



Example Public

Guide to annual reports

Illustrative disclosures

2023-2024

(Updated July 2024)

Telling your connected story

Entities continue to face rapidly changing and uncertain economic and market conditions driven by various factors including the lasting impacts of the pandemic, rising interest rates and inflation, increased market volatility, heightened geopolitical risk and notably, the effects of climate change. Stakeholders are placing greater emphasis on how entities are adapting to these conditions and managing new and emerging risks and opportunities. As a result, communicating effectively has never been so important.

In the Operating and Financial Review (OFR), stakeholders expect entities to provide a holistic view of their business, including their performance and future strategic plans. ASIC has reiterated the OFR should complement the financial report, be tailored to the entity's circumstances, and provide explanations for underlying drivers of results and financial position, as well as material business risks, and their impact on strategies and future prospects.

The release of the first two IFRS® Sustainability Disclosure Standards in June 2023 represents a significant milestone in the evolution of sustainability reporting, aiming to increase its prominence and connectivity with financial reporting. In Australia, the AASB has released an Exposure Draft for an Australian-specific climate-related financial disclosure standard based on IFRS S2 *Climate-related Disclosures*, which may become effective from 30 June 2025 for certain entities. Going forward, connected financial and sustainability reporting will be a requirement rather than just a best-practice feature of reporting. Our [Australian](#) and [Global](#) sustainability reporting resource centres offer practical guidance to assist entities prepare for upcoming changes.

ASIC has communicated its expectations concerning sustainability-related disclosures and highlighted its current focus in this area. In the past year, ASIC has taken regulatory actions as a result of its greenwashing surveillance activities that assesses environmental, social, and governance (ESG) disclosures. ASIC has also cautioned entities about removing or significantly reducing ESG disclosures simply to avoid regulatory scrutiny, emphasising the importance of sustainability-related disclosures in maintaining confident and informed markets.

With growing stakeholder pressure and in recognition of the significance of ESG strategies in driving sustainable, long-term value for shareholders, the correlation between ESG and executive remuneration has gained increased attention in Australia. The need for clear and transparent Remuneration Reports has become more pronounced. Our [Insights into Remuneration Reporting](#) and [ESG in Executive Remuneration](#) provides guidance to support entities in preparing Remuneration Reports, including market insights on the adoption of ESG measures and related accounting implications.

Within the financial report, it remains critical for entities to clearly explain key judgments made and estimates used in making them. Uncertain market and economic conditions may result in a wider range of reasonable assumptions informing estimates of asset and liability values. Disclosing significant judgments, sources of estimation uncertainty, key assumptions, and sensitivities will be vital for stakeholders. Such disclosure also assists stakeholders understand the connectivity between the front part of the annual report and the financial statements.

Significant developments and complex changes have also occurred in the global tax landscape to promote tax integrity and transparency. This includes the implementation of global minimum tax reform that may have a substantial impact on multinational groups. The financial reporting impacts of these developments, along with newly effective accounting and regulatory requirements are summarised on our ["What's new?"](#) page. This page also highlights useful resources to support entities in applying the new insurance contracts standard, AASB 17, for the first time.

Given Australia's alignment with IFRS® Accounting Standards, minimal changes have been made to the source document prepared by our international colleagues. Australian-specific disclosures have been added where applicable, and navigation bookmarks and links are available to facilitate identification of the changes and disclosures that entities should consider.

We trust you find *Example Public Company Limited Guide to annual reports – illustrative disclosures* a valuable resource in your annual report preparation. If you require further information on the content of this publication or need assistance in the application of Australian Accounting Standards, please contact your KPMG professional.

Julian McPherson

National Managing Partner – Audit and Assurance

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, which are International Financial Reporting Standards (IFRS Accounting Standards) developed by the International Accounting Standards Board (IASB® Board) 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 2023 and 30 June 2024 and reflects standards and interpretations that have been issued by the AASB as at 31 August 2023 and that are required to be applied by an entity with an annual period beginning on 1 January 2023 and 1 July 2023 ('currently effective requirements'). The early adoption of standards or amendments to standards that are effective for annual periods beginning after 1 January 2023 ('forthcoming requirements') is not illustrated.

Although it is not exhaustive, this guide illustrates the disclosures required by IFRS Accounting Standards 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.

In July 2024, this guide has been updated to illustrate disclosures required under the Corporations Act 2001, for the *Consolidated entity disclosure statement* (law change finalised in April 2024). The changes are mandatory for financial years beginning on or after 1 July 2023. Under Australian content, a new statement, *Consolidated entity disclosure statement* has been added and the Directors' declaration has been updated.

Navigating this guide

If you are using this guide for the first time:

Given Australia's close alignment to IFRS Accounting Standards, 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 Accounting Standards.

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 Accounting Standards is shown in section two [Guide to annual financial statements](#).

This hypothetical corporation (the 'Group') used in this publication has been applying the Accounting Standards for some time – i.e. it is not a first-time adopter. If you are preparing your first set of annual financial statements, that include an explicit and unreserved statement of compliance with IFRS Accounting Standards, you are considered a first time adopter. For more information on first time adoption, see Chapter 6.1 in the 20th edition 2023/2024 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

Materiality is relevant to the presentation and disclosure of the items in the financial statements. Preparers need to consider whether the financial statements include all of the information that is relevant to understanding an entity's financial position at the reporting date and its financial performance during the reporting period.

Preparers also 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 addition *Making Materiality Judgements (AASB Practice Statement 2)* provides practical guidance on how to apply the concept of materiality in the preparation of financial statements.

Further KPMG guidance

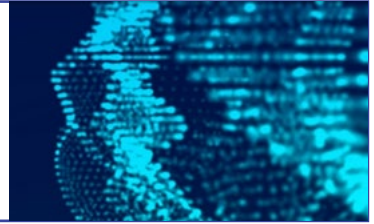
We also have a number of accompanying tools and publications that can be used to assist you in the preparation of your annual report and helping you to report financial information in the most meaningful way. These materials and more, can be accessed from our [Financial Reporting Centre](#) site, which 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 Accounting Standards.

Whether you are new to IFRS Accounting Standards 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

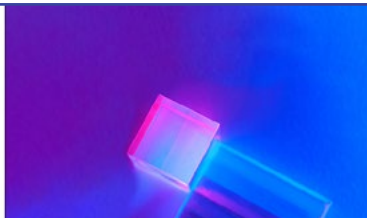
**Accounting &
Reporting
Webinars**



**Australian Financial
Reporting Updates**



**Standards
on issue**



**IFRIC agenda
decisions**



**Financial
Instruments**



Leases



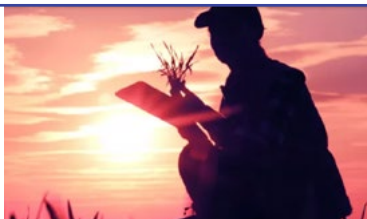
Revenue



**Uncertain times |
Financial reporting**



**Sustainability and
Climate Change |
Financial reporting**



**Better business
reporting**



This page is intentionally blank

Contents

Telling your connected story	b
How to use this guide	c
Further KPMG Guidance	d
What's new?	2
References and abbreviations	4
Australian content	5
Corporate governance statement	7
Directors' report	10
Notes to the consolidated financial statements	40
Consolidated entity disclosure statement	49
Directors' declaration	51
ASX additional information	52
Voluntary tax disclosures – Part A	55
Guide to annual financial statements	58
Consolidated statement of financial position	60
Consolidated statement of profit or loss and other comprehensive income	62
Consolidated statement of changes in equity	66
Consolidated statement of cash flows	68
Notes to the consolidated financial statements	71
Appendices	235
I New standards or amendments for 2023-24 and forthcoming requirements	235
II Presentation of comprehensive income – Two-statement approach	237
III Statement of cash flows – Direct method	239
IV Other disclosures not illustrated in the consolidated financial statements	240
Keeping in touch	247

Notes

Basis of preparation	71	Other information	199
1. Reporting entity	71	37. Loan covenant waiver	199
2. Basis of accounting	71	38. Leases	200
3. Functional and presentation currency	71	39. Commitments	203
4. Use of judgements and estimates	71	40. Contingencies	203
5. Changes in material accounting policies	74	41. Related parties	204
		42. Subsequent events	207
Performance for the year	76	Accounting policies	208
6. Operating segments	76	43. Basis of measurement	208
7. Discontinued operation	85	44. Correction of errors	209
8. Revenue	87	45. Material accounting policies	210
9. Income and expenses	93	46. Accounting standards issued but not yet effective	234
10. Net finance costs	94		
11. Earnings per share	95	Australian content	40
Employee benefits	97	1. Reporting entity	40
12. Share-based payment arrangements	97	2. Basis of accounting	40
13. Employee benefits	100	3. Functional and presentation currency	40
Income taxes	105	26. Capital and reserves	41
14. Income taxes	105	47. Reconciliation of cash flows from operating activities	42
Alternative performance measure	113	48. Auditors' remuneration	43
15. Adjusted EBITDA – Not used in Australian context	113	49. Deed of cross guarantee	44
		50. Parent entity disclosures	47
Assets	114		
16. Biological assets	114		
17. Inventories	118		
18. Trade and other receivables	119		
19. Cash and cash equivalents	120		
20. Disposal group held for sale	120		
21. Property, plant and equipment	122		
22. Intangible assets and goodwill	125		
23. Investment property	132		
24. Equity-accounted investees	134		
25. Other investments, including derivatives	137		
Equity and liabilities	138		
26. Capital and reserves	138		
27. Capital management	142		
28. Loans and borrowings	143		
29. Trade and other payables	150		
30. Government grants	151		
31. Provisions	152		
Financial instruments	154		
32. Financial instruments – fair values and risk management	154		
Group composition	191		
33. List of subsidiaries	191		
34. Acquisition of subsidiary	192		
35. Non-controlling interests	196		
36. Acquisition of NCI	198		

What's new?

The following Standards are effective for the first time when preparing Tier 1 general purpose financial statements for annual reporting periods ending 31 December 2023 and 30 June 2024:

Australian Accounting Standards

AASB 17 *Insurance Contracts*

Disclosure of Accounting Policies and Definition of Accounting Estimates (Amendments to AASB 7, 101, 108 and AASB Practice Statement 2)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112)

*International Tax Reform – Pillar Two Model Rules (Amendments to AASB 112)*¹

The Group applied the following amendments related to AASB 112 *Income Taxes* for the first time in the current year.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112)*: The Group applied amendments that narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decommissioning obligations. For further information, see our [web article](#).
- *International Tax Reform–Pillar Two Model Rules (Amendments to AASB 112)*: The Group applied the relief from deferred tax accounting for Pillar Two top-up taxes immediately upon the release of the amendments in June 2023. The Group also provided new disclosures about its exposure to these taxes. For further information, see our [web article](#) and read our [talkbook](#). In addition, for an overview of Pillar Two legislative developments in jurisdictions around the world, see [BEPS 2.0: state of play](#).

See [Note 5\(A\)](#) and [\(B\)](#) for an illustration of disclosure to explain the nature and effect of the changes related to both sets of AASB 112 amendments in the first year of application.

The Group also applied *Disclosure of Accounting Policies and Definition of Accounting Estimates (Amendments to AASB 7, 101, 108 and AASB Practice Statement 2)* for the first time in 2023. The amendments require entities to disclose their 'material' accounting policies, rather than their 'significant' accounting policies. The impact of the amendments will depend on the existing accounting policy information provided by individual entities. For some entities, the impact may be significant. However, those that already disclose entity-specific information with regard to materiality may assess the impact as insignificant. For further information, see our [web article](#) and read our [talkbook](#).

See [Note 5\(C\)](#) for an illustration of disclosure to explain the nature and effect of the change related to material accounting policy information in the first year of application of the amendments. However, it is important to note that the disclosures, including the accounting policies, for the hypothetical Group as shown in this guide are merely for illustrative purposes and, as such, are provided largely without regard to materiality. Therefore, the illustration provided is not intended to address the circumstances of other entities.

The Group does not have any other transactions that are affected by the other newly effective standards and amendments.

Throughout the guide, a double black line running down the left margin of the text highlights major changes effective for the first time for BOTH annual reporting periods ending 31 December 2023 and 30 June 2024. The double black line in the left margin also highlights major changes in terms of what was illustrated in the previous 2023 edition of this guide.

Insurance contracts

The new insurance contracts standard, AASB 17, is now effective. It aims to increase transparency and to reduce diversity in the accounting for insurance contracts. Our [Insurance contracts](#) webpage provides useful materials to help entities in applying the new standard.

1. The amendments first immediately applied for 30 June 2023 year ends, however disclosure requirements apply only to financial statements beginning 1 January 2023.

AASB 17 applies to contracts, regardless of the issuer. This means that all companies could be affected, not just insurers. Our [IFRS 17 for non-insurers guide](#) includes a framework for identifying insurance contracts and illustrative examples to assist entities in navigating the complexities of the new standard.

IFRS Interpretation Committee agenda decisions

Agenda decisions are a way of making a statement about why a change in the requirements of an IFRS Accounting Standard or an interpretation of that requirement does not need to be issued. They often include explanatory information that is intended to provide guidance for the consistent application of IFRS Accounting Standards. As a result, final agenda decisions form part of the guidance of the IFRS Accounting Standards. They must be followed to claim compliance with IFRS Accounting Standards.

Any changes in accounting that arise from the application of final agenda decisions are accounted for as a change in accounting policy in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, i.e. change is applied retrospectively. AASB 108 requires specific disclosures to be made in respect of changes in accounting policies.

Our [IFRIC Agenda Decisions](#) publication provides an outline of the recent tentative and final agenda decisions issued by IFRIC. Final IFRIC agenda decisions must be applied in Australia.

Climate change and financial reporting

All entities are facing climate-related risks and opportunities and are making strategic decisions in response – including around their transition to a low-carbon economy. These climate-related risks and strategic decisions could impact their financial statements – and KPIs.

As the impact of climate change intensifies, investors and regulators are increasingly seeking greater transparency of climate-related information in the financial statements. Although financial statements are not the only source of information about climate-related matters – companies are also expected to provide more comprehensive disclosures in the front part of the annual report or elsewhere – they play an important role. IFRS Accounting Standards do not refer explicitly to climate-related risks or matters, but they implicitly require relevant disclosures in the financial statements when climate-related matters considered in preparing the financial statements are material. See our [web article](#) for more guidance on disclosing the impacts of climate-related matters.

For an illustration of the climate-related impact on the Group's financial statements, see [Note 16\(C\)](#) related to biological assets, [Notes 21\(G\)](#) and [39](#) related to property, plant and equipment, [Note 22\(C\)](#) related to impairment testing and [Notes 22, 30, 31](#) and [45\(G\)](#) related to emissions schemes.

Our [Australian](#) and [Global](#) sustainability and climate-related financial reporting resource centres provide more guidance to help entities identify the potential financial statement impacts on their business.

Tax transparency measures in Australia

The Australian Federal Government passed the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Bill 2024* (Bill) on 27 March 2024 and received Royal Assent on 8 April 2024. The Bill addresses tax transparency measures for multinational groups and includes but is not limited to requirements for Australian public companies (listed and unlisted) to disclose information on each of their subsidiaries, including details on their tax residence in their financial reports. The Bill was first tabled in June 2023 and amends the *Corporations Act 2001*.

At the date this guide was first published, the Bill was still subject to legislative approval.

In July 2024, this guide has been updated to illustrate disclosures related to the enacted Bill. Under Australian content, a new statement, *Consolidated entity disclosure statement* has been added and the Directors' declaration has been updated. See our Reporting Update ([24RU-06 | Mandatory disclosure of subsidiaries' tax residence](#)) for further details on the new requirement.

Accounting Standards issued but not yet effective

[Appendix I](#) provides a comprehensive list of all of the new Accounting Standards, distinguishing between those that are effective for an entity with an annual period beginning on 1 January 2023 and those with a later effective date.

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.

<i>IAS 1.82(a)</i>	Paragraph 82(a) of IAS 1.
<i>IAS 16.41</i>	Paragraph 41 of IAS 16. 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.
<i>Insights 2.3.60.10</i>	Paragraph 2.3.60.10 of the 20th edition 2023/24 of our publication Insights into IFRS .

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

Major changes since the 2022-23 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: <ul style="list-style-type: none"> • AASB 1 – AASB 17 represent Accounting Standards issued by the AASB equivalent to an IFRS Accounting Standard issued by the IASB Board (AASB 1 is the Australian equivalent to IFRS 1); • AASB 101 onwards represent Accounting Standards issued by the AASB equivalent to an IAS® Standard issued by the IASB Board (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 IFRS Accounting Standards.
ASIC	Australian Securities and Investments Commission Regulatory Guides (RG), Corporations Instruments (Instrument)
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® Standards	International Accounting Standards issued by the predecessor of the IASB Board, the International Accounting Standards Committee, and amended by the IASB Board
IFRIC®	Interpretations of the IFRS Interpretations Committee
IFRS Accounting Standards	International Financial Reporting Standards
IU	IFRS Interpretations Committee publication <i>IFRIC Update</i>
Reg	Corporations Regulations 2001
S	Section, Corporations Act 2001

Australian content

Corporate governance statement	7
Directors' report	10
Consolidated statement of financial position	32
Consolidated statement of profit or loss and other comprehensive income	34
Consolidated statement of changes in equity	36
Consolidated statement of cash flows	38
Notes to the consolidated financial statements	40
1. Reporting entity	40
2. Basis of accounting	40
3. Functional and presentation currency	40
26. Capital and reserves	41
47. Reconciliation of cash flows from operating activities	42
48. Auditors' remuneration	43
49. Deed of cross guarantee	44
50. Parent entity disclosures	47
Consolidated entity disclosure statement	49
Directors' declaration	51
ASX additional information	52
Voluntary tax disclosures: Part A	55

Annual Financial Report

Example Public Company Limited

S153-S155 **ABN 14 004 152 682**

Reg 1.0.07

30 June 2024

Corporate governance statement

The *Corporate Governance Principles and Recommendations (Fourth Edition) (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.

A listed entity has 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.

Corporate governance statement (continued)

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 (4th edition). For the financial year 30 June 2024, 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."

Index to Directors' report

1	Directors	10
2	Company secretary	11
3	Officers who were previously partners of the audit firm	11
4	Directors' meetings	11
5	Principal activities	12
6	Operating and financial review	13
7	Dividends	14
8	Events subsequent to reporting date	15
9	Likely developments	15
10	Environmental regulation	16
11	Directors' interests	16
12	Share options	17
13	Indemnification and insurance of officers and auditors	18
14	Non-audit services	20
15	Modification of auditor rotation requirements	21
16	True and fair view	21
17	Proceedings on behalf of the Company	21
18	Lead auditor's independence declaration	21
19	Rounding off	21
20	Remuneration report – audited	22

Directors' report^a

For the year ended 30 June 2024

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 2024 and the auditor's report thereon.

1 Directors

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

Name, qualifications and independence status

Mr Frederick D Adair, AO B.Eng.
Chairperson
Independent Non-Executive Director

Mr Garry S Andrews, B.Eng.
Chief Executive Officer

Mr Benjamin Q Barton, B.Eng.
Independent Non-Executive Director

Ms Harriet W James, B.Com., CA, A.R.E.S.I.(Vic.)
Independent Non-Executive Director

Ms Kimberly Nguyen,
B.Sc., A.A.I.M.M., F.A.I.M.
Independent Non-Executive Director

Ms Catherine C Martinez, B.Eng,
Independent Non-Executive Director

Mr Richard O Stephens, B.A., LL.B.
Non-Executive Director

Ms Veronica M Thomas,
B.Com., CPA
Independent Non-Executive Director

Ms Natalia Stevens,
B.Com., CA
Independent Non-Executive Director

Experience, special responsibilities and other directorships^c

Extensive knowledge of all the Company's industries. Chairperson of EFT Limited since 2019, FORX Ltd since 2019, and Example Public Company Limited since 2015. Chairperson of Remuneration and Nomination Committees. Director since 2017 – appointed chairperson 2021.

Extensive management and engineering experience in paper and mining industries in Australia and overseas. Director since 2013 – appointed chief executive officer 2018.

Extensive experience in paper and packaging manufacturing. Formerly chief executive officer of Australian Paper Pack Limited, 2016 to 2021. A director of Australian Containers Packaging Limited since 2019. Member of Nomination and Audit Committees. Appointed 1 November 2023.

Extensive corporate finance expertise, and knowledge of the paper manufacturing and forestry industries. Formerly chief executive officer of Pine Trees Limited, 2012 to 2021. Chairperson of Audit Committee. Member of Remuneration Committee. Director since 2020.

Extensive corporate administration expertise and paper and mining industry knowledge. Formerly chief executive officer of Eastern Paper Limited, 2014 to 2022. Directorships include Deep Mines Limited and Pine Forest Limited since 2015, ABC Energy Limited since 2017, New Packaging Limited since 2019, Mining Technologies Limited since 2017 and Example Public Company Limited since 2016. Member of Nomination Committee. Director since 2020.

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 2023). Director since 2019.

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 2017, and RMG Energise Limited since 2019. Member of Nomination Committee until retirement. Director since 2013. Retired as a director on 30 September 2023. Nominee of Example Investment Holdings (Australia) Limited.

Extensive corporate administration and finance expertise. Twenty-five years service in an accounting and management capacity. Member of Remuneration and Audit Committees. Director since 2022. Retired as a director on 5 July 2024.

Extensive finance expertise and knowledge of packaging and paper manufacturing industries. Twenty years service in an accounting and management capacity. Member of Remuneration and Audit Committees. Appointed 5 July 2024.

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

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

S300(11)(e)

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).

s201K(3)

b. When an alternate director exercises the director's powers, the exercise of the powers is just as effective as if the powers were exercised by the director. Accordingly, if an alternate director has acted during the period, in our view all relevant disclosures applicable to directors should be made for this person. No disclosure is required if the person did not act in the capacity of director during the period.

S300(11)(e)

c. 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 2024

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 2016. 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:

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
Ms 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.

ASX 12.7
ASX 12.8

Directors' report (continued)

For the year ended 30 June 2024

5 Principal activities

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 2023, 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 2023.

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

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 2026 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 2027 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 2025 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.

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

RG 24753-59

Directors' report (continued)

For the year ended 30 June 2024

6 Operating and financial review^a

Overview of the Group

[Insert details]

Shareholder returns

	2024	2023	2022	2021	2020
Profit attributable to owners of the company	\$7,055,000	\$5,623,000	\$2,447,000	\$2,039,000	\$1,700,000
Basic EPS	\$2.146	\$1.694	\$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^b.

