRS 15.114, B87–B89, IE210–IE211

a. The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers.

In determining the appropriate categories, an entity considers how revenue is disaggregated in:

- disclosures presented outside the financial statements – e.g. earnings releases, annual reports or investor presentations;
- information reviewed by the CODM for evaluating the financial performance of operating segments; and
- other similar information that is used by the entity or users of the entity's financial statements to evaluate performance or make resource allocation decisions.

Examples of categories that might be appropriate in disclosing disaggregated revenue include, but are not limited to, the following.

Type of category	Example
Type of good or service	Major product lines
Geographical region	Country or region
Market or type of customer	Government and non-government customers
Type of contract	Fixed-price and time-and-materials contracts
Contract duration	Short-term and long-term contracts
Timing of transfer of goods or services	Goods or services transferred to customers: – at a point in time – over time
Sales channels	Goods or services sold: – directly to consumers – through intermediaries

Reportable segments									
Forestry		Timber Products		Total reportable segments		All other segments		Total	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
3,174	2,821	**2,160**	2,418	**86,934**	96,233	**1,003**	651	**87,937**	96,884
793	662	**540**	567	**21,749**	22,577	**251**	153	**22,000**	22,730
3,967	3,483	**2,700**	2,985	**108,683**	118,810	**1,254**	804	**109,937**	119,614
-	-	**-**	-	**70,855**	66,862	**-**	-	**70,855**	66,862
-	-	**-**	-	**23,618**	22,287	**-**	-	**23,618**	22,287
3,967	3,483	**-**	-	**3,967**	3,483	**-**	-	**3,967**	3,483
-	-	**2,700**	2,985	**2,700**	2,985	**-**	-	**2,700**	2,985
-	-	**-**	-	**7,543**	23,193	**1,254**	804	**8,797**	23,997
3,967	3,483	**2,700**	2,985	**108,683**	118,810	**1,254**	804	**109,937**	119,614
-	-	**2,700**	2,985	**81,098**	115,327	**831**	359	**81,929**	115,686
3,967	3,483	**-**	-	**27,585**	3,483	**423**	445	**28,008**	3,928
3,967	3,483	**2,700**	2,985	**108,683**	118,810	**1,254**	804	**109,937**	119,614
-	-	**-**	-	**6**	(4)	**310**	212	**316**	208
3,967	3,483	**2,700**	2,985	**108,689**	118,806	**1,564**	1,016	**110,253**	119,822

IFRS 15.112, 114, BC340

b. Some entities may not be able to meet the objective in paragraph 114 of IFRS 15 for disaggregating revenue by providing segment revenue information and may need to use more than one type of category. Other entities may meet the objective by using only one type of category. Even if an entity uses consistent categories in the segment note and in the revenue disaggregation note, further disaggregation of revenue may be required because the objective of providing segment information under IFRS 8 is different from the objective of the disaggregation disclosure under IFRS 15 and, unlike IFRS 8, there are no aggregation criteria in IFRS 15.

Nonetheless, an entity does not need to provide disaggregated revenue disclosures if the information about revenue provided under IFRS 8 meets the requirements of paragraph 114 of IFRS 15 and those revenue disclosures are based on the recognition and measurement requirements in IFRS 15.

IFRS 15.115

c. An entity is required to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment, if the entity applies IFRS 8.

IAS 1.38

d. Although it is not explicitly required, the Group has disclosed comparative information related to disaggregation of revenue because it is relevant to understanding the current period's financial statements.

IFRS 15.114, 5.5B

e. Although it is not explicitly required to include discontinued operations as part of disaggregation of revenue from contracts with customers, the Group has provided that information.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

8. Revenue (continued)

IFRS 15.116–118

C. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

In thousands of euro	*Note*	**31 December 2018**	1 January 2018
Receivables, which are included in 'trade and other receivables'	*18*	**32,405**	22,605
Receivables, which are included in 'assets held for sale'	*20*	**3,496**	-
Contract assets		**1,271**	782
Contract liabilities		**(160)**	(166)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on made-to-order paper products. The amount of contract assets during the period ended 31 December 2018 was impacted by an impairment charge of €4 thousand. There was no impact on contract assets as a result of an acquisition of the subsidiary (see Note 34). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

IFRS 15.120(b)

The contract liabilities primarily relate to the advance consideration received from customers for construction of storage units and warehouses, for which revenue is recognised over time, and to the unredeemed customer loyalty points. As at 31 December 2018, the amount of unredeemed customer loyalty points is €50 thousand. This will be recognised as revenue when the points are redeemed by customers, which is expected to occur over the next two years.

IFRS 15.116(b)

The amount of €166 thousand recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2018.

IFRS 15.116(c)

The amount of revenue recognised in the period ended 31 December 2018 from performance obligations satisfied (or partially satisfied) in previous periods is €8 thousand. This is mainly due to changes in the estimate of the stage of completion of construction of storage units and warehouses.

IFRS 15.121–122

No information is provided about remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less, as allowed by IFRS 15.

Notes to the consolidated financial statements (continued)

8. Revenue (continued)

IFRS 15.119, 123–126, IAS 1.122

D. Performance obligations and revenue recognition policies[a]

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies. For the accounting policy for onerous contracts, see Note 45(S).

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
Standard paper products	Customers obtain control of standard paper products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30 days. No discounts are provided for standard paper products, but customers may earn loyalty points instead (see below). Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of paper, size, finish etc. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables (see Note 29) and the right to recover returned goods is included in inventory (see Note 17). The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.	Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred, provided that a reasonable estimate of the returns could be made. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.

IAS 1.117(b), 119

a. The Group presents significant accounting policies related to revenue from contracts with customers in the 'revenue' note, rather than in a separate note with other significant accounting policies (see Note 45). Other approaches to presenting accounting policies may be acceptable.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

8. Revenue (continued)

IFRS 15.119, 123–126, IAS 1.122

D. Performance obligations and revenue recognition policies (continued)

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
Made-to-order paper products	The Group has determined that for made-to-order paper products, the customer controls all of the work in progress as the products are being manufactured. This is because under those contracts paper products are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as contract assets. Customers may earn loyalty points (see below).	Revenue and associated costs are recognised over time – i.e. before the goods are delivered to the customers' premises. Progress is determined based on the cost-to-cost method.	Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at that point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.
Timber products	Customers obtain control of timber products when the goods are dispatched from the Group's warehouse. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 30 days. No discounts, loyalty points or returns are offered for timber products.	Revenue is recognised when the goods are dispatched from the Group's warehouse.	Revenue for timber products was recognised when the goods were dispatched from the Group's warehouse.
Loyalty programme	Customers who purchase paper products may enter the Group's customer loyalty programme and earn points that are redeemable against any future purchases of the Group's products. The points accumulate and do not expire.	The Group allocates a portion of the consideration received to loyalty points. This allocation is based on the relative stand-alone selling prices. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. The deferred revenue is included in contract liabilities.	Revenue was allocated between the loyalty programme and the other components of the sale using the residual approach. The amount allocated to the loyalty programme was deferred, and was recognised as revenue when the Group fulfilled its obligations to supply the discounted products under the terms of the programme or when it was no longer probable that the points under the programme would be redeemed.

Notes to the consolidated financial statements (continued)

8. Revenue (continued)

IFRS 15.119, 123–126, IAS 1.122

D. Performance obligations and revenue recognition policies (continued)

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
Managing forest resources services and related services	Invoices for forestry services are issued on a monthly basis and are usually payable within 30 days.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on surveys of work performed. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.	Revenue was recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion was assessed based on surveys of work performed. If the services under a single arrangement were rendered in different reporting periods, then the consideration was allocated on a relative fair value basis between the different services.
Construction contracts	The Group builds storage units and warehouses for customers in the Timber Products segment based on their designs and on their land. Each project commences on receipt of a full prepayment from a customer and its length depends on the complexity of the design. However, projects usually do not extend beyond six months.	Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.	If the outcome of a construction contract could be estimated reliably, then contract revenue was recognised in proportion to the stage of completion of the contract. The stage of completion was assessed with reference to surveys of work performed. Otherwise, contract revenue was recognised only to the extent of contract costs incurred that were likely to be recoverable. Contract expenses were recognised as they were incurred. An expected loss on a contract was recognised immediately in profit or loss. Advances received were included in deferred revenue.

Introduction | Australian content | Primary statements | NOTES | Appendices

Notes to the consolidated financial statements (continued)

9. Income and expenses

IAS 1.97

A. Other income

In thousands of euro	Note	2018	2017
Change in fair value of biological assets (IAS 41.40)	16(A)	**587**	28
Increase in fair value of investment property (IAS 40.76(d))	23(A)	**20**	60
Government grants (IAS 20.29)	30(A)	**238**	-
Gain on sale of property, plant and equipment (IAS 1.98(c))		**26**	16
Rental income from property sub-leases	38(A)(ii)	**150**	90
		1,021	194

IAS 1.97

B. Other expenses[a]

In thousands of euro	Note	2018	2017*
Impairment loss on goodwill[b]	22(C)	**116**	-
Impairment loss on remeasurement of disposal group (IFRS 5.41(c))	20(A)	**35**	-
Settlement of pre-existing relationship with acquiree	34(A)	**326**	-
Onerous contract charge on property sub-leases	31(D)	**160**	-
Earthquake-related expenses (IAS 1.87)		**359**	-
		996	-

* An impairment loss on trade receivables of €30 thousand in the year ended 2017 was reclassified from other expenses to a separate line item (see Note 5(B)).

IAS 1.104

C. Expenses by nature

In thousands of euro	Note	2018	2017 Restated*
Changes in inventories of finished goods and work in progress		**(2,186)**	(343)
Raw materials and consumables		**44,261**	43,208
Employee benefits (IAS 1.104)	13(E)	**22,154**	19,439
Depreciation and amortisation (IAS 1.104)	21(A), 22(A)	**5,786**	5,917
(Reversal of) impairment of property, plant and equipment	21(B), 22(C)	**(493)**	1,408
Consultancy		**4,866**	2,732
Advertising		**2,550**	2,650
Maintenance		**12,673**	9,957
Lease and contingent rent	38(A)(ii)	**475**	477
Other		**2,171**	1,731
Total cost of sales, selling and distribution, administrative and research and development expenses		**92,257**	87,176

* See Notes 5 and 44.

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'.

IAS 36.126, Insights 3.10.410.20

b. 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.

Notes to the consolidated financial statements (continued)

10. Net finance costs

See accounting policies in Notes 45(G) and (O). The effect of initially applying IFRS 9 is described in Note 5.

	In thousands of euro	*Note*	2018	2017 Restated*
IAS 1.97				
	Interest income under the effective interest method on:[a]			
IFRS 7S.20(b)	– Corporate debt securities – available for sale		**-**	27
IFRS 7.20(b)	– Corporate debt securities – at FVOCI		**8**	-
IFRS 7.20(b)	– Corporate debt securities – at amortised cost		**198**	-
IFRS 7S.20(b)	– Corporate debt securities – held to maturity – unimpaired		**-**	117
IFRS 7S.20(b), (d)	– Corporate debt securities – held to maturity – impaired		**-**	6
IFRS 7.20(b), 7S.20(b)	– Cash and cash equivalents		**2**	1
IFRS 7.20(b), 7S.20(b)	**Total interest income arising from financial assets measured at amortised cost or FVOCI (2017: from financial assets not measured at FVTPL)**		**208**	151
IFRS 3.B64(p)(ii)	Remeasurement to fair value of pre-existing interest in an acquiree	*34(D)*	**250**	-
	Dividend income:			
IFRS 7S.20(a)(iii)	– Equity securities – available for sale		**-**	32
IFRS 7.11A(d)	– Equity securities – at FVOCI – investments held at the reporting date	*25*	**26**	-
IFRS 7.20(a)(viii)	Corporate debt securities – at FVOCI:			
	– Gain on derecognition reclassified from OCI		**64**	-
IFRS 7.20(a)(i), 7S.20(a)(i)	Financial assets at FVTPL – net change in fair value:			
	– Mandatorily measured at FVTPL – held for trading		**74**	-
	– Mandatorily measured at FVTPL – other		**508**	-
	– Designated on initial recognition		**-**	264
	Finance income – other		**922**	296
IAS 1.82(ba)	**Finance costs – impairment loss on debt securities (net of reversals)**	*32(C)(ii)*	**(59)**	-
IFRS 7.20(b), 7S.20(b)	Financial liabilities measured at amortised cost – interest expense[b]		**(1,413)**	(1,299)
IAS 21.52(a)	Net foreign exchange loss		**(125)**	(246)
IFRS 7.24C(b), 7S.23(d)	Cash flow hedges – reclassified from OCI including costs of hedging reserve		**17**	12
IAS 37.84(e)	Unwind of discount on site restoration provision	*31*	**(60)**	(50)
IFRS 7.20(a)(i)	Change in fair value of contingent consideration	*32(B)(iii)*	**(20)**	-
IFRS 7.24C(b)(ii), 7S.24(b)	Cash flow hedges – ineffective portion of changes in fair value		**(51)**	(16)
IFRS 7.24C(b)(ii), 7S.24(c)	Net investment hedge – ineffective portion of changes in fair value		**(1)**	-
IFRS 7.20(a)(i), 7S.20(a)(i)	Financial assets at FVTPL – net change in fair value:			
	– Mandatorily measured at FVTPL – held for trading		**-**	(19)
	Finance costs – other		**(1,653)**	(1,618)
	Net finance costs recognised in profit or loss		**(582)**	(1,171)

* See Note 5.

IFRS 7S.20(b), IAS 1.97

a. Under paragraph 20(b) of IFRS 7, as amended by IFRS 9, an entity is required to disclose the total interest income (calculated using the effective interest method) for financial assets that are measured at amortised cost or at FVOCI – showing these amounts separately. Although this level of disaggregation is not required under the superseded paragraph 20(b) of IFRS 7S, for 2017 the Group has disaggregated total interest income calculated under the effective interest method for each type of financial asset category. 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.

Introduction Australian content Primary statements NOTES Appendices

Notes to the consolidated financial statements (continued)

11. Earnings per share

A. Basic earnings per share

The calculation of basic EPS 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 (loss) attributable to ordinary shareholders (basic)

In thousands of euro	*Note*	2018 Continuing operations	2018 Discontinued operation	2018 Total	2017 Continuing operations (restated)*	2017 Discontinued operation (restated)*	2017 Total (restated)*
Profit (loss) for the year, attributable to the owners of the Company		**6,980**	**379**	**7,359**	6,149	(422)	5,727
Dividends on non-redeemable preference shares	*26(C)*	**(438)**	**-**	**(438)**	(438)	-	(438)
Profit (loss) attributable to ordinary shareholders		**6,542**	**379**	**6,921**	5,711	(422)	5,289

* See Notes 5, 7 and 44.

IAS 33.70(b)

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

In thousands of shares	*Note*	2018	2017
Issued ordinary shares at 1 January	*26(A)(i)*	**3,100**	3,100
Effect of treasury shares held	*26(B)(vi)*	**(49)**	(40)
Effect of share options exercised	*26(A)(i)*	**3**	-
Effect of shares issued related to a business combination	*26(A)(i)*	**6**	-
Effect of shares issued in October 2018	*26(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 EPS 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 (loss) attributable to ordinary shareholders (diluted)

In thousands of euro	*Note*	2018 Continuing operations	2018 Discontinued operation	2018 Total	2017 Continuing operations (restated)*	2017 Discontinued operation (restated)*	2017 Total (restated)*
Profit (loss) attributable to ordinary shareholders (basic)		**6,542**	**379**	**6,921**	5,711	(422)	5,289
Interest expense on convertible notes, net of tax	*28(C)*	**61**	**-**	**61**	-	-	-
Profit (loss) attributable to ordinary shareholders (diluted)		**6,603**	**379**	**6,982**	5,711	(422)	5,289

* Sees Notes 5, 7 and 44.

Notes to the consolidated financial statements (continued)

11. 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*	2018	2017
Weighted-average number of ordinary shares (basic)		**3,083**	3,060
Effect of conversion of convertible notes	28(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 2018, 135,000 options (2017: 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. In our view, the method used to determine the average market price for ordinary shares should be disclosed in the notes.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

12. Share-based payment arrangements[a]

See accounting policy in Note 45(E)(ii).

IFRS 2.44–45(a), 50

A. Description of share-based payment arrangements

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

i. Share option programmes (equity-settled)

On 1 January 2014 and 1 January 2017, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 January 2018, 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 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 2014	400	3 years' service from grant date and 5% increase in operating income in each of the 3 years	7 years
On 1 January 2017	200	Same as above	10 years
On 1 January 2018	225	Same as above	10 years
Options granted to senior employees			
On 1 January 2018	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 34(A)(ii)).

iii. Share purchase plan (equity-settled)

On 1 January 2018, 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 2013 and 1 January 2018, 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.

ASIC Instrument 2016/191

a. Where ASIC Instrument 2016/191 is applied in the financial statements, certain share-based pay-ment disclosures are subject to the exception of the rounding provisions. This exception is not reflected in this international-based illustrative disclosure.

Notes to the consolidated financial statements (continued)

12. 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*	2018	2017
IFRS 2.51(b)(i)	Total carrying amount of liabilities for SARs	*13*	**440**	380
IFRS 2.51(b)(ii)	Total intrinsic value of liabilities for vested benefits		**-**	380

The liabilities at 31 December 2017 were settled during 2018.

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

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

The fair value of the employee share purchase plan (see (A)(iii)) has been measured using a 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))
	2018	2017	2018	2018	2018
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**	**€10.30**	**€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**	**4.0 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 2018, a total amount of €78 thousand was invested by the participants in the share purchase plan (see Note 41(B)(ii)) and has been included in 'other trade payables' (see Note 29).

Notes to the consolidated financial statements (continued)

12. Share-based payment arrangements (continued)

B. Measurement of fair values (continued)

IFRS 2.33A

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.

IFRS 2.52

	Grant date 1 January 2018	Measure-ment date 31 December 2018
Fair value	€2.82	**€4.40**
Share price	€10.10	**€12.70**
Exercise price	€10.10	**€10.10**
Expected volatility (weighted-average)	43.3%	**43.1%**
Expected life (weighted-average)	4.0 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 2018	Weighted-average exercise price 2018	Number of options 2017	Weighted-average exercise price 2017
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 2018 had an exercise price in the range of €8.08 to €10.50 (2017: €10.00 to €10.50) and a weighted-average contractual life of 6.4 years (2017: 5.2 years).

IFRS 2.45(c)

The weighted-average share price at the date of exercise for share options exercised in 2018 was €10.00 (2017: no options exercised).

D. Expense recognised in profit or loss

For details of the related employee benefit expenses, see Note 13(E).

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.

Notes to the consolidated financial statements (continued)

13. Employee benefits

See accounting policies in Note 45(E).

In thousands of euro	*Note*	2018	2017
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	*12*	**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 (E).

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 41(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 2018 or 31 December 2017.

IAS 19.147(b) The Group expects to pay €350 thousand in contributions to its defined benefit plans in 2018.

IAS 1.69, 19.133 a. Although it is not required to distinguish the current and non-current portions of assets and liabilities arising from post-employment benefits, the Group distinguishes between the current and non-current portions of obligations arising from long-term employee benefits if it does not have an unconditional right to defer settlement of the liability at least 12 months from the reporting date.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

13. 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 the 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	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
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)	Remeasurement 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	**2018**	**2017**
Net defined benefit asset (Plan A)	**(671)**	(731)
Net defined benefit liability (Plan B)	**285**	280
	(386)	(451)

IAS 19.139(c)

During 2018, 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 (2017: nil). A corresponding past service credit was recognised in profit or loss during 2018.

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)

13. Employee benefits (continued)

C. Plan assets

IAS 19.142

Plan assets comprise the following.

In thousands of euro	2018	2017
Equity securities:		
– 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	**3,587**	3,254
Derivatives:		
– Interest rate swaps	**29**	37
– Forward foreign currency contracts	**185**	70
– Longevity swaps	**97**	39
	311	146
Property occupied by the Group	**525**	497
Company's own ordinary shares	**182**	154
	7,706	7,508

IAS 19.142(b); IAS 19.142(c); IAS 19.142(e); IAS 19.143; IAS 19.143

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

IAS 1.125, 19.144

i. Actuarial assumptions

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

	2018	2017
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%

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

13. Employee benefits (continued)

D. Defined benefit obligation (continued)

IAS 1.125, 19.144

i. Actuarial assumptions (continued)

IAS 19.144

Assumptions regarding future longevity 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.

	2018		2017	
	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 2018, the weighted-average duration of the defined benefit obligation was 17.1 years (2017: 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 2018		31 December 2017	
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.

E. Employee benefit expenses

	In thousands of euro	*Note*	2018	2017
	Wages and salaries		**18,286**	16,259
	Social security contributions		**1,468**	1,267
IAS 19.53	Contributions to defined contribution plans		**455**	419
	Termination benefits	*31(B)*	**350**	450
	Expenses related to post-employment defined benefit plans	*13(B)*	**374**	434
	Expenses related to long-service leave		**26**	12
IFRS 2.51(a)	Equity-settled share-based payments	*12*	**755**	248
IFRS 2.51(a)	Cash-settled share-based payments[a]	*12*	**440**	350
		9(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[a,b]

See accounting policy in Note 45(H).

A. Amounts recognised in profit or loss[c]

	In thousands of euro	2018	2017 Restated*
	Current tax expense		
IAS 12.80(a)	Current year	**3,165**	3,594
IAS 12.80(b)	Changes in estimates related to prior years	**116**	(34)
		3,281	3,560
	Deferred tax expense		
IAS 12.80(c)	Origination and reversal of temporary differences	**136**	(808)
IAS 12.80(d)	Reduction in tax rate	**(15)**	(5)
IAS 12.80(f)	Recognition of previously unrecognised tax losses (see Note 14(H))	**(50)**	(240)
IAS 12.80(f)–(g)	Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	**(13)**	10
		58	(1,043)
	Tax expense on continuing operations	**3,339**	2,517

* See Notes 5, 7 and 44.

IAS 12.81(h)(i)–(ii)

'Tax expense on continuing operations' excludes the Group's share of the tax expense of equity-accounted investees[d] of €492 thousand (2017: €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 (2017: €44 thousand) and the tax expense on the gain on sale of the discontinued operation of €330 thousand (2017: nil); both of these have been included in 'profit (loss) from discontinued operation, net of tax' (see Note 7).

IAS 10.22(h), 12.81(d), 88

In December 2018, a new corporate tax law was enacted in France. Consequently, as of 1 July 2019, the corporate tax rate in France will be reduced from 30 to 29%. This change resulted in a gain of €15 thousand related to the remeasurement of deferred tax assets and liabilities of the Group's French subsidiary, Baguette S.A., being recognised during the year ended 31 December 2018. In addition, on 23 March 2019, an increase in the Netherlands corporate tax rate from 25 to 30% was substantively enacted, effective from 1 January 2020. This increase does not affect the amounts of current or deferred income taxes recognised at 31 December 2018. However, this change will increase the Group's future current tax charge accordingly. If the new tax rate were applied to calculate taxable temporary differences and tax losses recognised as at 31 December 2018, then the net deferred tax assets would increase by €27 thousand.

IAS 12.81(d)

In December 2017, numerous changes to the tax law were enacted in the US, including a decrease in the corporate tax rate from 35 to 21%. This change resulted in a gain of €5 thousand related to the remeasurement of deferred tax assets and liabilities of the Group's consolidated US structured entity, MayCo, being recognised during the year ended 31 December 2017.

a. The tax rates disclosed or applied throughout this guide to calculate the tax impact amounts are for illustrative purposes only and do not reflect the corporate tax rates in the respective jurisdictions. In practice, the applicable tax rates of the respective entities need to be used.

b. The Tax Transparency Code (the Code) released by the Board of Taxation requires businesses with a turnover of AU$100 million or over to voluntarily disclose additional tax information in their fi-nancial statements or other report. Such additional disclosures are included in Part A of the Code. Refer to Voluntary tax disclosures - Part A for an example that illustrates one way in which an enti-ty might incorporate additional disclosure requirements in Part A of the Code within its annual financial statements.

Insights 3.13.580.20–80

c. 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.

d. 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.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

B. Amounts recognised in OCI

IAS 1.90–91, 12.81(ab)

In thousands of euro	2018 Before tax	2018 Tax (expense) benefit	2018 Net of tax	2017 Restated* Before tax	2017 Restated* Tax (expense) benefit	2017 Restated* Net of tax
Items that will not be reclassified to profit or loss						
Revaluation of property, plant and equipment	**200**	**(66)**	**134**	-	-	-
Remeasurements of defined benefit liability (asset)	**72**	**(24)**	**48**	(15)	5	(10)
Equity investments at FVOCI – net change in fair value	**141**	**(47)**	**94**	-	-	-
Equity-accounted investees – share of OCI	**13**	**-**	**13**	(3)	-	(3)
	426	**(137)**	**289**	(18)	5	(13)
Items that are or may be reclassified subsequently to profit or loss						
Foreign operations – foreign currency translation differences	**680**	**-**	**680**	471	-	471
Net investment hedge	**(3)**	**-**	**(3)**	(8)	-	(8)
Cash flow hedges reserve:						
Effective portion of changes in fair value	**(62)**	**21**	**(41)**	95	(32)	63
Net amount reclassified to profit or loss	**(31)**	**10**	**(21)**	(11)	4	(7)
Available-for-sale financial assets – net change in fair value	**-**	**-**	**-**	118	(39)	79
Cost of hedging reserve:						
Net change in fair value	**34**	**(12)**	**22**	-	-	-
Net amount reclassified to profit or loss	**8**	**(3)**	**5**	-	-	-
Debt investments at FVOCI:						
Net change in fair value	**55**	**(18)**	**37**	-	-	-
Net amount reclassified to profit or loss	**(64)**	**21**	**(43)**	-	-	-
Reclassification of foreign currency differences on loss of significant influence	**(20)**	**-**	**(20)**	-	-	-
Equity-accounted investees – share of OCI	**(172)**	**-**	**(172)**	(166)	-	(166)
	425	**19**	**444**	499	(67)	432
	851	**(118)**	**733**	481	(62)	419

* See Note 5.

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

C. Amounts recognised directly in equity

		2018			2017		
	In thousands of euro	**Before tax**	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
IAS 12.81(a)	Convertible notes	**163**	**(54)**	**109**	-	-	-
IAS 12.81(a)	Share-based payments	**-**	**-**	**-**	-	2	2

For amounts recognised directly in equity relating to changes in accounting policy and correction of an error – see Notes 5 and 44.

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

	In thousands of euro	**2018**	**2018**	**2017 Restated***	**2017 Restated***
IAS 12.81(c)	Profit before tax from continuing operations		**10,837**		9,033
	Tax using the Company's domestic tax rate	**33.00%**	**3,576**	33.00%	2,982
	Effect of tax rates in foreign jurisdictions	**(0.66%)**	**(72)**	(0.58%)	(52)
	Reduction in tax rate	**(0.14%)**	**(15)**	(0.06%)	(5)
	Tax effect of:				
	Share of profit of equity-accounted investees reported, net of tax	**(3.48%)**	**(377)**	(2.14%)	(194)
	Non-deductible expenses	**2.26%**	**245**	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	**0.37%**	**41**	1.40%	127
	Recognition of previously unrecognised tax losses (see Note 14(H))	**(0.46%)**	**(50)**	(2.65%)	(240)
	Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	**(0.12%)**	**(13)**	0.11%	10
	Changes in estimates related to prior years	**1.07%**	**116**	(0.37%)	(34)
		30.81%	**3,339**	27.86%	2,517

* See Notes 5, 7 and 44.

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.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

IAS 12.81(g)(i)–(ii)

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

2018 *In thousands of euro*	Net balance at 1 January*	Recognised in profit or loss (see (A))
Property, plant and equipment	**579**	**(130)**
Intangible assets	**56**	**4**
Biological assets	**(22)**	**(182)**
Investment property	**(30)**	**(7)**
Investment in securities	**(56)**	**(7)**
Trade and other receivables, including contract assets	**53**	**17**
Derivatives	**(39)**	**(5)**
Inventories	**60**	**96**
Loans and borrowings	**-**	**-**
Employee benefits	**(91)**	**21**
Equity-settled share-based payments	**225**	**88**
Provisions	**508**	**(13)**
Deferred income	**54**	**(15)**
Other items	**14**	**25**
Tax losses carried forward	**386**	**50**
Tax assets (liabilities) before set-off	**1,697**	**(58)**
Set-off of tax		
Net tax assets (liabilities)		

* The balance at 1 January 2018 includes the effect of initially applying IFRS 15 and IFRS 9 (see Note 5).

2017 *In thousands of euro*	Net balance at 1 January	Recognised in profit or loss (see (A)) Restated*
Property, plant and equipment	213	366
Intangible assets	(38)	94
Biological assets	(25)	3
Investment property	(10)	(20)
Available-for-sale financial assets	(18)	(3)
Derivatives	(12)	1
Inventories	8	56
Employee benefits	(90)	(6)
Equity-settled share-based payments[d]	141	82
Provisions	290	218
Deferred income	46	8
Other items	10	4
Tax losses carried forward	146	240
Tax assets (liabilities) before set-off	661	1,043
Set-off of tax		
Net tax assets (liabilities)		

* See Notes 5 and 44.

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 the tax effects of both recognised and unrecognised deferred tax assets as a single amount – e.g. similar to the 'gross' approach under US GAAP – because under IFRS it is *recognised* deferred tax assets that are required to be disclosed.

Recognised in OCI (see (B))	Recognised directly in equity (see (C))	Acquired in business combinations (see Note 34(C))	Other (see Notes 7(C) and 20(B))	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
(66)	**-**	**(35)**	**210**	**558**	**679**	**(121)**
-	**-**	**(38)**	**-**	**22**	**98**	**(76)**
-	**-**	**-**	**-**	**(204)**	**-**	**(204)**
-	**-**	**-**	**-**	**(37)**	**-**	**(37)**
(44)	**-**	**-**	**-**	**(107)**	**32**	**(139)**
-	**-**	**-**	**-**	**70**	**70**	**-**
16	**-**	**-**	**-**	**(28)**	**3**	**(31)**
-	**-**	**(3)**	**40**	**193**	**193**	**-**
-	**(54)**	**(9)**	**-**	**(63)**	**-**	**(63)**
(24)	**-**	**-**	**-**	**(94)**	**160**	**(254)**
-	**-**	**-**	**-**	**313**	**313**	**-**
-	**-**	**6**	**-**	**501**	**501**	**-**
-	**-**	**-**	**-**	**39**	**39**	**-**
-	**-**	**-**	**-**	**39**	**50**	**(11)**
-	**-**	**-**	**-**	**436**	**436**	**-**
(118)	**(54)**	**(79)**	**250**	**1,638**	**2,574**	**(936)**
				-	**(387)**	**387**
				1,638	**2,187**	**(549)**

Recognised in OCI (see (B)) Restated*	Recognised directly in equity (see (C))	Acquired in business combinations (see Note 34(C))	Other (see Notes 7(C) and 20(B))	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
-	-	-	-	579	662	(83)
-	-	-	-	56	94	(38)
-	-	-	-	(22)	-	(22)
-	-	-	-	(30)	-	(30)
(39)	-	-	-	(60)	12	(72)
(28)	-	-	-	(39)	3	(42)
-	-	-	-	64	64	-
5	-	-	-	(91)	150	(241)
-	2	-	-	225	225	-
-	-	-	-	508	508	-
-	-	-	-	54	54	-
-	-	-	-	14	18	(4)
-	-	-	-	386	386	-
(62)	2	-	-	1,644	2,176	(532)
				-	(126)	126
				1,644	2,050	(406)

Insights 3.13.300 **c.** 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 such dividends are tax-exempt. As a result, no deferred tax has been recognised.

IAS 12.68C **d.** 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 2018, there was a deferred tax liability of €1,523 thousand (2017: €1,146 thousand) for temporary differences of €5,000 thousand (2017: €3,800 thousand) related to investments in subsidiaries and the joint venture. 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.[b]

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 2018, total tax-exempt reserves amounted to €613 thousand (2017: €540 thousand), which would result in a tax liability of €202 thousand (2017: €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.[c]

	2018		2017	
In thousands of euro	Gross amount	Tax effect	Gross amount	Tax effect
Deductible temporary differences	**161**	**53**	200	66
Tax losses	**644**	**213**	672	222
	805	**266**	872	288

H. Tax losses carried forward

IAS 12.81(e)

Tax losses for which no deferred tax asset was recognised expire as follows.

In thousands of euro	2018	Expiry date	2017	Expiry date
Expire	**644**	**2022–2024**	520	2022–2023
Never expire	**-**	**-**	152	-

IAS 1.125, 129, 12.82

In 2018, one of the Group's UK subsidiaries, Paper Pabus Co, successfully launched a new type of paper and entered into a number of long-term supply contracts. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of €152 thousand of previously unrecognised tax losses (tax impact: €50 thousand) because management considered it probable that future taxable profits would be available against which such losses can be used.

In 2017, the Group's Danish subsidiary, Mermaid A/S, launched a new production line that would allow it to reduce costs significantly going forward and improve profitability. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of €727 thousand of previously unrecognised tax losses (tax impact: €240 thousand) because management considered it probable that future taxable profits would be available against which such losses can be used. In 2018, Mermaid A/S achieved its planned profitability; therefore, management continues to consider it probable that future taxable profits would be available against which the tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

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 3.13.310.10 b. 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.

IAS 12.81(e) c. Although IAS 12 only requires the disclosure of the amount of deductible temporary differences and unused tax losses for which no deferred tax asset has been recognised, the Group has also disclosed their respective tax effects. This disclosure is for illustrative purposes only.

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

H. Tax losses carried forward (continued)

In 2018, the Group's Romanian subsidiary, Lei Sure Limited, incurred a tax loss of €124 thousand, increasing cumulative tax losses to €644 thousand (2017: €520 thousand). Management has determined that the recoverability of cumulative tax losses, which expire in 2023–2025, is uncertain due to surplus capacity/supply depressing paper prices in Romania. Based on the five-year business plan and taking into account the reversal of existing taxable temporary differences, Lei Sure Limited is not expected to generate taxable profits until 2024. However, if paper prices improve more quickly than forecast or new taxable temporary differences arise in the next financial year, then additional deferred tax assets and a related income tax benefit of up to €212 thousand could be recognised.

I. Uncertainty over income tax treatments

IAS 1.122, 12.88

From 2014 until 2017, the Group's Canadian subsidiary Maple-leaf Inc benefited from a tax ruling of the Canadian tax authorities allowing it to qualify for a reduced corporate tax rate. In 2018, there was a change in the Canadian government. The new government is currently investigating certain tax rulings granted in the past, which include the tax ruling applied by the Group. If the tax ruling applied in the past is retroactively revoked, then additional tax expenses for the period 2014–2017 of up to €53 thousand may be incurred. This amount has not been recognised in these consolidated financial statements because the Group believes that the tax ruling granted in the past was in compliance with the applicable law and, if revoked, the Group believes that it is probable that it would successfully defend the Group's tax treatment in court.

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.

J. Tax impact of the UK giving notice to withdraw from the EU

On 29 March 2017, the UK government invoked Article 50 of the *Treaty of Lisbon*, notifying the European Council of its intention to withdraw from the EU. There is an initial two-year timeframe for the UK and EU to reach an agreement on the withdrawal and the future UK and EU relationship, although this timeframe can be extended. At this stage, there is significant uncertainty about the withdrawal process, its timeframe and the outcome of the negotiations about the future arrangements between the UK and the EU. As a result, there is still significant uncertainty over the period for which the existing EU laws for member states will continue to apply to the UK and which laws will apply to the UK after an exit. Following the negotiations between the UK and the EU, the UK's tax status may change and this may impact the Group. However, at this stage the level of uncertainty is such that it is impossible to determine if, how and when that tax status will change.

The Group owns an associate in Germany for which it does not control the timing of the remittance of earnings. In accordance with the *EU Parent Subsidiary Directive*, no tax is payable on distributions within the EU and so no deferred tax is provided in respect of the Group's share of unremitted earnings of €150 thousand relating to the entity. If tax were to become payable on its distributions following a UK exit from the EU, then a deferred tax liability would be recognised.

Notes to the consolidated financial statements (continued)

Given the guidance in ASIC RG 230, it is suggested that this note as presented, should not be included in the notes to the financial statements

15. Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)[a]

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation, impairment losses/reversals related to goodwill, intangible assets, property, plant and equipment and the remeasurement of disposal groups, and share of profit of equity-accounted investees.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of adjusted EBITDA to profit from continuing operations

In thousands of euro	*Note*	2018	2017 Restated*
Profit from continuing operations		**7,498**	6,516
Income tax expense	*14*	**3,339**	2,517
Profit before tax		**10,837**	9,033
Adjustments for:			
– Net finance costs	*10*	**582**	1,171
– Depreciation	*21(A)*	**5,001**	5,122
– Amortisation	*22(A)*	**785**	795
– (Reversal of) impairment losses on property, plant and equipment	*21(B)*	**(393)**	1,123
– Impairment losses on goodwill	*22(C)*	**116**	-
– (Reversal of) impairment losses on intangible assets	*22(C)*	**(100)**	285
– Impairment loss on remeasurement of disposal group	*20(A)*	**35**	-
– Share of profit of equity-accounted investees, net of tax	*24*	**(1,141)**	(587)
Adjusted EBITDA		**15,722**	16,942

* See Notes 5, 7 and 44.

IAS 1.85–85B, BC38G, Insights 4.1.150

a. The Group has disclosed adjusted EBITDA because management believes that this measure is relevant to an understanding of the Group's financial performance. This disclosure is provided for illustrative purposes only.

If an entity presents additional subtotals in the statement of financial position or statement of profit or loss and OCI, then the subtotals:

– comprise line items made up of amounts recognised and measured in accordance with IFRS;

– are presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;

– are consistent from period to period;

– are displayed with no more prominence than other subtotals and totals presented in the statement of financial position or statement of profit or loss and OCI; and

– for the additional subtotals presented in the statement of profit or loss and OCI, are reconciled with the subtotals and totals required by IAS 1.

Notes to the consolidated financial statements (continued)

16. Biological assets

See accounting policies in Notes 8(D) and 45(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 2017		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	*9(A)*	(17)	22	5
IAS 41.51	– Due to physical changes	*9(A)*	15	8	23
IAS 41.50(f)	Effect of movements in exchange rates		68	45	113
IAS 41.50	**Balance at 31 December 2017**		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 2018		**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 2018**		**4,352**	**378**	**4,730**
	Non-current		**4,352**	**346**	**4,698**
	Current		**-**	**32**	**32**
			4,352	**378**	**4,730**

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

16. Biological assets (continued)

A. Reconciliation of carrying amount (continued)

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

At 31 December 2017, standing timber comprised approximately 3,310 hectares of pine tree plantations (2017: 3,230 hectares), which ranged from newly established plantations to plantations that were 30 years old. €282 thousand (2017: €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 2018, livestock comprised 1,875 cattle and 3,781 sheep (2017: 1,260 cattle and 3,314 sheep). During 2018, the Group sold 289 cattle and 286 sheep (2017: 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	2018	2017
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 the basis for making such distinctions.

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 16(A).

Notes to the consolidated financial statements (continued)

16. 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 (2018: €12.8–17.9, weighted average €16.25; 2017: €11.6–16.3, weighted average €15.15). – Estimated yields per hectare (2018: 6–10, weighted average 8; 2017: 5–10, weighted average 7.5). – Estimated harvest and transportation costs (2018: 6.4–8.3%, weighted average 7.5%; 2017: 6.3–7.8%, weighted average 6.7%). – Risk-adjusted discount rate (2018: 7.9–9.0%, weighted average 8.6%; 2017: 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 (2018: €0.8–1.1, weighted average €0.95; 2017: €0.8–1.2, weighted average €0.97). – Estimated costs of cultivation and preparation per hectare (2018: €0.2–0.4, weighted average €0.3; 2017: €0.3–0.4, weighted average €0.35). – Estimated costs of buying and planting young trees (2018: €1.0–1.3, weighted average €1.25; 2017: €1.1–1.3, weighted average €1.2). – Estimated future timber market prices per tonne (2018: €13.8–19.8, weighted average €17.05; 2017: €13.7–19.5, weighted average €16.6). – Estimated yields per hectare (2018: 6–11, weighted average 8.6; 2017: 7–11, weighted average 8.9). – Risk-adjusted discount rate (2018: 8.9–9.9%, weighted average 9.4%; 2017: 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.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

16. 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)

17. Inventories

See accounting policy in Notes 45(J) and 8(D).

	In thousands of euro	2018	2017
IAS 1.78(c), 2.36(b)	Raw materials and consumables	**7,415**	5,753
IAS 1.78(c), 2.36(b)	Work in progress	**-**	1,661
IAS 1.78(c), 2.36(b)	Finished goods	**4,200**	4,705
	Right to recover returned goods[a]	**533**	-
	Inventories	**12,148**	12,119
IAS 2.36(h)	Carrying amount of inventories pledged as security for liabilities	**1,650**	2,090

IAS 1.98(a), 2.36(d) In 2018, inventories of €54,019 thousand (2017: €53,258 thousand) were recognised as an expense during the year and included in 'cost of sales'.

IAS 2.36(e)–(g) During 2017, due to regulatory restrictions imposed on the manufacture of a new product in the Non-recycled Papers segment, the Group tested the related product line for impairment (see Note 22(C)(ii)) and wrote down the related inventories to their net realisable value, which resulted in a loss of €42 thousand. In 2018, following a change in estimates, €10 thousand of the write-down was reversed.