Returns to shareholders increased through both dividends and capital growth. Dividends for 2023 were fully franked and it is expected that dividends in future years will continue to be fully franked.

Investments for future performance

[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

[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

[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]

[Insert details such as products, market, operating results and commentary thereon]

Review of prospects for future financial years and material business risks

[Insert details such as discussions of the entity's prospects for future financial years accompanied by discussions of material business risks that could adversely affect the achievement of the financial prospects disclosed, taking into account the nature and business of the entity and its business strategy. This should include a discussion of environmental, social, governance, as well as cyber security risks, where those risks could affect the entity's achievement of its financial performance or outcomes.]

[Consider the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations as they relate to the governance, strategy, risk management and performance and outlook of the entity. An entity should also have regard to developments relating to sustainability disclosures^e.]

Significant changes in the state of affairs

[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.]

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

RG 230

RG 247.45-47

S299(1)(a),
RG 247.41-43

S299A(1)(a),(b),(c)
RG 247.43,58
IFRS 8

RG 247.61-66

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

RG 247

a. Refer to [Regulatory Guide 247 Effective Disclosure in an operating and financial review](#) for further guidance on Operating and financial reviews.

RG 230

b. If net profit amounts have not been calculated in accordance with Australian Accounting Standards, hence representing non-IFRS financial information, then additional disclosures required as per ASIC [Regulatory Guide 230 Disclosing non-IFRS financial information](#).

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 7B6

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.

e. The TCFD recommendations are supported by all Australian standard-setters and regulators, and entities are encouraged to voluntarily adopt TCFD recommendations to prepare for the transition to sustainability reporting standards which are consistent with these recommendations. The International Sustainability Standards Board (ISSB) published the first two IFRS Sustainability Disclosure Standards in June 2023. The Australian Accounting Standards Board published its Exposure Draft on the Australian-specific climate-related financial disclosure standard, based on IFRS S2 *Climate-related Disclosures*, in October 2023. See our [Resource centre](#) on the financial reporting impacts of climate change and developments in sustainability reporting.

Directors' report (continued)

For the year ended 30 June 2024

7 Dividends

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

Declared and paid during the year 2023	Cents per share	Total amount \$'000	Date of payment
Final 2023 ordinary	25.97	805	31 August 2023
Final 2023 preference	25.03	438	31 August 2023
Total amount		1,243	

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	27.92	892	31 August 2024
Final preference	25.03	438	31 August 2024
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 2024 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.

S300(1)(a),(b)

S300(1)(a)

S300(1)(b)

Directors' report (continued)

For the year ended 30 June 2024

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

8 Events subsequent to reporting date^a

At the end of July 2024 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, it is intended to reduce the Group's workforce by 400 positions worldwide by 30 June 2025, 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 2025.

Subsequent to 30 June 2024 one of the Group's major trade customers went into liquidation following a natural disaster in August 2023 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 2024, 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 2024 the Group announced its intention to acquire all of the shares of ABC Company for \$6,500,000. On 4 July 2024 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 2024.

During the year the Group breached a financial loan covenant associated with a bank loan. The Group obtained a waiver for the breach of covenant in April 2024 for a period of 18 months. Subsequent to 30 June 2024, the bank revised the loan covenant ratio and the waiver was lifted.

On 23 September 2024, an increase in the Netherlands corporate tax rate from 25 to 30 percent was substantively enacted, effective from 1 January 2025. This increase does not affect the amounts of current or deferred income taxes recognised at 30 June 2024. 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 2024, 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.

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.

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

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 2024

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.

Furthermore, the Group's strategy for identifying, managing and responding to climate-related risks and opportunities are disclosed in accordance with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD) and are set out on page [x] of the Annual report ^a.

11 Directors' interests^b

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	–	–

- ^a. Although not required, the TCFD recommendations are supported by all Australian standard-setters and regulators, and entities are encouraged to voluntarily adopt TCFD recommendations to prepare for the transition to sustainability reporting standards which are consistent with these recommendations. The International Sustainability Standards Board (ISSB) published the first two IFRS Sustainability Disclosure Standards in June 2023. The Australian Accounting Standards Board published its Exposure Draft on the Australian-specific climate-related financial disclosure standard, based on IFRS S2 *Climate-related Disclosures*, in October 2023. See our [Resource centre](#) on the financial reporting impacts of climate change and developments in sustainability reporting.

- ^b. 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.

S299(1)(f)
RG 68

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

S300

Directors' report (continued)

For the year ended 30 June 2024

12 Share options

Unissued shares under options^{a, b}

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 ^b
1 July 2026	\$10.00	200,000
1 July 2032	\$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.

S300(1)(d)(ii),
S300(3)-(5)

- b. The Corporations Act requires disclosure of the number of options granted to the directors and 5 most highly remunerated officers of the company (other than directors).

Where these officers are KMP, such information would normally be included in the Remuneration Report as disclosed in [Section 20](#). Additional disclosure is required in the Directors' Report where the options were granted to officers who are among the five most highly remunerated officers of the company and the group but are not KMP and hence not disclosed in the remuneration report. An example of additional disclosure for these officers is as follows:

Details of options over ordinary shares in the Company granted during the reporting period as part of the remuneration of the five most highly remunerated officers of the Company and Group (other than directors and key management personnel), are set out below.

Name of officer	Grant date	Exercise price	Number of shares under option
Officer name	1 July 2022	\$10.00	100,000

Details relating to options granted to directors and officers who are key management personnel are set out in the Remuneration Report in [Section 20.4.1](#).

Directors' report (continued)

For the year ended 30 June 2024

13 Indemnification and insurance of officers and auditors

Indemnification

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, Ms C C Martinez and Ms N Stevens and the following former directors, Mr A Brown, Mr R O Stephens, Mr K Wall and Ms V M Thomas 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.

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 2017, 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.

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.

Under the terms of an agreement entered into in April 2018, 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.

XYZ Limited, who allegedly relied upon the 2018 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(1)(g), (8)&(9)

S199A, S199B

S300(8)(a)

S300(9)(a)

S300(9)(c)

S300(9)(e)

S300(8)(a), S300(9)(a)

S300(9)(c)

S300(9)(d)

S300(8)(a)

S300(9)(b)

S300(9)(c)

S300(9)(e)

S300(9)(d)

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 2024

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

13 Indemnification and insurance of officers and auditors (continued)

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

Insurance premiums^a

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:

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

S300(9)(c)

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

S199B

- 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, Ms C C Martinez and Ms N Stevens
- premiums totalling \$8,000 were paid in respect of the following former directors of the Company: Mr A Brown, Mr R O Stephens, Mr K Wall and Ms V M Thomas
- 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 2024

S300(11B)

14 Non-audit services^a

The Group's audit was released for public tender in 2022 and KPMG was appointed at our AGM as the auditor on 1 October 2022. KPMG and the lead audit partner, [Name of the audit partner], have been the auditor of the Group for the past two years ended 30 June 2024. In accordance with the *Corporations Act 2001* [and KPMG partner rotation requirements], the next rotation of the lead partner of Example Public Company Limited is planned to occur after the completion of the 30 June 2027 financial year audit.^b

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

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

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.

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^{c,d}

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

<i>In dollars</i>	2024
Services other than audit and review of financial statements:	
Regulatory assurance services^e	
Workers compensation audit	43,410
Other assurance services^f	
Controls assurance services	97,600
Due diligence services	362,910
Other services^g	
Tax advice	15,670
Taxation compliance services	98,560
	618,240
Audit and review of financial statements^h	1,708,500
Total paid to KPMG^h	2,326,740

ASIC Instrument
2016/191

Introduction

AUSTRALIAN CONTENT

Primary statements

Notes

Appendices

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. ASIC encourages certain categorisation of fees to auditors to aid in the consistent and transparent reporting of audit and non-audit fee information. See footnotes to [Note 48](#) for further information.

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

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

S300(11B)(a)

- b. This disclosure is provided for illustrative purposes only. Although not required, it is the best practice to disclose auditor tenure, of both the auditor and the lead partner, in the annual financial report.
- c. Comparative information is not required.
- d. Although it is not required, we encourage entities to split fees from assurance services from fees for non-assurance services. We also encourage assurance services to be further split between "regulatory assurance services" and "other assurance services". This disclosure is provided for illustrative purposes only.
- e. Regulatory assurance services are those that are required under legislation and are performed by the auditor, for example, Form FS 71 for an AFS licensee, workers compensation, APRA reports, US Sarbanes-Oxley Act of 2002 Section 404, franchising code of conduct and retirement villages.
- f. Other assurance services are fees for other assurance and agreed-upon-procedures services such as those required under contractual arrangements. Examples include, assurance on revenue information relevant to a royalty agreement, sustainability assurance reporting and capital raisings.
- g. KPMG has defined other services as services that do not fall within regulatory or other assurance services e.g. tax advice, tax compliance, consulting.
- h. 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 2024

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 2024.

19 Rounding off

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.

ASIC Instrument
2016/191

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.

Directors' report (continued)

For the year ended 30 June 2024

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.

Our [Insights into Remuneration Reporting](#) - KPMG's practical guide to Remuneration Reporting provides guidance to help companies prepare Remuneration Reports that are effective communication tools and aspire to align with best practice.

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.

	Fixed remuneration	At risk	
		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.]

Introduction

AUSTRALIAN CONTENT

Primary statements

Notes

Appendices

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 2024

20 Remuneration report – audited (continued)

20.1 Principles of compensation – audited (continued)

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.]

Awards issued in the current year

[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.]

Awards issued in the previous years

[The terms and conditions of each award issued under legacy plans should be included in the Remuneration Report if they continue to impact the current and future years' remuneration.]

Consequences of performance on shareholder wealth

[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

S300A(1AA), (1AB)

S300A(1AA)(a)

S300A(1AB)(a)

S300A(1AB)(d)

S300A(1AB)(b)

S300A(1AB)(d)

	2024	2023	2022	2021	2020
Profit attributable to owners of the company	\$7,055,000	\$5,623,000	\$2,447,000	\$2,039,000	\$1,700,000
Dividends paid	\$1,243,000	\$571,000	\$310,000	\$300,000	\$300,000
Operating income growth	7.4%	6.2%	5.8%	6.1%	6.8%
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%

ASIC RG230.20(f)(iii)

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. 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 2024

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 2024

20 Remuneration report – audited (continued)

20.1 Principles of compensation – audited (continued)

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 2020 AGM, is not to exceed \$400,000 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.

S300A(1)(a)

Directors' report (continued)

For the year ended 30 June 2024

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			Total
		Salary & fees (D)	STI cash bonus (A)	Non-monetary benefits	
Directors					
Non-executive directors					
Name (Chairperson)	2024	87,602	-	5,825	93,427
	2023	83,660	-	4,622	88,282
Name (appointed [date])	2024	19,110	-	-	19,110
Name	2024	42,397	-	-	42,397
	2023	40,666	-	-	40,666
Name (Retired [date])	2024	42,390	-	-	42,390
	2023	46,666	-	-	46,666
Sub-total non-executive directors' remuneration ^e	2024	313,382	-	15,611	328,993
	2023	289,136	-	8,702	297,838
Executive directors					
Name, Director, CEO	2024	436,613	102,500	248,506	787,619
	2023	420,444	95,256	241,553	757,253
Total directors' remuneration ^e	2024	749,995	102,500	264,117	1,116,612
	2023	709,580	95,256	250,255	1,055,091
Executives					
Name, CFO	2024	194,545	77,500	111,263	383,308
	2023	188,233	74,558	109,225	372,016
Name, COO	2024	490,908	56,000	139,297	686,205
	2023	387,831	54,666	137,555	580,052
Name, Finance Director, Karooa Pty Limited, Example Mining Company Pty Ltd	2024	380,111	70,000	112,821	562,932
	2023	310,885	98,666	105,332	514,883
Former^f					
Name, Finance Director, Example Gumnut Limited (resigned [date])	2024	164,376	37,500	141,756	343,632
	2023	200,634	45,666	112,069	358,369
Total executives' remuneration	2024	2,924,644	518,528	1,089,609	4,532,781
	2023	2,439,863	573,715	976,767	3,990,345
Total directors' and executive officers' remuneration	2024	3,674,639	621,028	1,353,726	5,649,393
	2023	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 2024 (2023: 8 August 2023) 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 7, 8, 9 and 11	b.	The table excludes the following components of compensation which should be separately 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.
Reg 2M.3.03(4)	c.	Quantitative disclosures must be recognised, measured and classified in accordance with applicable Australian Accounting Standards. The relevant accounting standards are generally AASB 119 <i>Employee Benefits</i> and AASB 2 <i>Share-based Payments</i> . Where appropriate a footnote should be included to explain an unusual quantitative disclosure, such as, a negative share-based payment expense which arises where AASB 2 requires reversal of amounts previously expensed.

Post-employment	Other long term	Share-based payments			Proportion of remuneration performance related
Superannuation benefits	(D)	Termination benefits	Options and rights (B & C)	Total	
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.

Directors' report (continued)

For the year ended 30 June 2024

20 Remuneration report – audited (continued)

20.3 Analysis of bonuses included in remuneration – audited^a

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%

(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 2024.

(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

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

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^c

Options granted

No options were granted during 2023.

Options vested	Grant date	Fair value per option at grant date \$	Exercise price per option \$	Expiry date	Number of options vested during 2023-24
KMP name	1 July 2021	5.60	10.10	1 July 2031	100,000

Rights

Rights granted	Number of rights granted during 2023-24	Vesting condition	Grant date	Fair value at grant date \$	Expiry date
KMP name	20,000	Operating income	1 July 2023	10.10	1 July 2033
	20,000	Relative TSR	1 July 2023	8.50	1 July 2033

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 2026.

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

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

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

Reg 2M.3.03(3)

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

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

Reg 2M.3.03(1)
Item 12

Reg 2M.3.03(3)

S300(1)(d)

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.

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.

c. Include details of options granted to KMP only. Details of options granted to officers who are among the five most highly remunerated officers of the Company or the Group but are not KMP are separately disclosed in the Directors' report - see Note 12.

Directors' report (continued)

For the year ended 30 June 2024

20 Remuneration report – audited (continued)

20.4 Equity instruments – audited (continued)

20.4.2 Exercise of options granted as compensation – audited

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

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2023-24 financial year.

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

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	Maximum value yet to vest (B) ^b	
KMP name	Options	100,000	1 July 2021	100%	-%	1 July 2023	N/A
	Options	100,000	1 July 2022	-%	-%	1 July 2025	N/A
	Rights	40,000	1 July 2023	-%	-%	1 July 2026	80,000

(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.

(B) The maximum value of share rights yet to vest is determined based on the amount of the grant date fair value that is yet to be expensed. The minimum value of share rights yet to vest is nil since the shares will be forfeited if the vesting conditions are not met.

20.4.4 Analysis of movements in equity instruments – audited^c

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	-

(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 2023 to 1 July 2026).

(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

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

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

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

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

IFRS 2.7

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

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

S300A(1)(e)

- 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.
- b. Estimates of the maximum and minimum possible total value of the bonus or grant (other than option grants) for financial years after the financial year to which the report relates is required to be disclosed.
- c. 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.

Directors' report (continued)

For the year ended 30 June 2024

20 Remuneration report – audited (continued)

20.4 Equity instruments – audited (continued)

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 2023	Granted as compen- sation	Exercised	Lapsed	Forfeited	Held at 30 June 2024	Vested during the year	Vested and exercisable at 30 June 2024 ^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 2020.

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

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 2023 \$	Balance 30 June 2024 \$	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 2024 amounted to \$85,000. During the year, [KMP name] repaid \$109,000 of the balance outstanding on the loan.

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 2024, are as follows:^e

	Opening balance \$	Closing balance \$	Interest not charged \$	Number in group at 30 June 2024
Total for key management personnel and their related parties	132,000	78,000	10,796	2

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(1)
Item 17(a)-(g)
S300A(1)(e)(iv)

Reg 2M.3.03(1)
Item 10

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

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

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

Reg 2M.3.03(3)

Reg 2M.3.03(1) Item 17(h)

Reg 2M.3.03(1) Items 17-24

Reg 2M.3.03(3A)

Reg 2M.3.03(1) Items 17-22

- 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.
- Options and rights vested and unexercisable at the end of the reporting period are, where relevant, disclosed.
- 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.
- 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.
- 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 2024

20 Remuneration report – audited (continued)

20.6 Key management personnel transactions – audited (continued)

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.

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}

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 2023	Received on exercise of options	Other changes*	Held at 30 June 2024 ^d
KMP name	1,000	–	4,000	5,000

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

Change in directors after 30 June 2024^e

Ms V M Thomas has retired as an Independent Non-Executive Director on 5 July 2024. Ms Natalia Stevens was appointed as an Independent Non-Executive Director on the same date.

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

F D Adair

Director

Dated at (City) this day of 2024.

Reg 2M.3.03(1)
Item 22

Reg 2M.3.03(3B)

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

Reg 2M.3.03(1)
Item 4,5

S298(2)

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 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.

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

- e.** 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.

Consolidated statement of financial position^a

IAS 1.10(a), (ea)-(f), 29,
38–38A, 40A–40B,
54–55, 113

IAS 1.54(i)

IAS 1.54(h)

IAS 1.55

IAS 1.54(g)

IAS 1.54(c)

IAS 1.54(f)

IAS 1.54(d)

IAS 1.54(n)

IAS 1.55

IFRS 5.38, 40, IAS 1.54(j)

IAS 1.60

IAS 1.54(d)

IAS 1.54(e)

IAS 1.54(b), IFRS 16.48

IAS 1.54(o), 56

IAS 1.55

IAS 1.54(a)

IAS 1.54(f)

IAS 1.54(c)

IAS 1.60

In thousands of dollars

	Note	30 June 2024	30 June 2023 Restated* ^b	1 July 2022 Restated* ^{b,c}
Assets				
Cash and cash equivalents	19	1,504	1,849	2,529
Trade and other receivables	18	32,518	22,325	17,336
Contract assets ⁱ	8	1,271	782	–
Inventories ^h	17	12,148	12,119	11,587
Intangible assets ^g	22	115	120	100
Biological assets	16	32	31	29
Other investments, including derivatives ^e	25	662	1,032	947
Current tax assets		34	60	–
Prepayments ^j		330	1,200	895
Assets held for sale	20	14,400	–	–
Current assets^f		63,014	39,518	33,423
Other investments, including derivatives ^e	25	3,616	3,512	3,221
Equity-accounted investees	24	2,489	1,948	1,530
Investment property ^d	23	1,520	400	300
Deferred tax assets	14	2,251	2,108	985
Employee benefits	13	671	731	716
Property, plant and equipment ^d	21	28,490	33,230	37,433
Biological assets	16	4,698	4,025	3,407
Intangible assets and goodwill	22	6,111	4,541	5,329
Non-current assets^f		49,846	50,495	52,921
Total assets		112,860	90,013	86,344

IAS 1.10

Insights
2.8.50.110

IAS 1.10(f), 40A

IFRS 16.47(a),
48

Insights
7.10.40.50

IAS 1.60–61

IAS 1.66, Insights
3.1.30

IFRS 15.B21,
BC367

IAS 1.54–55,
IFRS 15.105, 109,
A, BC320–BC321,
Insights 4.2.510

IAS 1.66,
Insights 3.1.30

- a. An entity may also use other titles – e.g. ‘balance sheet’ – as long as the meaning is clear and the title not misleading.
- b. When comparatives are restated, in our view, although it is not specifically required by the Accounting Standards, labelling the comparatives as restated is necessary to highlight that the comparatives are not the same as the financial statements published previously.
- 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.
- d. The Group has presented right-of-use assets that do not meet the definition of investment property within ‘property, plant and equipment’ – i.e. the same line item in which it presents underlying assets of the same nature that it owns. Alternatively, an entity may choose to present right-of-use assets separately in the statement of financial position. Right-of-use assets that meet the definition of investment property are presented within ‘investment property’.
- e. In our view, derivative assets and liabilities should be presented as separate line items in the statement of financial position if they are significant.
- f. 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 \(December 2022\)](#) provides an example presentation of assets and liabilities in order of liquidity.
- g. The Group has classified certain intangible assets (emission certificates) as current (see [Note 22\(E\)](#)) because they are expected to be realised within 12 months of the reporting date. An entity should apply the requirements in IAS 1 in determining whether to classify intangible assets as current or non-current.
- h. IFRS 15 *Revenue from Contracts with Customers* 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](#)).
- i. 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. For further guidance on applying the requirements in IAS 1 for classification of contract assets and contract liabilities as current or non-current, see 4.2.520 in [Insights into IFRS](#). Although this guide uses the terms ‘contract assets’ and ‘contract liabilities’, an entity may also use other terms.
- j. The Group has classified prepayments as current because they relate to the purchase of inventories and are expected to be realised within 12 months of the reporting date. An entity should apply the requirements in IAS 1 in determining whether to classify prepayments as current or non-current.

Consolidated statement of financial position (continued)

	Note	30 June 2024	30 June 2023 Restated* ^b	1 July 2022 Restated* ^{b,c}
<i>In thousands of dollars</i>				
Liabilities				
IAS 1.55	19	334	282	303
IAS 1.55	8	160	166	–
IAS 1.54(k)	29	24,013	21,328	28,250
IAS 1.54(m)	28	5,347	5,656	3,504
IAS 1.55, 78(d)	13	20	388	13
IAS 1.54(n)		4,751	1,693	25
IAS 1.54(l)	31	660	1,540	140
IAS 1.55	30	–	–	140
IFRS 5.38, 40, IAS 1.54(p)	20	4,410	–	–
IAS 1.60		Current liabilities^f	31,053	32,375
IAS 1.54(m)	28	23,758	21,268	22,204
IAS 1.55, 78(d)	13	912	453	1,136
IAS 1.54(k)	29	290	5	4
IAS 1.55	30	1,424	1,462	–
IAS 1.54(l)	31	1,010	–	740
IAS 1.54(o), 56	14	549	406	323
IAS 1.60		Non-current liabilities^f	23,594	24,407
		Total liabilities	54,647	56,782
		Net assets	35,366	29,562
Equity				
IAS 1.54(r), 78(e)		19,756	18,050	18,050
IAS 1.54(r), 78(e)		19,434	9,771	3,818
IAS 1.55, 78(e)		2,228	4,454	4,976
		Equity attributable to owners of the Company	32,275	26,844
IAS 1.54(q)	35	3,804	3,091	2,718
		Total equity	35,366	29,562

* The comparative information is restated on account of correction of errors. See Note 44

The notes on pages 69 to 232 are an integral part of these consolidated financial statements.