In addition, inventories have been reduced by €345 thousand (2017: €125 thousand) as a result of the write-down to net realisable value. This write-down was recognised as an expense during 2018.

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

In 2017, inventory work in progress related to made-to-order paper products. On adoption of IFRS 15, revenue and the associated costs for these contracts are recognised over time (see Note 8(D)).

On adoption of IFRS 15, an asset for a right to recover returned goods is recognised in relation to standard paper products sold with a right of return (see Note 8(D)).

IFRS 15.B21, BC367 a. IFRS 15 and other standards do not specify where assets for rights to recover products from customers with regards to sales with a right of return should be presented. The Group has included the assets in 'inventories' and disclosed them separately in the note.

Insights 3.8.400.70 b. 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)

18. Trade and other receivables

See accounting policies in Notes 45(O)(i)–(ii) and (R)(i). The effect of initially applying IFRS 15 and IFRS 9 is described in Note 5.

	In thousands of euro	Note	2018	2017
IAS 1.78(b)	Trade receivables due from related parties	*41(C)*	**1,236**	642
IAS 1.78(b)	Other trade receivables		**31,169**	21,843
			32,405	22,485

A. Transfer of trade receivables[a]

IFRS 7.14, 42D(a)–(c)

The Group sold with recourse trade receivables to a bank for cash proceeds. These 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 28(A)). The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank.

The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

The following information shows the carrying amount of trade receivables at the reporting date that have been transferred but have not been derecognised and the associated liabilities.

	In thousands of euro	2018	2017
IFRS 7.42D(e)	Carrying amount of trade receivables transferred to a bank	**587**	1,000
	Carrying amount of associated liabilities	**598**	985

B. Credit and market risks, and impairment losses

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 32(C).

Insights 2.3.70

a. There is no specific guidance in IFRS on the classification of cash flows from factoring arrangements – e.g. whether the entity should classify the cash inflows from the factor as operating or financing in the statement of cash flows. The primary consideration for the classification of cash flows is the nature of the activity to which they relate and judgement may be needed to apply this to factoring arrangements.

Considering that the customers remit cash directly to the Group, the Group has presented a financing cash inflow for the proceeds received from the bank, followed by an operating cash inflow for the proceeds received from the customer and a financing cash outflow for the settlement of amounts due to the bank.

Notes to the consolidated financial statements (continued)

19. Cash and cash equivalents

See accounting policies in Notes 45(O)(i)–(ii) and (R)(i).

IAS 7.45

In thousands of euro	2018	2017
Bank balances	**50**	988
Call deposits	**1,454**	862
Cash and cash equivalents in the statement of financial position	**1,504**	1,850
Bank overdrafts repayable on demand and used for cash management purposes	**(334)**	(282)
Cash and cash equivalents in the statement of cash flows	**1,170**	1,568

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

20. Disposal group held for sale[a]

See accounting policy in Note 45(N).

IFRS 5.41(a)–(b), 41(d)

In June 2018, management committed to a plan to sell part of a manufacturing facility within the Non-recycled 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 2019.

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 9(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 2018, 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(a)–(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]

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. If it did, then additional disclosures applicable to the discontinued operation would be 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), Insights 2.4.530

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.

Notes to the consolidated financial statements (continued)

20. Disposal group held for sale (continued)

D. Measurement of fair values (continued)

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 (7.7%).

Notes to the consolidated financial statements (continued)

21. Property, plant and equipment

See accounting policies in Notes 45(K), (R)(ii) and (T)(ii).

A. Reconciliation of carrying amount[a]

	In thousands of euro	***Note***	**Land and buildings**	**Plant and equipment**	**Fixtures and fittings**	**Under construction**	**Total**
	Cost						
IAS 16.73(d)	Balance at 1 January 2017		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 2017**		7,521	30,284	6,135	-	43,940
IAS 16.73(d)	Balance at 1 January 2018		**7,521**	**30,284**	**6,135**	**-**	**43,940**
IAS 16.73(e)(iii)	Acquisitions through business combinations	*34(C)*	**185**	**1,580**	**190**	**-**	**1,955**
IAS 16.73(e)(i)	Additions		**1,750**	**9,544**	**657**	**4,100**	**16,051**
IAS 16.73(e)(ix)	Reclassification to investment property – depreciation offset	*(F)*	**(300)**	**-**	**-**	**-**	**(300)**
IAS 16.73(e)(ix)	Revaluation of building reclassified to investment property	*(F)*	**200**	**-**	**-**	**-**	**200**
IAS 16.73(e)(ix)	Reclassification to investment property	*(F)*	**(800)**	**-**	**-**	**-**	**(800)**
IAS 16.73(e)(ii)	Reclassification to assets held for sale	*20(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 2018**		**8,556**	**20,305**	**4,932**	**4,100**	**37,893**

IAS 16.73(d)–(e) a. Although IAS 16 *Property, Plant and Equipment* only requires 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)

21. 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 2017		693	5,557	939	-	7,189
IAS 16.73(e)(vii)	Depreciation	*9(C)*	123	4,240	759	-	5,122
IAS 16.73(e)(v)	Impairment loss	*(B), 9(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 2017**		816	10,318	1,757	-	12,891
IAS 16.73(d)	Balance at 1 January 2018		**816**	**10,318**	**1,757**	**-**	**12,891**
IAS 16.73(e)(vii)	Depreciation	*9(C)*	**120**	**4,140**	**741**	**-**	**5,001**
IAS 16.73(e)(vi)	Reversal of impairment loss	*(B), 9(C)*	**-**	**(393)**	**-**	**-**	**(393)**
IAS 16.73(e)(ix)	Reclassification to investment property – depreciation offset	*(F)*	**(300)**	**-**	**-**	**-**	**(300)**
IAS 16.73(e)(ii)	Reclassification to assets held for sale	*20(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 2018**		**636**	**9,262**	**1,409**	**-**	**11,307**
IAS 1.78(a), 16.73(e)	**Carrying amounts**						
	At 1 January 2017		6,635	23,952	4,350	-	34,937
	At 31 December 2017		6,705	19,966	4,378	-	31,049
	At 31 December 2018		**7,920**	**11,043**	**3,523**	**4,100**	**26,586**

B. Impairment loss and subsequent reversal

IAS 36.126(a)–(b)

During 2017, due to regulatory restrictions imposed on the manufacture of a new product in the Non-recycled 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 2018, €393 thousand of the loss was reversed. Further information about the impairment loss and subsequent reversal is included in Note 22(C)(ii).

C. Leased plant and equipment

IAS 17.31(a), 31(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 28(E)). The leased equipment secures lease obligations. At 31 December 2018, the net carrying amount of leased equipment was €1,646 thousand (2017: €1,972 thousand).

IAS 7.43

During 2018, the Group acquired equipment with a carrying amount of €200 thousand (2017: €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 2018, properties with a carrying amount of €5,000 thousand (2017: €4,700 thousand) were subject to a registered debenture that forms security for bank loans (see Note 28(A)).

Notes to the consolidated financial statements (continued)

21. Property, plant and equipment (continued)

E. Property, plant and equipment under construction

IAS 16.74(b)

During 2018, 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 2018 totalled €1,000 thousand (2017: 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 2018, a building was transferred to investment property (see Note 23(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 the 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 23(B)(ii)).

G. Change in estimates

IAS 8.39, 16.76

During 2018, 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 five 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	**2018**	**2019**	**2020**	**2021**	**2022**	**Later**
(Decrease) increase in depreciation expense	**(256)**	(113)	150	150	130	170

H. Change in classification

IAS 1.41(a)–(c)

During 2018, 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 reclassified for consistency. As a result, €120 thousand was reclassified from 'administrative expenses' to 'selling and distribution expenses'.

I. Temporarily idle property, plant and equipment

IAS 16.79

At 31 December 2018, plant and equipment with a carrying amount of €503 thousand were temporarily idle, but the Group plans to operate the assets in 2019.

Notes to the consolidated financial statements (continued)

22. Intangible assets and goodwill

See accounting policies in Notes 45(L) and (R)(ii).

A. Reconciliation of carrying amount[a]

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 2017		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 2017**		3,545	1,093	4,551	-	9,189
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2018		**3,545**	**1,093**	**4,551**	**-**	**9,189**
IFRS 3.B67(d)(ii), IAS 38.118(e)(i)	Acquisitions through business combinations	*34(C)–(D)*	**541**	**170**	**-**	**80**	**791**
IAS 38.118(e)(i)	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 2018**		**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 2017		138	552	2,801	-	3,491
IAS 38.118(e)(vi)	Amortisation	*(B), 9(C)*	-	118	677	-	795
IAS 38.118(e)(iv)	Impairment loss	*(C), 9(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 2017**		138	639	3,751	-	4,528
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2018		**138**	**639**	**3,751**	**-**	**4,528**
IAS 38.118(e)(vi)	Amortisation	*(B), 9(C)*	**-**	**129**	**646**	**10**	**785**
IFRS 3.B67(d)(v), IAS 38.118(e)(iv)	Impairment loss	*(C), 9(C)*	**116**	**-**	**-**	**-**	**116**
IAS 38.118(e)(v)	Reversal of impairment loss	*(C), 9(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 2018**		**254**	**829**	**4,314**	**10**	**5,407**
	Carrying amounts						
IAS 38.118(c)	At 1 January 2017		3,407	712	1,310	-	5,429
IAS 38.118(c)	**At 31 December 2017**		3,407	454	800	-	4,661
IAS 38.118(c)	**At 31 December 2018**		**3,832**	**620**	**1,704**	**70**	**6,226**

IAS 38.118(c), (e) a. Although IAS 38 *Intangible Assets* only requires 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 amortisation. These additional reconciliations are not required and a different format may be used.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

22. Intangible assets and goodwill (continued)

IAS 38.118(d)

B. Amortisation

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 Non-recycled Papers segment and the goodwill in the Timber Products CGU as follows.

In thousands of euro	**Note**	**2018**	**2017**
Non-recycled Papers (*IAS 36.130(d)(ii)*)			
Plant and equipment and development costs	*(ii)*	**(493)**	1,408

IAS 36.126(a)–(b)

The impairment loss and subsequent reversal in relation to the Non-recycled Papers segment were included in 'cost of sales'.[a]

In thousands of euro	**Note**	**2018**	**2017**
Timber Products (*IAS 36.130(d)(ii)*)			
Goodwill	*(iii)*	**116**	-

IAS 36.126(a)–(b)

The impairment loss on goodwill in the Timber Products CGU was included in 'other expenses'.[a]

i. Recoverability of development costs[b]

IAS 36.132

Included in the carrying amount of development costs at 31 December 2018 is an amount of €400 thousand related to a development project for a new process in one of the Group's factories in the Non-recycled 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 regulatory approval would be passed by July 2019 and using a pre-tax discount rate of 12% and a terminal value growth rate of 2% from 2023. 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 2020. This further delay would result in an impairment of approximately €100 thousand in the carrying amount of the factory.

IAS 36.126, Insights 3.10.410.20

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)

22. Intangible assets and goodwill (continued)

C. Impairment test (continued)

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

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

During 2017, a regulatory inspection revealed that a new product in the Non-recycled 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 2018; 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 2017. The recoverable amount was estimated based on its value in use, assuming that the production line would go live in August 2019.

In 2018, 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% (2017: 9.8%) and a terminal value growth rate of 3% from 2023 (2017: 3% from 2022).[a]

In thousands of euro	*Note*	2018	2017
Plant and equipment	*21(B)*	**(393)**	1,123
Development costs		**(100)**	285
(Reversal of) impairment loss		**(493)**	1,408

IAS 36.130(e)

At 31 December 2018, the recoverable amount of the CGU was as follows.

In thousands of euro	2018	2017
Recoverable amount	**1,576**	1,083

iii. Impairment testing for CGUs containing goodwill[b]

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	2018	2017
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

IAS 36.132, 134 a. 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.

IAS 36.134 b. Separate disclosures are required for each CGU (or group of CGUs) 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.

Introduction Australian content Primary statements NOTES Appendices

Notes to the consolidated financial statements (continued)

22. Intangible assets and goodwill (continued)

C. Impairment test (continued)

iii. Impairment testing for CGUs containing goodwill (continued)

European Paper manufacturing and distribution

IAS 36.134(c), 134(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[a] 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.

	In percent	2018	2017
IAS 36.134(f)(ii)			
IAS 36.134(e)(v)	Discount rate	**8.7**	8.5
IAS 36.134(e)(iv)	Terminal value growth rate	**1.0**	0.9
IAS 36.134(e)(i), 134(f)(ii)	Budgeted EBITDA growth rate (average of next five years)	**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(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 2019 were reflected in the budgeted EBITDA.

IAS 36.134(f)(i) The estimated recoverable amount of the CGU exceeded its carrying amount by approximately €300 thousand (2017: €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	2018	2017
IAS 36.134(f)(iii)	Discount rate	**1.6**	1.3
IAS 36.134(f)(iii)	Budgeted EBITDA growth rate	**(4.4)**	(3.6)

IAS 36.134(d)(ii), (iv)–(v), 134(e)((ii), (iv)–(v), 134(f), IE89

a. 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, having regard to the requirement for an entity to disclose a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information. An entity also discloses additional quantitative information if a reasonably possible change in key assumptions would result in an impairment.

Notes to the consolidated financial statements (continued)

22. Intangible assets and goodwill (continued)

C. Impairment test (continued)

iii. Impairment testing for CGUs containing goodwill (continued)

Timber Products

IAS 1.125, 36.134(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 during 2018 (2017: nil) was recognised. The impairment loss was fully allocated to goodwill and included in 'other expenses'.

IAS 36.134(d)(i)

The key assumptions used in the estimation of value in use were as follows.[a]

	In percent	**2018**	2017
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), 134(f)(ii)	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[b] 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 36.134(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 gross domestic product (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.

IAS 36.134(f)

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 (2017: €12 thousand) that represents borrowing costs capitalised during the year using a capitalisation rate of 5.1% (2017: 5.4%).

IAS 36.134(d)(ii), (iv)–(v), 134(e)(ii), (iv)–(v), 134(f), IE89

a. IAS 36 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, having regard to the requirement for an entity to disclose a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information. An entity also discloses additional quantitative information if a reasonably possible change in key assumptions would result in an impairment.

IAS 36.50(b), 55, A20, Insights 3.10.840.10–20

b. 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.

Whichever rate is used (pre- or post-tax), the pre-tax discount rate needs to be disclosed. When value in use is determined using post-tax cash flows and a post-tax discount rate, the pre-tax discount rate needs to be calculated to comply with the disclosure requirements.

Notes to the consolidated financial statements (continued)

23. Investment property[a]

See accounting policy in Note 45(M).

A. Reconciliation of carrying amount

	In thousands of euro	*Note*	2018	2017
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	*21(F)*	**800**	-
IAS 40.76(d), IFRS 13.93(e)(i), 93(f)	Change in fair value	*9(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 38(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), 93(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 (2018: 2–3%, weighted average 2.6%; 2017: 2–3%, weighted average 2.5%). – Void periods (2018 and 2017: average 6 months after the end of each lease). – Occupancy rate (2018: 90–95%, weighted average 92.5%; 2017: 91–95%, weighted average 92.8%). – Rent-free periods (2018 and 2017: 1-year period on new leases). – Risk-adjusted discount rates (2018: 5–6.3%, weighted average 5.8%; 2017: 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 *Investment Property* 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 it may be appropriate to disclose additional analysis – e.g. portfolio by types of investment property.

Notes to the consolidated financial statements (continued)

24. Equity-accounted investees[a, b]

See accounting policies in Notes 45(A)(v)–(vi) and (R)(i).

In thousands of euro	*Note*	2018	2017
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), 21(b)(iii)

Paletel AG (Paletel) is a joint venture in which the Group has joint control and a 40% ownership interest. 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

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	2018	2017
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 – 2018: €200 thousand, 2017: €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 – 2018: €1,211 thousand, 2017: €986 thousand)	**(1,716)**	(1,320)
IFRS 12.B12(b)(iii), B13(b)	Current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2018: €422 thousand, 2017: €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 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 *Disclosure 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. For example, required financial information may be disclosed in aggregate for all individually immaterial associates.

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.

Notes to the consolidated financial statements (continued)

24. Equity-accounted investees (continued)

B. Associates

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

On 31 March 2018, the Group's equity interest in its material associate, Papyrus, increased from 25 to 90% and Papyrus became a subsidiary from that date (see Note 34). Papyrus is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp in Kentucky, United States. 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 2017 presented in the table includes the results of Papyrus for the period from 1 January to 31 December 2017. The information for 2018 includes the results of Papyrus only for the period from 1 January to 31 March 2018, because Papyrus became a subsidiary on 31 March 2018.

	In thousands of euro	2018	2017
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 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 meaningful 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	2018	2017
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 (2017: nil) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

During 2018, the Group repaid a loan of €1,000 thousand received from one of its associates (see Notes 28 and 41(C)).

Notes to the consolidated financial statements (continued)

25. Other investments, including derivatives

See accounting policies in Notes 45(O) and (R)(i).

The effect of initially applying IFRS 9 in the Group's financial instruments is described in Note 5. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements.

	In thousands of euro	**2018**	**2017**
	Non-current investments		
IFRS 7S.8(b)	Corporate debt securities – held-to-maturity	**-**	2,256
IFRS 7.8(f)	Corporate debt securities – at amortised cost	**2,421**	-
IFRS 7S.8(d)	Corporate debt securities – available-for-sale	**-**	373
IFRS 7.8(h)	Corporate debt securities – at FVOCI	**118**	-
IFRS 7S.8(d)	Equity securities – available-for-sale	**-**	511
IFRS 7.8(h)	Equity securities – at FVOCI	**710**	-
IFRS 7.8(a)	Equity securities – mandatorily at FVTPL	**251**	-
IFRS 7S.8(a)	Equity securities – designated at FVTPL	**-**	254
IFRS 7.22B(a), 7S.22(b)	Interest rate swaps used for hedging	**116**	131
		3,616	3,525
	Current investments		
IFRS 7.8(a), 7S.8(a)	Sovereign debt securities – mandatorily at FVTPL	**243**	591
IFRS 7.22B(a), 7S.22(b)	Forward exchange contracts used for hedging	**297**	352
	Other forward exchange contracts	**122**	89
		662	1,032

IFRS 7.7, 7S.7

Corporate debt securities classified as at amortised cost (2017: held-to-maturity) have interest rates of 6.3 to 7.8% (2017: 7.5 to 8.3%) and mature in two to five years. Corporate debt securities at FVOCI (2017: available-for-sale) have stated interest rates of 5.2 to 7.0% (2017: 6.5 to 8.0%) and mature in two to three years.

Sovereign debt securities at FVTPL have stated interest rates of 3.5 to 4.0% (2017: 3.2 to 3.8%) and are held for trading.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in Note 32(C).

Equity securities designated as at FVOCI[a]

IFRS 7.11A

At 1 January 2018, the Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. In 2017, these investments were classified as available-for-sale – see Note 5.

In thousands of euro	**Fair value at 31 December 2018**	**Dividend income recognised during 2018**
Investment in MSE Limited	**243**	**10**
Investment in DEF Limited	**467**	**16**
	710	**26**

IFRS 7.11A(e)

No strategic investments were disposed of during 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Insights 7.10.230.25 **a.** When disclosing which investments in equity instruments have been designated as at FVOCI, it appears that an entity should apply judgement in determining what disclosures would provide the most useful information for financial statement users. We believe that in most cases, disclosing the names of individual investees would be appropriate – e.g. if an entity has a small number of individually significant investments, particularly if this disclosure enables users to access additional information about those investees from other sources. However, in some cases disclosure at a higher level of aggregation and disclosures other than the names of investees may provide more useful information. For example, if an entity has a large number of individually insignificant investments in a few industries, then disclosure by industry may be appropriate. Similarly, if an entity holds investments for which no public information is available, then disclosure about the nature and purpose of those investments may be relevant.

Introduction | Australian content | Primary statements | NOTES | Appendices

Notes to the consolidated financial statements (continued)

26. Capital and reserves[a]

See accounting policies in Notes 45(B)(i)–(ii), (E)(iv), (K)(iv), (O)(ii), (O)(iv)–(v), (P) and (Q).

A. Share capital and share premium

IAS 1.79(a)(iv)

	Ordinary shares		Non-redeemable preference shares	
In thousands of shares	**2018**	2017	**2018**	2017
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	**3,243**	3,100	**1,750**	1,750
Authorised – par value €3	**10,000**	10,000	**2,000**	2,000

IAS 1.79(a)(ii); IAS 1.79(a)(i), 79(a)(iii)

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 2018, the general meeting of shareholders approved the issue of 130,000 ordinary shares at an exercise price of €11.92 per share (2017: nil).

Additionally, 5,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2013 share option programme granted to key management personnel (2017: nil) (see Note 12). Options were exercised at an average price of €10 per share.

IAS 7.43 During the year ended 31 December 2018, 8,000 ordinary shares were also issued as a result of the acquisition of Papyrus (see Note 34(A)) (2017: 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 45(O)(v)).

a. Refer to Australia content: Note 26 Capital and reserves for additional Australia specific disclosures.

Notes to the consolidated financial statements (continued)

26. Capital and reserves (continued)

B. Nature and purpose of reserves (continued)

IAS 1.79(b)

ii. Hedging reserve

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 or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

IAS 1.79(b)

iii. Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in OCI and accounted for similarly to gains or losses in the hedging reserve.

iv. Fair value reserve

IAS 1.79(b)

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI (2017: available-for-sale financial assets); and
- the cumulative net change in fair value of debt securities at FVOCI (2017: available-for-sale financial assets) until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

v. 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.

vi. 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 2018 (see Note 28(C)).

vii. 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 2018, the Group held 48,000 of the Company's shares (2017: 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	2018	2017
25.97 cents per qualifying ordinary share (2017: 4.28 cents)	**805**	133
25.03 cents per non-redeemable preference share (2017: 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	2018	2017
27.92 cents per qualifying ordinary share (2017: 25.97 cents)	**892**	805
25.03 cents per non-redeemable preference share (2017: 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 or the statement of changes in equity.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

26. Capital and reserves (continued)

IAS 1.106(d)(ii), 106A

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

	In thousands of euro	Cost of hedging reserve
	2018	
IAS 16.77(f)	Revaluation of property, plant and equipment	**-**
	Remeasurements of defined benefit liability/asset	**-**
IFRS 7.20(a)(vii)	Equity investments at FVOCI – net change in fair value	**-**
IAS 21.52(b)	Foreign operations – foreign currency translation differences	**-**
IAS 21.52(b)	Reclassification of foreign currency differences on loss of significant influence	**-**
IAS 21.52(b)	Net investment hedge – net loss	**-**
IFRS 7.23(c)	Cash flow hedges – effective portion of changes in fair value	**-**
IFRS 7.23(d)	Cash flow hedges – reclassified to profit or loss	**-**
	Cost of hedging reserve – changes in fair value	**23**
	Cost of hedging reserve – reclassified to profit or loss	**4**
IFRS 7.20(a)(viii)	Debt investments at FVOCI – net change in fair value	**-**
IFRS 7.20(a)(viii)	Debt investments at FVOCI – reclassified to profit or loss	**-**
	Equity-accounted investees – share of OCI	**-**
	Total	**27**
	2017 (restated*)	
	Remeasurements of defined benefit liability/asset	-
IAS 21.52(b)	Foreign operations – foreign currency translation differences	-
IAS 21.52(b)	Net investment hedge – net loss	-
IFRS 7.23(c)	Cash flow hedges – effective portion of changes in fair value	-
IFRS 7.23(d)	Cash flow hedges – reclassified to profit or loss	-
	Cost of hedging reserve – changes in fair value	7
	Cost of hedging reserve – reclassified to profit or loss	2
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value	-
	Equity-accounted investees – share of OCI	-
	Total	9

* See Note 5.

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**
-	**-**	**-**	**134**	**-**	**134**	**-**	**134**
-	**-**	**-**	**-**	**49**	**49**	**-**	**49**
-	**-**	**94**	**-**	**-**	**94**	**-**	**94**
653	**-**	**-**	**-**	**-**	**653**	**27**	**680**
(20)	**-**	**-**	**-**	**-**	**(20)**	**-**	**(20)**
(3)	**-**	**-**	**-**	**-**	**(3)**	**-**	**(3)**
-	**(41)**	**-**	**-**	**-**	**(41)**	**-**	**(41)**
-	**(21)**	**-**	**-**	**-**	**(21)**	**-**	**(21)**
-	**-**	**-**	**-**	**-**	**23**	**-**	**23**
-	**-**	**-**	**-**	**-**	**4**	**-**	**4**
-	**-**	**36**	**-**	**-**	**36**	**-**	**36**
-	**-**	**(43)**	**-**	**-**	**(43)**	**-**	**(43)**
(172)	**-**	**-**	**-**	**13**	**(159)**	**-**	**(159)**
458	**(62)**	**87**	**134**	**62**	**706**	**27**	**733**
-	-	-	-	(10)	(10)	-	(10)
449	-	-	-	-	449	22	471
(8)	-	-	-	-	(8)	-	(8)
-	64	-	-	-	64	-	64
-	(8)	-	-	-	(8)	-	(8)
-	-	-	-	-	7	-	7
-	-	-	-	-	2	-	2
-	-	79	-	-	79	-	79
(166)	-	-	-	(3)	(169)	-	(169)
275	56	79	-	(13)	406	22	428

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.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

27. 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 borrowing 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 2018 the return was 29.9% (2017: 24.3%). The weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.8% (2017: 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 12(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 'net debt' to 'adjusted equity'. Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging and cost of hedging reserves.[a]

The Group's policy is to keep the ratio below 2.00. The Group's net debt to adjusted equity ratio at 31 December 2018 was as follows.

In thousands of euro	**2018**	**2017 Restated***
Total liabilities	**65,071**	52,741
Less: cash and cash equivalents	**(1,504)**	(1,850)
Net debt	**63,567**	50,891
Total equity	**45,558**	34,275
Less: hedging reserve	**(432)**	(490)
Less: cost of hedging reserve	**(5)**	26
Adjusted equity	**45,121**	33,811
Net debt to adjusted equity ratio	**1.41**	1.51

* See Notes 5 and 44.

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 'net debt' and 'adjusted equity' because they are relevant to understanding how it manages capital and are not defined in IFRS. It has also provided the reconciliations between these measures and items presented in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

IFRS 7.8(g), 7S.8(f)

28. Loans and borrowings

See accounting policies in Notes 45(B)(i)–(ii), (O)(i), (O)(iii), (R)(ii), (S) and (T).

IAS 1.77

In thousands of euro	*Note*	2018	2017
Non-current liabilities			
Secured bank loans		**7,554**	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
		21,920	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	*41(C)*	**-**	1,000
		4,988	5,546

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 32(C).

IFRS 7.7, 7S.7

A. Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.

IFRS 7.42D(e), 7S.42D(e)

				31 December 2018		31 December 2017	
In thousands of euro	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured bank loan (see Note 18(A))	EUR	3.60–3.90%	2018–19	**600**	**598**	1,000	985
Secured bank loan	CHF	3.90%	2022	**1,240**	**1,240**	1,257	1,257
Secured bank loan	USD	4.70%	2020–23	**1,447**	**1,447**	1,521	1,521
Secured bank loan	EUR	4.50%	2020–23	**3,460**	**3,460**	3,460	3,460
Secured bank loan	GBP	LIBOR+1%	2018–20	**1,864**	**1,864**	4,855	4,855
Unsecured bank loan	EUR	3.80%	2019	**510**	**503**	-	-
Unsecured bank loan	EUR	5.50%	2018	**-**	**-**	117	117
Unsecured bond issues	EUR	LIBOR+0.5%	2022	**1,023**	**1,023**	1,023	1,023
Unsecured bond issues	EUR	LIBOR+1%	2023	**5,113**	**5,113**	5,113	5,113
Unsecured bond issues	EUR	LIBOR	2019	**3,064**	**3,064**	3,064	3,064
Loan from associate	EUR	4.80%	2018	**-**	**-**	1,000	1,000
Convertible notes	EUR	3.00%	2021	**5,000**	**4,678**	-	-
Redeemable preference shares	EUR	4.40%	2024	**2,000**	**1,990**	-	-
Finance lease liabilities	EUR	6.5–7.0%	2018–32	**2,663**	**1,928**	3,186	2,182
Total interest-bearing liabilities				**27,984**	**26,908**	25,596	24,577

IFRS 7.7, 14, 7S.7, 14, IAS 16.74(a)

The secured bank loans are secured over land and buildings, inventories and trade receivables with a carrying amount of €5,000 thousand (2017: €4,700 thousand) (see Note 21(D)), €1,650 thousand (2017: €2,090 thousand) (see Note 17) and €600 thousand (2017: €1,000 thousand) (see Note 18(A)) respectively.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

28. Loans and borrowings (continued)

B. Breach of loan covenant

IFRS 7.18–19

The Group has a secured bank loan with a carrying amount of €3,460 thousand at 31 December 2018 (2017: €3,460 thousand). This loan is repayable in tranches within 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, otherwise the loan will be repayable on demand.

The Group exceeded its maximum leverage threshold in the third quarter of 2018 and the threshold was still exceeded as at 31 December 2018. However, management obtained a waiver from the bank in October 2018, which extended until March 2020. Accordingly, the loan was not payable on demand at 31 December 2018 (see Note 37).[a]

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 2018		**4,678**

These notes were issued on 29 May 2018. They are convertible into 250,000 ordinary shares in May 2021 at the option of the holder. Any unconverted notes become payable on demand.

D. Redeemable preference shares

In thousands of euro	
Proceeds from issue of redeemable preference shares	**2,000**
Transaction costs	**(61)**
Accrued dividend	**51**
Carrying amount at 31 December 2018	**1,990**

During 2018, 1,000,000 redeemable preference shares were issued as fully paid with a par value of €2 per share (2017: nil). The redeemable preference shares are mandatorily redeemable at par on 31 May 2024 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.

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	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
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), 31(e)(i)–(ii)

Certain leases provide for additional payments that are contingent on changes in future price indices. Contingent rents included in profit or loss amounted to €17 thousand (2017: €15 thousand).

Insights 3.1.40.130

a. In some circumstances, an entity may – before the reporting date – obtain from a lender an agreement to amend a lending arrangement. Such amendments may defer the date as at which information is assessed for testing covenant compliance from a date at or before the reporting date to a later date. We believe that in these situations whether the entity would have breached the related covenant had the agreement not been amended does not affect the classification of the liability at the reporting date.

Notes to the consolidated financial statements (continued)

28. 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 2017, 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.

SIC-27.10(b)

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%).

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

28. Loans and borrowings (continued)

F. Reconciliation of movements of liabilities to cash flows arising from financing activities[a]

IAS 7.44A–E

		Liabilities		
In thousands of euro	*Note*	Bank overdrafts used for cash management purposes	Other loans and borrowings	Convertible notes
Restated balance at 1 January 2018 (*IAS 7.44B(a)*)		**282**	**22,395**	-
Changes from financing cash flows				
Proceeds from issue of share capital	*26(A)*	-	-	-
Proceeds from issue of convertible notes	*28(C)*	-	-	**4,837**
Proceeds from issue of redeemable preference shares	*28(D)*	-	-	-
Proceeds from loans and borrowings		-	**591**	-
Proceeds from sale of treasury shares		-	-	-
Proceeds from exercise of share options	*26(A)*	-	-	-
Proceeds from settlement of derivatives		-	-	-
Transaction costs related to loans and borrowings	*28(C)–(D)*	-	-	**(250)**
Acquisition of NCI	*36*	-	-	-
Repayment of borrowings		-	**(5,055)**	-
Payment of finance lease liabilities		-	-	-
Dividend paid	*26(C)*	-	-	-
Total changes from financing cash flows (*IAS 7.44B(b)*)		-	**(4,464)**	**4,587**
Changes arising from obtaining or losing control of subsidiaries or other businesses (*IAS 7.44B(c)*)		-	**500**	-
The effect of changes in foreign exchange rates (*IAS 7.44B(d)*)		-	**(122)**	-
Changes in fair value (*IAS 7.44B(e)*)		-	-	-
Other changes				
Liability-related				
Change in bank overdraft	*19*	**52**	-	-
New finance leases	*21(C)*	-	-	-
Capitalised borrowing costs	*21(E), 22(D)*	-	**231**	-
Interest expense	*10*	-	**1,061**	**91**
Interest paid		-	**(1,289)**	-
Total liability-related other changes		**52**	**3**	**91**
Total equity-related other changes		-	-	-
Balance at 31 December 2018		**334**	**18,312**	**4,678**

Liabilities		Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity				
Redeemable preference shares	Finance lease liabilities	Interest rate swap and forward exchange contracts used for hedging – assets	Interest rate swap and forward exchange contracts used for hedging – liabilities	Share capital/premium	Reserves	Retained earnings	NCI	Total
-	2,182	(205)	8	18,050	439	13,795	3,093	60,039
-	-	-	-	1,550	-	-	-	1,550
-	-	-	-	-	163	-	-	5,000
2,000	-	-	-	-	-	-	-	2,000
-	-	-	-	-	-	-	-	591
-	-	-	-	19	11	-	-	30
-	-	-	-	50	-	-	-	50
-	-	4	1	-	-	-	-	5
(61)	-	-	-	-	-	-	-	(311)
-	-	-	-	-	8	(93)	(115)	(200)
-	-	-	-	-	-	-	-	(5,055)
-	(454)	-	-	-	-	-	-	(454)
-	-	-	-	-	-	(1,243)	-	(1,243)
1,939	(454)	4	1	1,619	182	(1,336)	(115)	1,963
-	-	-	-	87	-	120	-	707
-	-	-	-	-	-	-	-	(122)
-	-	24	16	-	-	-	-	40
-	-	-	-	-	-	-	-	52
-	200	-	-	-	-	-	-	200
-	-	-	-	-	-	-	-	231
51	210	-	-	-	-	-	-	1,413
-	(210)	-	-	-	-	-	-	(1,499)
51	200	-	-	-	-	-	-	397
-	-	-	-	-	598	8,177	849	9,624
1,990	1,928	(177)	24	19,756	1,219	20,756	3,827	72,647

IAS 7.44D–E, 60

a. This example illustrates one possible format to meet the disclosure requirement in paragraphs 44A–E of IAS 7 by providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. Other presentation formats are possible. Although the amendments only require disclosure of a reconciliation of changes in liabilities arising from financing activities, the Group has elected to expand the disclosure to cover changes in bank overdrafts used for cash-management purposes and changes in equity balances arising from financing activities as well. If an entity provides the disclosures required by paragraph 44A of IAS 7 in combination with disclosures of changes in other assets and liabilities, then it discloses the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

28. Loans and borrowings (continued)

IAS 7.44A–E

F. Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

			Liabilities	
In thousands of euro	***Note***	**Bank overdrafts used for cash management purposes**	**Other loans and borrowings**	**Convertible notes**
Restated balance at 1 January 2017		303	20,409	-
Changes from financing cash flows (IAS 7.44B(a))				
Proceeds from loans and borrowings		-	4,439	-
Proceeds from sale of treasury shares		-	-	-
Proceeds from settlement of derivatives		-	-	-
Repayment of borrowings		-	(2,445)	-
Payment of finance lease liabilities		-	-	-
Dividend paid	*26(C)*	-	-	-
Total changes from financing cash flows		-	1,994	-
The effect of changes in foreign exchange rates (IAS 7.44B(c))		-	(30)	-
Changes in fair value (IAS 7.44B(d))		-	-	-
Other changes (IAS 7.44B(e))				
Liability-related				
Change in bank overdraft	*19*	(21)	-	-
New finance leases	*21(C)*	-	-	-
Capitalised borrowing costs	*22(D)*	-	12	-
Interest expense	*10*	-	1,061	-
Interest paid		-	(1,051)	-
Total liability-related other changes		(21)	22	-
Total equity-related other changes		-	-	-
Balance at 31 December 2017		282	22,395	-

Liabilities		Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity				
Redeemable preference shares	**Finance lease liabilities**	**Interest rate swap and forward exchange contracts used for hedging – assets**	**Interest rate swap and forward exchange contracts used for hedging – liabilities**	**Share capital/premium**	**Reserves**	**Retained earnings**	**NCI**	**Total**
-	2,592	(204)	1	18,050	297	7,372	2,635	51,455
-	-	-	-	-	-	-	-	4,439
-	-	-	-	-	(280)	-	-	(280)
-	-	8	3	-	-	-	-	11
-	-	-	-	-	-	-	-	(2,445)
-	(590)	-	-	-	-	-	-	(590)
-	-	-	-	-	-	(571)	-	(571)
-	(590)	8	3	-	(280)	(571)	-	564
-	-	-	-	-	-	-	-	(30)
-	-	(9)	4	-	-	-	-	(5)
-	-	-	-	-	-	-	-	(21)
-	180	-	-	-	-	-	-	180
-	-	-	-	-	-	-	-	12
-	238	-	-	-	-	-	-	1,299
-	(238)	-	-	-	-	-	-	(1,289)
-	180	-	-	-	-	-	-	181
-	-	-	-	-	419	5,964	389	6,772
-	2,182	(205)	8	18,050	436	12,765	3,024	58,937

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

29. Trade and other payables

See accounting policies in Notes 45(O)(iii) and (O)(iv).

IFRS 7.8(g), 7S.8(f)

In thousands of euro	*Note*	2018	2017 Restated*
Trade payables due to related parties	*41*	**174**	351
Other trade payables		**22,059**	20,039
Accrued expenses		**312**	487
Trade payables		**22,545**	20,877
Forward exchange contracts used for hedging	*32(C)–(D)*	**8**	7
Interest rate swaps used for hedging	*32(C)–(D)*	**20**	5
Contingent consideration	*34(A)(iii)*	**270**	-
Refund liabilities	*8(D)*	**988**	883
Other payables		**1,286**	895
		23,831	21,772
Non-current		**290**	5
Current		**23,541**	21,767
		23,831	21,772

* See Note 44.

Information about the Group's exposure to currency and liquidity risks is included in Note 32(C).

Notes to the consolidated financial statements (continued)

30. Deferred income

See accounting policies in Notes 8(D) and 45(F). The effect of initially applying IFRS 15 is described in Note 5.

IAS 11.40(b)

In thousands of euro	*Note*	2018	2017
Government grants[a]	(A)	**1,424**	1,462
Customer advances*	8(C)	**-**	130
Customer loyalty points*	8(C)	**-**	38
		1,424	1,630
Non-current		**1,424**	1,462
Current		**-**	168
		1,424	1,630

* Following the initial application of IFRS 15, customer advances and customer loyalty points are classified within contract liabilities; see Note 8.

A. Government grants

IAS 20.39(b)–(c)

The Group has been awarded two government grants. One of the grants, received in 2017, 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 2018 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 2018, was unconditional, amounted to €200 thousand and related to pine trees. It was included in 'other income' when it became receivable (see Note 9(A)).

IAS 20.24, Insights 4.3.130.60

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

The deferred income is generally classified as a non-current liability when an entity presents a classified statement of financial position.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

31. Provisions

See accounting policy in Note 45(S).

	In thousands of euro	*Note*	Warranties	Restructuring	Site restoration	Onerous contracts	Legal	Total
IAS 37.84(a)	Balance at 1 January 2018		**200**	**600**	**740**	**-**	**-**	**1,540**
	Assumed in a business combination	*34*	**-**	**-**	**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	*10*	**-**	**-**	**60**	**-**	**-**	**60**
IAS 37.84(a)	**Balance at 31 December 2018**		**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 2017 and 2018. 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 18) following a supplier accepting responsibility for the defective products.

B. Restructuring

IAS 1.98(b), 125, 37.85(a)–(b)

During 2018, 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 a deterioration in economic conditions. 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(E)). Estimated costs were based on the terms of the relevant contracts. The restructuring was completed in 2018, 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 2017, a provision of €400 thousand was made to cover the costs associated with restructuring part of a manufacturing facility within the Non-recycled Papers segment that will be retained when the remainder of the facility is sold (see Note 20). Estimated restructuring costs mainly include employee termination benefits (see Note 13(E)) 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 2019.

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)

31. Provisions (continued)

C. Site restoration

i. France

IAS 37.85(a)

A provision of €740 thousand was made during 2017 and an unwind of the discount of €60 thousand was recognised in 2018 in respect of the Group's obligation to rectify environmental damage in France. The required work was completed during 2018 at a cost of €800 thousand.

ii. Romania

IAS 1.125, 129, 37.85(a)–(b)

Under Romanian law, the Group's subsidiary in Romania is required to restore contaminated land to its original condition before the end of 2021. During 2018, 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 for 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 2018 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 34(C)).

D. Onerous contracts

IAS 37.85(a)–(b)

In 2017, 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 2018, resulting in surplus lease space (see Note 38(A)). The lease will expire in 2021. 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 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 34(C)).

F. Levies

IAS 37.85(a)

The Group operates in a number of countries in which it is subject to government levies. It assesses 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 Group recognised a liability to pay environmental taxes on 31 March, when the obligating event as stated in the legislation occurred. It paid that liability in full at a later date.

Therefore, at 31 December 2018 no liability for environmental taxes has been recognised. An expense of €102 thousand has been recognised in profit or loss for the year ended 31 December 2018.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

32. Financial instruments – Fair values and risk management

The effect of initially applying IFRS 9 on the Group's financial instruments is described in Note 5. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements, except for certain hedging requirements.