IFRS 16.47(b) ^k The Group has presented lease liabilities within 'loans and borrowings'. Alternatively, an entity (a lessee) may choose to present lease liabilities separately from other liabilities in the statement of financial position.

IFRS 15.55 ^l The Group has presented its refund liabilities under IFRS 15 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 *Financial Instruments: Disclosures*.

Insights 3.1.10.30, 7.10.35.70–100, IU 12-20 ^m The Group has presented amounts owed for the purchase of goods or services but subject to reverse factoring within 'trade and other payables' because it considers that the nature or function of the financial liability is not sufficiently different from a trade payable and does not warrant a separate presentation on the face of the statement of financial position. In our view, regardless of whether the original trade payable is derecognised, an entity should consider the appropriate presentation of amounts related to reverse factoring arrangements in the statement of financial position. The Group has disclosed those amounts separately in the notes. See Note 29.

Consolidated statement of profit or loss and other comprehensive income^{a, b}

For the year ended 30 June

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

	Note	2024	2023 Restated*
<i>In thousands of dollars</i>			
Continuing operations			
Revenue ^{c, d}	8	102,860	96,719
Cost of sales ^e	9(C)	(55,432)	(56,186)
Gross profit		47,428	40,533
Other income	9(A)	893	104
Selling and distribution expenses ^e	9(C)	(18,322)	(15,865)
Administrative expenses ^e	9(C)	(17,732)	(14,428)
Research and development expenses ^e	9(C)	(1,109)	(697)
Impairment loss on trade receivables and contract assets ^f	32(C)(iii)	(200)	(190)
Other expenses	9(B)	(996)	-
Operating profit^g		9,962	9,457
Finance income ^d		1,131	447
Finance costs ^h		(1,883)	(1,635)
Net finance costs	10	(752)	(1,188)
Share of profit of equity-accounted investees, net of tax	24	1,141	587
Profit before tax		10,351	8,856
Income tax expense	14	(3,178)	(2,460)
Profit from continuing operations		7,173	6,396
Discontinued operation			
Profit (loss) from discontinued operation, net of tax ⁱ	7	379	(422)
Profit for the period		7,552	5,974
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	21(F)	200	-
Remeasurements of defined benefit liability (asset)	13(B)	72	(15)
Equity investments at FVOCI – net change in fair value	26(D)	141	59
Equity-accounted investees – share of OCI	24, 26(D)	15	(3)
Related tax ^j	14(B)	(137)	(14)
		291	27
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		679	471
Net investment hedge – net loss		(3)	(8)
Equity-accounted investees – share of OCI	24, 26(D)	(172)	(166)
Reclassification of foreign currency differences on loss of significant influence	34(D)	(20)	-
Cash flow hedges – effective portion of changes in fair value ^k	26(D)	(62)	95
Cash flow hedges – reclassified to profit or loss ^{k, l}	26(D)	(31)	(12)
Cost of hedging reserve – changes in fair value	26(D)	34	10
Cost of hedging reserve – reclassified to profit or loss ^l	26(D)	8	2
Debt investments at FVOCI – net change in fair value	26(D)	54	60
Debt investments at FVOCI – reclassified to profit or loss ^l	26(D)	(64)	-
Related tax ^j	14(B)	19	(48)
		442	404
Other comprehensive income for the period, net of tax		733	431
Total comprehensive income for the period		8,285	6,405

IAS 1.82(a)

IAS 1.99, 103

IAS 1.103

IAS 1.85

IAS 1.99, 103

IAS 1.99, 103

IAS 1.99, 103, 38.126

IAS 1.82(ba)

IAS 1.99, 103

IAS 1.85, BC55–BC56

IAS 1.85

IAS 1.82(b)

IAS 1.85

IAS 1.82(c)

IAS 1.85

IAS 1.82(d), 12.77

IAS 1.85

IFRS 5.33(a), IAS 1.82(ea)

IAS 1.81A(a)

IAS 1.82A(a)(i)

IAS 1.85

IAS 1.85

IFRS 7.20(a)(vii)

IAS 1.82A(b)(i)

IAS 1.91(b)

IAS 1.82A(a)(iii)

IAS 21.52(b)

IAS 1.85

IAS 1.82A(b)(iii)

IAS 1.92

IFRS 7.24C(b)(i)

IFRS 7.24C(b)(iv),
IAS 1.92

IAS 1.85

IAS 1.92

IFRS 7.20(a)(viii)

IFRS 7.20(a)(viii), IAS 1.92

IAS 1.91(b)

IAS 1.81A(b)

IAS 1.81A(c)

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

For the year ended 30 June

IAS 1.10(b), 38–38A,
81A–85, 113

	Note	2024	2023 Restated*
<i>In thousands of dollars</i>			
Profit attributable to:			
IAS 1.81B(a)(iii) IAS 1.81B(a)(i)		7,055	5,623
	35	497	351
		7,552	5,974
Total comprehensive income attributable to:			
IAS 1.81B(b)(iii) IAS 1.81B(b)(i)		7,762	6,032
	35	523	373
		8,285	6,405
Earnings per share			
IAS 33.4 IAS 33.66, ASIC Instrument 2016/191 IAS 33.66, ASIC Instrument 2016/191		2.146	1.694
	11	2.037	1.685
Earnings per share – continuing operations			
IAS 33.66, ASIC Instrument 2016/191 IAS 33.66, ASIC Instrument 2016/191		2.023	1.832
	11	1.922	1.822

* The comparative information is restated on account of correction of errors. See Note 44. Comparative information has also been re-presented due to a discontinued operation and a change in classification. See Notes 7 and 21(H) respectively.

The notes on pages 69 to 232 are an integral part of these consolidated financial statements.

IAS 1.10A	a.	The Group has elected to present comprehensive income using a 'one-statement' approach. For an illustration of the alternative 'two-statement' approach, see Appendix II.
IAS 1.82	b.	IAS 1 requires the separate presentation of specific line items in the statement of profit or loss. The Group has not presented certain line items because during the reporting period it did not have events or transactions to be reflected in those line items. See footnotes (c) and (d) below for specific considerations related to separate presentation of line items in the statement of profit or loss.
IFRS 15.113, IAS 1.29–30, 85, Insights 4.2.560.25	c.	In our view, 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 7.10.70.20	d.	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	e.	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	f.	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 determined under Section 5.5 of IFRS 9 <i>Financial Instruments</i> . The Group has applied judgement in determining an appropriate presentation and disaggregated the impairment loss amount into: <ul style="list-style-type: none"> impairment related to trade and other receivables, including contract assets, which is presented separately in the statement of profit or loss and OCI; and impairment related to investments in debt securities, which is not presented separately but included under 'finance costs' due to materiality considerations. The Group believes that this presentation is relevant to an understanding of its financial performance.
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.
IAS 1.82(b), IFRS 16.49, 7.1G13	h.	The Group has presented interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which is presented separately in the statement of profit or loss and OCI.
IFRS 5.33(a)–(b), IAS 1.82(ea)	i.	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	j.	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.
IFRS 9.6.5.11– 6.5.15, IAS 1.82A(a), Insights 7.10.90.35	k.	IFRS 9 specifies whether and when amounts previously recognised in OCI are reclassified to profit or loss. However, in some circumstances it may be unclear at the time when a gain or loss is recognised in OCI whether it will subsequently be reclassified to profit or loss. For example, if an entity hedges a future purchase of a non-financial item, then the related hedging gains and losses will subsequently be included in the initial cost of the non-financial item and affect profit or loss when the non-financial item is disposed of or written down. Conversely, if the future hedged cash flows are no longer expected to occur or if a loss is no longer expected to be recoverable, then the hedging gains or losses will be reclassified to profit or loss. Accordingly, in our view gains or losses on cash flow hedges and costs of hedging relating to the future recognition of a non-financial asset or liability should be presented in OCI as items that may be subsequently reclassified to profit or loss when specific conditions are met.
IAS 1.94	l.	The Group has elected to present reclassification adjustments in the statement of profit or loss and OCI. Alternatively, an entity may present these adjustments in the notes.

Consolidated statement of changes in equity

For the year ended 30 June 2024

IAS 1.10(c), 38–38A,
108, 113

IAS 1.106(b)

IAS 1.106(d)(i)

IAS 1.106(d)(ii), 106A

IAS 1.106(a)

IAS 1.106(d)(iii)

IAS 1.106(d)(i)

IAS 1.106(d)(ii), 106A

IAS 1.106(a)

IAS 1.106(d)(iii)

IAS 1.106(d)(iii)

<i>In thousands of dollars</i>	Note	Share capital	Translation reserve	Hedging reserve¹
Balance at 1 July 2022, * as previously reported		18,050	(119)	399
Impact of restatement	44	-	-	-
Restated balance at 1 July 2022		18,050	(119)	399
Total comprehensive income for the period (restated)				
Profit for the period		-	-	-
Other comprehensive income for the period	14(B), 26(D)	-	275	65
Total comprehensive income for the period (restated)		-	275	65
Hedging gains and losses and costs of hedging transferred to the cost of inventory		-	-	-
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 2023		18,050	156	464
Balance at 1 July 2023		18,050	156	464
Total comprehensive income for the period				
Profit for the period		-	-	-
Other comprehensive income for the period	14(B), 26(D)	-	458	(35)
Total comprehensive income for the period		-	458	(35)
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	8
Transactions with owners of the Company				
Contributions and distributions				
Issue of ordinary shares	26(A)	1,550	-	-
Issue of ordinary shares related to business combinations	34(A)	87	-	-
Issue of convertible notes	14(C), 28(C)	-	-	-
Treasury shares sold ^a	26(B)	19	-	-
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	-	-
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 2024		19,756	622	437

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

* The comparative information is restated on account of correction of errors. See Note 44.

IAS 32.33, Insights 7.3,
750.10-20

a. The Accounting Standards do 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.

Attributable to owners of the Company

Fair value reserve	Revaluation reserve	Profits reserve	Treasury share reserve	Convertible notes	Retained earnings	Total	Non-controlling interests	Total equity
17	-	3,521	-	-	4,919	26,787	2,718	29,505
-	-	-	-	-	57	57	-	57
17	-	3,521	-	-	4,976	26,844	2,718	29,562
-	-	-	-	-	5,623	5,623	351	5,974
82	-	-	-	-	(13)	409	22	431
82	-	-	-	-	5,610	6,032	373	6,405
-	-	-	-	-	-	-	-	-
-	-	-	(280)	-	-	(280)	-	(280)
-	-	6,382	-	-	(6,382)	-	-	-
-	-	(571)	-	-	-	(571)	-	(571)
-	-	-	-	-	250	250	-	250
-	-	5,811	(280)	-	(6,132)	(601)	-	(601)
99	-	9,332	(280)	-	4,454	32,275	3,091	35,366
99	-	9,332	(280)	-	4,454	32,275	3,091	35,366
-	-	-	-	-	7,055	7,055	497	7,552
87	134	-	-	-	63	707	26	733
87	134	-	-	-	7,118	7,762	523	8,285
-	-	-	-	-	-	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	2,228	41,418	3,804	45,222

The notes on pages 69 to 232 are an integral part of these consolidated financial statements.

- 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.
- 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.

IAS 1.78(e), 79(b), 108, Insights 4.5.900.30

Consolidated statement of cash flows

For the year ended 30 June

IAS 1.10(d), 29, 38-38A, 113	In thousands of dollars	Note	2024	2023 Restated*
IAS 7.18(a)	Cash flows from operating activities ^{a, b, c}			
	Cash receipts from customers		95,008	97,935
	Cash paid to suppliers and employees		(89,020)	(94,079)
	Cash generated from operating activities		5,988	3,856
IAS 7.31-32	Interest paid ^{d, e, f}		(1,609)	(1,289)
IAS 7.35	Income taxes paid		(400)	(1,910)
IAS 7.10	Net cash from operating activities	47	3,979	657
	Cash flows from investing activities			
IAS 7.31	Interest received ^e		37	29
IAS 7.31	Dividends received ^e		26	32
IAS 7.16(b)	Proceeds from sale of property, plant and equipment		1,179	397
IAS 7.16(d), (h)	Proceeds from sale of investments		1,346	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of ^g	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		(15,857)	(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)	(835)
IAS 7.16(c), (g)	Acquisition of other investments		(359)	(342)
IAS 24.18	Dividends from equity-accounted investees	24(A)	21	–
IAS 7.16(a)	Development expenditure	22(A), (D)	(1,235)	(503)
	Receipt of asset-related government grant ^h	30	130	1,462
IAS 7.10	Net cash used in investing activities		(6,226)	(1,494)

- IAS 7.18-19
- IFRS 7.31, 33-34, IAS 7.10-11, 43, Insights, 2.3.190.30-60, IU 12-20
- IAS 76, 11, Insights 2.3.20.11
- 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.
- b.** There is no specific guidance in the IFRS Accounting Standards on the classification of cash flows from reverse factoring arrangements. However, in our view it is the nature of the activity, rather than the classification of the related item in the statement of financial position, that determines the classification of the cash outflow. Furthermore, in our view, in determining the appropriate classification an entity should apply judgement and assess whether a single cash outflow or multiple cash flows occur for the entity. The Group presents a single cash outflow for the payments made to the factor (the bank) because it considers the payment to a supplier by the bank not to be a cash transaction of the entity. The Group classifies its cash outflows for payments made to the bank within operating activities because it views the principal nature of these payments as related to the purchase of goods and services. The Group has provided disclosure of non-cash transactions (see Note 29) and disclosure of liquidity risk arising from liabilities related to reverse factoring arrangements (see Note 32(C)(iii)). There may be other acceptable approaches depending on the legal form and structure of reverse factoring arrangements.
- c.** The Group has classified cash flows related to emissions certificates (current intangible assets) within operating activities because they relate to the Group's principle revenue-generating activities and the assets are not considered long-term in nature. The emissions certificates are expected to be realised within 12 months of the reporting date by surrendering them to the government to settle the annual emissions obligation (see Note 22(E)). In determining the classification of cash flows, an entity considers the nature of the activity to which they relate.

Consolidated statement of cash flows (continued)

For the year ended 30 June

IAS 1.10(d), 29,
38–38A, 113

IAS 7.17(a)

IAS 7.17(c)

IAS 7.17(c)

IAS 7.17(c)

IAS 7.17(a)

IAS 7.17(a)

IAS 7.16(h)

IAS 7.21

IAS 7.42A

IAS 7.17(b)

IAS 7.17(d)

IAS 7.17(e)

IAS 7.31, 34

IAS 7.10

IAS 7.28

IAS 7.45

	Note	2024	2023 Restated*
<i>In thousands of dollars</i>			
Cash flows from financing activities			
Proceeds from issue of share capital	26(A)	1,550	–
Proceeds from issue of convertible notes	28(C)	5,000	–
Proceeds from issue of redeemable preference shares	28(D)	2,000	–
Proceeds from loans and borrowings		591	4,079
Proceeds from sale of treasury shares		30	–
Proceeds from exercise of share options	26(A)	50	–
Proceeds from settlement of derivatives		5	11
Transaction costs related to loans and borrowings	28(C), (D)	(311)	–
Acquisition of non-controlling interests	36	(200)	–
Repurchase of treasury shares		–	(280)
Repayment of borrowings		(5,055)	(2,445)
Payment of lease liabilities ^d		(554)	(590)
Dividends paid ^e	26(C)	(1,243)	(571)
Net cash from financing activities		1,863	204
Net decrease in cash and cash equivalents		(384)	(633)
Cash and cash equivalents at 1 July**		1,567	2,226
Effect of movements in exchange rates on cash held		(13)	(26)
Cash and cash equivalents at 30 June**	19	1,170	1,567

* The comparative information is restated on account of correction of errors. See Note 44.

** 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 69 to 232 are an integral part of these consolidated financial statements

IFRS 16.50, IAS
7.17(e)

- d. The Group has classified:
- cash payments for the principal portion of lease payments as financing activities;
 - cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group (see footnote (e) below); and
 - short-term lease payments and payments for leases of low-value assets as operating activities.

IAS 7.31,
Insights 2.3.50.10-20

- e. The Accounting Standards require 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 Accounting Standards, 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. Interest paid includes the interest portion of the lease liabilities. See footnotes (d) above and (f) below

Insights 2.3.50.38

- f. 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)
- 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

- g. 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(B). 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.

IAS 7.10-11, Insights
2.3.20.11

- h. There is no specific guidance in IFRS Accounting Standards on the classification of cash flows from the receipt of government grants. Cash flows should be classified based on the nature of the activity to which they relate. The Group has classified cash flows related to asset-related grants as investing activities and those related to income related grants as operating activities because this reflects the nature of the related activities.

Notes to the consolidated financial statements

IAS 1.10(e)

1. Reporting entity

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

IAS 1.138(a)-(b)

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

IAS 1.51(a)-(c)

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

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

IAS 1.16, 10.17

Details of the Group's material accounting policies are included in [Note 45](#). Changes to material accounting policies are described in [Note 5](#).

3. Functional and presentation currency

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

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 therefore includes a statement of compliance with Australian Interpretations.

IAS 1.16

An entity whose financial statements and notes comply with all IFRS Accounting Standards requirements must make an explicit and unreserved statement of such compliance in the notes. **Entities that comply with Australian Accounting Standards are not automatically in compliance with IFRS Accounting Standards, 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 Accounting Standards.

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

IAS 1.79(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)

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 (2023: \$571 thousand) were distributed from the profits reserve during the year.

C. Dividends

In thousands of dollars

2024

2023

Dividend franking account^a

AASB 1054.13

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 (2023: \$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

IAS 7.18(b)

47. Reconciliation of cash flows from operating activities

	Note	2024	2023 Restated*
<i>In thousands of dollars</i>			
Cash flows from operating activities^{a, b}			
Profit for the period ^c		7,552	5,974
Adjustments for:			
– Depreciation	21(A)	5,339	5,122
– Amortisation	22(A)	785	795
– Deferred income	30	(38)	-
– (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	752	1,188
– Share of profit of equity-accounted investees, net of tax	24	(1,141)	(587)
– Gain on sale of property, plant and equipment	9(A)	(48)	(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	3,153	2,416
		15,644	16,460
Changes in:			
– Intangible assets (emissions certificates) ^d		5	(20)
– Inventories		(1,843)	(176)
– Contract assets		(489)	(782)
– Trade and other receivables		(16,946)	(4,920)
– Contract liabilities		(6)	166
– Prepayments		870	(305)
– Trade and other payables ^a		8,727	(6,841)
– Provisions and employee benefits		26	274
Cash generated from operating activities		5,988	3,856
Interest paid ^{a, e, f}		(1,609)	(1,289)
Taxes paid		(400)	(1,910)
Net cash from operating activities		3,979	657

IAS 7.31-32

IAS 7.35

IAS 7.10

IFRS 16.50,
IAS 7.17(e)

- a. The Group has classified:
- cash payments for the principal portion of lease payments as financing activities;
 - cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group (see footnote (e) below); and
 - short-term lease payments and payments for leases of low-value assets as operating activities.

The Group has not restated comparative information.

IFRS 7.31, 33–34,
IAS 7.10–11,
43, Insights
2.3.190.30–60,
IU 12–20

- b. There is no specific guidance in the IFRS Accounting Standards on the classification of cash flows from reverse factoring arrangements. However, in our view it is the nature of the activity, rather than the classification of the related item in the statement of financial position, that determines the classification of the cash outflow. Furthermore, in our view, in determining the appropriate classification an entity should apply judgement and assess whether a single cash outflow or multiple cash flows occur for the entity. The Group presents a single cash outflow for the payments made to the factor (the bank) because it considers the payment to a supplier by the bank not to be a cash transaction of the entity. The Group classifies its cash outflows for payments made to the bank within operating activities because it views the principal nature of these payments as related to the purchase of goods and services. The Group has provided disclosure of non-cash transactions (see Note 29) and disclosure of liquidity risk arising from liabilities related to reverse factoring arrangements (see Note 32(C)(iii)). There may be other acceptable approaches depending on the legal form and structure of reverse factoring arrangements.

IAS 7.18, 20, A,
Insights 2.3.20.20

- c. 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 7.6, 11,
Insights 2.3.20.11

- d. The Group has classified cash flows related to emissions certificates (current intangible assets) within operating activities because they relate to the Group's principle revenue-generating activities and the assets are not considered long-term in nature. The emissions certificates are expected to be realised within 12 months of the reporting date by surrendering them to the government to settle the annual emissions obligation (see Note 22(E)). In determining the classification of cash flows, an entity considers the nature of the activity to which they relate.

IAS 7.31, Insights
2.3.50.10–20

- e. The Accounting Standards require 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 the IFRS Accounting Standards, 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.

Interest paid includes the interest portion of the lease liabilities. See footnotes (a) above and (f) below

Insights 2.3.50.38

- f. 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.

Notes to the consolidated financial statements (continued)

48. Auditors' remuneration^{a, b, c}

In dollars

2024 2023

Audit and review services^d

Auditors of the Group – KPMG

Audit and review of financial statements – Group^e 658,900 524,360

Audit and review of financial statements – controlled entities^e 1,049,600 689,890

1,708,500 1,214,250

Other auditors

Audit and review of financial statements 12,260 11,310

Assurance services^f

Auditors of the Group – KPMG

Regulatory assurance services^{f, g} 43,410 30,860

Other assurance services^{f, h} 460,510 491,370

503,920 522,230

Other auditors

Other assurance services^{f, h} 2,000 2,000

Other services^{f, i}

Auditors of the Group – KPMG

Taxation advice and tax compliance services 114,320 96,350

Other auditors

Valuation services 25,000 23,000

- a.** This illustrative disclosure excludes auditors' remuneration for associates or joint ventures but includes partnerships and joint operations. An entity may want to separately disclose auditors' remuneration for associates and joint ventures, in which case we recommend additional line items be included within each section for transparency.
- b.** Although it is not required, this categorisation of fees to auditors is encouraged by ASIC to aid in the consistent and transparent reporting of audit and non-audit fee information.
- c.** 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.
- d.** Half-year audit and review fees for entities in the group are included in 'audit and review services'.
- e.** ASIC encourages fees paid to the Group auditor to be split out separately for those relating to auditing the statutory financial report of the parent covering the consolidated group; and those relating to auditing the statutory financial reports of any controlled entities. This disclosure is provided for illustrative purposes only.
- f.** Although it is not required, ASIC encourages entities to split fees for assurance services from fees for non-assurance services. They also encourage assurance services to be further split between "regulatory assurance services" and "other assurance services". This disclosure is provided for illustrative purposes only.
- g.** Regulatory assurance services are those that are required under legislation and are performed by the auditor, for example, Form FS 71 for an AFS licensee, workers compensation, APRA reports, US Sarbanes-Oxley Act of 2002 Section 404, franchising code of conduct and retirement villages.
- h.** Other assurance services are fees for other assurance services other than those included under regulatory assurance, such as those required under contractual arrangements. Examples include, assurance on revenue information relevant to a royalty agreement, sustainability assurance reporting and capital raisings.
- i.** Other services are services that do not fall within regulatory or other assurance services e.g. tax advice, tax compliance, consulting.

ASIC Instrument
2016/191

AASB 1054.10(a)

AASB 1054.10(a)

AASB 1054.10(b), 11

AASB 1054.10(b), 11

AASB 1054.10, 11

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

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 2024, by virtue of a Deed of Assumption. Tasman Trust was released from its obligations under the Deed by executing Revocation Deeds on 30 March 2024.

Acacia Pty limited obtained relief pursuant to the Instrument for the year ended 30 June 2023, however, whilst still party to the Deed, is not eligible for relief in the current year as it has become a small proprietary 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 2024 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.

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

Notes to the consolidated financial statements (continued)

49. Deed of cross guarantee (continued)

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

<i>In thousands of dollars</i>	2024	2023 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
<i>Items that will be reclassified to profit or loss:</i>	(x)	x
Revaluation of property, plant and equipment, net of tax	(x)	x
<i>Items that are or may be reclassified subsequently to profit or loss:</i>	(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 7, 21(H) and 44.

ASIC Instrument
2016/785

a. One of the required conditions for wholly owned subsidiaries to be relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports, is to present a statement of comprehensive income setting out the information specified by paragraphs 82 to 87 of Accounting Standard AASB 101 *Presentation of Financial Statements*.

Notes to the consolidated financial statements (continued)

49. Deed of cross guarantee (continued)

Statement of financial position

	30 June 2024	30 June 2023	1 July 2022
<i>In thousands of dollars</i>		Restated*	Restated*
Assets			
Cash and cash equivalents	X	X	X
Trade and other receivables	X	X	X
Contract assets	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
Contract liabilities	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 Note 44.

Notes to the consolidated financial statements (continued)

50. Parent entity disclosures^a

As at, and throughout, the financial year ended 30 June 2024 the parent entity of the Group was Example Public Company Limited.

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

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

	2024	2023 Restated*
<i>In thousands of dollars</i>		
Result of parent entity		
Profit for the period	XX	XX
Other comprehensive income	XX	XX
Total comprehensive income for the period	XX	XX
Financial position of parent entity at year end		
Current assets	XX	XX
Total assets	XX	XX
Current liabilities	XX	XX
Total liabilities	XX	XX
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 7, 21(H) and 44

Parent entity contingent liabilities

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.

Reg 2M.3.01(1)(i)

	<i>Note</i>	2024	2023
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 (2023: nil) of which \$250 thousand (2023: 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.

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.

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 2024.

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 (2023: \$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](#).

Consolidated entity disclosure statement ^{a, b, c, d, e}

For the year ended 30 June 2024

Entity name	Body corporate, partnership or trust	Place incorporated/formed	% of share capital held directly or indirectly by the Company in the body corporate	Australian or Foreign tax resident ^g	Jurisdiction for Foreign tax resident ^g
Example Public Company Limited (the Company)	Body corporate	Australia		Australian	N/A
Acacia Pty Limited	Body corporate	Australia	100%	Australian	N/A
Gumnut Limited	Body corporate	Australia	100%	Australian	N/A
Karooa Pty Limited	Body corporate – Trustee of Macadamia Trust	Australia	100%	Australian	N/A
Macadamia Trust	Trust	Australia	N/A	Australian	N/A
Pavlova Pty Limited	Body corporate	Australia	100%	Australian	N/A
Lamington Pty Limited (A)	Body corporate – Partner in the Lamington Partnership	Australia	100%	Australian	N/A
Lamington Partnership (A)^f	Partnership	Australia	N/A	N/A	N/A
Meat Pie Limited (B)	Body corporate	Australia	100%	Australian	N/A
Baguette S.A.	Body corporate	France	100%	Foreign	France
Mermaid A/S	Body corporate	Denmark	100%	Foreign	Denmark
Papier GmbH	Body corporate	Germany	100%	Foreign	Germany
Lei Sure Limited	Body corporate	Romania	100%	Foreign	Romania
Paper Pabus Co	Body corporate	UK	100%	Foreign	UK
Hemy Payo Products N.V.	Body corporate	Netherlands	100%	Foreign	Netherlands
Oy Kossu AG	Body corporate	Switzerland	90%	Foreign	Switzerland
Papyrus Pty Limited	Body corporate	US	90%	Foreign	US
Swissolote AG	Body corporate	Switzerland	75%	Foreign	Switzerland
Maple-leaf Inc	Body corporate	Canada	45%	Foreign	Canada
Silver Fir S.A.	Body corporate	Spain	48%	Foreign	Spain
Sloan Bio-Research Co	Body corporate	UK	-	Foreign	UK
MayCo	Body corporate	US	-	Foreign	US

New requirement applicable 30 June 2024 onwards

S295(3A)

- a. These disclosures are applicable for all Australian public companies (listed and unlisted) reporting under *Chapter 2M* of the *Corporations Act 2001* effective for financial years beginning on or after 1 July 2023 i.e. the annual financial reports for 30 June 2024 and onwards. For more information refer to our Reporting update, 24RU-06 | Mandatory disclosure of subsidiaries' tax residence.

S295(3A)(a)

- b. The prescribed information must be disclosed for each entity that was, at the end of the financial year, part of the consolidated entity. Prescribed information for an entity disposed of during the year that is no longer part of the consolidated entity at the end of the financial year is not required.

S295(3A)(b)

- c. Where a public company is not required to prepare consolidated financial statements, a 'Consolidated entity disclosure statement' must still be included. Below is an illustrative disclosure for such a statement:
'Example Public Company Limited is not required by Australian Accounting Standards to prepare consolidated financial statements, and as a result subsection 295(3A)(a) of the Corporations Act 2001 to prepare a Consolidated Entity Disclosure Statement does not apply to the Company.'
- d. Comparative information is not required for the prescribed information disclosed in a Consolidated entity disclosure statement.

Consolidated entity disclosure statement (continued)^{a, b, c, d, e}

For the year ended 30 June 2024

S295(3A)(a)(iii)

(A) Lamington Pty Limited is a partner in a joint operation with a third party in Lamington Partnership. The partnership is established under the *NSW Partnership Act 1982*. As a partner, Lamington Pty Limited has the obligation to pay its share of any tax relating to its involvement in the Partnership.

S295(3A)(a) (vi)-(vii)

(B) Meat Pie Limited is incorporated in and operates in Australia and has a registered branch in New Zealand. The branch operations have tax obligations in New Zealand under the *New Zealand Income Tax Act 2007*.

Key assumptions and judgements^h

Determination of Tax Residency

Section 295 (3A) of the *Corporation Acts 2001* requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgment as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

- Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in *Tax Ruling TR 2018/5*.

- Foreign tax residency

The consolidated entity has applied current legislation and where available judicial precedent in the determination of foreign tax residency. Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

Partnerships and Trusts

Australian tax law does not contain specific residency tests for partnerships and trusts. Generally, these entities are taxed on a flow-through basis so there is no need for a general residence test. There are some provisions which treat trusts as residents for certain purposes, but this does not mean the trust itself is an entity that is subject to tax.

Additional disclosures on the tax status of partnerships and trusts have been provided where relevant.

Branches (permanent establishments)

Foreign branches of Australian subsidiaries are not separate level entities and therefore do not have a separate residency for Australian tax purposes. Generally, the Australian subsidiary that the branch is a part of will be the relevant tax resident, rather than the branch operations.

Additional disclosures on the tax status of Australian subsidiaries having a foreign branch with a taxable presence in that jurisdiction have been provided where relevant.

- e. The Consolidated Entity Disclosure Statement information required by the *Corporations Act 2001* must incorporate each entity forming part of the Consolidated Group, not just those considered to be material. This includes newly acquired 'shelf' companies, dormant entities or those that would otherwise be excluded from the company's process to prepare consolidated financial statements on the basis of materiality.
- f. A partnership is not defined under the *Corporations Act*, so entities may look to other definitions contained in other legislation or regulations, e.g. tax legislation.
- g. The determination of tax residency is not a straight forward process and may require judgements, entities may consider the guidance from Australian Tax Office, e.g. [Working out your residency guidance](#), [Residency requirements guidance](#), [Practical Compliance Guideline – PCG 2018/9](#) when performing an assessment.
- h. In our view a basis of preparation should be provided to describe the key assumptions and judgements made in determining an entity's tax residency. This may include: what sources were used, what interpretations or judgements were required to be applied due to these sources, what criteria was used to conclude given the judgement applied.

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 2024 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*;

S295(4)(da)

b) the Consolidated entity disclosure statement as at 30 June 2024 set out on pages yy is true and correct; and

S295(4)(c),
ASIC RG22

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

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 2024.

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 2024

S295(5)(c)

[Director_name]

Director^d

S295(5)

- 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.
- b. The Corporations Act does not require the Directors’ declaration to refer to the Remuneration report.
- c. Refer to the AUASB and AASB’s joint publication regarding going concern and solvency statements, “[The Impact of COVID-19 on Going Concern and related Assessments](#)”
- d. 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 2024)

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

Ordinary shares

Refer to [Note 26](#) in the financial statements

Options

There are no voting rights attached to the options

Rights

There are no voting rights attached to the rights

Redeemable preference shares

There are no voting rights attached to the redeemable preference shares

Non-redeemable preference shares

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

Redeemable convertible notes

Refer to [Note 28](#) in the financial statements

Distribution of equity security holders

Category	Number of equity security holder					
	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)

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

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.

Securities exchange^b

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

Other information

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

On-market buy-back

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

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

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

ASX 4.10.16

ASX 4.10.13

IAS 1.138(a)

ASX 4.10.18

ASX 4.10.9

ASX 4.10.9

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.

On 29 February 2019, the Board of Taxation released a consultation paper which proposed changes to the Code following feedback from earlier consultation sessions. The submission date for feedback was 26 March 2019. At the date of this publication there have been no decisions on changes to the Code.

Voluntary tax disclosures: Part A (continued)

Extension of Note 14(D)

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

<i>In thousands of dollars</i>	<i>Note</i>	2024	2023
			Restated*
Profit before tax from continuing operations		10,351	8,856
Tax using the Company's domestic tax rate - 33%		3,416	2,922
Non temporary differences			
Share of profit of equity-accounted investees reported net of tax		(377)	(194)
Effect of tax rates in foreign jurisdictions		(73)	(49)
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		(238)	(462)
Income tax expense on continuing operations			
Income tax expense on discontinued operations ^a	7	305	(44)
Total consolidated income tax expense		3,483	2,416
Temporary differences			
Amounts recognised in OCI ^b		-	-
Amounts recognised directly in equity ^b		-	-
Net movement in deferred tax balances ^c	14(E)	1	1,100
Total temporary differences		1	1,100
Income taxes payable for the current financial year			
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		4,717	1,633
Represented in the Statement of financial position by:			
Current tax liabilities		4,751	1,693
Current tax assets		(34)	(60)
		4,717	1,633

* See Notes 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 2024 and 2023, 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

<i>Percentage</i>	2024	2023 Restated*
ETR^e		
Global operations – Total consolidated tax expense	31.56%	25.32%
Australian operations – Australian company income tax expense	25.68%	28.81%
The Company income tax expense	35.54%	37.59%

* See Notes 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]

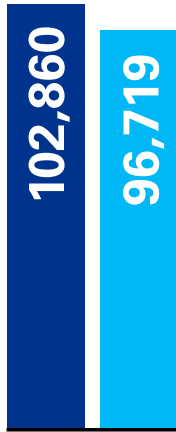
Consolidated financial statements

31 December 2023

Financial highlights^{a, b}

REVENUE

(Thousand euro)



2023 2022

OPERATING PROFIT

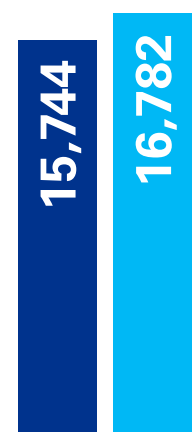
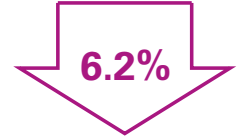
(Thousand euro)



2023 2022

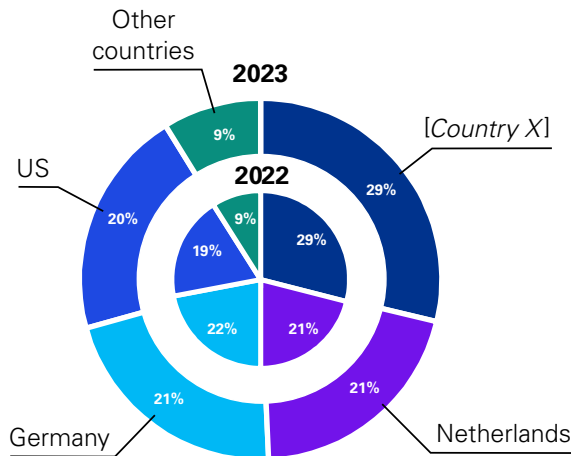
ADJUSTED EBITDA

(Thousand euro)



2023 2022

REVENUE BY REGION^c



BASIC EARNINGS PER SHARE (Euro)



2023 2022

DIVIDENDS PER ORDINARY SHARE (Cent)



2023 2022

- a. The Group presents these financial highlights to show certain financial metrics that appear in the financial statements. This information is provided for illustrative purposes only.
- b. The comparative information is restated on account of correction of errors. See [Note 44](#).
- c. Includes revenues of discontinued operation (see [Notes 6\(D\)\(i\)](#) and [7](#)).

Consolidated statement of financial position^a

IAS 1.10(a), 10(ea)–(f),
29, 38–38A, 40A–40B,
54–55, 113

IAS 1.54(a)
IAS 1.54(c)
IAS 1.54(f)
IAS 1.54(b), IFRS 16.48

IAS 1.54(e)
IAS 1.54(d)
IAS 1.54(o), 56
IAS 1.55

IAS 1.60
IAS 1.54(c)
IAS 1.54(f)
IAS 1.54(g)
IAS 1.55
IAS 1.54(d)
IAS 1.54(n)
IAS 1.54(h)
IAS 1.55
IAS 1.54(i)
IFRS 5.38, 40,
IAS 1.54(j)

IAS 1.60

	Note	31 December 2023	31 December 2022 restated* ^b	1 January 2022 restated* ^{b, c}
<i>In thousands of euro</i>				
Assets				
Property, plant and equipment ^d	21	28,990	33,230	37,433
Intangible assets and goodwill	22	6,111	4,541	5,329
Biological assets	16	4,698	4,025	3,407
Investment property ^d	23	1,520	400	300
Equity-accounted investees	24	2,489	1,948	1,530
Other investments, including derivatives ^e	25	3,616	3,512	3,221
Deferred tax assets	24	2,251	2,108	985
Employee benefits	13	671	731	716
Non-current assets^f		49,846	50,495	52,921
Intangible assets ^g	22	115	120	100
Biological assets	16	32	31	29
Inventories ^h	17	12,148	12,119	11,587
Contract assets ⁱ	8	1,271	782	-
Other investments, including derivatives ^e	25	662	1,032	947
Current tax assets		34	60	-
Trade and other receivables	18	32,518	22,325	17,336
Prepayments ^j		330	1,200	895
Cash and cash equivalents	19	1,504	1,849	2,529
Assets held for sale	20	14,400	-	-
Current assets		63,014	39,518	33,423
Total assets		112,860	90,013	86,344

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.

Insights 2.8.50.110

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

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.

IFRS 16.47(a), 48

d. The Group has presented right-of-use assets that do not meet the definition of investment property within ‘property, plant and equipment’ – i.e. the same line item in which it presents underlying assets of the same nature that it owns. Alternatively, an entity may choose to present right-of-use assets separately in the statement of financial position. Right-of-use assets that meet the definition of investment property are presented within ‘investment property’.

Insights 7.10.40.50

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

IAS 1.60–61

f. 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](#) (December 2022) provides an example presentation of assets and liabilities in order of liquidity.

IAS 1.66, Insights
3.1.30

g. The Group has classified certain intangible assets (emissions certificates) as current (see [Note 22\(E\)](#)) because they are expected to be realised within 12 months of the reporting date. An entity needs to apply the requirements in IAS 1 in determining whether to classify intangible assets as current or non-current.

IFRS 15.B21, BC367

h. IFRS 15 *Revenue from Contracts with Customers* and other accounting 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 these assets within ‘inventories’ and disclosed them separately in the notes (see [Note 17](#)).

IAS 1.54–55,
IFRS 15.105, 109,
A, BC320–BC321,
Insights 4.2.510

i. 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. For further guidance on applying the requirements in IAS 1 for classification of contract assets and contract liabilities as current or non-current, see 4.2.510 in [Insights into IFRS](#). Although this guide uses the terms ‘contract assets’ and ‘contract liabilities’, an entity may also use other terms.

IAS 1.66,
Insights 3.1.30

j. The Group has classified prepayments as current because they relate to the purchase of inventories and are expected to be realised within 12 months of the reporting date. An entity should apply the requirements in IAS 1 in determining whether to classify prepayments as current or non-current.

Consolidated statement of financial position (continued)

IAS 1.10(a), 10(ea)–(f),
29, 38–38A, 40A–40B,
54–55, 113

IAS 1.54(r), 78(e)

IAS 1.55, 78(e)

IAS 1.54(r), 78(e)

IAS 1.55, 78(e)

IAS 1.54(q)

IAS 1.54(m)

IAS 1.55, 78(d)

IAS 1.54(k)

IAS 1.55

IAS 1.54(l)

IAS 1.54(o), 56

IAS 1.60

IAS 1.55

IAS 1.54(n)

IAS 1.54(m)

IAS 1.55, 78(d)

IAS 1.54(k)

IAS 1.55

IAS 1.55

IAS 1.54(l)

IFRS 5.38, 40,
IAS 1.54(p)

IAS 1.60

	Note	31 December 2023	31 December 2022 restated* ^b	1 January 2022 restated* ^{b, c}
<i>In thousands of euro</i>				
Equity				
Share capital		14,550	14,550	14,550
Share premium		4,777	3,500	3,500
Reserves		1,219	439	297
Retained earnings		20,443	13,786	8,497
Equity attributable to owners of the Company	26	41,418	32,275	26,844
Non-controlling interests	35	3,804	3,091	2,718
Total equity		45,222	35,366	29,562
Liabilities				
Loans and borrowings ^k	28	23,758	21,268	22,204
Employee benefits	13	912	453	1,136
Trade and other payables ^l	29	290	5	4
Deferred income	30	1,424	1,462	-
Provisions	31	1,010	-	740
Deferred tax liabilities	14	549	406	323
Non-current liabilities		27,943	23,594	24,407
Bank overdraft	19	334	282	303
Current tax liabilities		4,751	1,693	25
Loans and borrowings ^k	28	5,347	5,656	3,504
Employee benefits	13	20	388	13
Trade and other payables ^{l, m}	29	24,013	21,328	28,250
Contract liabilities	8	160	166	-
Deferred income	30	-	-	140
Provisions	31	660	1,540	140
Liabilities directly associated with the assets held for sale	20	4,410	-	-
Current liabilities^f		39,695	31,053	32,375
Total liabilities		67,638	54,647	56,782
Total equity and liabilities		112,860	90,013	86,344

* The comparative information is restated on account of correction of errors. See Note 44.

The notes on pages 27 to 190 are an integral part of these consolidated financial statements.

IFRS 16.47(b)

k. The Group has presented lease liabilities within 'loans and borrowings'. Alternatively, an entity (a lessee) may choose to present lease liabilities separately from other liabilities in the statement of financial position.

IFRS 15.55

l. The Group has presented its refund liabilities under IFRS 15 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 *Financial Instruments: Disclosures*.

Insights 3.1.10.30,
7.10.35.70–100,
IU 12-20

m. The Group has presented amounts owed for the purchase of goods or services but related to reverse factoring within 'trade and other payables' because it considers that the nature and function of the financial liability is not different from other trade payables and does not warrant a separate presentation on the face of the statement of financial position. In our view, regardless of whether the original trade payable is derecognised, an entity should consider the appropriate presentation of amounts related to reverse factoring arrangements in the statement of financial position. The Group has disclosed those amounts separately in the notes. See Note 29.