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

IFRS 7.8, 25–26, 29–30, 13.93(a)–(b), 94, 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.

Trade and other receivables and trade and other payables classified as held-for-sale are not included in the table below (see Note 20). Their carrying amount is a reasonable approximation of fair value.

		Carrying amount		
31 December 2018 *In thousands of euro*	*Note*	**Fair value – hedging instruments**	**Mandatorily at FVTPL – others**	**FVOCI – debt instruments**
Financial assets measured at fair value				
Interest rate swaps used for hedging	*25*	**116**	-	-
Forward exchange contracts used for hedging	*25*	**297**	-	-
Other forward exchange contracts	*25*	-	**122**	-
Sovereign debt securities	*25*	-	**243**	-
Corporate debt securities	*25*	-	-	**118**
Equity securities	*25*	-	**251**	-
		413	**616**	**118**
Financial assets not measured at fair value				
Trade and other receivables	*18*	-	-	-
Cash and cash equivalents	*19*	-	-	-
Corporate debt securities	*25*	-	-	-
		-	-	-
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	*29*	**(20)**	-	-
Forward exchange contracts used for hedging	*29*	**(8)**	-	-
Contingent consideration	*29*	-	**(270)**	-
		(28)	**(270)**	-
Financial liabilities not measured at fair value				
Bank overdrafts	*19*	-	-	-
Secured bank loans	*28*	-	-	-
Unsecured bank loans	*28*	-	-	-
Unsecured bond issues	*28*	-	-	-
Convertible notes – liability component	*28*	-	-	-
Redeemable preference shares	*28*	-	-	-
Dividends payable on redeemable shares	*28*	-	-	-
Finance lease liabilities	*28*	-	-	-
Trade and other payables*	*29*	-	-	-
		-	-	-

* Other payables that are not financial liabilities (refund liabilities recognised under IFRS 15 – €988 thousand) are not included.

IFRS 7.8, 29

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 and liabilities to the different categories of financial instruments as defined in IFRS 9. This presentation method is optional and different presentation methods may be appropriate, depending on circumstances.

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

Carrying amount				Fair value			
FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
-	-	-	116	-	116	-	116
-	-	-	297	-	297	-	297
-	-	-	122	-	122	-	122
-	-	-	243	43	200	-	243
-	-	-	118	48	70	-	118
710	-	-	961	961	-	-	961
710	-	-	1,857				
-	32,405	-	32,405				
-	1,504	-	1,504				
-	2,421	-	2,421	2,461	-	-	2,461
-	33,909	-	36,330				
-	-	-	(20)	-	(20)	-	(20)
-	-	-	(8)	-	(8)	-	(8)
-	-	-	(270)	-	-	(270)	(270)
-	-	-	(298)				
-	-	(334)	(334)				
-	-	(8,609)	(8,609)	-	(8,979)	-	(8,979)
-	-	(503)	(503)	-	(505)	-	(505)
-	-	(9,200)	(9,200)	-	(9,675)	-	(9,675)
-	-	(4,678)	(4,678)	-	(4,671)	-	(4,671)
-	-	(1,939)	(1,939)	-	(1,936)	-	(1,936)
-	-	(51)	(51)	-	(51)	-	(51)
-	-	(1,928)	(1,928)	-	(1,856)	-	(1,856)
-	-	(22,843)	(22,843)				
-	-	(50,085)	(50,085)				

IFRS 7.6, B1–B3 b. An entity groups financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. Although IFRS 7 does not define 'classes', as a minimum instruments measured at amortised cost should be distinguished from instruments measured at fair value.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

32. Financial instruments – Fair values and risk management

The effect of initially applying IFRS 9 on the Group's financial instruments is described in Note 5. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements, except for certain hedging requirements.

IFRS 7S.8, 25–26, 29–30, 13.93(a)–(b), 94, 97, 99

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

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.

Trade and other receivables and trade and other payables classified as held-for-sale are not included in the table below (see Note 20). Their carrying amount is a reasonable approximation of fair value.

		Carrying amount		
31 December 2018 *In thousands of euro*	*Note*	**Fair value – hedging instruments**	**Mandatorily at FVTPL – others**	**FVOCI – debt instruments**
Financial assets measured at fair value				
Interest rate swaps used for hedging	*25*	**116**	-	-
Forward exchange contracts used for hedging	*25*	**297**	-	-
Other forward exchange contracts	*25*	-	**122**	-
Sovereign debt securities	*25*	-	**243**	-
Corporate debt securities	*25*	-	-	**118**
Equity securities	*25*	-	**251**	-
		413	**616**	**118**
Financial assets not measured at fair value				
Trade and other receivables	*18*	-	-	-
Cash and cash equivalents	*19*	-	-	-
Corporate debt securities	*25*	-	-	-
		-	-	-
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	*29*	**(20)**	-	-
Forward exchange contracts used for hedging	*29*	**(8)**	-	-
Contingent consideration	*29*	-	**(270)**	-
		(28)	**(270)**	-
Financial liabilities not measured at fair value				
Bank overdrafts	*19*	-	-	-
Secured bank loans	*28*	-	-	-
Unsecured bank loans	*28*	-	-	-
Unsecured bond issues	*28*	-	-	-
Convertible notes – liability component	*28*	-	-	-
Redeemable preference shares	*28*	-	-	-
Dividends payable on redeemable shares	*28*	-	-	-
Finance lease liabilities	*28*	-	-	-
Trade and other payables*	*29*	-	-	-
		-	-	-

* Other payables that are not financial liabilities (refund liabilities recognised under IFRS 15 – €988 thousand) are not included.

Carrying amount				Fair value			
FVOCI – equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
-	-	-	116	-	116	-	116
-	-	-	297	-	297	-	297
-	-	-	122	-	122	-	122
-	-	-	243	43	200	-	243
-	-	-	118	48	70	-	118
710	-	-	961	961	-	-	961
710	-	-	1,857				
-	32,405	-	32,405				
-	1,504	-	1,504				
-	2,421	-	2,421	2,461	-	-	2,461
-	33,909	-	36,330				
-	-	-	(20)	-	(20)	-	(20)
-	-	-	(8)	-	(8)	-	(8)
-	-	-	(270)	-	-	(270)	(270)
-	-	-	(298)				
-	-	(334)	(334)				
-	-	(8,609)	(8,609)	-	(8,979)	-	(8,979)
-	-	(503)	(503)	-	(505)	-	(505)
-	-	(9,200)	(9,200)	-	(9,675)	-	(9,675)
-	-	(4,678)	(4,678)	-	(4,671)	-	(4,671)
-	-	(1,939)	(1,939)	-	(1,936)	-	(1,936)
-	-	(51)	(51)	-	(51)	-	(51)
-	-	(1,928)	(1,928)	-	(1,856)	-	(1,856)
-	-	(22,843)	(22,843)				
-	-	(50,085)	(50,085)				

Notes to the consolidated financial statements (continued)

32. 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 for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in Note 4(B).

IFRS 13.91(a), 93(d), 93(h)(i), 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 the expected future payments, discounted using a risk-adjusted discount rate.	– Expected cash flows (31 December 2018: €318 thousand – €388 thousand). – Risk-adjusted discount rate (31 December 2018: 15%).	The estimated fair value would increase (decrease) if: – the expected cash flows were higher (lower); or – the risk-adjusted discount rate were lower (higher).
Equity securities	*Market comparison technique:* The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities, and the revenue and EBITDA of the investee. The estimate is adjusted for the net debt of the investee.	– Adjusted market multiple (2017: 4–7).	The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower).
Corporate debt securities	*Market comparison/ discounted cash flow:* The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable.	Not applicable.

Notes to the consolidated financial statements (continued)

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

B. Measurement of fair values (continued)

i. Valuation techniques and significant unobservable inputs (continued)

IFRS 13.91(a), 93(d), 93(h)(i), 99

Financial instruments measured at fair value (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts	*Forward pricing:* The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.
Interest rate swaps	*Swap models:* The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable.	Not applicable.

IFRS 13.93(d), 97

Financial instruments not measured at fair value

Type	Valuation technique
Other financial liabilities*	*Discounted cash flows:* The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

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

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

32. 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), 95

At 31 December 2018, FVOCI 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 2018 and no transfers in either direction in 2017.

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*	Contingent consideration
	Balance at 1 January 2017		-	-
IFRS 13.91(b), 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 2017		225	-
	Balance at 1 January 2018		**225**	**-**
IFRS 13.93(e)(iii)	Assumed in a business combination	*34(A)*	**-**	**(250)**
IFRS 13.91(b), 93(e)(i), 93(f)	**Loss included in 'finance costs'**			
	– Net change in fair value (unrealised)	*10*	**-**	**(20)**
IFRS 13.91(b), 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 2018		**-**	**(270)**

* Before 1 January 2018, these equity securities were classified as available-for-sale in accordance with IAS 39. From 1 January 2018, these securities are classified at FVOCI in accordance with IFRS 9 (see Note 5).

Transfer out of Level 3

IFRS 13.93(e)(iv), 95

The Group holds an investment in equity shares of MSE Limited with a fair value of €243 thousand at 31 December 2018 (2017: €225 thousand). The fair value of this investment was categorised as Level 3 at 31 December 2017 (for information on the valuation technique, see B(i)). 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 2018, 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 2018.

Notes to the consolidated financial statements (continued)

32. 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 2018		
Expected cash flows (10% movement)	**(23)**	**23**
Risk-adjusted discount rate (1% movement (100 bps))	**6**	**(6)**

Equity securities – Available-for-sale	OCI, net of tax	
Effect in thousands of euro	**Increase**	**Decrease**
31 December 2017		
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, 33(b), 7S.31, 33(b)

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.

IFRS 7.34

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 exposures 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
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

IFRS 7.31, 33, 7S.31, 33

ii. Credit risk

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

IFRS 7.35K(a), 36(a), 7S.36(a)

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

IAS 1.82(ba), IFRS 7.20(e)

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

IFRS 15.113(b)

In thousands of euro	**2018**	**2017**
Impairment loss on trade receivables and contract assets arising from contracts with customers	**211***	33
Impairment loss on debt securities at amortised cost	**62**	-
Impairment loss (reversal) on debt securities at FVOCI	**(3)**	-
	270	33

* Of which, €11 thousand (2017: €3 thousand) related to a discontinued operation (see Notes 6 and 7).

Trade receivables and contract assets

IFRS 7.33(a)–33(b), 7S.33(a)–33(b)

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 associated with the industry and country in which customers operate. Details of concentration of revenue are included in Notes 6(D)–(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, financial statements, credit agency information, industry information 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.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

More than 85% of the Group's customers have been transacting with the Group for over four years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. 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, trading history with the Group and existence of previous financial difficulties.

IFRS 7.33(c), 7S.33(c)

The Group is monitoring the economic environment in [*Region Z*] and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In 2018, 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 7.35K(b), B8G, 7S.36(b)

The Group does not require collateral in respect of trade and other receivables. The group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

The quantitative information below on trade receivables and contract assets includes amounts classified as held-for-sale (see Note 20).

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and contract assets (continued)

IFRS 7.34(a), 34(c), 7S.34(a), 34(c)

At 31 December 2018, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows.[a]

In thousands of euro	Carrying amount 2018	2017
[*Countries A, B, C, D and E*]	**1,598**	1,583
Other [*Region Z*] countries	**23,915**	13,027
US	**11,374**	7,687
Other regions	**286**	188
	37,172	22,485

IFRS 7.34(a), 34(c), 7S.34(a), 34(c), 36(a)

At 31 December 2018, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.[a]

In thousands of euro	Carrying amount 2018	2017
Wholesale customers	**27,476**	14,429
Retail customers	**9,246**	7,145
End-user customers	**342**	820
Other	**109**	91
	37,172	22,485

IFRS 7.34(a), 34(c), 7S.34(a), 34(c)

At 31 December 2018, the carrying amount of the Group's most significant customer (a European wholesaler) was €8,034 thousand (2017: €4,986 thousand).

IFRS 7.34(a), 35M, B8I, 7S.34(a)

A summary of the Group's exposure to credit risk for trade receivables and contract assets is as follows.

In thousands of euro	2018 Not credit-impaired	2018 Credit-impaired	2017
External credit ratings at least Baa3 from [*Rating Agency X*] or BBB- from [*Rating Agency Y*]	**6,397**	**-**	5,139
Other customers:			
– Four or more years' trading history with the Group*	**21,185**	**-**	13,448
– Less than four years' trading history with the Group*	**8,735**	**-**	3,290
– Higher risk	**839**	**337**	662
Total gross carrying amount	**37,155**	**337**	22,539
Loss allowance	**(210)**	**(110)**	(54)
	36,945	**227**	22,485

* Excluding 'higher risk'.

IFRS 7.IG18

a. Identifying concentrations 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.

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and contract assets (continued)

Comparative information under IAS 39

IFRS 7S.34(a), 36(c), 37(a)

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 December 2017 is as follows.

In thousands of euro	**2017**
Neither past due nor impaired	
External credit ratings at least Baa3 from [*Rating Agency X*] or BBB- from [*Rating Agency Y*]	5,139
Other customers:	
– Four or more years' trading history with the Group*	11,633
– Less than four years' trading history with the Group*	2,290
– Higher risk	58
	19,120
Past due but not impaired	
Past due 1–30 days	3,032
Past due 31–90 days	112
Past due 91–120 days	26
Total not impaired trade receivables	22,290

* Excluding 'higher risk'.

IFRS 7S.37(b), IG29

Impaired trade receivables at 31 December 2017 had a gross carrying amount of €249 thousand. At 31 December 2017, there was an impairment loss of €7 thousand related to a customer that was declared bankrupt during the year. The remainder of the impairment loss at 31 December 2017 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.

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2018

IFRS 7.35B(a), 35F(c), 35G(a)–(b)

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies [*Rating Agencies X and Y*].

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on GDP forecast and industry outlook and include the following: 1.3 for [*Country X*], 0.9 for [*Country Y*], 1.1 for [*Country Z*] and 1.8 for [*Industry A*].

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2018 (continued)

IFRS 7.35M, B8I

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for corporate customers as at 31 December 2018.

31 December 2018 *In thousands of euro*	**Equivalent to external credit rating [*Agency Y*]**	**Weighted-average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
Grades 1–6: *Low risk*	BBB- to AAA	**0.30%**	**9,163**	**(27)**	**No**
Grades 7–9: *Fair risk*	BB- to BB+	**0.60%**	**16,009**	**(96)**	**No**
Grade 10: *Substandard*	B- to CCC-	**2.60%**	**1,633**	**(42)**	**No**
Grade 11: *Doubtful*	C to CC	**23.20%**	**122**	**(28)**	**Yes**
Grade 12: *Loss*	D	**44.90%**	**67**	**(30)**	**Yes**
			26,994	**(224)**	

Expected credit loss assessment for individual customers as at 1 January and 31 December 2018

IFRS 7.35B(a), 35F(c), 35G(a)–(b)

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

IFRS 7.35M, 35N, B8I

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2018.

31 December 2018 *In thousands of euro*	**Weighted-average loss rate**	**Gross carrying amount**	**Loss allowance**	**Credit-impaired**
Current (not past due)	**0.40%**	**8,474**	**(34)**	**No**
1–30 days past due	**1.10%**	**1,638**	**(18)**	**No**
31–60 days past due	**5.60%**	**236**	**(13)**	**No**
61–90 days past due	**13.20%**	**111**	**(15)**	**No**
More than 90 days past due	**43.60%**	**38**	**(17)**	**Yes**
		10,498	**(96)**	

Loss rates are based on actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast unemployment rates and are as follows: 1.3 for [*Country X*], 0.95 for [*Country Y*] and 1.2 for [*Country Z*].

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and contract assets (continued)

Movements in the allowance for impairment in respect of trade receivables and contract assets

IFRS 7.35H, 42P, 7S.16

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

	2018	2017	
In thousands of euro		Individual impairments	Collective impairments
Balance at 1 January under IAS 39	**54**	6	20
Adjustment on initial application of IFRS 9	**160**		
Balance at 1 January under IFRS 9	**214**		
Amounts written off	**(80)**	(5)	-
Amounts derecognised due to discontinued operation	**(25)**		
Net remeasurement of loss allowance	**211**	9	24
Balance at 31 December	**320**	10	44

IFRS 7.35L

Trade receivables with a contractual amount of €70 thousand written off during 2018 are still subject to enforcement activity.

IFRS 7.35I, B8D

The following significant changes in the gross carrying amounts of trade receivables contributed to the changes in the impairment loss allowance during 2018:

- the growth of the business in [*Countries X and Y*] resulted in increases in trade receivables of €4,984 thousand and €4,556 thousand respectively and increases in impairment allowances in 2018 of €30 thousand and €44 thousand respectively;
- increases in credit-impaired balances in [*Country Z*] of €143 thousand resulted in increases in impairment allowances in 2018 of €78 thousand; and
- a decrease in trade receivables of €3,970 thousand attributed to the Packaging segment, which was sold in February 2018 (see Note 7), resulted in a decrease in the loss allowance in 2018 of €25 thousand.

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Debt securities

IFRS 7.33(a)–33(b), 35B(a), 35F(a), 35G(a)–(b), 7S.33(a)–33(b)

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 A2 from [*Rating Agency X*] and A from [*Rating Agency Y*].

The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and, where available, credit default swap (CDS) prices together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by [*Rating Agency X*] for each credit rating and are recalibrated based on current bond yields and CDS prices. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

IFRS 7.34(a), 34(c), 7S.34(a), 34(c)

The exposure to credit risk for debt securities at amortised cost, FVOCI and FVTPL (2017: held-to-maturity, available-for-sale and held-for-trading) at the reporting date by geographic region was as follows.

	Net carrying amount	
In thousands of euro	**2018**	**2017**
[*Country X*]	**1,615**	2,351
[*Countries A, B, C, D and E*]	**68**	115
Other [*Region Z*] countries	**366**	273
UK	**435**	430
US	**298**	51
	2,782	3,220

Introduction Australian content Primary statements NOTES Appendices

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Debt securities (continued)

IFRS 7.34(a), 35M, B8I, 7S.36(c)

The following table presents an analysis of the credit quality of debt securities at amortised cost, FVOCI and FVTPL (2017: held-to-maturity, available-for-sale and held-for-trading). It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	2018					2017		
Credit rating	**FVTPL**	**FVOCI**	**At amortised cost**					
In thousands of euro		**12-month ECL**	**12-month ECL**	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Held-for-trading**	**Available-for-sale**	**Held-to-maturity**
BBB- to AAA	**243**	**122**	**1,764**	**-**	**-**	591	373	1,569
BB- to BB+	**-**	**-**	**-**	**207**	**-**	-	-	334
B- to B+	**-**	**-**	**-**	**113**	**-**	-	-	233
C to CCC+	**-**	**-**	**-**	**247**	**-**	-	-	73
D	**-**	**-**	**-**	**-**	**185**	-	-	67
Gross carrying amounts (2017: amortised cost before impairment)		**122**	**1,764**	**567**	**185**			2,276
Loss allowance		**(1)**	**(15)**	**(25)**	**(55)**			(20)
Amortised cost		**121**	**1,749**	**542**	**130**			2,256
Carrying amount	**243**	**118**	**1,749**	**542**	**130**	591	373	2,256

IFRS 7S.37(a), 7.35I, 37(b)

The Group did not have any debt securities that were past due but not impaired at 31 December 2017.

An impairment allowance of €55 thousand (2017: €20 thousand) in respect of debt securities at amortised cost (2017: held-to-maturity) with a credit rating of D was recognised because of significant financial difficulties being experienced by the issuers. The Group has no collateral in respect of these investments.

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Debt securities (continued)

IFRS 7.35H, 42P, 7S.16

The movement in the allowance for impairment for debt securities at amortised cost (2017: held-to-maturity) during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

In thousands of euro	2018 12-month ECL	2018 Lifetime ECL – not credit-impaired	2018 Lifetime ECL – credit-impaired	2018 Total	2017 Impaired
Balance at 1 January under IAS 39				**20**	**20**
Adjustment on initial application of IFRS 9				**13**	
Balance at 1 January under IFRS 9	**10**	**3**	**20**	**33**	
Net remeasurement of loss allowance	**5**	**46**	**27**	**78**	-
Transfer to lifetime ECL – not credit-impaired	**(1)**	**1**	-	-	-
Transfer to lifetime ECL – credit-impaired	-	**(8)**	**8**	-	-
Financial assets repaid	**(2)**	**(17)**	-	**(19)**	-
New financial assets acquired	**3**	-	-	**3**	-
Balance at 31 December	**15**	**25**	**55**	**95**	**20**

IFRS 7.42P (Adjustment on initial application of IFRS 9)

IFRS 7.35I, B8D

The following contributed to the increase in the loss allowance during 2018.