Consolidated statement of profit or loss and other comprehensive income^{a, b}

For the year ended 31 December

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

	Note	2023	2022 restated*
<i>In thousands of euro</i>			
Continuing operations			
Revenue ^{c, d}	8	102,860	96,719
Cost of sales ^e	9(C)	(55,432)	(56,186)
Gross profit		47,428	40,533
Other income	9(A)	893	104
Selling and distribution expenses ^e	9(C)	(18,322)	(15,865)
Administrative expenses ^e	9(C)	(17,732)	(14,428)
Research and development expenses	9(C)	(1,109)	(697)
Impairment loss on trade receivables and contract assets ^f	32(C)(ii)	(200)	(190)
Other expenses	9(B)	(996)	-
Operating profit^g		9,962	9,457
Finance income ^d		1,131	447
Finance costs ^h		(1,883)	(1,635)
Net finance cost	10	(752)	(1,188)
Share of profit of equity accounted investees, net of tax	24	1,141	587
Profit before tax		10,351	8,856
Income tax expense	14	(3,178)	(2,460)
Profit from continuing operations		7,173	6,396
Discontinued operation			
Profit (loss) from discontinued operation, net of tax ⁱ	7	379	(422)
Profit for the period		7,552	5,974

In thousands of euro

Continuing operations

Revenue ^{c, d}	8	102,860	96,719
Cost of sales ^e	9(C)	(55,432)	(56,186)
Gross profit		47,428	40,533
Other income	9(A)	893	104
Selling and distribution expenses ^e	9(C)	(18,322)	(15,865)
Administrative expenses ^e	9(C)	(17,732)	(14,428)
Research and development expenses	9(C)	(1,109)	(697)
Impairment loss on trade receivables and contract assets ^f	32(C)(ii)	(200)	(190)
Other expenses	9(B)	(996)	-

Operating profit^g

Finance income ^d		1,131	447
Finance costs ^h		(1,883)	(1,635)

Net finance cost	10	(752)	(1,188)
-------------------------	----	--------------	---------

Share of profit of equity accounted investees, net of tax	24	1,141	587
---	----	-------	-----

Profit before tax		10,351	8,856
--------------------------	--	---------------	-------

Income tax expense	14	(3,178)	(2,460)
--------------------	----	---------	---------

Profit from continuing operations		7,173	6,396
--	--	--------------	-------

Discontinued operation

Profit (loss) from discontinued operation, net of tax ⁱ	7	379	(422)
--	---	-----	-------

Profit for the period		7,552	5,974
------------------------------	--	--------------	-------

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

--	--	--	--

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

IAS 1.82A(a)(i)

IAS 1.85

IAS 1.85

IFRS 7.20(a)(vii)

IAS 1.82A(b)(i)

IAS 1.91(b)

IAS 1.82A(a)(ii)

IAS 21.52(b)

IAS 1.85

IAS 1.82A(b)(iii)

IAS 1.92

IFRS 7.24C(b)(i)

IFRS 7.24C(b)(iv),
IAS 1.92

IAS 1.85

IAS 1.92

IFRS 7.20(a)(viii)

IFRS 7.20(a)(viii),
IAS 1.92

IAS 1.91(b)

IAS 1.81A(b)

IAS 1.81A(c)

<i>In thousands of euro</i>	Note	2023	2022 restated*
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment		200	-
Remeasurements of defined benefit liability (asset)	13(B)	72	(15)
Equity investments at FVOCI – net change in fair value	26(D)	141	59
Equity-accounted investees – share of OCI	24, 26(D)	15	(3)
Related tax ⁱ	14(B)	(137)	(14)
		291	27
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		679	471
Net investment hedge – net loss		(3)	(8)
Equity-accounted investees – share of OCI	24, 26(D)	(172)	(166)
Reclassification of foreign operations differences on loss of significant influence	34(D)	(20)	-
Cash flow hedges – effective portion of changes in fair value ^k	26(D)	(62)	95
Cash flow hedges – reclassified to profit or loss ^{k, l}	26(D)	(31)	(12)
Cost of hedging reserves – changes in fair value	26(D)	34	10
Cost of hedging reserve – reclassified to profit or loss ^l	26(D)	8	2
Debt investments at FVOCI – net change in fair value	26(D)	54	60
Debt investments at FVOCI – reclassified to profit or loss ^l	26(D)	(64)	-
Related tax ⁱ	14(B)	19	(48)
		442	404
Other comprehensive income for the period, net of tax		733	431
Total comprehensive income for the period		8,285	6,405

The notes on pages 27 to 190 are an integral part of these consolidated financial statements.

Refer to page 34 for Australian style Consolidated statement of 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

	Note	2023	2022 restated*
<i>In thousands of euro</i>			
Profit attributable to:			
Owners of the Company		7,055	5,623
Non-controlling interests	35	497	351
		7,552	5,974
Total comprehensive income attributable to:			
Owners of the Company		7,762	6,032
Non-controlling interests	35	523	373
		8,285	6,405
Earnings per share			
Basic earnings per share (euro)	11	2.15	1.69
Diluted earnings per share (euro)	11	2.04	1.68
Earnings per share – Continuing operations			
Basic earnings per share (euro)	11	2.02	1.83
Diluted earnings per share (euro)	11	1.92	1.82
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)^m	15	15,744	16,782

* The comparative information is restated on account of correction of errors. See Note 44. Comparative information has also been re-presented due to a discontinued operation and a change in classification. See Notes 7 and 21(H) respectively.

The notes on pages 27 to 190 are an integral part of these consolidated financial statements.

- IAS 1.10A a. The Group has elected to present comprehensive income under a 'one-statement' approach. For an illustration of the alternative 'two-statement' approach, see Appendix II.
- IAS 1.82 b. IAS 1 requires the separate presentation of specific line items in the statement of profit or loss. The Group has not presented certain line items because during the reporting period it did not have events or transactions to be reflected in those line items. See footnotes (c) and (d) below for specific considerations related to separate presentation of line items in the statement of profit or loss.
- IFRS 15.113,
IAS 1.29–30, 85,
Insights 4.2.560.25 c. In our view, 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 7.10.70.20 d. 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 under 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. In our view, 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 e. 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.

<p><i>IAS 1.82(ba), 85, 31, 97, 99, Insights 4.1.20.40</i></p>	<p>f. 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 determined under Section 5.5 of IFRS 9 <i>Financial Instruments</i>.</p> <p>The Group has applied judgement in determining an appropriate presentation and disaggregated the impairment loss amount into:</p> <ul style="list-style-type: none"> • impairment related to trade and other receivables, including contract assets, which is presented separately in the statement of profit or loss and OCI; and • impairment related to investments in debt securities, which is not presented separately but included under ‘finance costs’ due to materiality considerations. <p>The Group believes that this presentation is relevant to an understanding of its financial performance.</p>
<p><i>IAS 1.85, BC55–BC56</i></p>	<p>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.</p>
<p><i>IAS 1.82(b), IFRS 16.49, 7.IG13</i></p>	<p>h. The Group has presented interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which are presented separately in the statement of profit or loss and OCI.</p>
<p><i>IFRS 5.33(a)–(b), IAS 1.82(ea)</i></p>	<p>i. 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.</p>
<p><i>IAS 1.90–91</i></p>	<p>j. 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.</p>
<p><i>IFRS 9.6.5.11, 6.5.15, IAS 1.82A(a), Insights 7.10.90.35</i></p>	<p>k. IFRS 9 specifies whether and when amounts previously recognised in OCI are reclassified to profit or loss. However, in some circumstances it may be unclear at the time when a gain or loss is recognised in OCI whether it will subsequently be reclassified to profit or loss. For example, if an entity hedges a future purchase of a non-financial item, then the related hedging gains and losses will subsequently be included in the initial cost of the non-financial item and affect profit or loss when the non-financial item is disposed of or written down. Conversely, if the future hedged cash flows are no longer expected to occur or if a loss is no longer expected to be recoverable, then the hedging gains or losses will be reclassified to profit or loss. Accordingly, in our view gains or losses on cash flow hedges and costs of hedging relating to the future recognition of a non-financial asset or liability should be presented in OCI as items that may be subsequently reclassified to profit or loss when specific conditions are met.</p>
<p><i>IAS 1.94</i></p>	<p>l. 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.</p>
<p><i>IAS 1.85–85B, BC38G, Insights 4.1.150</i></p>	<p>m. The Group has disclosed adjusted EBITDA because management believes that this measure is relevant to an understanding of the entity’s financial performance. This disclosure is provided for illustrative purposes only. See Note 15.</p>

Consolidated statement of changes in equity

For the year ended 31 December 2023

Attributable to owners of the Company

IAS 1.10(c), 29, 108, 113

IAS 1.106(b)

IAS 1.106(d)(i)

IAS 1.106(d)(ii), 106A

IAS 1.106(a)

IAS 1.106(d)(iii)

IAS 1.106(d)(i)

IAS 1.106(d)(ii), 106A

IAS 1.106(a)

IAS 1.106(d)(iii)

IAS 1.106(d)(iii)

In thousands of euro

Notes

		Share capital	Share premium	Translation reserve
Balance at 1 January 2022, as previously reported		14,550	3,500	(119)
Impact of correction of errors	44	-	-	-
Restated balance at 1 January 2022		14,550	3,500	(119)
Total comprehensive income for the period (restated)				
Profit for the period		-	-	-
Other comprehensive income for the period	14(B), 26(D)	-	-	275
Total comprehensive income for the period (restated)		-	-	275
Hedging gains and losses and costs of hedging transferred to the cost of inventory		-	-	-
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 2022		14,550	3,500	156
Balance at 1 January 2023		14,550	3,500	156
Total comprehensive income for the period				
Profit for the period		-	-	-
Other comprehensive income for the period	14(B), 26(D)	-	-	458
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				
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	-
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 2023		14,979	4,777	622

The notes on pages 27 to 190 are an integral part of these consolidated financial statements.

IAS 32.33, Insights 7.3.750.10–20

- a. The Accounting Standards do 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.

Attributable to owners of the Company									
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
(35)	434	17	-	-	-	9,440	26,787	2,718	29,505
-	-	-	-	-	-	57	57	-	57
(35)	434	17	-	-	-	8,497	26,844	2,718	29,562
-	-	-	-	-	-	5,623	5,623	351	5,974
9	56	82	-	-	-	(13)	409	22	431
9	56	82	-	-	-	5,610	6,032	373	6,405
(1)	1	-	-	-	-	-	-	-	-
-	-	-	-	(280)	-	-	(280)	-	(280)
-	-	-	-	-	-	(571)	(571)	-	(571)
-	-	-	-	-	-	250	250	-	250
-	-	-	-	(280)	-	(321)	(601)	-	(601)
(27)	491	99	-	(280)	-	13,786	32,275	3,091	35,366
(27)	491	99	-	(280)	-	13,786	32,275	3,091	35,366
-	-	-	-	-	-	7,055	7,055	497	7,552
27	(62)	87	134	-	-	63	707	26	733
27	(62)	87	134	-	-	7,118	7,762	523	8,285
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)
-	-	-	-	-	-	-	-	305	305
-	-	-	-	-	-	(93)	(85)	190	105
-	-	-	-	11	109	(461)	1,373	190	1,563
4	433	186	134	(269)	109	20,443	41,418	3,804	45,222

IAS 1.78(e), 79(b), 108, Insights 4.5.900.20

- 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 the Accounting Standards. The Group has elected to present this increase in retained earnings.

Consolidated statement of cash flows

For the year ended 31 December

IAS 1.10(d), 29,
38–38A, 113

IAS 7.18(b)

	Note	2023	2022 restated*
<i>In thousands of euro</i>			
Cash flows from operating activities^{a, b}			
Profit for the period ^c		7,552	5,974
Adjustments for:			
– Depreciation	21(A)	5,339	5,122
– Amortisation	22(A)	785	795
– Deferred income	30	(38)	-
– (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 the 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	752	1,188
– Share of profit of equity accounted investees, net of tax	24	(1,141)	(587)
– Gain on sale of property, plant and equipment	9(A)	(48)	(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	3,153	2,416
		15,644	16,460
Changes in:			
– Intangible assets (emissions certificates) ^d		5	(20)
– Inventories		(1,843)	(176)
– Contract assets		(489)	(782)
– Trade and other receivables		(16,946)	(4,920)
– Contract liabilities		(6)	166
– Prepayments		870	(305)
– Trade and other payables ^e		8,727	(6,841)
– Provisions and employee benefits		26	274
Cash generated from operating activities		5,988	3,856
Interest paid ^{e, f, g}		(1,609)	(1,289)
Income taxes paid		(400)	(1,910)
Net cash from operating activities		3,979	657

IAS 7.31–32

IAS 7.35

IAS 7.10

IAS 7.18–19

IFRS 7.31, 33–34,
IAS 7.10–11, 43,
Insights 2.3.190.
30–45, IU 12-20

- a. The Group has elected to present cash flows from operating activities under the indirect method. Alternatively, an entity may present operating cash flows under the direct method (see [Appendix III](#)).
- b. There is no specific guidance in the Accounting Standards on the classification of cash flows from reverse factoring arrangements. However, in our view it is the nature of the activity, rather than the classification of the related item in the statement of financial position, that primarily determines the classification of the cash outflow. Furthermore, in our view, in determining the appropriate classification an entity should apply judgement and assess whether a single cash outflow or multiple cash flows occur for the entity. The Group presents a single cash outflow for the payments made to the factor (the bank) because it considers the payment to a supplier by the bank not to be a cash transaction of the entity. The Group classifies its cash outflows for payments made to the bank within operating activities because it views the principal nature of these payments as related to the purchase of goods and services. The Group has provided disclosure of non-cash transactions (see [Note 29](#)) and disclosure of liquidity risk arising from liabilities related to reverse factoring arrangements (see [Note 32\(C\)\(iii\)](#)). There may be other acceptable approaches depending on the legal form and structure of reverse factoring arrangements.

Consolidated statement of cash flows (continued)

For the year ended 31 December

<i>In thousands of euro</i>	2023	2022 restated*
Cash flows from investing activities		
Interest received ^f	37	29
Dividends received ^f	26	32
Proceeds from sale of property, plant and equipment	1,179	397
Proceeds from sale of investments	1,346	534
Disposal of discontinued operation, net of cash disposed of ^h	7	-
Acquisition of subsidiary, net of cash acquired	34	-
Acquisition of property, plant and equipment	(15,857)	(2,228)
Acquisition of investment property	23(A)	(40)
Purchase of non-current biological assets	16(A)	(835)
Acquisition of other investments	(359)	(342)
Dividends from equity accounted investees	24(A)	-
Development expenditure	22(A), (D)	(503)
Receipt of asset-related government grant ⁱ	30	1,462
Net cash used in investing activities	(6,226)	(1,494)

IAS 1.10(d), 29,
38–38A, 113

IAS 7.31

IAS 7.31

IAS 7.16(b)

IAS 7.16(d), (h)

IAS 7.39

IAS 7.39

IAS 7.16(a)

IAS 7.16(a)

IAS 7.16(a)

IAS 7.16(c), (g)

IAS 24.18

IAS 7.16(a)

IAS 7.10

IAS 7.18, 20, A,
Insights 2.3.30.20

c. The Group has used 'profit or loss' as the starting point for presenting operating cash flows under 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 accounting 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 accounting standard, it would be more appropriate to follow the accounting standard.

IAS 76, 11,
Insights 2.3.20.11

d. The Group has classified cash flows related to emissions certificates (current intangible assets) within operating activities because they relate to the Group's principle revenue-generating activities and the assets are not considered long-term in nature. The emissions certificates are expected to be realised within 12 months of the reporting date by surrendering them to the Government to settle the annual emissions obligation (see Note 22(E)). In determining the classification of cash flows, an entity considers the nature of the activity to which they relate.

IFRS 16.50,
IAS 7.17(e)

e. The Group has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion of lease payments as operating activities (see footnote (f) below); and
- short-term lease payments and payments for leases of low-value assets as operating activities.

IAS 7.31, Insights
2.3.50.10–20

f. The Accounting Standards require 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 the Accounting Standards, an entity chooses an accounting policy, to be applied consistently, to classify 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.

Interest paid includes the interest portion of the lease liabilities. See footnotes (e) above and (g) below.

Insights 2.3.50.38

g. 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 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.

Consolidated statement of cash flows (continued)

For the year ended 31 December

IAS 1.10(d), 29,
38–38A, 113

	Note	2023	2022 restated*
<i>In thousands of euro</i>			
Cash flows from financing activities			
Proceeds from issue of share capital	26(A)	1,550	-
Proceeds from issue of convertible notes	28(C)	5,000	-
Proceeds from issue of redeemable preference shares	28	2,000	-
Proceeds from loans and borrowings		591	4,079
Proceeds from sale of treasury shares		30	-
Proceeds from exercise of share options	26(A)	50	-
Proceeds from settlement of derivatives		5	11
Transaction costs related to loans and borrowings	28(C)–(D)	(311)	-
Acquisition of NCI	36	(200)	-
Repurchase of treasury shares		-	(280)
Repayment of borrowings		(5,055)	(2,445)
Payment of lease liabilities ^e		(554)	(590)
Dividends paid ^f	26(C)	(1,243)	(571)
Net cash from financing activities		1,863	204
Net decrease in cash and cash equivalents			
Cash and cash equivalents at 1 January**		1,567	2,226
Effect of movements in exchange rates on cash held		(13)	(26)
Cash and cash equivalents at 31 December**	19	1,170	1,567

* The comparative information is restated on account of correction of errors. See Note 44.

** 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 27 to 190 are an integral part of these consolidated financial statements.

IAS 7.45

IAS 7.28

IAS 7.10

IAS 7.31, 34

IAS 7.17(e)

IAS 7.17(d)

IAS 7.17(b)

IAS 7.42A

IAS 7.21

IAS 7.16(h)

IAS 7.17(a)

IAS 7.17(a)

IAS 7.17(c)

IAS 7.17(c)

IAS 7.17(a)

IAS 7.10,
IFRS 5.33(c),
Insights 5.4.220.50

h. 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.

IAS 7.10–11, Insights
2.3.20.11

i. There is no specific guidance in the Accounting Standards on the classification of cash flows from the receipt of government grants. Cash flows should be classified based on the nature of the activity to which they relate. The Group has classified cash flows related to asset-related grants as investing activities and those related to income-related grants as operating activities because this reflects the nature of the related activities.

IAS 1.10(e)

Notes to the consolidated financial statements^a

1. Reporting entity

[Name of the Company] (the Company) is domiciled in [Country]. 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 4).

IAS 1.51(a)–(b),
138(a)–(b)

2. Basis of accounting

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

IAS 1.16, 112(a), 116,
10.17

Details of the Group's accounting policies, including changes thereto, are included in Note 45 and Note 46.

3. Functional and presentation currency

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.

IAS 1.51(d)–(e)

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates about the future, including climate-related risks and opportunities, 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 and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively.

A. Judgements

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 29: reverse factoring: presentation of amounts related to supply chain financing arrangements in the statement of financial position and in the statement of cash flows;
- Note 33(A): consolidation: whether the Group has de facto control over an investee; and
- Note 38(B): lease term: whether the Group is reasonably certain to exercise extension options.

IAS 1.122

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

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

- [Notes 8\(D\)](#) and [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 14\(I\)](#): uncertain tax treatments;
- [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;
- [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.

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 the Accounting Standards, 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.

IAS 1.125, 129–130

IFRS 13.93(g)

Notes to the consolidated financial statements (continued)

4. Use of judgements and estimates (continued)

B. Assumptions and estimation uncertainties (continued)

i. Measurement of fair values (continued)

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.

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\(C\)](#): investment property;
- [Note 32\(B\)](#): financial instruments; and
- [Note 34\(C\)\(i\)](#): acquisition of subsidiary.^b

IFRS 13.95

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.

Notes to the consolidated financial statements (continued)

5. Changes in material accounting policies^{a, b, c}

A. Deferred tax related to assets and liabilities arising from a single transaction

(IAS 12.15(b)(iii),
22A, 24(c), 98J–98L),
Insights 3.13.210.10

The Group has adopted *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases and decommissioning liabilities by applying the ‘integrally linked’ approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised (see [Note 14\(E\)](#)).

B. Global minimum top-up tax

(IAS 12.4A, 98M),
Insights 3.13.43

The Group has adopted *International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)* upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure (see [Note 14\(J\)](#)).

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group’s consolidated financial statements.^d

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 circumstances 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.
- Amendments to standards and interpretations that are effective for annual periods beginning on 1 January 2023 are described in [Appendix I](#).

IAS 1.38

- b. The Group chose to present a separate note describing its change in accounting policy since the last annual financial reporting period. Alternatively, this information could be provided in the basis of accounting note – see [Note 2](#).
- 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 accounting standards do not normally apply to the comparative period because the comparative information reflects the requirements of the superseded accounting standards.
- d. For further information about global minimum top-up tax, see our [web article](#) and read our [talkbook](#).

Notes to the consolidated financial statements (continued)

5. Changes in material accounting policies (continued)

C. Material accounting policy information

The Group also adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in [Note 45](#) Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.^a

IAS 1.117–117E,
Insights 2.8.45

IFRS 13.BC184

- a. The accounting policies within this guide are provided for illustrative purposes only and largely without regard to materiality. Therefore, in some instances the accounting policies include detailed descriptions that summarise the requirements of the applicable accounting standards. Entities should consider their own circumstances as well as the users of their financial statements to determine the accounting policy information to provide. For further information about *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*, see our [web article](#) and read our [talkbook](#).

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 2023; 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 2023 or 2022.

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 the Accounting Standards.

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 amounts reported in the financial statements.

The Group's internal measures used in reporting segment information are consistent with the Accounting Standards. 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.

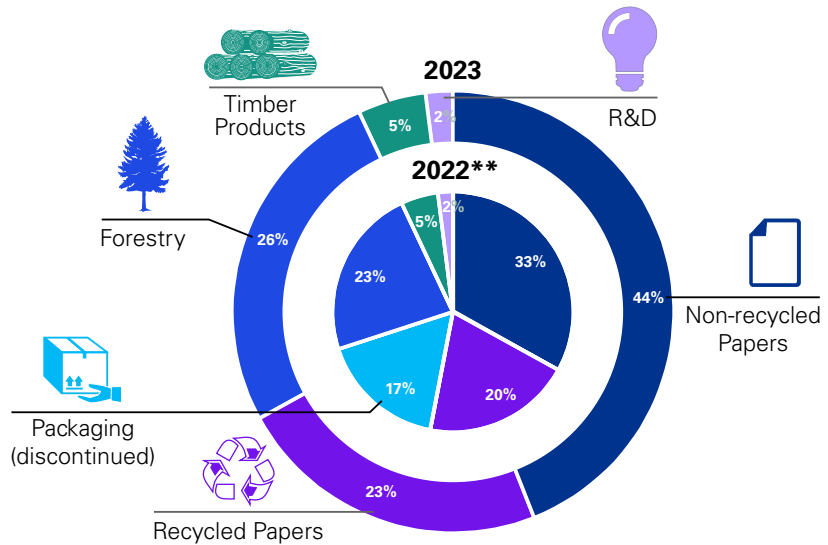
IFRS 8.12, 22(aa) **b.** When two or more operating segments are aggregated into a single operating segment, the judgements made by management in applying the aggregation criteria are disclosed. This includes a brief description of the operating segments that have been aggregated in this way and the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

Notes to the consolidated financial statements (continued)

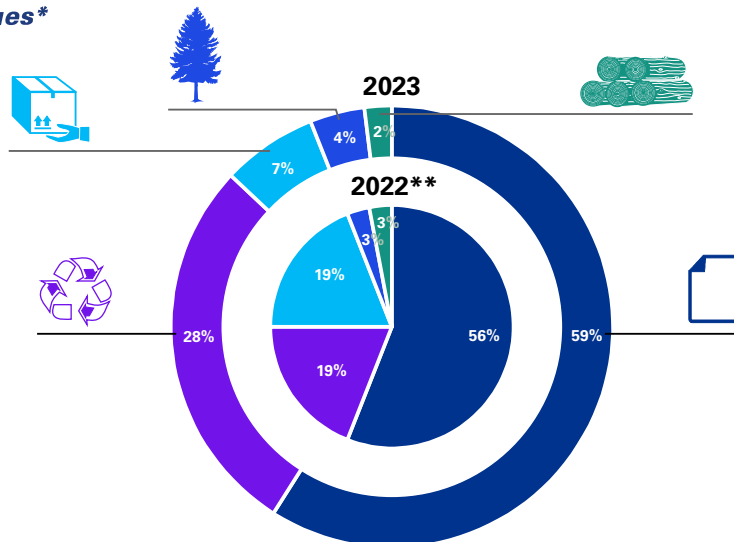
6. Operating segments (continued)

B. Information about reportable segments

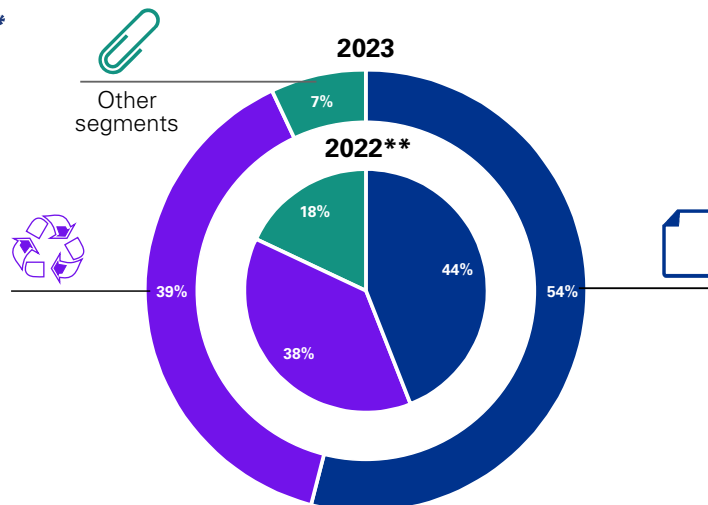
i. Assets*



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 36 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.