- An issuer of a debt security with a gross carrying amount of €109 thousand entered administration. The Group classified the debt security as credit-impaired and increased the loss allowance by €25 thousand.
- A recession in [*Country Y*] in the fourth quarter of 2018 resulted in credit rating downgrades and transfers to lifetime ECL measurement, with consequent increases in loss allowances of €33 thousand.

IFRS 7.16A, 35H, 42P

The movement in the allowance for impairment in respect of debt securities at FVOCI during the year was as follows.

In thousands of euro	2018 12-month ECL
Balance at 1 January under IAS 39	-
Adjustment on application of IFRS 9	**4**
Balance at 1 January under IFRS 9	**4**
Net remeasurement of loss allowance	**(1)**
Financial assets derecognised	**(3)**
New financial assets acquired	**1**
Balance at 31 December	**1**

The investments held at 31 December 2017 were previously classified as available-for-sale and no impairment loss had been recognised at that date or during 2017.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Cash and cash equivalents

IFRS 7.33(a)–(b), 34(a), 35B(a), 35F(a), 35G(a)–(b), 35M, 7S.33(a)–33(b), 34(a), 36(c)

The Group held cash and cash equivalents of €1,504 thousand at 31 December 2018 (2017: €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.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

IFRS 7.35H, 42P

On initial application of IFRS 9, the Group recognised an impairment allowance as at 1 January 2018 in the amount of €1 thousand. The amount of the allowance did not change during 2018.

Derivatives

IFRS 7.33(a)–(b), 34(a), 7S.33(a)–(b), 34(a), 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 for subsidiaries' liabilities. At 31 December 2018, the Company has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see Note 33(B)).

iii. Liquidity risk

IFRS 7.31, 33, 7S.31, 33

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.

IFRS 7.34(a), 39(c), B10A, 7S.34(a), 39(c), 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 2018 (2017: 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 2018, the expected cash flows from trade and other receivables maturing within two months were €12,331 thousand (2017: €8,940 thousand). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

IAS 7.50(a), IFRS 7.B11F, 7S.B11F

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 (2017: Euribor plus 160 basis points).
- €15 million facility 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 (2017: Euribor plus 110 basis points).

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iii. Liquidity risk (continued)

Exposure to liquidity risk

IFRS 7.39(a), 7S.39(a)

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

31 December 2018 *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
IFRS 7.39(a), B11A–B11D **Non-derivative financial liabilities**							
Contingent consideration	**270**	**(330)**	**-**	**-**	**-**	**(330)**	**-**
Bank overdrafts	**334**	**(334)**	**(334)**	**-**	**-**	**-**	**-**
Secured bank loans	**8,609**	**(9,409)**	**(1,667)**	**(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	**1,990**	**(2,528)**	**-**	**(88)**	**(88)**	**(264)**	**(2,088)**
Finance lease liabilities	**1,928**	**(2,663)**	**(178)**	**(357)**	**(450)**	**(678)**	**(1,000)**
Trade payables	**22,815**	**(22,815)**	**(22,815)**	**-**	**-**	**-**	**-**
	50,627	**(54,246)**	**(25,247)**	**(4,536)**	**(3,207)**	**(18,168)**	**(3,088)**
IFRS 7.39(b), B11A–B11D **Derivative financial liabilities**[c]							
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 7.10.650.80 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 7.10.650.70 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.

Insights 7.10.650.30 c. In our view, the maturity analysis should include all derivative financial liabilities, but contractual maturities only are required for those essential for an understanding of the timing of the cash flows.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iii. Liquidity risk (continued)

Exposure to liquidity risk (continued)

			Contractual cash flows					
	31 December 2017 *In thousands of euro*	**Carrying amount**	**Total**	**2 months or less**	**2–12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
IFRS 7S.39(a), B11A–B11D	**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	20,877	(20,877)	(20,877)	-	-	-	-
		45,736	(49,243)	(23, 188)	(5,245)	(4,282)	(8,726)	(7,802)
IFRS 7S.39(b), B11A–B11D	**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
IFRS 7S.39(b)–(c), B11D

The 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, 7S.B10A

As disclosed in Notes 28 and 37, 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, 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 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 34(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.[a]

Insights 7.10.650.110

a. When the amount payable is not fixed, the amount to be disclosed is determined with reference to conditions existing at the reporting date. For example, for a floating-rate bond with interest payments indexed to three-month Euribor, in our view the amount to be disclosed should be based on forward rates rather than spot rates prevailing at the reporting date because the spot interest rates do not represent the level of the index based on which the cash flows will be payable. The forward interest rates better describe the level of the index in accordance with the conditions existing at the reporting date.

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk

IFRS 7.33, 7S.33

Market risk is the risk that changes in market prices – e.g. 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[a]

IFRS 7.21C, 22A(a)

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables 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 7.21A, 7.22A(b)–(c), 22C

The Group's risk management policy is to hedge 75 to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months at any point in time. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. These contracts are generally designated as cash flow hedges.[b]

IFRS 7.22B

The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

IFRS 7.22B(b)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

IFRS 7.24C(b)(vi)

a. The Group did not designate any net positions in a hedging relationship. For an entity that did, the required disclosures would include the hedging gains or losses recognised in a separate line item in the statement of profit or loss and OCI.

IFRS 7.24B(a), 24C(a)

b. The Group has not designated any fair value hedging relationships. For an entity that has a fair value hedge, the required disclosures would include:
   - the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);
   - the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);
   - the line item in the statement of financial position that includes the hedged item;
   - the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period;
   - the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses;
   - hedge ineffectiveness – i.e. the difference between the hedging gains or losses of the hedging instrument and the hedged item recognised in profit or loss; and
   - the line item in the statement of profit or loss and OCI that includes the recognised hedge ineffectiveness.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Currency risk (continued)

IFRS 7.23D

In these hedge relationships, the main sources of ineffectiveness are:[a]

- the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

IFRS 7.34(a), 7S.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 2018				31 December 2017			
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[b]	**9,000**	**23,000**	**12,000**	**-**	18,700	17,000	24,000	-
Next six months' forecast purchases[b]	**(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, 7S.31

The following significant exchange rates have been applied.[c]

	Average rate		Year-end spot rate	
Euro	2018	2017	2018	2017
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 7.23E

a. The Group did not have any new sources of hedge ineffectiveness emerging in designated hedging relationships. If it had, then it would be required to disclose those sources by risk category and explain the resulting hedge ineffectiveness.

IFRS 7.34(a), 7S.34(a)

b. 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, 7S.31

c. 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. In addition, IFRS 7 requires information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date.

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Currency risk (continued)

IFRS 7.40, 7S.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 2018				
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 2017				
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 7.21C, 22A(b)–22A(c), 22B–22C

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 floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

IFRS 7.22B(b)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

IFRS 7.23D

In these hedge relationships, the main sources of ineffectiveness are:[a]

– the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

– differences in repricing dates between the swaps and the borrowings.

IFRS 7.23E

a. The Group did not have any new sources of hedge ineffectiveness emerging in designated hedging relationships. If it had, then it would be required to disclose those sources by risk category and explain the resulting hedge ineffectiveness.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

IFRS 7.34(a), 7S.34(a)

Interest rate risk (continued)

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	**2018**	**2017**
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 FVTPL, 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.

A change of 100 basis points in interest rates would have increased or decreased equity by €65 thousand after tax (2017: €66 thousand). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Interest rate risk (continued)

IFRS 7.40, 7S.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 2018				
Variable-rate instruments	**(66)**	**66**	**-**	**-**
Interest rate swaps	**61**	**(61)**	**310**	**(302)**
Cash flow sensitivity (net)	**(5)**	**5**	**310**	**(302)**
31 December 2017				
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 equity securities at FVOCI (2017: available-for-sale) held for partially meeting the unfunded portion of the Group's defined benefit pension obligations as well as from investments measured at FVTPL. 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), 7S.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 FVTPL because their performance is actively monitored and they are managed on a fair value basis.

IFRS 7.40, 7S.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 at FVOCI (2017: 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 (2017: an increase of €18 thousand after tax); an equal change in the opposite direction would have decreased equity by €28 thousand after tax (2017: a decrease of €18 thousand after tax). For such investments classified as at FVTPL, the impact of a 2% increase in the FTSE 100 plus a 3% increase in the Dow Jones Industrial Average at the reporting date on profit or loss would have been an increase of €16 thousand after tax (2017: €18 thousand after tax). An equal change in the opposite direction would have decreased profit or loss by €16 thousand after tax (2017: €18 thousand after tax).

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Cash flow hedges[a, b]

IFRS 7.23B

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

		Maturity	
	1–6 months	6–12 months	More than one year
Foreign currency risk			
Forward exchange contracts			
Net exposure (in thousands of euro)	**253**	**63**	**-**
Average EUR:USD forward contract rate	**0.91**	**0.87**	**0.83**
Average EUR:GBP forward contract rate	**1.27**	**1.23**	**1.20**
Average EUR:CHF forward contract rate	**0.92**	**0.91**	**0.90**
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of euro)	**-**	**41**	**78**
Average fixed interest rate	**2.2%**	**2.4%**	**2.8%**

IFRS 7.23B(a)
IFRS 7.23B(b)

IFRS 7S.23(a)

At 31 December 2017, the Group held the following instruments to hedge exposures to changes in foreign currency rates.

		Maturity	
	1–6 months	6–12 months	More than one year
Foreign currency risk			
Forward exchange contracts			
Net exposure (in thousands of euro)	293	73	-
Average EUR:USD forward contract rate	0.93	0.89	0.85
Average EUR:GBP forward contract rate	1.35	1.32	1.28
Average EUR:CHF forward contract rate	0.95	0.93	0.91

IFRS 7.23C, 24D a. The Group does not frequently reset hedging relationships because both the hedging instrument and the hedged item frequently change (i.e. the entity does not use a dynamic process in which neither the exposure nor the hedging instruments used to manage that exposure remain the same for a long period). If it did, then it would be exempt from providing the disclosures required by paragraphs 23A and 23B of IFRS 7, but would instead provide information about the ultimate risk management strategy, how it reflects its risk management strategy in its hedge accounting and designations, and how frequently hedging relationships are discontinued and restarted. If the volume of these hedges is unrepresentative of normal volumes during the year (i.e. the volume at the reporting date does not reflect the volumes during the year), then the entity would disclose that fact and the reason it believes the volumes are unrepresentative.

IFRS 7.23F, 7S.24C(b)(iv) b. The Group did not have any forecast transaction for which cash flow hedge accounting had been used in the previous period, but which is no longer expected to occur. If it did, then it would be required to disclose a description of the forecast transaction as well as the amount reclassified from the cash flow hedge reserve to profit or loss.

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Cash flow hedges (continued)

IFRS 7.24B(b)

The amounts at the reporting date relating to items designated as hedged items were as follows.

In thousands of euro	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Costs of hedging hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
		31 December 2018		
Foreign currency risk				
Sales, receivables and borrowings	**23**	**154**	**3**	**-**
Inventory purchases	**15**	**101**	**2**	**-**
Interest rate risk				
Variable-rate instruments	**24**	**165**	**-**	**-**
		31 December 2017		
Foreign currency risk				
Sales, receivables and borrowings	(35)	181	(26)	-
Inventory purchases	(23)	119	-	-
Interest rate risk				
Variable-rate instruments	(37)	190	-	-

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Cash flow hedges (continued)

IFRS 7.21B, 21D, 24A, 24B(b), 24C(b)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

	2018			
		Carrying amount		
In thousands of euro	Nominal amount	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is included
Foreign currency risk				
Forward exchange contracts – sales, receivables and borrowings	**1,138**	**178**	**(5)**	Other investments including derivatives (assets), trade and other payables (liabilities)
Forward exchange contracts – inventory purchases	**758**	**119**	**(3)**	
Interest rate risk				
Interest rate swaps	**8,000**	**116**	**(20)**	Other investments including derivatives (assets), trade and other payables (liabilities)

During the period – 2018

Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Costs of hedging recognised in OCI	Amount from hedging reserve transferred to cost of inventory	Amount from costs of hedging reserve transferred to cost of inventory	Amount reclassified from hedging reserve to profit or loss	Amount reclassified from costs of hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
(23)	(45)	Finance costs – other	20			(12)	6	Revenue
						(6)	2	Finance costs – other
(15)	-		14	6	6	-	-	
(24)	(6)	Finance costs – other	-	-	-	(13)	-	Finance costs – other

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Cash flow hedges (continued)

IFRS 7S.22(b), 23(c)–(e), 24(b)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

	2017			
In thousands of euro	**Nominal amount**	**Carrying amount Assets**	**Carrying amount Liabilities**	**Line item in the statement of financial position where the hedging instrument is included**
Foreign currency risk				
Forward exchange contracts – sales, receivables and borrowings	1,147	211	(4)	Other investments including derivatives (assets), trade and other payables (liabilities)
Forward exchange contracts – inventory purchases	765	141	(3)	Other investments including derivatives (assets), trade and other payables (liabilities)
Interest rate risk				
Interest rate swaps	7,500	131	(5)	Other investments including derivatives (assets), trade and other payables (liabilities)

During the period – 2017

Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Costs of hedging recognised in OCI	Amount from costs of hedging reserve transferred to cost of inventory	Amount reclassified from hedging reserve to profit or loss	Amount reclassified from costs of hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
35	(11)	Finance costs – other	6	-	(3)	7	Revenue
					(2)	(5)	Finance costs – other
23	-		4	-	(1)	-	Cost of sales
37	(5)	Finance costs – other	-	-	(5)	-	Finance costs – other

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Cash flow hedges (continued)

IFRS 7.24E–24F

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	2018	
In thousands of euro	**Hedging reserve**	**Cost of hedging reserve**
Balance at 1 January 2018	**490**	**(26)**
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – inventory purchases	**(15)**	**14**
Foreign currency risk – other items	**(23)**	**20**
Interest rate risk	**(24)**	**-**
Amount reclassified to profit or loss:		
Foreign currency risk – other items	**(18)**	**8**
Interest rate risk	**(13)**	**-**
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	**6**	**6**
Tax on movements on reserves during the year	**29**	**(17)**
Balance at 31 December 2018	**432**	**5**

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Cash flow hedges (continued)

In thousands of euro	2017 Hedging reserve	2017 Cost of hedging reserve
Balance at 1 January 2017	434	(35)
Cash flow hedges		
Effective portion of changes in fair value:		
Foreign currency risk – inventory purchases	23	4
Foreign currency risk – other items	35	6
Interest rate risk	37	
Amount reclassified to profit or loss:		
Foreign currency risk – inventory purchases	(1)	
Foreign currency risk – other items	(5)	2
Interest rate risk	(5)	
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	-	-
Tax on movements on reserves during the year	(28)	(3)
Balance at 31 December 2017	490	(26)

Net investment hedges

IFRS 7.22A

A foreign currency exposure arises from the Group's net investment in its Swiss subsidiary that has a Swiss franc functional currency. The risk arises from the fluctuation in spot exchange rates between the Swiss franc and the euro, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening Swiss franc against the euro that will result in a reduction in the carrying amount of the Group's net investment in the Swiss subsidiary.

IFRS 7.22B(a), 22(c)

Part of the Group's net investment in its Swiss subsidiary is hedged by a Swiss franc-denominated secured bank loan (carrying amount: €1,240 thousand (2017: €1,257 thousand)), which mitigates the foreign currency risk arising from the subsidiary's net assets. The loan is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the EUR/CHF spot rate.

IFRS 7.22B(b)

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

Introduction
Australian content
Primary statements
NOTES
Appendices

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

IFRS 7.24A, 24C(b)(i)–24C(b)(iii)

Net investment hedges (continued)

The amounts related to items designated as hedging instruments were as follows.

	2018			
		Carrying amount		Line item in the statement of financial position where the hedging instrument is included
In thousands of euro	Nominal amount	Assets	Liabilities	
Foreign exchange-denominated debt (CHF)	**1,240**	**-**	**1,240**	Loans and borrowings

IFRS 7.24B(b)

The amounts related to items designated as hedged items were as follows.

	2018
In thousands of euro	Change in value used for calculating hedge ineffectiveness
CHF net investment	**3**

IFRS 7S.22(a)–(c), 23(c)–(e), 24(c)

The amounts related to items designated as hedging instruments were as follows.

	2017			
		Carrying amount		Line item in the statement of financial position where the hedging instrument is included
In thousands of euro	Nominal amount	Assets	Liabilities	
Foreign exchange-denominated debt (CHF)	1,257	-	1,257	Loans and borrowings

IFRS 7S.22(a)–22(c)

The amounts related to items designated as hedged items were as follows.

	2017
In thousands of euro	Change in value used for calculating hedge ineffectiveness
CHF net investment	8

During the period – 2018					
Change in value used for calculating hedge ineffectiveness for 2018	**Change in value of hedging instrument recognised in OCI**	**Hedge ineffectiveness recognised in profit or loss**	**Line item in profit or loss that includes hedge ineffectiveness**	**Amount reclassified from hedging reserve to profit or loss**	**Line item affected in profit or loss because of the reclassification**
(4)	**(3)**	**(1)**	Finance costs – other	**-**	**N/A**

During the period – 2018	
Foreign currency translation reserve	**Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied**
125	**-**

During the period – 2017					
Change in value used for calculating hedge ineffectiveness for 2017	**Change in value of hedging instrument recognised in OCI**	**Hedge ineffectiveness recognised in profit or loss**	**Line item in profit or loss that includes hedge ineffectiveness**	**Amount reclassified from hedging reserve to profit or loss**	**Line item affected in profit or loss because of the reclassification**
(8)	(8)	-	Finance costs – other	-	N/A

During the period – 2017	
Foreign currency translation reserve	**Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied**
105	-

Notes to the consolidated financial statements (continued)

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

IFRS 7.13B, 13E, B50, 7S.13B, 13E, B50

D. Master netting or similar agreements[a, b]

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under these 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, 7S.13C, B46

In thousands of euro	***Note***	**Gross amounts of financial instruments in the statement of financial position**	**Related financial instruments that are not offset**	**Net amount**
31 December 2018				
Financial assets				
Other investments, including derivatives				
– Interest rate swaps used for hedging	*25*	**116**	**(5)**	**111**
– Forward exchange contracts used for hedging	*25*	**297**	**(16)**	**281**
– Other forward exchange contracts	*25*	**122**	**(7)**	**115**
		535	**(28)**	**507**
Financial liabilities				
Trade and other payables				
– Interest rate swaps used for hedging	*29*	**(20)**	**20**	**-**
– Forward exchange contracts used for hedging	*29*	**(8)**	**8**	**-**
		(28)	**28**	**-**
31 December 2017				
Financial assets				
Other investments, including derivatives				
– Interest rate swaps used for hedging	*25*	131	(2)	129
– Forward exchange contracts used for hedging	*25*	352	(8)	344
– Other forward exchange contracts	*25*	89	(2)	87
		572	(12)	560
Financial liabilities				
Trade and other payables				
– Interest rate swaps used for hedging	*29*	(5)	5	-
– Forward exchange contracts used for hedging	*29*	(7)	7	-
		(12)	12	-

IFRS 7.13C, B51–B52, 7S.13C, B51–B52, Insights 7.10.250.70

a. The disclosure requirements in paragraph 13C of IFRS 7 may be grouped by type of financial instrument or transaction. Alternatively, an entity may present the disclosures in paragraph 13C(a)–(c) by type of financial instrument, and those in 13C(c)–(e) by counterparty.

IFRS 7.13C, B52–B53, 7S.13C, B52–B53, Insights 7.10.250.120

b. The disclosure requirements described in paragraph 13C of IFRS 7 are minimum requirements. An entity supplements them with additional qualitative disclosures if they are necessary for financial statement users to evaluate the actual or potential effect of netting arrangements on its financial position. When disclosing quantitative information by counterparty, an entity considers qualitative disclosure about the type of counterparty.

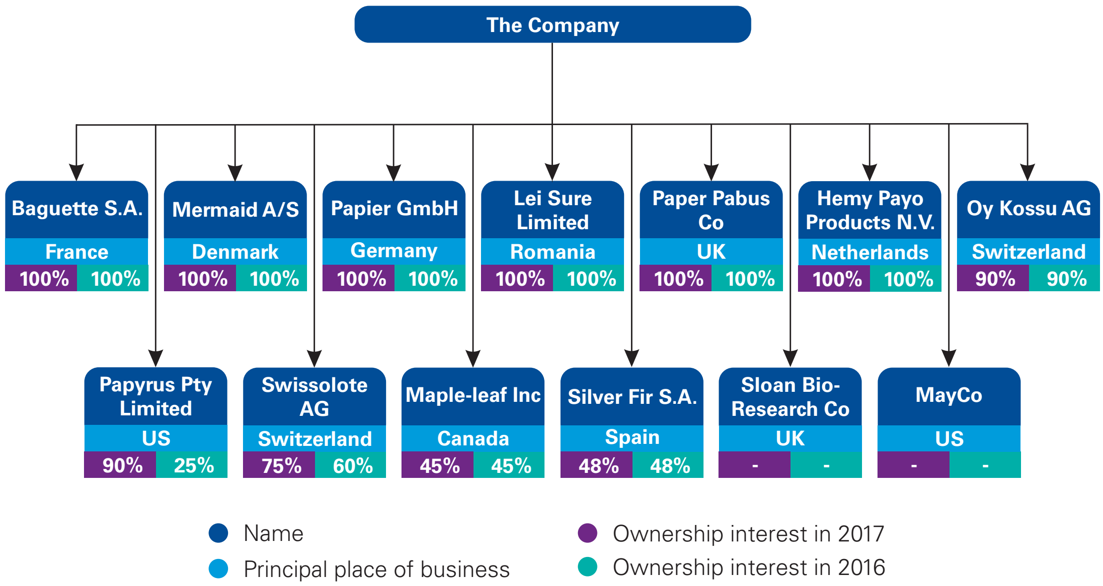
Notes to the consolidated financial statements (continued)

33. List of subsidiaries[a]

See accounting policy in Note 45(A)(ii).