IFRS 8.16

2023	Reportable segments	
	Non-recycled Papers	Recycled Papers
<i>In thousands of euro</i>		
External revenues ^a	64,112	30,367
Inter-segment revenue ^a	-	317
Segment revenue	64,112	30,684
Segment profit (loss) before tax	7,730	5,599
Interest income ^a	109	42
Interest expense ^a	(597)	(445)
Depreciation and amortisation ^a	(2,128)	(1,583)
Share of profit (loss) of equity-accounted investees ^a	1,109	-
Other material items of income and expense and non-cash items: ^a		
– Change in fair value of biological assets	-	-
– Government grants	-	-
– Settlement of pre-existing relationship with acquiree	-	-
– Flood-related expenses	-	-
– Other material items of income (expenses)**	-	-
– Impairment losses on trade receivables and contract assets	(114)	(74)
– Impairment losses on non-financial assets	-	-
– Reversal of impairment losses on non-financial assets	493	-
Segment assets^a	43,263	23,025
Equity-accounted investees	2,209	-
Capital expenditure	8,697	5,765
Segment liabilities^a	39,399	12,180

* See [Note 7](#).

** Other material items of income (expenses) relate to various items as detailed in [Note 9\(A\)](#) and [\(B\)](#).

Packaging (discontinued) ^a	Reportable segments			Total reportable segments	All other segments	Total
	Forestry	Timber Products	Research and Development			
7,543	3,967	2,700	-	108,689	1,714	110,403
940	2,681	1,845	875	6,658	891	7,549
8,483	6,648	4,545	875	115,347	2,605	117,952
(162)	1,240	(263)	101	14,245	771	15,016
-	45	10	-	206	3	209
-	(391)	(85)	-	(1,518)	(5)	(1,523)
(623)	(1,139)	(248)	(201)	(5,922)	(202)	(6,124)
-	32	-	-	1,141	-	1,141
-	407	-	-	407	180	587
-	200	-	-	200	38	238
-	-	(326)	-	(326)	-	(326)
-	(519)	-	-	(519)	-	(519)
(35)	-	-	-	(35)	68	33
(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

IFRS 8.23,
Insights
5.2.200.10–20

- a. The Group has disclosed these amounts for each reportable segment because they are either included in the segment measure of profit or loss reviewed by the CODM or otherwise regularly provided to the CODM.
- b. 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. This will depend on the entity's specific facts and circumstances.

Notes to the consolidated financial statements (continued)

6. Operating segments (continued)

B. Information about reportable segments (continued)

2022 <i>In thousands of euro</i>	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	4,483	3,819
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(f), (i)	Other material items of income and expense and non-cash items: ^a		
	– Change in fair value of biological assets	-	-
	– Other material items of income (expenses) ^{***}	-	-
	– Impairment losses on trade receivables and contract assets	(129)	(41)
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

* 2022 information is restated on account of correction of errors (see [Note 44](#)).

** As a result of the acquisition of Papyrus Pty Limited (Papyrus) during the year ended 31 December 2023 (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 2022.

*** See [Note 7](#).

**** Other material items of income (expenses) relate to various items as detailed in [Note 9\(A\)](#) and (B).

Reportable segments (restated)*, **					Total reportable segments	All other segments (restated)***	Total
Packaging (discontinued)*** ^b	Forestry	Timber Products	Research and Development				
23,193	3,483	2,985	-	118,806	1,106	119,912	
2,835	2,676	1,923	994	8,751	765	9,516	
26,028	6,159	4,908	994	127,557	1,871	129,428	
(466)	997	1,280	67	10,180	195	10,375	
-	27	7	-	149	2	151	
-	(301)	(63)	-	(1,296)	(3)	(1,299)	
(1,250)	(696)	(201)	(165)	(5,768)	(149)	(5,917)	
-	26	-	-	587	-	587	
-	(2)	-	-	(2)	30	28	
-	-	-	-	-	76	76	
(3)	(20)	-	-	(193)	-	(193)	
-	-	-	-	(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.
- b. IFRS 8 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. This will depend on the entity's specific facts and circumstances.

Notes to the consolidated financial statements (continued)

6. Operating segments (continued)

C. Reconciliations of information on reportable segments to the amounts reported in the financial statements

	<i>Note</i>	2023	2022 restated*
<i>In thousands of euro</i>			
i. Revenues			
IFRS 8.28(a) Total revenue for reportable segments		115,347	127,557
Revenue for other segments		2,605	1,871
Elimination of inter-segment revenue		(7,549)	(9,516)
Elimination of discontinued operations	7	(7,543)	(23,193)
Consolidated revenue		102,860	96,719
ii. Profit before tax			
IFRS 8.28(b) Total profit before tax for reportable segments		14,245	10,180
Profit before tax for other segments		771	195
Elimination of inter-segment profit		(2,263)	(1,349)
Elimination of discontinued operation	7	162	466
Unallocated amounts:			
– Other corporate expenses		(2,564)	(636)
Consolidated profit before tax from continuing operations		10,351	8,856
iii. Assets			
IFRS 8.28(c) Total assets for reportable segments		98,341	80,300
Assets for other segments		9,059	3,403
Other unallocated amounts		5,460	6,310
Consolidated total assets		112,860	90,013
iv. Liabilities			
IFRS 8.28(d) Total liabilities for reportable segments		59,374	50,336
Liabilities for other segments		237	454
Other unallocated amounts		8,027	3,857
Consolidated total liabilities		67,638	54,647

* See Notes 6(B), 7, 22 and 44.

Notes to the consolidated financial statements (continued)

6. Operating segments (continued)

C. Reconciliations of information on reportable segments to the amounts reported in the financial statements (continued)

v. Other material items

2023 <i>In thousands of euro</i>	Reportable segment totals	Adjustments	Consolidated totals
Interest income	206	3	209
Interest expense	(1,518)	(5)	(1,523)
Capital expenditure	17,368	560	17,928
Depreciation and amortisation	(5,922)	(202)	(6,124)
Change in fair value of biological assets	407	180	587
Government grants	200	38	238
Settlement of pre-existing relationship with acquiree	(326)	-	(326)
Flood-related expenses	(519)	-	(519)
Other material items of income (expenses)**	(35)	68	33
Impairment losses on non-financial assets – goodwill	(116)	-	(116)
Reversal of impairment losses on non-financial assets – property, plant and equipment and intangible assets	493	-	493
Impairment losses on trade receivables and contract assets	(211)	-	(211)
	Reportable segment totals (restated)*	Adjustments	Consolidated totals
2022 <i>In thousands of euro</i>			
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)
Change in fair value of biological assets	28	-	28
Other material items of income or expenses**	76	-	76
Impairment losses on non-financial assets – property, plant and equipment and intangible assets	(1,408)	-	(1,408)
Impairment losses on trade receivables and contract assets	(193)	-	(193)

* See Notes 6(B), 7, 22 and 44.

** Other material items of income (expenses) relate to various items as detailed in Note 9(A) and (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.

IFRS 8.28(e)

IFRS 8.33(a)–(b)

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 the Accounting Standards, and the disaggregated revenue information in Note 8.

Notes to the consolidated financial statements (continued)

6. Operating segments (continued)

D. Geographic information (continued)

i. Revenue

	2023	2022 restated*
<i>In thousands of euro</i>		
[Country X] (of which EUR 4,149 thousand (2022: EUR 12,781 thousand) relates to discontinued packaging operation)	32,338	34,826
All foreign countries		
Germany (of which EUR 1,885 thousand (2022: EUR 6,005 thousand) relates to discontinued packaging operation)	23,556	25,877
Netherlands	22,654	25,641
UK	310	212
US (of which EUR 1,509 thousand (2022: EUR 4,407 thousand) relates to discontinued packaging operation)	21,995	22,733
Other countries	9,550	10,623
Packaging (discontinued)	(7,543)	(23,193)
	102,860	96,719

* See Notes 6(B) and 7.

ii. Non-current assets

	2023	2022
<i>In thousands of euro</i>		
[Country X]	16,952	16,484
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
	43,308	44,144

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

E. Major customer

Revenues from one customer of the Group's Non-recycled Papers and Recycled Papers segments represented approximately EUR 20,000 thousand (2022: EUR 17,500 thousand) of the Group's total revenues.

IFRS 8.34

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\(C\)](#).

In February 2023, the Group sold its entire Packaging segment (see [Note 6](#)). Management committed to a plan to sell this segment early in 2023, 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.

A. Results of discontinued operation^a

In thousands of euro

	Note	2023	2022
Revenue		8,483	26,028
Elimination of inter-segment revenue		(940)	(2,835)
External revenue		7,543	23,193
Expenses		(8,641)	(26,486)
Elimination of expenses related to inter-segment sales		936	2,827
External expenses		(7,705)	(23,659)
Results from operating activities		(162)	(466)
Income tax	14(A)	25	44
Results from operating activities, net of tax		(137)	(422)
Gain on sale of discontinued operation		846	-
Income tax on gain on sale of discontinued operation	14(A)	(330)	-
Profit (loss) from discontinued operations, net of tax		379	(422)
Basic earnings (loss) per share (euro) ^b	11	0.12	(0.14)
Diluted earnings (loss) per share (euro) ^b	11	0.12	(0.14)

The profit from the discontinued operation of EUR 379 thousand (2022: loss of EUR 422 thousand) is attributable entirely to the owners of the Company. Of the profit from continuing operations of EUR 7,173 thousand (2022: EUR 6,396 thousand), an amount of EUR 6,676 thousand is attributable to the owners of the Company (2022: EUR 6,045 thousand).

IFRS 5.30, 41(a)–(b),
41(d)

IAS 1.98(e)

IFRS 5.33(b)(i)

IFRS 5.33(b)(i)

IFRS 5.33(b)(i)

IFRS 5.33(b)(ii),
IAS 12.81(h)(ii)

IFRS 5.33(b)(iii)

IFRS 5.33(b)(ii),
IAS 12.81(h)(i)

IFRS 5.33(a)

IAS 33.68

IAS 33.68

IFRS 5.33(d)

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.

Notes to the consolidated financial statements (continued)

7. Discontinued operation (continued)

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

<i>In thousands of euro</i>	<i>Note</i>	2023	2022
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)

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

<i>In thousands of euro</i>	<i>Note</i>	2023
Property, plant and equipment		(7,986)
Inventories		(134)
Trade and other receivables		(3,955)
Cash and cash equivalents		(110)
Deferred tax liabilities		110
Trade and other payables		1,921
Net assets and liabilities		(10,154)
Consideration received, satisfied in cash		11,000
Cash and cash equivalents disposed of		(110)
Net cash inflows	(B)	10,890

IFRS 5.33(c)

IAS 7.40(d)

IAS 7.40(c)

IAS 7.40(a)–(b)

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

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 owned and leased investment properties and immaterial amounts related to hedge accounting and hedging gains.

In thousands of euro	Note	Continuing operations		Discontinued operation (see Note 7)		Total		
		2023	2022	2023	2022	2023	2022	
IFRS 15.113(a)		Revenue from contracts with customers^b						
		102,394	96,421	7,543	23,193	109,937	119,614	
IAS 40.75(f)(i)		Other revenue						
		Investment property rentals						
	38(B)(ii)	460	302	-	-	460	302	
		Hedging gains ^c						
	32(C)(iv)	6	(4)	-	-	6	(4)	
		466	298	-	-	466	298	
		Total revenue	102,860	96,719	7,543	23,193	110,403	119,912

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 4.2.560.25

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. In our view, 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.

Notes to the consolidated financial statements (continued)

8. Revenue (continued)

B. Disaggregation of revenue from contracts with customers

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}

For the year ended 31 December <i>In thousands of euro</i>	Reportable segments					
	Non-recycled Papers		Recycled Papers		Packaging (discontinued) ^d	
	2023	2022	2023	2022	2023	2022
Primary geographical markets						
Europe	51,276	54,335	24,290	17,873	6,034	18,786
US	12,832	12,752	6,075	4,189	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	5,515	-	-
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	50,315	22,774	16,547	7,543	23,193
Products and services transferred over time	16,027	16,772	7,591	5,515	-	-
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.

For example, if in the front part of an annual report an entity provides information about its revenue by type of good or service and by geographic region, then the disclosure in the financial statements needs to provide a consistent disaggregation – i.e. by type of good or service and by geographic region.

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
Geographic 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: <ul style="list-style-type: none"> • at a point in time • over time

IFRS 15.114–115

Forestry		Reportable segments				All other segments		Total	
2023	2022	Timber Products		Total reportable segments		2023	2022	2023	2022
		2023	2022	2023	2022				
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	93,040	831	359	81,929	93,399
3,967	3,483	-	-	27,585	25,770	423	445	28,008	26,215
3,967	3,483	2,700	2,985	108,683	118,810	1,254	804	109,937	119,614
-	-	-	-	6	(4)	460	302	466	298
3,967	3,483	2,700	2,985	108,689	118,806	1,714	1,106	110,403	119,912

TYPE OF CATEGORY	EXAMPLE
Sales channels	Goods or services sold: <ul style="list-style-type: none"> • directly to consumers • through intermediaries

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.

IFRS 15.114, 5.5B

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

Notes to the consolidated financial statements (continued)

8. Revenue (continued)

C. Contract balances

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

<i>In thousands of euro</i>	<i>Note</i>	31 December 2023	31 December 2022
Receivables, which are included in 'trade and other receivables'	18	32,092	22,010
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 contract assets were impacted by an impairment charge of EUR 4 thousand (2022: EUR 2 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.

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. The amount of unredeemed customer loyalty points is EUR 50 thousand (2022: EUR 2 thousand). This will be recognised as revenue when the points are redeemed by customers, which is expected to occur over the next two years.

The amount of EUR 166 thousand included in contract liabilities at 31 December 2022 has been recognised as revenue in 2023 (2022: EUR 140 thousand).

The amount of revenue recognised in 2023 from performance obligations satisfied (or partially satisfied) in previous periods is EUR 8 thousand (2022: EUR 4 thousand). This is mainly due to changes in the estimate of the stage of completion of construction of storage units and warehouses.

No information is provided about remaining performance obligations at 31 December 2023 or at 31 December 2022 that have an original expected duration of one year or less, as allowed by IFRS 15.

IFRS 15.116–118

IFRS 15.120(b)

IFRS 15.116(b)

IFRS 15.116(c)

IFRS 15.121–122

Notes to the consolidated financial statements (continued)

8. Revenue (continued)

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\(T\)](#).

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Standard paper products	<p>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 Loyalty programme).</p> <p>Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.</p>	<p>Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Made-to-order paper products	<p>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.</p> <p>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 Loyalty programme).</p>	<p>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 because the customer obtains control of the work in progress as the made-to-order paper products are being manufactured, and the cost measure faithfully depicts the transformation of the work in progress.</p>

IFRS 15.119, 123–126,
IAS 1.122

IAS 1.117–117E

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

Notes to the consolidated financial statements (continued)

8. Revenue (continued)

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 policies
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.
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.
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.
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.

IFRS 15.119, 123–126,
IAS 1.122

Notes to the consolidated financial statements (continued)

9. Income and expenses

A. Other income

IAS 1.97

<i>In thousands of euro</i>		Note	2023	2022
IAS 41.40	Change in fair value of biological assets	16(A)	587	28
IAS 40.76(d)	Increase in fair value of investment property	23(A)	20	60
IAS 20.29	Government grants	30(A), (C), (D)	238	-
IAS 1.98(c)	Gain on sale of property, plant and equipment	38(B)(i)	48	16
			893	104

B. Other expenses^a

IAS 1.97

<i>In thousands of euro</i>		Note	2023	2022
	Impairment loss on goodwill ^b	22(C)	116	-
IFRS 5.41(c)	Impairment loss on remeasurement of the disposal group	20(A)	35	-
	Settlement of pre-existing relationship with acquiree	34(A)	326	-
IAS 1.87	Flood-related expenses		519	-
			996	-

C. Expenses by nature

IAS 1.104

<i>In thousands of euro</i>		Note	2023	2022 restated*
	Changes in inventories of finished goods and work in progress		472	(343)
	Raw materials and consumables		42,104	43,208
IAS 1.104	Employee benefits	13(E)	22,154	19,439
IAS 1.104	Depreciation and amortisation	21(A), 22(A)	6,124	5,917
	(Reversal of) impairment of property, plant and equipment and intangible assets	21(B), 22(C)	(493)	1,408
	Consultancy		4,866	2,732
	Advertising		2,550	2,650
	Maintenance		12,673	9,957
	Lease expense	38(A)(ii)	145	209
	Other		2,000	1,999
	Total cost of sales, selling and distribution, administrative and research and development expenses		92,595	87,176

* See Note 44.

Insights
4.1.30.10–40

a. There is no guidance in the Accounting Standards on how specific expenses are allocated to functions. An entity establishes its own definitions of functions. In our view, cost of sales includes only costs directly related to the provision of goods or services for which the entity recognises revenue. 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\(H\)](#) and [\(P\)](#).

IAS 1.97	<i>In thousands of euro</i>	Note	2023	2022
	Interest income under the effective interest method on: ^a			
<i>IFRS 7.20(b)</i>	– Corporate debt securities – at FVOCI		8	27
<i>IFRS 7.20(b)</i>	– Corporate debt securities – at amortised cost		169	113
<i>IFRS 7.20(b)</i>	– Cash and cash equivalents		1	1
<i>IFRS 16.90(a)(ii)</i>	Interest income on lease receivable		31	10
	Total interest income arising from financial assets		209	151
<i>IFRS 3.B64(p)(ii)</i>	Remeasurement to fair value of pre-existing interest in an acquiree	<i>34(D)</i>	250	-
	Dividend income:			
<i>IFRS 7.11A(d)</i>	– Equity securities – at FVOCI – investments held at the reporting date	<i>25</i>	26	32
<i>IFRS 7.20(a)(viii)</i>	Corporate debt securities – at FVOCI:			
	– Gain on derecognition reclassified from OCI		64	-
<i>IFRS 7.20(a)(i)</i>	Financial assets at FVTPL – net change in fair value:			
	– Mandatorily measured at FVTPL – held for trading		74	-
	– Mandatorily measured at FVTPL – other		508	264
	Finance income – other		922	296
<i>IAS 1.82(ba)</i>	Finance costs – impairment loss on debt securities (net of reversals)	<i>32(C)(ii)</i>	(59)	(13)
<i>IFRS 7.20(b), 7.IG13</i>	Financial liabilities not measured at FVTPL – interest expense ^b		(1,523)	(1,299)
<i>IAS 21.52(a)</i>	Net foreign exchange loss		(186)	(250)
<i>IFRS 7.24C(b)</i>	Cash flow hedges – reclassified from OCI including costs of hedging reserve	<i>32(C)(iv)</i>	17	12
<i>IAS 37.84(e)</i>	Unwind of discount on site restoration provision	<i>31(C)(i)</i>	(60)	(50)
<i>IFRS 7.20(a)(i)</i>	Change in fair value of contingent consideration	<i>32(B)(iii)</i>	(20)	-
<i>IFRS 7.24C(b)(ii)</i>	Cash flow hedges – ineffective portion of changes in fair value	<i>32(C)(iv)</i>	(51)	(16)
<i>IFRS 7.24C(b)(ii)</i>	Net investment hedge – ineffective portion of changes in fair value		(1)	-
<i>IFRS 7.20(a)(i)</i>	Financial assets at FVTPL – net change in fair value:			
	– Mandatorily measured at FVTPL – held for trading		-	(19)
	Finance costs – other		(1,824)	(1,622)
	Net finance costs recognised in profit or loss		(752)	(1,188)

*IFRS 7.20(b),
IAS 1.97*

a. Under IFRS 7 an entity is required to disclose the total interest income (calculated under the effective interest method) for financial assets that are measured at amortised cost or at FVOCI – showing these amounts separately.

*IAS 32.40,
IFRS 7.IG13*

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

Notes to the consolidated financial statements (continued)

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.

i. Profit (loss) attributable to ordinary shareholders (basic)

In thousands of euro	Note	2023		Total	2022		Total (restated)*
		Continuing operations	Discontinued operation		Continuing operations (restated)*	Discontinued operation (restated)*	
Profit (loss) for the year, attributable to the owners of the Company		6,676	379	7,055	6,045	(422)	5,623
Dividends on non-redeemable preference shares	26(C)	(438)	-	(438)	(438)	-	(438)
Profit (loss) attributable to ordinary shareholders		6,238	379	6,617	5,607	(422)	5,185

* See Notes 7 and 44.