IFRS 12.10(a), 12(a)–(b), IAS 24.13–14

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 12.7(a), 9(b), 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.

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

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

34. Acquisition of subsidiary

See accounting policy in Note 45(A)(i)–(iii).

IFRS 3.B64(a)–(c)

On 31 March 2018, 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 24(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)

For the nine months ended 31 December 2018, 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 2018, 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 2018.

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)–(b)	Cash		**2,500**
IFRS 3.B64(f)(iv), IAS 7.43	Equity instruments (8,000 ordinary shares)	*26(A)(i)*	**87**
	Replacement share-based payment awards		**120**
IFRS 3.B64(f)(iii)	Contingent consideration	*32(B)(iii)*	**250**
	Settlement of pre-existing relationship	*9(B)*	**(326)**
	Total consideration transferred		**2,631**

i. Equity instruments issued

IFRS 3.B64(f)(iv)

The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2018 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 2017 Vesting date: 31 March 2021 Service condition	Vesting date: 31 March 2021 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 12(A)(ii).

Notes to the consolidated financial statements (continued)

34. 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 2018, the contingent consideration had increased to €270 thousand (see Note 29).

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 9(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)–(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.

	In thousands of euro	***Note***	
	Property, plant and equipment	*21(A)*	**1,955**
	Intangible assets	*22(A)*	**250**
	Inventories		**825**
IFRS 3.B64(h)(i)	Trade receivables		**848**
IAS 7.40(c)	Cash and cash equivalents		**375**
	Loans and borrowings		**(500)**
	Deferred tax liabilities	*14(E)*	**(79)**
	Contingent liabilities	*31*	**(20)**
	Site restoration provision	*31*	**(150)**
	Trade and other payables		**(460)**
	Total identifiable net assets acquired		**3,044**

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

34. Acquisition of subsidiary (continued)

C. Identifiable assets acquired and liabilities assumed (continued)

IFRS 3.61

i. Measurement of fair values[a]

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 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 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)–B64(h)(iii)

The trade receivables comprise gross contractual amounts due of €900 thousand, of which €52 thousand was expected to be uncollectable 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 is the defendant in legal proceedings brought by a customer that alleges that Papyrus supplied defective goods. Management's assessment, based on its interpretation of the underlying sales contract and independent legal advice, is that the basis for the customer's claim has little merit and it is not probable that an outflow will be required to settle the claim. Management's assessment of the fair value of this contingent liability, taking into account the range of possible outcomes of the judicial process, is €20 thousand (see Note 40).

– 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.

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)

34. Acquisition of subsidiary (continued)

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

In thousands of euro		***Note***	
	Consideration transferred	*(A)*	**2,631**
IFRS 3.B64(o)(i)	NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of Papyrus		**305**
IFRS 3.B64(p)(i)	Fair value of pre-existing interest in Papyrus		**649**
	Fair value of identifiable net assets	*(C)*	**(3,044)**
	Goodwill	*22(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 10).

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.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

35. Non-controlling interests[a]

See accounting policies in Note 45(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 2018 *In thousands of euro*	**Papyrus Pty Limited**
NCI percentage	**10%**
Non-current assets	2,500
Current assets	1,780
Non-current liabilities	(715)
Current liabilities	(43)
Net assets	**3,522**
Net assets attributable to NCI	352
Revenue	20,409
Profit	450
OCI	25
Total comprehensive income	**475**
Profit allocated to NCI	45
OCI allocated to NCI	3
Cash flows from operating activities	430
Cash flows from investment activities	(120)
Cash flows from financing activities (dividends to NCI: nil)	12
Net increase (decrease) in cash and cash equivalents	**322**

31 December 2017 *In thousands of euro*	
NCI percentage	
Non-current assets	
Current assets	
Non-current liabilities	
Current liabilities	
Net assets	
Net assets attributable to NCI	
Revenue	
Profit	
OCI	
Total comprehensive income	
Profit allocated to NCI	
OCI allocated to NCI	
Cash flows from operating activities	
Cash flows from investment activities	
Cash flows from financing activities (dividends to NCI: nil)	
Net increase (decrease) in cash and cash equivalents	

* See Note 44.

On 31 March 2018, the Group's equity interest in Papyrus increased from 25 to 90% and Papyrus became a subsidiary from that date (see Note 34). Accordingly, the information relating to Papyrus is only for the period from 1 April to 31 December 2018.

Oy Kossu AG	Swissolote AG	Maple-leaf Inc	Silver Fir S.A.	Other individually immaterial subsidiaries	Intra-group eliminations	Total
10%	**25%**	**55%**	**52%**			
9,550	**7,438**	**1,550**	**4,948**			
5,120	**1,115**	**890**	**1,272**			
(5,230)	**(6,575)**	**(1,280)**	**(533)**			
(5,084)	**(915)**	**(442)**	**(1,018)**			
4,356	**1,063**	**718**	**4,669**			
436	**266**	**395**	**2,428**	**7**	**(35)**	**3,849**
10,930	**9,540**	**8,112**	**15,882**			
566	**410**	**245**	**309**			
-	**-**	**44**	**-**			
566	**410**	**289**	**309**			
57	**120**	**133**	**159**	**3**	**3**	**520**
-	**-**	**26**	**-**	**-**	**-**	**29**
210	**166**	**(268)**	**(135)**			
510	**75**	**-**	**(46)**			
(600)	**(320)**	**-**	**130**			
120	**(79)**	**(268)**	**(51)**			

Oy Kossu AG Restated*	Swissolote AG Restated*	Maple-leaf Inc	Silver Fir S.A.	Other individually immaterial subsidiaries	Intra-group eliminations	Total
10%	40%	55%	52%			
9,120	7,322	1,394	4,874			
4,960	1,278	850	638			
(5,900)	(6,900)	(1,200)	-			
(4,390)	(1,047)	(615)	(1,152)			
3,790	653	429	4,360			
379	261	236	2,267	4	(38)	3,109
8,660	9,390	6,259	13,743			
150	252	236	285			
-	-	40	-			
150	252	276	285			
15	101	130	147	(5)	(22)	366
-	-	23	-	-	-	23
300	115	530	(100)			
(25)	(40)	(788)	(30)			
(200)	(50)	190	130			
75	25	(68)	-			

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.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

36. Acquisition of NCI

See accounting policies in Note 45(A)(ii)–(iii).

IFRS 12.10(b)(iii), 18

In June 2018, the Group acquired an additional 15% interest in Swissolote, increasing its ownership from 60 to 75%. The carrying amount of Swissolote's net assets in the Group's consolidated financial statements on the date of the acquisition was €767 thousand.

In thousands of euro

Carrying amount of NCI acquired (€767 x 15%)	**115**
Consideration paid to NCI	**200**
A decrease in equity attributable to owners of the Company	**(85)**

The decrease in equity attributable to owners of the Company comprised:

– a decrease in retained earnings of €93 thousand; and

– an increase in the translation reserve of €8 thousand.

Notes to the consolidated financial statements (continued)

37. Loan covenant waiver

IFRS 7.18–19

As explained in Note 28(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 2018. The Group obtained a waiver of the breach of covenant in October 2018 for a period of 18 months. Subsequent to 31 December 2018, the bank revised the loan covenant ratio from 2.5 to 3.5 times and the waiver was lifted. On the basis of the new covenant and its forecasts, management believes that the risk of the new covenant being breached is low.

Notes to the consolidated financial statements (continued)

38. Operating leases

See accounting policy in Note 45(T).

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 2020. Sub-lease payments of €50 thousand are expected to be received during 2019. The Group has recognised a provision of €160 thousand in respect of this lease (see Note 31(D)).

i. Future minimum lease payments

IAS 17.35(a)

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

In thousands of euro	2018	2017
Less than one year	**500**	435
Between one and five years	**1,401**	1,339
More than five years	**699**	952
	2,600	2,726

ii. Amounts recognised in profit or loss

IAS 17.35(c)

In thousands of euro	Note	2018	2017
Lease expense	*9(C)*	**435**	447
Contingent rent expense	*9(C)*	**40**	30
Sub-lease income	*9(A)*	**(150)**	(90)

B. Leases as lessor

IAS 17.56(c)

The Group leases out its investment properties (see Note 23).

IAS 17.56(a)

i. Future minimum lease payments

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

In thousands of euro	2018	2017
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 2018, investment property rentals of €310 thousand (2017: €212 thousand) were included in 'revenue' (see Note 8). Maintenance expense, included in 'cost of sales' (see Note 9), was as follows.

In thousands of euro	2018	2017
Income-generating property	**45**	30
Vacant property	**20**	15
	65	45

Notes to the consolidated financial statements (continued)

39. Commitments

IAS 16.74(c)

During 2018, the Group entered into a contract to purchase property, plant and equipment and patents and trademarks in 2019 for €1,465 thousand (2017: nil) and €455 thousand (2017: nil) respectively.

The Group is committed to incurring other capital expenditure of €150 thousand (2017: €45 thousand). The Group's joint venture is committed to incurring capital expenditure of €23 thousand (2017: €11 thousand), of which the Group's share is €9 thousand (2017: €4 thousand). These commitments are expected to be settled in 2019.

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.

40. 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 34(C)).

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

41. Related parties[a,b]

A. Parent and ultimate controlling party

IAS 1.138(c), 24.13

During 2018, 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. The previous ultimate controlling party was Sigma Global Investment Holdings.[c]

IAS 24.18

B. Transactions with key management personnel

i. Key management personnel compensation

Key management personnel compensation comprised the following.

	In thousands of euro	**2018**	**2017**
IAS 24.17(a)	Short-term employee benefits	**502**	420
IAS 19.151(b), 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 13).

Executive officers also participate in the Group's share option programme (see Note 12(A)(i)). Furthermore, employees of the Company are entitled to participate in a share purchase programme (see Note 12(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 29).

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 (2017: nil).

ii. 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 24(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.

ASIC Instrument 2016/191

a. Where ASIC Instrument 2016/191 is applied in the financial statements, related party disclosures are subject to the exception of the rounding provisions. This exception is not reflected in this in-ternational-based illustrative disclosure.

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

IAS 24.13

c. The Company's parent produces consolidated financial statements that are available for public use. If neither the Company's parent nor its ultimate controlling party produced consolidated financial statements available for public use, then the Company would disclose the name of the next most senior parent that does so. If neither the ultimate controlling party nor any intermediate controlling party produced consolidated financial statements that are available for public use, then this fact would be disclosed.

Notes to the consolidated financial statements (continued)

41. Related parties (continued)

B. Transactions with key management personnel (continued)

ii. 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	***Note***	**2018**	**2017**	**2018**	**2017**
Legal fees	*(a)*	**12**	13	**-**	-
Repairs and maintenance	*(b)*	**410**	520	**137**	351
Inventory purchases – paper	*(c)*	**66**	-	**-**	-

IAS 24.18(b)(i), 23

a. 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 market rates for such services and were due and payable under normal payment terms.

b. In 2017, 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.

c. The Group bought various paper supplies from Alumfab Limited, a company that is controlled by another director. Amounts were billed based on 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	***Note***	Transaction values for the year ended 31 December **2018**	**2017**	Balance outstanding as at 31 December **2018**	**2017**
Sale of goods and services					
Parent of the Group – Cameron Paper Co (2017: 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	*24*	**21**	-	**-**	-
Associates					
– Loan and related interest	*28*	**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 applying equity accounting in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

41. Related parties (continued)

IAS 24.18

C. Other related party transactions (continued)

IAS 24.18(b)(i)–(ii), 18(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 2018, 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 24).

IAS 1.114(c)(iv)(1), 24.21

Purchase obligations in relation to recycled paper products arise from supply and service contracts signed by the Group. During 2018, the Group entered into an €89 thousand supply agreement with Cameron Paper Co. At 31 December 2018, the Group has used €25 thousand of its commitment under the agreement.

Notes to the consolidated financial statements (continued)

42. Subsequent events

IAS 10.21–22

A. Restructuring

At the end of January 2019, 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 2019, 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 2019 and 2020.

IAS 10.21–22

B. Others

Subsequent to 31 December 2018, one of the Group's major trade customers went into liquidation following a natural disaster in February 2019 that damaged its operating plant. Of the €100 thousand owed by the customer, the Group expects to recover less than €10 thousand. No additional allowance for impairment has been made in these consolidated financial statements.

On 10 January 2019, 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 explained in Note 28(B), the Group breached a financial loan covenant associated with a bank loan in the third quarter of 2018. The Group obtained a waiver for the breach of covenant in October 2018 for a period of 18 months. Subsequent to 31 December 2018, the bank revised the loan covenant ratio and the waiver was lifted (see Note 37).

On 23 March 2019, an increase in the Netherlands corporate tax rate from 25 to 30% was substantively enacted, effective from 1 January 2020. This increase does not affect the amounts of current or deferred income taxes recognised at 31 December 2018. However, this change will increase the Group's future current tax charge accordingly. If the new tax rate were applied to calculate taxable temporary differences and tax losses recognised as at 31 December 2018, the effect would be that net deferred tax assets would increase by €27 thousand (see Note 14).

On 22 July 2018, the Group announced its intention to acquire all of the shares of ABC Company for €6,500 thousand. On 4 January 2019, 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 2019.

Notes to the consolidated financial statements (continued)

43. 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	Fair value
Non-derivative financial instruments at FVTPL	Fair value
Debt and equity securities at FVOCI (2017: 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 45(E)(iv)

Notes to the consolidated financial statements (continued)

44. Correction of errors[a]

IAS 8.49

During 2018, the Group discovered that maintenance expenses had been erroneously duplicated in its financial statements since 2016. As a consequence, maintenance expenses and the related liabilities have been overstated. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

IAS 8.49

i. Consolidated statement of financial position

	Impact of correction of error		
1 January 2017 *In thousands of euro*	**As previously reported**	**Adjustments**	**As restated**
Total assets	84,012	-	84,012
Trade and other payables (current)	(29,558)	85	(29,473)
Deferred tax liabilities	(295)	(28)	(323)
Others	(25,862)	-	(25,862)
Total liabilities	(55,715)	57	(55,658)
Retained earnings	(7,315)	(57)	(7,372)
Others	(20,982)	-	(20,982)
Total equity	(28,297)	(57)	(28,354)
31 December 2017 *In thousands of euro*	**As previously reported**	**Adjustments**	**As restated**
Total assets	87,296	-	87,296
Trade and other payables (current)	(22,143)	96	(22,047)
Deferred tax liabilities	(374)	(32)	(406)
Others	(30,568)	-	(30,568)
Total liabilities	(53,085)	64	(53,021)
Retained earnings	(12,701)	(64)	(12,765)
Others	(21,510)	-	(21,510)
Total equity	(34,211)	(64)	(34,275)

IAS 8.49

ii. Consolidated statement of profit or loss and OCI

	Impact of correction of error		
For the year ended 31 December 2017 *In thousands of euro*	**As previously reported**	**Adjustments**	**As restated**
Administrative expenses	(14,439)	11	(14,428)
Income tax expense	(2,513)	(4)	(2,517)
Others	23,051	-	23,051
Profit	6,087	7	6,094
Total comprehensive income	6,515	7	6,522

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 year ended 31 December 2017.

IAS 8.49 a. The Group has disclosed the nature of the prior-period error and the amount of the correction for each financial line item affected as required by IAS 8.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies[a]

IAS 1.112(a), 116, 117(b), 119–121

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 5).

IFRS 5.34, IAS 1.41, 8.28

Certain comparative amounts in the statement of profit or loss and OCI have been restated, reclassified or re-presented, as a result of either a change in accounting policy (see Note 5), a correction of a prior-period error (see Note 44), a change in the classification of certain depreciation expenses during the current year (see Note 21(H)) or an operation discontinued during the current year (see Note 7).

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 consolidated financial statements. For example, the accounting policy for preference shares (Note 45(P)(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 standards 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)

45. 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 (R)(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, other contingent consideration is remeasured at fair value at each reporting date and 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 initially 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 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 5.10.140.150 **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 equity-accounted earnings or the carrying amount of equity-accounted investees.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

A. Basis of consolidation (continued)

v. Interests in equity-accounted investees (continued)

[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.

[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. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

[IFRS 9.B5.7.3, IAS 39.95(a), 102(a), AG83]

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

- an investment in equity securities designated as at FVOCI (2017: 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 (O)(v)); 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.

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)

45. Significant accounting policies (continued)

B. Foreign currency (continued)

ii. Foreign operations (continued)

[IAS 21.48–48D]

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. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

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 resale.

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 from contracts with customers[a]

The Group has initially applied IFRS 15 from 1 January 2018. Information about the Group's accounting policies relating to contracts with customers is provided in Note 8(D). The effect of initially applying IFRS 15 is described in Note 5.

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 arrangements

[IFRS 2.14–15, 19–21, 21A]

The grant-date fair value of equity-settled share-based payment arrangements 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.

IAS 1.117(b), 119

a. The Group presents significant accounting policies related to revenue from contracts with customers in the 'revenue' note, rather than in a separate note with other significant accounting policies. Other approaches to presenting accounting policies may be acceptable.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

45. 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.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

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 related to assets 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.

G. Finance income and finance costs[a]

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- dividend expense on preference shares issued classified as financial liabilities;
- the net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortised cost or FVOCI;
- 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;
- hedge ineffectiveness recognised in profit or loss; and
- the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings (see Note 32(C)(iv)).

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.

[IFRS 9.5.4.1–5.4.2, A]

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Insights 7.10.70.20

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)

45. Significant accounting policies (continued)

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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.[a]

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

[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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

[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.

Insights 3.13.45.10 a. Interest and penalties related to income taxes are not explicitly included in the scope of IAS 12. The IFRS Interpretations Committee discussed the accounting for interest and penalties related to income taxes and noted that an entity first considers whether interest or a penalty itself is an income tax. If so, then it applies IAS 12. If the entity does not apply IAS 12, then it applies IAS 37 to that amount. The Committee also noted that this is not an accounting policy choice – i.e. an entity needs to apply judgement based on the specific facts and circumstances.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

H. Income tax (continued)

ii. Deferred tax (continued)

[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 2.9, 25], IAS 2.36(a)

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, 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

[IFRS 1.D5, IAS 16.30], IAS 16.73(a)

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, 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 16.53, 58, 60], IAS 16.73(b)

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.

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.

---

a. The Group was previously a first-time adopter of IFRS. It has included the accounting policy for the determination of the 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)

45. Significant accounting policies (continued)

K. Property, plant and equipment (continued)

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. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

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] [IAS 38.57, 66, 71, 74]	**Research and development**	Expenditure on research activities is recognised in profit or loss as incurred. 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 38.97], IAS 38.118(a)–(b)

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.

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.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

M. Investment property (continued)

[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.

N. 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.

O. Financial instruments

IFRS 7.21, 7S.21

i. Recognition and initial measurement

[IAS 39.14, IFRS 9.3.1.1] Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

[IAS 39.43, 44A, IFRS 9.5.1.1, 5.1.3, IFRS 15.D] A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

[IFRS 9.4.1.1] On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

[IFRS 9.4.4.1, 5.6.1] Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

IFRS 7.21, 7S.21

O. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Policy applicable from 1 January 2018 (continued)

[IFRS 9.4.1.2]

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

[IFRS 9.4.1.2A]

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

[IFRS 9.4.1.4, 5.7.5]

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

[IFRS 9.4.1.5]

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 32(A)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

[IFRS 9.B4.1.2]

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level[a] because this best reflects the way the business is managed and information is provided to management. The information considered includes:

[IFRS 9.B4.1.2B–B4.1.2C, B4.1.4A, B4.1.5]

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.[b]

IFRS 9.B4.1.1–B4.1.2, Insights 7.4.70.30

a. The objective of the entity's business model is not based on management's intentions with respect to an individual instrument, but rather is determined at a higher level of aggregation. The assessment needs to reflect the way that an entity manages its business or businesses. A single reporting entity may have more than one business model for managing its financial instruments.

Insights 7.4.110.50

b. IFRS 9 does not provide specific guidance for business model assessment related to portfolios of financial assets for which the entity's objectives include transfers of financial assets to third parties in transactions that do not qualify for derecognition. In our view, whether such a portfolio is considered consistent with a held-to-collect business model depends on the circumstances.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

IFRS 7.21, 7S.21

O. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018 (continued)

[IFRS 9.B4.1.6]

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

[IFRS 9.4.1.3, B4.1.7A–B4.1.7B, B4.1.9A–B4.1.9E]

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

[IFRS 9.B4.1.11(b), B4.1.12]

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

IFRS 7.B5(e)

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

[IFRS 9.5.7.1]	**Financial assets at FVTPL**	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 45(O)(v) for derivatives designated as hedging instruments.
[IFRS 9.5.7.2]	**Financial assets at amortised cost**	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
[IFRS 9.5.7.10–5.7.11]	**Debt investments at FVOCI**	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
[IFRS 9.5.7.5–5.7.6, B5.7.1]	**Equity investments at FVOCI**	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

IFRS 7.21, 7S.21

O. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Policy applicable before 1 January 2018

[IAS 39.9]

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

IFRS 7.B5(e)

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

[IAS 39.46, 55(a)]	**Financial assets at FVTPL**	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. However, see Note 45(O)(v) for derivatives designated as hedging instruments.
[IAS 39.46(b)]	**Held-to-maturity financial assets**	Measured at amortised cost using the effective interest method.
[IAS 39.46(a)]	**Loans and receivables**	Measured at amortised cost using the effective interest method.
[IAS 39.46, 55(b)]	**Available-for-sale financial assets**	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

[IAS 39.47, 55(a), IFRS 9.5.7.1]

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

See Note 45(O)(v) for financial liabilities designated as hedging instruments.

iii. Derecognition

Financial assets

[IAS 39.17–20, IFRS 9.3.2.3–6]

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

[IAS 39.20(b), IFRS 9.3.2.6(b)]

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

IFRS 7.21, 7S.21

O. Financial instruments (continued)

iii. Derecognition (continued)

Financial liabilities

[IFRS 9.3.3.1–3.3.2, IAS 39.39–40]

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

[IFRS 9.3.3.3, IAS 39.41]

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

[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 currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018

[IFRS 9.4.3.3]

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 the host contract is not a financial asset and certain criteria are met.

[IFRS 9.5.1.1, 5.2.1(c)]

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

[IFRS 9.6.4.1(a), 6.4.1(c)]

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

[IFRS 9.6.5.11, 6.5.16]

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. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

IFRS 7.21, 7S.21

O. Financial instruments (continued)

v. Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

[IFRS 9.6.5.6–6.5.7, 6.5.12]

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

[IFRS 9.6.5.13–6.5.14]

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018

[IAS 39.11, 46, 95, 97–101, IFRS 9.7.2.26]

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss.[a] Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

[IFRS 9.6.5.11, IAS 39.98–99]

a. Under IAS 39, 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 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. Under IAS 39, the Group had elected to apply the second approach. Under IFRS 9, only the first approach is permitted.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

P. Share capital

i. Ordinary shares

[IAS 32.35–35A]

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 (see Note 45(H)).

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, 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.

Q. 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, IFRS 9.5.1.1]

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.

[IFRS 9.5.3.1]

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.

[IAS 32.AG32]

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

R. Impairment

i. Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

[IFRS 9.2, 5.5.1]

The Group recognises loss allowances for ECLs on:

– financial assets measured at amortised cost;

– debt investments measured at FVOCI; and

– contract assets.

[IFRS 9.5.5.3, 5.5.5, 5.5.11, 5.5.15–5.5.16]

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

– debt securities that are determined to have low credit risk at the reporting date; and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.[a]

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

IFRS 7.35F(b), B8A

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

IFRS 7.35F(a)(i), [IFRS 9.5.5.10, B5.5.22–B5.5.24, A]

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per [*Rating Agency X*] or BBB- or higher per [*Rating Agency Y*].

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

[IFRS 9.5.5.19, B5.5.38]

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

[IFRS 9.5.5.17, A, B5.5.28–B5.5.30, B5.5.33]

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

a. For lease receivables, contract assets and trade receivables with a significant financing component, an entity can choose as an accounting policy either to apply the general model for measuring loss allowance or always to measure the loss allowance at an amount equal to the lifetime ECL. The Group has chosen the latter policy.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

R. Impairment (continued)

i. Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Credit-impaired financial assets

IFRS 7.35F(d), 35G(a)(iii), [IFRS 9.A]

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

[IFRS 9.5.5.1–5.5.2]

Presentation of allowance for ECL in the statement of financial position

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

IFRS 7.35F(e), [IFRS 9.5.4.4]

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Non-derivative financial assets

[IAS 39.58–59]

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

IFRS 7S.B5(f)

Objective evidence that financial assets were impaired included:

- 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 would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

R. Impairment (continued)

i. Non-derivative financial assets (continued)

Policy applicable before 1 January 2018 (continued)

Non-derivative financial assets (continued)

[IAS 39.61]

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Group considered a decline of 20% to be significant and a period of nine months to be prolonged.

[IAS 39.63–64]	**Financial assets measured at amortised cost**	The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.
		In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.
IFRS 7S.B5(d), [IAS 39.63–65]		An impairment loss was 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 were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.
[IAS 39.67–70]	**Available-for-sale financial assets**	Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was 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 increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

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 36.22, 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.

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

R. Impairment (continued)

ii. Non-financial assets (continued)

[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.

S. 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 (R)(ii)).

T. 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]

Leases of property, plant and equipment 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.

Introduction
Australian content
Primary statements
NOTES
Appendices

Notes to the consolidated financial statements (continued)

45. Significant accounting policies (continued)

T. Leases (continued)

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.

U. Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

V. Fair value measurement

[IFRS 13.9, 24, 42]

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

IFRS 13.93(g)

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 (see Note 4(B)(i)).

[IFRS 13.77, 79, A]

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

[IFRS 13.61–62]

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

[IFRS 13.70–71]

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

IFRS 7.28(a)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Notes to the consolidated financial statements (continued)

46. Standards issued but not yet effective

IAS 8.30–31

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

A. IFRS 16 *Leases*

The Group is required to adopt IFRS 16 *Leases* from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of warehouse and factory facilities (see Note 38(A)). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous as described in Note 31(D). Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of €2,155 thousand as at 1 January 2019. The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the revised maximum leverage threshold loan covenant described in Note 37.

ii. Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects that it will reclassify one sub-lease as a finance lease, resulting in recognition of a finance lease receivable of €94 thousand as at 1 January 2019.

No significant impact is expected for other leases in which the Group is a lessor.

a. The Group has not early adopted IFRS 16 in its consolidated financial statements for the year ended 31 December 2018. It has disclosed known or reasonably estimable information relevant to assessing the possible impact that the application of IFRS 16 will have on its financial statements in the period of initial application that was available when the financial statements were prepared.

Our publication Guide to annual financial statements – IFRS 16 Leases supplement provides disclosure examples and explanations on early adoption of IFRS 16.

Notes to the consolidated financial statements (continued)

46. Standards issued but not yet effective (continued)

A. IFRS 16 *Leases* (continued)

iii. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

B. Other standards[a]

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 *Uncertainty over Tax Treatments*.
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*.
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*.
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*.
- *Annual Improvements to IFRS Standards 2015–2017 Cycle* – various standards.
- *Amendments to References to Conceptual Framework in IFRS Standards*.
- IFRS 17 *Insurance Contracts*.

a. Although new or amended standards that will have no or no material effect on the financial statements need not be provided, the Group has included all new or amended standards and their possible impact on the consolidated financial statements for illustrative purposes only.

Appendix I

New standards or amendments for 2018-19 and forthcoming requirements

Since the last edition of this guide, a number of standards, amendments to or interpretations of standards have been issued. This Appendix lists these new requirements that have been issued as at 15 August 2018, and it 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 2018 and annual periods beginning after 1 July 2018.
- **Forthcoming requirements:** This table lists the recent changes to IFRS that are required to be applied for annual periods beginning after 1 January 2018 and that are available for early adoption in annual periods beginning on 1 January 2018 and annual periods beginning after 1 July 2018.

The tables also include a cross-reference to 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	KPMG guidance
For annual periods beginning 1 January 2018 and annual periods beginning on 1 July 2018		
1 January 2018	IFRS 15 *Revenue from Contracts with Customers*	*Insights into IFRS* (Chapter 4.2), web article (with links to in-depth analysis)
	IFRS 9 *Financial Instruments*	*Insights into IFRS* (Section 7), web article (with links to in-depth analysis)
	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	*Insights into IFRS* (4.5.50, 920, 930, 1350, 1620 and 2160), web article
	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	*Insights into IFRS* (8.1.160), web article
	Transfers of Investment Property (Amendments to IAS 40)	*Insights into IFRS* (3.4.200), web article
	Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)	*Insights into IFRS* (3.5.100.10 and 200.60), web article
	IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	*Insights into IFRS* (2.7.90.20–80), web article

Forthcoming requirements

Effective date	New standards or amendments	KPMG guidance
1 January 2019	IFRS 16 *Leases*	*Insights into IFRS* (Chapter 5.1A), web article (with links to in-depth analysis)
	IFRIC 23 *Uncertainty over Tax Treatments*	*Insights into IFRS* (3.13.665), web article
	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	*Insights into IFRS* (7.4.225 and 7.11.95), web article
	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	*Insights into IFRS* (3.5.425, 505 and 7.1.165), web article
	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	*Insights into IFRS* (3.13.665), web article
	Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards	*Insights into IFRS* (2.6.1145, 3.6.318, 3.13.775 and 4.6.115), web article
	AASB 1059 *Service Concession Arrangements: Grantor*[a]	17RU-004
1 January 2020	*Amendments to References to Conceptual Framework in IFRS Standards*	*Insights into IFRS* (2.8.25), web article
1 January 2021	IFRS 17 *Insurance Contracts*[b]	*Insights into IFRS* (Chapter 8.1A), web article
1 January 2022	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*	Web article

a. The effective date is expected to be deferred to 1 January 2020.

b. Early application of IFRS 17 Insurance Contracts is permitted only for companies that also apply IFRS 9 Financial Instruments.

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	2018	2017 Restated*
IAS 1.10(b), 10A, 29, 38–38A, 81A, 113				
	Continuing operations			
IAS 1.82(a)	Revenue	8	**102,710**	96,629
IAS 1.99, 103	Cost of sales	9(C)	**(55,432)**	(56,186)
IAS 1.103	Gross profit		**47,278**	40,443
IAS 1.85	Other income	9(A)	**1,021**	194
IAS 1.99, 103	Selling and distribution expenses	9(C)	**(17,984)**	(15,865)
IAS 1.99, 103	Administrative expenses	9(C)	**(17,732)**	(14,428)
IAS 1.99, 103, 38.126	Research and development expenses	9(C)	**(1,109)**	(697)
	Impairment loss on trade receivables and contract assets	31(C)(ii)	**(200)**	(30)
IAS 1.99, 103	Other expenses	9(B)	**(996)**	-
IAS 1.85, BC55–BC56	**Operating profit**		**10,278**	9,617
IAS 1.85	Finance income		**1,130**	447
IAS 1.82(b)	Finance costs		**(1,712)**	(1,618)
IAS 1.85	**Net finance costs**	10	**(582)**	(1,171)
IAS 1.82(c)	Share of profit of equity-accounted investees, net of tax	24	**1,141**	587
IAS 1.85	**Profit before tax**		**10,837**	9,033
IAS 1.82(d), 12.77	Income tax expense	14	**(3,339)**	(2,517)
IAS 1.85	**Profit from continuing operations**		**7,498**	6,516
IFRS 5.33A, IAS 1.82(ea)	**Discontinued operation**			
	Profit (loss) from discontinued operation, net of tax	7	**379**	(422)
IAS 1.81A(a)	**Profit for the period**		**7,877**	6,094
	Profit attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		**7,359**	5,727
IAS 1.81B(a)(i)	Non-controlling interests	35	**518**	367
			7,877	6,094
IAS 33.4A	**Earnings per share**			
IAS 33.66, 67A	Basic earnings per share (euro)	11	**2.24**	1.73
IAS 33.66, 67A	Diluted earnings per share (euro)	11	**2.13**	1.72
	Earnings per share – Continuing operations			
IAS 33.66, 67A	Basic earnings per share (euro)	11	**2.12**	1.87
IAS 33.66, 67A	Diluted earnings per share (euro)	11	**2.01**	1.86
	Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	15	**15,722**	16,942

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements (see Note 5).

Comparative information has also been restated as indicated in Notes 7, 21(H) and 44.

The notes on pages 66 to 228 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.

Introduction
Australian content
Primary statements
Notes
APPENDICES

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

	In thousands of euro	*Note*	2018	2017 Restated*
IAS 1.10A	**Profit for the period**		**7,877**	6,094
	Other comprehensive income			
IAS 1.82A(a)(i)	**Items that will not be reclassified to profit or loss**			
IAS 1.85	Revaluation of property, plant and equipment	*21(F)*	**200**	-
IAS 1.85	Remeasurements of the defined benefit liability (asset)	*13(B)*	**72**	(15)
IAS 1.82A(b)(i)	Equity-accounted investees – share of OCI	*26(D)*	**141**	-
	Equity investments at FVOCI – net change in fair value	*24, 26(D)*	**13**	(3)
IAS 1.91(b)	Related tax	*14(B)*	**(137)**	5
			289	(13)
IAS 1.82A(a)(ii)	**Items that are or may be reclassified subsequently 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 1.82A(b)(ii)	Equity-accounted investees – share of OCI	*24, 26(D)*	**(172)**	(166)
IAS 1.92	Reclassification of foreign currency differences on loss of significant influence	*34(D)*	**(20)**	-
IFRS 7.23(c)	Cash flow hedges – effective portion of changes in fair value	*26(D)*	**(62)**	95
IFRS 7.23(d), IAS 1.92	Cash flow hedges – reclassified to profit or loss	*26(D)*	**(31)**	(11)
	Cost of hedging reserve – changes in fair value	*26(D)*	**34**	10
	Cost of hedging reserve – reclassified to profit or loss	*26(D)*	**8**	2
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value		**-**	118
	Debt investments at FVOCI – net change in fair value	*26(D)*	**55**	-
	Debt investments at FVOCI – reclassified to profit or loss	*26(D)*	**(64)**	-
IAS 1.91(b)	Related tax	*14(B)*	**19**	(70)
			444	441
IAS 1.81A(b)	**Other comprehensive income for the period, net of tax**		**733**	428
IAS 1.81A(c)	**Total comprehensive income for the period**		**8,610**	6,522
	Total comprehensive income attributable to:			
IAS 1.81B(b)(ii)	Owners of the Company		**8,066**	6,133
IAS 1.81B(b)(i)	Non-controlling interests	*35*	**544**	389
			8,610	6,522

* See Notes 5, 7, 21(H) and 44.

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements and separately presenting impairment losses on trade receivables and contract assets

The notes on pages 66 to 228 are an integral part of these consolidated financial statements.

Appendix III

Statement of cash flows - Direct method

IAS 1.10(d), 29, 38–38A, 113

Consolidated statement of cash flows

For the year ended 31 December

	In thousands of euro	Note	2018	2017
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 7.16(d), 16(h)	Proceeds from sale of investments		**1,476**	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of	7	**10,890**	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired	34	**(1,799)**	-
IAS 7.16(a)	Acquisition of property, plant and equipment	21(A)	**(15,657)**	(2,228)
IAS 7.16(a)	Acquisition of investment property	23(A)	**(300)**	(40)
IAS 7.16(a)	Purchase of non-current biological assets	16(A)	**(305)**	(814)
IAS 7.16(c), 16(g)	Acquisition of other investments		**(359)**	(363)
IAS 24.18	Dividends from equity-accounted investees	24(A)	**21**	-
IAS 7.16(a)	Development expenditure	22(A), (D)	**(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	26(A)	**1,550**	-
IAS 7.17(c)	Proceeds from issue of convertible notes	28(C)	**5,000**	-
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	28(D)	**2,000**	-
IAS 7.17(c)	Proceeds from loans and borrowings		**591**	4,439
IAS 7.17(a)	Proceeds from sale of treasury shares		**30**	-
IAS 7.17(a)	Proceeds from exercise of share options	26(A)	**50**	-
IAS 7.16(h)	Proceeds from settlement of derivatives		**5**	11
IAS 7.21	Transaction costs related to loans and borrowings	28(C)–(D)	**(311)**	-
IAS 7.42A	Acquisition of NCI	36	**(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, 34	Dividends paid	26(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		**(13)**	(25)
	Cash and cash equivalents at 31 December*	19	**1,170**	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 66 to 228 are an integral part of these consolidated financial statements.

Appendix IV

Other disclosures not illustrated in the consolidated financial statements

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 2018 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 2019, 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 2019. 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 2019 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 year or after the reporting date.

IAS 1.122, Insights 1.2.80.10

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.

Distributions of non-cash assets to owners

Extracts of notes to the consolidated financial statements

X. Distribution of wholly owned subsidiary to owners of the Company[a, b, c]

IFRIC 17.16(a)

On 15 May 2018, 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 2018, 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	**2018**
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.

IFRS 5.5A, 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 extended explicitly, 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.

Government-related entities under IAS 24

Extracts of notes to the consolidated financial statements

41. Related parties[a]

Example 1 – Individually significant transaction because of size of transaction

In 2016, 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 2017 to 2019, 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 2018 amounted to €3,500 thousand (2017: €2,800 thousand). As at 31 December 2018, the aggregate amounts due from the Department amounted to €10 thousand (2017: €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 2017, 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 2018 to 2022. 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 2018 amounted to €3,500 thousand. As at 31 December 2018, 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

Under an agreement dated 1 January 2018, 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 2018, 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 2018, 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 2019. 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*].

Extracts of notes to the consolidated financial statements (continued)

41. Related parties (continued)

IAS 24.26

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 2018, management estimates that the aggregate amount of Griffin Limited's significant transactions with other government-related entities is at least 50% of its sales of recycled paper products and between 30 and 40% of its purchase of materials.

Entities with a service concession arrangement

Extracts of notes to the consolidated financial statements

X. Service concession arrangement[a, b]

SIC-29.6

On 1 July 2018, 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 2018 and it was completed and available for use on 30 September 2018. 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 2018. 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 2018, 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 2018 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.

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 2018. The intangible asset represents the right to charge users a fee for use of the toll road.[c]

---

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)

45. 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 over time, 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 service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.

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.

O. 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 from or at the direction of the grantor for the construction or upgrade services provided, and the right to receive cash depends only on the passage of time. Such financial assets are measured at fair value on initial recognition and classified as financial assets 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)).

Introduction
Australian content
Primary statements
Notes
APPENDICES

Keeping in touch

Follow ‘KPMG IFRS’ on LinkedIn or visit kpmg.com/ifrs for the latest on IFRS.

Whether you are new to IFRS or a current user, you can find digestible summaries of recent developments, detailed guidance on complex requirements, and practical tools such as illustrative disclosures and checklists.

Delivering insight, analysis and practical guidance on IFRS

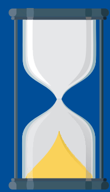
IFRS toolkit

Insights into IFRS

Helping you apply IFRS to real transactions and arrangements

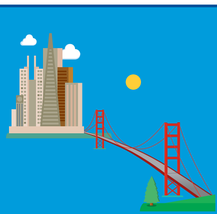
Guides to financial statements

Illustrative IFRS disclosures and checklists of currently effective requirements



Newly effective standards

IFRS compared to US GAAP

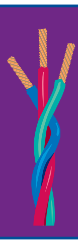


Q&A: Fair Value Measurement

Combined and/or carve-out financial statements

Amendments to existing standards

Business combinations and consolidation



Presentation and disclosures

IFRS readiness for 2018…

IFRS Today podcasts

Topical insight and discussion

Are you good to go?

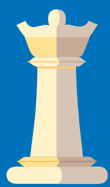
Sector-specific guidance

Revenue

Financial instruments

… and beyond

Leases



Insurance contracts

IFRS news

IFRS for banks

Download on the App Store

For access to an extensive range of accounting, auditing and financial reporting guidance and literature, visit KPMG's Accounting Research Online. This web-based subscription service is a valuable tool for anyone who wants to stay informed in today's dynamic environment. For a free 30-day trial, go to aro.kpmg.com and register today.

Acknowledgements

We would like to acknowledge the principal contributors to and reviewers of this guide, who include:

Irina Ipatova

Manish Kaushik

Julie Locke

Ingo Rahe

Agnieszka Sekita

Marina Shu

Chris Spall

Shunya Uchida

Ido Vexelbaum

Guy Zmora

October 2018. VIC N16004AUD