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

In thousands of shares	Note	2023	2022
Issued ordinary shares at 1 January	26(A)(i)	3,100	3,100
Effect of treasury shares held	26(B)(vii)	(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 2023	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.

i. Profit (loss) attributable to ordinary shareholders (diluted)

In thousands of euro	Note	2023		Total	2022		Total (restated)*
		Continuing operations	Discontinued operation		Continuing operations (restated)*	Discontinued operation (restated)*	
Profit (loss) attributable to ordinary shareholders (basic)		6,238	379	6,617	5,607	(422)	5,185
Interest expense on convertible notes, net of tax	28(C)	61	-	61	-	-	-
Profit (loss) attributable to ordinary shareholders (diluted)		6,299	379	6,678	5,607	(422)	5,185

* Sees Notes 7 and 44.

IAS 33.70(a)

IAS 33.70(b)

IAS 33.70(a)

a. In addition to disclosing the weighted-average number of ordinary shares used as a denominator in calculating basic earnings per share, the Group has disclosed information to show how the number is calculated. This information is not specifically required by IAS 33 *Earnings per Share* – it is provided for illustrative purposes only.

Notes to the consolidated financial statements (continued)

11. Earnings per share (continued)

B. Diluted earnings per share (continued)

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

In thousands of shares

	<i>Note</i>	2023	2022
Weighted-average number of ordinary shares (basic)		3,083	3,060
Effect of conversion of convertible notes	<i>28(C)</i>	148	-
Effect of share options on issue		47	18

Weighted-average number of ordinary shares (diluted) at 31 December

3,278 3,078

At 31 December 2023, 135,000 options (2022: 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

IAS 33.70(b)

IAS 33.70(c)

Notes to the consolidated financial statements (continued)

12. Share-based payment arrangements^a

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

A. Description of share-based payment arrangements

At 31 December 2023, the Group had the following share-based payment arrangements.

i. Share option programmes (equity-settled)

On 1 January 2019 and 1 January 2022, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 January 2023, 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 2019	400	3 years' service from grant date and 5% increase in operating income in each of the 3 years	7 years
On 1 January 2022	200	Same as above	10 years
On 1 January 2023	225	Same as above	10 years
Options granted to senior employees			
On 1 January 2023	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 Company with a contractual life of nine years from the vesting date (see Note 34(A)(iii)).

iii. Share purchase plan (equity-settled)

On 1 January 2023, 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 percent of their gross monthly salary, up to a maximum of EUR 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 percent below the market price at grant date. Only employees who 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 2018 and 1 January 2023, 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.

IFRS 2.44–45(a), 50

ASIC Instrument 2016/191

a. Where ASIC Instrument 2016/191 is applied in the financial statements, certain share-based payment 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.

	<i>In thousands of euro</i>	Note	2023	2022
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 2022 were settled during 2023.

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

IFRS 2.46, 47(a)(i), (iii) The fair value of the employee share purchase plan (see (A)(iii)) has been measured using 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)(iii))	Share purchase plan (see (A)(iii))
	2023	2022	2023	2023	2023
IFRS 2.47(a)(i)	EUR	EUR	EUR	EUR	EUR
Fair value at grant date	3.54	3.72	3.14	3.81	4.02
Share price at grant date	EUR	EUR	EUR	EUR	EUR
	10.10	10.50	10.10	10.30	10.10
Exercise price	EUR	EUR	EUR	EUR	EUR
	10.10	10.50	10.10	10.30	8.08
Expected volatility (weighted average)	46.6%	48.7%	45.7%	52.0%	46.1%
Expected life (weighted average)	8.6 years	8.8 years	5.4 years	5.9 years	3.0 years
Expected dividends	3.2%	3.2%	3.2%	3.2%	N/A
Risk-free interest rate (based on government bonds)	1.0%	0.2%	0.9%	1.5%	0.8%

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 2023, a total amount of EUR 78 thousand was invested by the participants in the share purchase plan (see Note 41(B)(i)) 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)

ii. Cash-settled share-based payment arrangement^a

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

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

	Grant date 1 January 2023	Measurement date 31 December 2023
Fair value	EUR 2.82	EUR 4.40
Share price	EUR 10.10	EUR 12.70
Exercise price	EUR 10.10	EUR 10.10
Expected volatility (weighted average)	46.4%	48.5%
Expected life (weighted average)	3.2 years	2.8 years
Expected dividends	3.2%	3.3%
Risk-free interest rate (based on government bonds)	0.8%	1.6%

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

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.

	2023		2022	
<i>In thousands of options</i>	Number of options	Weighted- average exercise price	Number of options	Weighted- average exercise price
Outstanding at 1 January	550	EUR 10.18	400	EUR 10.00
Forfeited during the year	(50)	EUR 10.00	(50)	EUR 10.00
Exercised during the year	(5)	EUR 10.00	-	-
Granted during the year	505	EUR 10.04	200	EUR 10.50
Outstanding at 31 December	1,000	EUR 10.12	550	EUR 10.18
Exercisable at 31 December	295	EUR 10.00	350	EUR 10.00

The options outstanding at 31 December 2023 had an exercise price in the range of EUR 8.08 to EUR 10.50 (2022: EUR 10.00 to EUR 10.50) and a weighted-average remaining contractual life of 6.4 years (2022: 5.2 years).

The weighted-average share price at the date of exercise for share options exercised in 2023 was EUR 10.70 (2022: no options exercised).

D. Expense recognised in profit or loss

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

IFRS 2.33A

IFRS 2.52

IFRS 2.45(b)

IFRS 2.45(b)(i)

IFRS 2.45(b)(iii)

IFRS 2.45(b)(iv)

IFRS 2.45(b)(ii)

IFRS 2.45(b)(vi)

IFRS 2.45(b)(vii)

IFRS 2.45(d)

IFRS 2.45(c)

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

	<i>Note</i>	2023	2022
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
Cash-settled share-based payment liability	<i>12</i>	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 [\(E\)](#).

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 percent of their final salary until the age of 65, at which time their entitlement falls to 50 percent 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.

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

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 2023 or 31 December 2022.

The Group expects to pay EUR 350 thousand in contributions to its defined benefit plans in 2024.

IFRS 2.51(b)(i)

IAS 19.139(a)

IAS 19.139(b)

IAS 19.147(a)

IAS 19.147(b)

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.

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		
	2023	2022	2023	2022	2023	2022	
<i>In thousands of euro</i>							
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:						
	<i>In thousands of euro</i>					2023	2022
	Net defined benefit asset (Plan A)					(671)	(731)
	Net defined benefit liability (Plan B)					285	280
						(386)	(451)

IAS 19.139(c) During 2023, 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 EUR 100 thousand (2022: nil). A corresponding past service credit was recognised in profit or loss during 2023.

- 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

IAS 19.142(b)

	2023	2022
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

IAS 19.142(c)

Government bonds	3,587	3,254
------------------	--------------	-------

IAS 19.142(e)

Derivatives:		
– Interest rate swaps	29	37
– Forward foreign currency contracts	185	70
– Longevity swaps	97	39
	311	146

IAS 19.143

Property occupied by the Group	525	497
--------------------------------	------------	-----

IAS 19.143

Company's own ordinary shares	182	154
	7,706	7,508

IAS 19.142

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

IAS 19.146

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

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

Notes to the consolidated financial statements (continued)

13. Employee benefits (continued)

D. Defined benefit obligation

i. Actuarial assumptions

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

	2023	2022
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%

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

	2023		2022	
	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

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 17.5 years (2022: 17.1 years).

ii. Sensitivity analysis

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.

Effect in thousands of euro	31 December 2023		31 December 2022	
	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.

IAS 1.125, 19.144

IAS 19.144

IAS 19.147(c)

IAS 1.125, 19.145

Notes to the consolidated financial statements (continued)

13. Employee benefits (continued)

E. Employee benefit expenses

In thousands of euro

	<i>Note</i>	2023	2022
Wages and salaries		18,286	16,229
Social security contributions		1,468	1,267
Contributions to defined contribution plans		455	419
Termination benefits	<i>31(B)</i>	350	450
Expenses related to post-employment defined benefit plans	<i>13(B)</i>	374	434
Expenses related to long-service leave		26	12
Equity-settled share-based payments	<i>12</i>	755	248
Cash-settled share-based payments ^a	<i>12</i>	440	380
	<i>9(C)</i>	22,154	19,439

IAS 19.53

IFRS 2.51(a)

IFRS 2.51(a)

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\(I\)](#).

A. Amounts recognised in profit or loss^c

	2023	2022 restated*
<i>In thousands of euro</i>		
Current tax expense		
IAS 12.80(a) IAS 12.80(b)	3,063	3,594
	116	(34)
	3,179	3,560
Deferred tax expense		
IAS 12.80(c)	77	(865)
IAS 12.80(d)	(15)	(5)
IAS 12.80(f)	(50)	(240)
IAS 12.80(f)–(g)	(13)	10
	(1)	(1,100)
	3,178	2,460
Tax expense on continuing operations		
	3,178	2,460
	* See Notes 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 EUR 492 thousand (2022: EUR 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 EUR 25 thousand (2022: EUR 44 thousand) and the tax expense on the gain on sale of the discontinued operation of EUR 330 thousand (2022: 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 2023, a new corporate tax law was enacted in France. Consequently, as of 1 July 2024, the corporate tax rate in France will be reduced from 30 to 29 percent. This change resulted in a gain of EUR 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 2023. In addition, on 23 March 2024, an increase in the corporate tax rate in the Netherlands from 25 to 30 percent was substantively enacted, effective from 1 January 2025. This increase does not affect the amounts of current or deferred income taxes recognised at 31 December 2023. 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 2023, then the net deferred tax assets would increase by EUR 27 thousand.	
IAS 12.81(d)	In December 2022, numerous changes to the tax law were enacted in Denmark, including a decrease in the corporate tax rate from 35 to 21 percent. This change resulted in a gain of EUR 5 thousand related to the remeasurement of deferred tax assets and liabilities of the Group’s consolidated Danish entity, Mermaid A/S, being recognised during the year ended 31 December 2022.	

- a.** The changes in tax laws and the tax rates disclosed or applied throughout this guide to calculate the tax impact amounts are for illustrative purposes only and do not reflect actual changes in tax laws or corporate tax rates in the respective jurisdictions. In practice, the applicable changes in tax laws need to be considered and tax rates of the respective entities need to be used. All tax impacts in this guide are calculated using the tax rate of 33 percent.
- 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 financial 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 entity might incorporate additional disclosure requirements in Part A of the Code within its annual financial statements.
- 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 if the nature of the cash contribution is unclear, then an entity may choose an accounting policy, to be applied consistently, based on one of three specific approaches. For further information about the three approaches, see [Insights into IFRS 3.13.580.30](#).
- 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.

Tax Transparency
Code - Part A

Insights
3.13.580.20–80

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

B. Amounts recognised in OCI

IAS 1.90–91, 12.81(ab)

<i>In thousands of euro</i>	2023			2022 restated		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	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	59	(19)	40
Equity-accounted investees – share of OCI	15	-	15	(3)	-	(3)
	428	(137)	291	41	(14)	27
Items that are or may be reclassified subsequently to profit or loss						
Foreign operations – foreign currency translation differences	679	-	679	471	-	471
Net investment hedge	(3)	-	(3)	(8)	-	(8)
Cash flow hedges reserve:						
– Effective portion of changes in fair value	(62)	21	(41)	95	(30)	65
– Net amount reclassified to profit or loss	(31)	10	(21)	(12)	4	(8)
Cost of hedging reserve:						
– Net change in fair value	34	(12)	22	10	(3)	7
– Net amount reclassified to profit or loss	8	(3)	5	2	-	2
Debt investments at FVOCI:						
– Net change in fair value	54	(18)	36	60	(19)	41
– 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)
	423	19	442	452	(48)	404
	851	(118)	733	493	(62)	431

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

C. Amounts recognised directly in equity

<i>In thousands of euro</i>	2023			2022		
	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 correction of an error – see [Note 44](#).

D. Reconciliation of effective tax rate^{a, b}

<i>In thousands of euro</i>	2023		2022 restated*	
IAS 12.81(c) Profit before tax from continuing operations		10,351		8,856
Tax using the Company's domestic tax rate	33.00%	3,416	33.00%	2,922
Effect of tax rates in foreign jurisdictions	(0.71%)	(73)	(0.55%)	(49)
Reduction in tax rate	(0.14%)	(15)	(0.06%)	(5)
Tax effect of:				
– Share of profit of equity-accounted investees reported, net of tax	(3.64%)	(377)	(2.19%)	(194)
– Non-deductible expenses	2.37%	245	0.41%	36
– Tax-exempt income	(0.23%)	(24)	(0.56%)	(50)
– Tax incentives	(0.85%)	(88)	(0.71%)	(63)
– Current-year losses for which no deferred tax asset is recognised	0.40%	41	1.43%	127
Recognition of previously unrecognised tax losses (see Note 14(H))	(0.48%)	(50)	(2.71%)	(240)
Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	(0.13%)	(13)	0.11%	10
Changes in estimates related to prior years	1.12%	116	(0.38%)	(34)
	30.70%	3,178	27.78%	2,460

* See [Notes 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.

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

IAS 12.81(g)(i)–(iii)

E. Movement in deferred tax balances^{a, b, c}

2023	Net balance at 1 January	Recognised in profit or loss (see (A))
<i>In thousands of euro</i>		
Property, plant and equipment (including right-of-use assets ^d)	(1,006)	71
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	64	96
Loans and borrowings (including lease liabilities ^d)	1,586	(142)
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	1,702	1
Set-off of tax		
Net tax assets (liabilities)		

2022	Net balance at 1 January	Recognised in profit or loss (see (A)) restated*
<i>In thousands of euro</i>		
Property, plant and equipment (including right-of-use assets ^d)	(1,515)	509
Intangible assets	(38)	94
Biological assets	(25)	3
Investment property	(10)	(20)
Investment in securities	(18)	1
Trade and other receivables, including contract assets	-	53
Derivatives	(12)	1
Inventories	8	56
Loans and borrowings (including lease liabilities ^d)	1,729	(143)
Employee benefits	(90)	(6)
Equity-settled share-based payments ^e	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	662	1,100
Set-off of tax		
Net tax assets (liabilities)		

* See Note 44.

IAS 12.81(g),
Insights
3.13.640.60

a. IAS 12 requires disclosure of the amount of recognised deferred tax assets and liabilities in respect of each type of temporary difference. The Accounting Standards are 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 the Accounting Standards it is *recognised* deferred tax assets that are required to be disclosed.

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 nil because such dividends are tax-exempt. As a result, no deferred tax has been recognised.

Balance at 31 December							
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))	Net	Deferred tax assets	Deferred tax liabilities	
(66)	-	(35)	210	(826)	553	(1,379)	
-	-	(38)	-	22	98	(76)	
-	-	-	-	(204)	-	(204)	
-	-	-	-	(37)	-	(37)	
(44)	-	-	-	(107)	32	(139)	
-	-	-	-	70	70	-	
16	-	-	-	(28)	3	(31)	
-	-	(3)	40	197	197	-	
-	(54)	(9)	-	1,381	1,444	(63)	
(24)	-	-	-	(94)	160	(254)	
-	-	-	-	313	313	-	
-	-	6	-	501	501	-	
-	-	-	-	39	39	-	
-	-	-	-	39	50	(11)	
-	-	-	-	436	436	-	
(118)	(54)	(79)	250	1,702	3,896	(2,194)	
				-	(1,645)	1,645	
				1,702	2,251	(549)	

Balance at 31 December							
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))	Net	Deferred tax assets	Deferred tax liabilities	
-	-	-	-	(1,006)	531	(1,537)	
-	-	-	-	56	94	(38)	
-	-	-	-	(22)	-	(22)	
-	-	-	-	(30)	-	(30)	
(38)	-	-	-	(55)	16	(71)	
-	-	-	-	53	53	-	
(29)	-	-	-	(40)	3	(43)	
-	-	-	-	64	64	-	
-	-	-	-	1,586	1,586	-	
5	-	-	-	(91)	150	(241)	
-	2	-	-	225	225	-	
-	-	-	-	508	508	-	
-	-	-	-	54	54	-	
-	-	-	-	14	18	(4)	
-	-	-	-	386	386	-	
(62)	2	-	-	1,702	3,688	(1,986)	
				-	(1,580)	1,580	
				1,702	2,108	(406)	

 IAS 12.15, 24,
 Insights 3.13.230

- d. The Group applied *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* from 1 January 2023. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. For further discussion about the impact of adopting the amendments, see [Note 5\(A\)](#); for the accounting policy, see [Note 45\(I\)](#).

IAS 12.68C

- e. 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 2023, there was a deferred tax liability of EUR 1,523 thousand (2022: EUR 1,146 thousand) for temporary differences of EUR 4,615 thousand (2022: EUR 3,473 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 2023, total tax-exempt reserves amounted to EUR 613 thousand (2022: EUR 540 thousand), which would result in a tax liability of EUR 202 thousand (2022: EUR 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

In thousands of euro	2023		2022	
	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	2023	Expiry date	2022	Expiry date
Expire	644	2025–2029	520	2025–2026
Never expire	-	-	152	-

IAS 1.125, 129, 12.82

In 2023, 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 EUR 152 thousand of previously unrecognised tax losses (tax impact: EUR 50 thousand) because management considered it probable that future taxable profits would be available against which such losses can be used.

In 2022, 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 EUR 727 thousand of previously unrecognised tax losses (tax impact: EUR 240 thousand) because management considered it probable that future taxable profits would be available against which such losses can be used. In 2023, 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 2023, the Group's Romanian subsidiary, Lei Sure Limited, incurred a tax loss of EUR 124 thousand, increasing cumulative tax losses to EUR 644 thousand (2022: EUR 520 thousand). Management has determined that the recoverability of cumulative tax losses, which expire in 2026–2030, 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 2029. 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 EUR 213 thousand could be recognised.

I. Uncertainty over income tax treatments^{a, b}

From 2019 until 2022, 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 2023, there was a change in the Canadian Government. The new Government is currently debating 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 2019–2022 of up to EUR 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.

Of the Group's current tax provision, EUR 63 thousand (2022: nil) relates to management's estimation of the amount of tax payable by the Group's German subsidiary Papier GmbH for the ongoing tax review, which its tax authority opened in March 2023. The uncertain tax treatment relates to the interpretation of how the tax legislation applies to the Group's transfer pricing arrangements. Due to the uncertainty involved, there is a possibility that the outcome of the tax review is significantly different from the amount currently recognised. Although management has used a single best estimate of the tax amount expected to be paid, it is anticipated that the reasonably possible outcome of current tax liabilities sits within a range between EUR 51 thousand and EUR 72 thousand.

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.

IAS 1.122, 125, 129,
12.88

- a. Management of the Group analysed the specific facts and circumstances of the open tax review and determined that it is necessary to provide information about assumptions and estimates related to the uncertain tax treatment required by paragraph 125 of IAS 1.
- b. The Group provided quantitative disclosure of the sensitivity of the amount of the uncertain tax treatment to the method, assumptions and estimates underlying the calculation. Other approaches to the disclosure may be acceptable to meet the requirements of paragraph 129 of IAS 1.

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

J. Global minimum top-up tax^{a, b, c}

The Group operates in [*Country K*], which has enacted new legislation to implement the global minimum top-up tax. The Group expects to be subject to the top-up tax in relation to its operations in [*Country F*], where the statutory tax rate is 10 percent, and in [*Country G*], where Subsidiary X receives government support through additional tax deductions that reduce its effective tax rate to below 15 percent. However, since the newly enacted tax legislation in [*Country K*] is only effective from 1 January 2024, there is no current tax impact for the year ended 31 December 2023.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred (see [Note 5\(B\)](#)).

If the top-up tax had applied in 2023, then the profits relating to the Group's operations in [*Country F and Country G*] for the year ended 31 December 2023 that would be subject to it amount to EUR 375 thousand, with the average effective tax rate applicable to those profits during 2023 being 12 percent.^{a, b, c}

IAS 12.88A,
IAS 12.88B–88D,
EI.88C–88D(a)(b)(i)

- a. In May 2023, the IASB issued International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), which introduced a temporary mandatory exception from accounting for deferred tax that arises from legislation implementing the top-up tax (Pillar Two legislation). The amendments also require an entity to provide new disclosures from 31 December 2023, but no disclosures are required in interim periods ending on or before 31 December 2023. For further information, see our [web article](#) and read our [talkbook](#).
- b. The Organisation for Economic Co-operation and Development's draft legislative framework for the global minimum top-up tax (Pillar Two model rules) applies to multinational enterprise groups with total consolidated group revenue of EUR 750 million or more in at least two of the four preceding years, although jurisdictions may introduce a lower threshold. Although the Group may not be subject to this global minimum top-up tax, the disclosures are included for illustration purposes.
- c. It is noted that for the purposes of the top-up tax, if a single jurisdiction in which a group operates enacts or substantively enacts changes to its tax laws, then that entire group may be impacted regardless of whether a similar tax law has been enacted or substantively enacted in the jurisdiction of the ultimate parent. An entity needs to monitor the progress of the legislative process in each jurisdiction in which it operates to determine whether and when it may become subject to the top-up tax.

Notes to the consolidated financial statements (continued)

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 Accounting Standards. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures of other entities.

Reconciliation of adjusted EBITDA to profit from continuing operations

In thousands of euro	Note	2023	2022 restated*
Profit from continuing operations		7,173	6,396
Income tax expense	14	3,178	2,460
Profit before tax		10,351	8,856
Adjustments for:			
– Net finance costs	10	752	1,188
– Depreciation	21(A)	5,339	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		15,744	16,782

* The comparative information is restated on account of correction of errors. See Note 44. Comparative information has also been re-presented due to a discontinued operation. See Note 7.

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 the Accounting Standards;
 - 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 [Note 45\(J\)](#).

A. Reconciliation of carrying amount

		Standing timber	Livestock	Total
	<i>In thousands of euro</i>			
	Note			
IAS 41.50, IFRS 13.93(e)	Balance at 1 January 2022	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	(17)	22	5
IAS 41.51	– Due to physical changes	15	8	23
IAS 41.50(f)	Effect of movements in exchange rates	68	45	113
IAS 41.50	Balance at 31 December 2022	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 2023	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	92	59	151
IAS 41.51	– Due to physical changes	315	121	436
IAS 41.50(f)	Effect of movements in exchange rates	30	14	44
IAS 41.50	Balance at 31 December 2023	4,352	378	4,730
	Non-current	4,352	346	4,698
	Current	-	32	32
		4,352	378	4,730

Notes to the consolidated financial statements (continued)

16. Biological assets (continued)

A. Reconciliation of carrying amount (continued)

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

At 31 December 2023, standing timber comprised approximately 3,310 hectares of pine tree plantations (2022: 3,230 hectares), which ranged from newly established plantations to plantations that were 30 years old. EUR 282 thousand (2022: EUR 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 2023, livestock comprised 1,875 cattle and 3,781 sheep (2022: 1,260 cattle and 3,314 sheep). During 2023, the Group sold 289 cattle and 286 sheep (2022: 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

<i>In thousands of euro</i>	2023	2022
Gain included in 'other income'		
Change in fair value (realised)	60	3
Change in fair value (unrealised)	347	(5)
Gain included in OCI		
Effect of movements in exchange rates	30	68

IFRS 13.93(e)(i)

IFRS 13.93(f)

IFRS 13.93(e)(ii)

IFRS 13.93(e)(ii)

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

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)	<i>Discounted cash flows:</i> 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.	<ul style="list-style-type: none"> Estimated future timber market prices per tonne (2023: EUR 12.8–17.9, weighted average EUR 16.25; 2022: EUR 11.6–16.3, weighted average EUR 15.15). Estimated yields per hectare (2023: 6–10, weighted average 8; 2022: 5–10, weighted average 7.5). Estimated harvest and transportation costs (2023: 6.4–8.3%, weighted average 7.5%; 2022: 6.3–7.8%, weighted average 6.7%). Risk-adjusted discount rate (2023: 7.9–9.0%, weighted average 8.6%; 2022: 7.1–8.3%, weighted average 7.8%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> 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	<i>Cost approach and discounted cash flows:</i> 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.	<ul style="list-style-type: none"> Estimated costs of infrastructure per hectare (2023: EUR 0.8–1.1, weighted average EUR 0.95; 2022: EUR 0.8–1.2, weighted average EUR 0.97). Estimated costs of cultivation and preparation per hectare (2023: EUR 0.2–0.4, weighted average EUR 0.3; 2022: EUR 0.3–0.4, weighted average EUR 0.35). Estimated costs of buying and planting young trees (2023: EUR 1.0–1.3, weighted average EUR 1.25; 2022: EUR 1.1–1.3, weighted average EUR 1.2). Estimated future timber market prices per tonne (2023: EUR 13.8–19.8, weighted average EUR 17.05; 2022: EUR 13.7–19.5, weighted average EUR 16.6). Estimated yields per hectare (2023: 6–11, weighted average 8.6; 2022: 7–11, weighted average 8.9). Risk-adjusted discount rate (2023: 8.9–9.9%, weighted average 9.4%; 2022: 9.3–9.9%, weighted average 9.6%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> 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	<i>Market comparison technique:</i> The fair values are based on the market price of livestock of similar age, weight and market values.	Not applicable.	Not applicable.

IFRS 13.93(d), (h), 99

Notes to the consolidated financial statements (continued)

16. Biological assets (continued)

B. Measurement of fair values (continued)

iii. Valuation techniques and significant unobservable inputs (continued)

The estimated yields per hectare of pine tree plantations are determined mainly based on the age of the plantation, historical yields, the potential impact of extreme weather events and harvest loss due to disease and pests. Historical yields of younger standing timber have been adjusted downwards by 0.8 percent (2023: 0.78 percent) to reflect potential losses due to severe storms and high winds and by 0.3 percent (2023: 0.26 percent) for all other factors. The risk of potential losses due to fire is reflected in the cash flows by including the estimated cost of fire insurance.

IAS 1.31, 112

The Group assessed the impact of climate-related risks and opportunities on the estimated yields per hectare for younger standing timber. By considering the impact of higher temperatures (an increase of 2°C by 2050) on the growth rate of pine trees and on the intensity and frequency of storms, the Group concluded that, overall, the positive effects (accelerated growth) and negative effects (increase in the frequency of storms) would have an immaterial impact on yields. Due to the high degree of estimation uncertainty around the impact of climate change on the intensity and frequency of storms, this conclusion may change in the future.

IAS 1.125, 129

The fair value of younger timber reflects on average five days per year of intense high winds. Fair value would decrease by EUR 323 thousand assuming 10 days per year of intense high winds^a.

As described in [Note 30\(D\)](#), a flood occurred in 2023 in an area near one of the Group's standing timber plantations, temporarily affecting the access roads to it but not the plantation itself. Although employees were temporarily unable to access the plantation, there was no damage to the plantation itself and no significant impact on the fair value of the standing timber.

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. These risks and management's strategies to mitigate them are described below.

i. Regulatory and environmental risks

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

ii. Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of timber. 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.

a. The educational guidance *Effects of climate-related matters on financial statements* republished by the IASB in July 2023 noted that IFRS 13 requires that unobservable inputs reflect the assumptions that market participants would use when pricing, including assumptions about risk that may include climate-related risk.

Notes to the consolidated financial statements (continued)

16. Biological assets (continued)

C. Risk management strategy related to agricultural activities (continued)

iii. Climate-related risks

The Group's pine plantations are exposed to the risk of damage from extreme weather events such as storms, high winds and drought. Changes in global climate-related conditions could intensify one or more of these events. Periods of drought and associated high temperatures may increase the risk of forest fires and insect outbreaks. In addition to their effects on forest yields, extreme weather events may also increase the cost of operations. The Group has extensive processes in place aimed at monitoring and mitigating these risks through proactive management and early detection. The Group has incorporated considerations for climate change into its reforestation practices, such as the establishment and maintenance of fire breaks and increased monitoring during fire danger periods.

Physical risks arising from fires and drought are to a great extent subject to risk transfer and thereby within the cover of the Group's property and business interruption insurance programmes. However, should the frequency and severity of these events increase as a result of climate change, the cost of such coverage may increase.

For information on the impact of extreme weather events and climate change on the valuation of standing timber, see [Note 16\(B\)\(iii\)](#).

17. Inventories

See accounting policy in [Notes 45\(K\)](#) and [8\(D\)](#).

<i>In thousands of euro</i>	2023	2022
Raw materials and consumables	7,415	6,914
Finished goods	4,200	4,705
Right to recover returned goods ^a	533	500
Inventories	12,148	12,119
Carrying amount of inventories pledged as security for liabilities	1,650	2,090

In 2023, inventories of EUR 54,019 thousand (2022: EUR 53,258 thousand) were recognised as an expense during the year and included in 'cost of sales'.

During 2022, 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 EUR 42 thousand. In 2023, following a change in estimates, EUR 10 thousand of the write-down was reversed.

In addition, inventories have been reduced by EUR 345 thousand (2022: EUR 125 thousand) as a result of the write-down to net realisable value. This write-down was recognised as an expense during 2023.

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

IAS 1.78(c), 2.36(b)

IAS 1.78(c), 2.36(b)

IAS 2.36(h)

IAS 1.98(a), 2.36(d)

IAS 2.36(e)-(g)

IFRS 15.B21,
BC367

a. IFRS 15 and other accounting 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(P)(i)–(ii) and (S)(i).

	<i>In thousands of euro</i>	Note	2023	2022
IAS 1.78(b)	Trade receivables due from related parties	41(C)	1,236	642
IAS 1.78(b)	Other trade receivables		31,282	21,683
			32,518	22,325

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.

	<i>In thousands of euro</i>	2023	2022
IFRS 7.42D(e)	Carrying amount of trade receivables transferred to a bank	600	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 2.3.150,
170.30

- a. There is no specific guidance in the Accounting Standards 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\(P\)\(i\)–\(ii\)](#) and [\(S\)\(i\)](#).

IAS 7.45

<i>In thousands of euro</i>	2023	2022
Bank balances	50	988
Demand deposits	1,352	861
Cash	1,402	1,849
3-month deposit (cash equivalent)	102	-
Cash and cash equivalents in the statement of financial position	1,504	1,849
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	1,567

IAS 1.31

An amount of EUR 300 thousand (2022: nil) included in demand deposits is subject to restrictions imposed by certain customers. While the amount can be withdrawn at any time from the bank without penalty, the agreements with the customers require the Group to keep an aggregate amount of EUR 300 thousand in a demand deposit account and to use it only for the purpose of meeting warranty claims arising in the next 12 months (see [Note 31\(A\)](#)).^a

20. Disposal group held for sale^b

See accounting policy in [Note 45\(O\)](#).

IFRS 5.41(a)–(b), 41(d)

In June 2023, 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 2024.

IFRS 5.41(c)

A. Impairment losses relating to the disposal group

Impairment losses of EUR 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.

Insights 2.3.10.20, 40, 70, IU 03-22

- ^{a.} The Group has classified the amount of EUR 300 thousand as cash because it assessed that the contractual restrictions on use of the amount held in the demand deposit do not change the nature of the demand deposit because the amount can still be accessed on demand from the bank without penalty. The Group has included the demand deposit as a component of cash and cash equivalents in its statement of cash flows and presents the demand deposit as cash and cash equivalents in its statement of financial position. The Group has also provided disclosure about the restriction on use in [Note 19](#) and disclosure about liquidity risk arising from this demand deposit and how it manages that risk (see [Note 32\(C\)\(iii\)](#)).
- ^{b.} 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.

Notes to the consolidated financial statements (continued)

20. Disposal group held for sale (continued)

B. Assets and liabilities of disposal group held for sale^a

At 31 December 2023, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

<i>In thousands of euro</i>	<i>Note</i>	
Property, plant and equipment	21(A)	8,129
Inventories		2,775
Trade and other receivables		3,496
Assets held for sale		14,400

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

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

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

ii. Valuation technique and significant unobservable inputs

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
<i>Cost approach and discounted cash flows:</i> 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.	<ul style="list-style-type: none"> 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%).

IFRS 5.38

IFRS 5.38

IFRS 13.93(a)–(b)

IFRS 5.38

a. 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

b. 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)

21. Property, plant and equipment

See accounting policies in Notes 45(L), (S)(ii) and (U)(ii).

A. Reconciliation of carrying amount^a

		Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
	<i>In thousands of euro</i>					
	Cost					
IAS 16.73(d)	Balance at 1 January 2022	10,746	29,509	5,289	-	45,544
IAS 16.73(e)(i)	Additions	193	1,540	675	-	2,408
IAS 16.73(e)(ii)	Disposals	(315)	(1,081)	-	-	(1,396)
IAS 16.73(e)(viii)	Effect of movements in exchange rates	-	316	171	-	487
IAS 16.73(d)	Balance at 31 December 2022	10,624	30,284	6,135	-	47,043
IAS 16.73(d)	Balance at 1 January 2023	10,624	30,284	6,135	-	47,043
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	9,694	657	4,100	16,201
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	(402)	(11,659)	(2,100)	-	(14,161)
IAS 16.73(e)(viii)	Effect of movements in exchange rates	-	91	50	-	141
IAS 16.73(d)	Balance at 31 December 2023	11,257	20,768	4,932	4,100	41,057

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)

<i>In thousands of euro</i>	<i>Note</i>	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
Accumulated depreciation and impairment losses						
IAS 16.73(d)		1,615	5,557	939	-	8,111
IAS 16.73(e)(vii)	9(C)	123	4,240	759	-	5,122
IAS 16.73(e)(v)	(B), 9(C)	-	1,123	-	-	1,123
IAS 16.73(e)(iii)		-	(700)	-	-	(700)
IAS 16.73(e)(viii)		-	98	59	-	157
IAS 16.73(d)		1,738	10,318	1,757	-	13,813
Balance at 31 December 2022						
IAS 16.73(d)		1,738	10,318	1,757	-	13,813
IAS 16.73(e)(vii)	9(C)	120	4,478	741	-	5,339
IAS 16.73(e)(vi)	(B), 9(C)	-	(393)	-	-	(393)
IAS 16.73(e)(ix)		(300)	-	-	-	(300)
IAS 16.73(e)(ii)	(F)	(300)	-	-	-	(300)
IAS 16.73(e)(iii)	20(B)	-	(1,058)	-	-	(1,058)
IAS 16.73(e)(ii)		-	(3,808)	(1,127)	-	(4,935)
IAS 16.73(e)(viii)		-	63	38	-	101
IAS 16.73(d)		1,558	9,600	1,409	-	12,567
IAS 1.78(a), 16.73(e)		1,558	9,600	1,409	-	12,567
Carrying amounts						
		9,131	23,952	4,350	-	37,433
		8,886	19,966	4,378	-	33,230
		9,699	11,168	3,523	4,100	28,490

[IFRS 16.47]

Property, plant and equipment includes right-of-use assets of EUR 3,593 thousand (2022: EUR 4,153 thousand) related to leased properties that do not meet the definition of investment property (see Note 38(A)(i)).

B. Impairment loss and subsequent reversal

IAS 36.126(a)–(b)

During 2022, 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 EUR 1,123 thousand with respect to plant and equipment. In 2023, EUR 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 property, plant and equipment

IAS 7.43

During 2023, the Group recognised additions to right-of-use assets related to leased properties that do not meet the definition of investment property of EUR 150 thousand (2022: EUR 180 thousand in relation to leases of production equipment). Some leases provide the Group with the option to buy the equipment at a beneficial price.

Notes to the consolidated financial statements (continued)

21. Property, plant and equipment (continued)

D. Security

IAS 16.74(a)

At 31 December 2023, properties with a carrying amount of EUR 5,000 thousand (2022: EUR 4,700 thousand) were subject to a registered debenture that forms security for bank loans (see [Note 28\(A\)](#)).

E. Property, plant and equipment under construction

IAS 16.74(b)

During 2023, the Group acquired a piece of land for EUR 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 2023 totalled EUR 1,000 thousand (2022: nil). Included in this amount are capitalised borrowing costs related to the acquisition of the land and the construction of the factory of EUR 194 thousand, calculated using a capitalisation rate of 5.2 percent.

F. Transfer to investment property

During 2023, 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 EUR 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\(C\)\(ii\)](#)).

G. Change in estimates^a

IAS 8.39, 16.76

During 2023, 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.

As part of its commitment to reduce the carbon footprint of its Timber Products segment (see [Note 39](#)), the Group decided to replace its fleet of diesel trucks. This resulted in a reduction in the expected useful life of the trucks, which were originally intended to be sold after eight years of use but are now expected to remain in use for only two more years. Consequently, the estimated residual value of the trucks has increased.

The effect of these changes on actual and expected depreciation expense, included in 'cost of sales', was as follows.

<i>In thousands of euro</i>	2023	2024	2025	2026	2027	Later
(Decrease) increase in depreciation expense	(256)	(113)	150	150	130	170

H. Change in classification

IAS 1.41(a)–(c)

During 2023, 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, EUR 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 2023, plant and equipment with a carrying amount of EUR 503 thousand were temporarily idle, but the Group plans to operate the assets in 2024.

^a Transitioning to a lower-carbon economy can pose climate-related risks and opportunities that may affect an entity's business and strategic plans. It can also affect the useful lives and residual values of assets and the methods of depreciation or amortisation. See our [web article](#) for more information on how climate-related matters influence useful lives and residual values of property, plant and equipment and intangible assets.

Notes to the consolidated financial statements (continued)

22. Intangible assets and goodwill

See accounting policies in Notes 45(M) and (S)(ii).

A. Reconciliation of carrying amount^a

<i>In thousands of euro</i>	<i>Note</i>	<i>Goodwill</i>	<i>Patents and trademarks</i>	<i>Development costs</i>	<i>Customer relationships</i>	<i>Emissions certificates^b</i>	<i>Total</i>
Cost							
IFRS 3.B67(d)(i), IAS 38.118(c)							
Balance at 1 January 2022		3,545	1,264	4,011	-	100	8,920
Acquisitions							
IAS 38.118(e)(i)							
Internally developed		-	-	515	-	-	515
IAS 38.118(e)(i)	30(B)	-	-	-	-	120	120
IAS 38.118(e)(i)							
Purchases		-	-	-	-	10	10
IAS 38.118(e)(viii)							
Disposals		-	-	-	-	(110)	(110)
IAS 38.118(e)(vii)							
Effect of movements in exchange rates		-	(171)	(95)	-	-	(266)
Balance at 31 December 2022							
		3,545	1,093	4,431	-	120	9,189
Cost							
IFRS 3.B67(d)(i), IAS 38.118(c)							
Balance at 1 January 2023		3,545	1,093	4,431	-	120	9,189
Acquisitions							
IFRS 3.B67(d)(ii), IAS 38.118(e)(i)							
Business combinations	34(C)-(D)	541	170	-	80	-	791
IAS 38.118(e)(i)							
Internally developed		-	-	1,272	-	-	1,272
IAS 38.118(e)(i)	30(B)	-	-	-	-	115	115
IAS 38.118(e)(i)							
Purchases		-	-	-	-	20	20
IAS 38.118(e)(viii)							
Disposals	31(D)	-	-	-	-	(140)	(140)
IAS 38.118(e)(vii)							
Effect of movements in exchange rates		-	186	200	-	-	386
Balance at 31 December 2023							
		4,086	1,449	5,903	80	115	11,633

IAS 38.118(c), (e) a. Although IAS 38 *Intangible Assets* requires only 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.

Insights 3.3.161.10 b. The Accounting Standards do not contain specific guidance on accounting for emissions certificates. In our view, a participant in a cap and trade scheme should choose an accounting policy, to be applied consistently, to account for emissions certificates based on one of the following approaches.

- As *intangible assets*: Under this approach, it is argued that emissions certificates are identifiable non-monetary assets that do not have physical substance and that therefore they meet the definition of an intangible asset.
- As *inventories*: Under this approach, it is argued that emissions certificates are effectively an input to be consumed in the production process, similar to inventories.

The Group has elected to account for emissions certificates as intangible assets.

Notes to the consolidated financial statements (continued)

22. Intangible assets and goodwill (continued)

A. Reconciliation of carrying amount (continued)

<i>In thousands of euro</i>	<i>Note</i>	Goodwill	Patents and trademarks	Development costs	Customer relationships	Emissions certificates	Total
Accumulated amortisation and impairment losses							
Balance at 1 January 2022		138	552	2,801	-	-	3,491
Amortisation	(B), 9(C)	-	118	677	-	-	795
Impairment loss	(C), 9(C)	-	-	285	-	-	285
Effect of movements in exchange rates		-	(31)	(12)	-	-	(43)
Balance at 31 December 2022		138	639	3,751	-	-	4,528
Balance at 1 January 2023		138	639	3,751	-	-	4,528
Amortisation	(B), 9(C)	-	129	646	10	-	785
Impairment loss	(C), 9(B)	116	-	-	-	-	116
Reversal of impairment loss	(C), 9(C)	-	-	(100)	-	-	(100)
Effect of movements in exchange rates		-	61	17	-	-	78
Balance at 31 December 2023		254	829	4,314	10	-	5,407
Carrying amounts							
At 1 January 2022		3,407	712	1,210	-	100	5,429
Non-current							5,329
Current							100
At 31 December 2022		3,407	454	680	-	120	4,661
Non-current							4,541
Current							120
At 31 December 2023		3,832	620	1,589	70	115	6,226
Non-current							6,111
Current							115

Notes to the consolidated financial statements (continued)

22. Intangible assets and goodwill (continued)

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^a

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.

<i>In thousands of euro</i>	<i>Note</i>	2023	2022
Non-recycled Papers			
Plant and equipment and development costs	(ii)	(493)	1,408
Timber Products			
Goodwill	(iii)	116	-

The impairment loss and subsequent reversal in relation to the Non-recycled Papers segment were included in 'cost of sales' (see Note 9(C)).^b

The impairment loss on goodwill in the Timber Products CGU was included in 'other expenses' (see Note 9(B)).^b

i. Recoverability of development costs^c

Included in the carrying amount of development costs at 31 December 2023 is an amount of EUR 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 2024 and using a pre-tax discount rate of 12 percent and a terminal value growth rate of 2 percent from 2028. The recoverable amount of the CGU was estimated to be higher than its carrying amount and no impairment was required.

Management considers it possible that the regulatory approval may be delayed by a further year to July 2025. This further delay would result in an impairment of approximately EUR 100 thousand in the carrying amount of the factory.

a. See our [web article](#) for information on how climate-related matters influence cash flow projections for impairment testing of non-financial assets, as well as disclosure considerations.

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.

IAS 36.132, 134 c. The Group has disclosed the key assumptions (discount rate and terminal growth rate) used to determine the recoverable amount of assets and CGUs, although disclosures beyond the discount rate are only required 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), (d)(i)

During 2022, 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 2023; 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 2022. The recoverable amount was estimated based on its value in use, assuming that the production line would go live in August 2024.

In 2023, following certain significant 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 percent (2022: 9.8 percent) and a terminal value growth rate of 3 percent from 2028 (2022: 3 percent from 2027).^a

<i>In thousands of euro</i>	<i>Note</i>	2023	2022
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 2023, the recoverable amount of the CGU was as follows.

<i>In thousands of euro</i>	2023	2022
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.

<i>In thousands of euro</i>	2023	2022
European Paper manufacturing and distribution	2,676	2,135
Timber Products	960	1,076
	3,636	3,211
Multiple units without significant goodwill	196	196
	3,832	3,407

IAS 36.135

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.

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), (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	2023	2022
Discount rate	8.7	8.5
Terminal value growth rate	1.0	0.9
Budgeted EBITDA growth rate (average of next five years)	5.2	4.8

IAS 36.134(e)(v), (f)(ii)

Discount rate

IAS 36.134(e)(iv)

Terminal value growth rate

IAS 36.134(e)(i), (f)(ii)

Budgeted EBITDA growth rate (average of next five years)

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 percent at a market interest rate of 7 percent.

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.

- Sales volumes for the next five years were projected based on their average increase over the past five years. This is in line with market expectations of demand 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 2024.^b
- A decrease of 20 percent in water-usage-related costs starting in 2025, assuming that the construction of a water recycling facility is finalised in 2024. The project has been approved by the board of directors and is expected to reduce the costs of acquiring and disposing of water during the paper recycling process. Water recycling supports the Group's strategy to mitigate the key climate-related risks to which the CGU is exposed – the unavailability of clean water resources, a significant cost increase in acquiring clean water and exposure to water-usage-related taxes or levies.^c

The estimated costs of constructing the water recycling facility were also included in calculating the recoverable amount.^b

IAS 36.134(d)(ii), (iv)–(v), (e)(ii), (iv)–(v), (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.

IAS 36.6, *Insights* 3.10.185.10

- b. Fair value is determined from a market participant's perspective in accordance with IFRS 13. Cash flows related to restructurings and capital expenditure are included if consistent with a market participant's perspective.

IAS 36.134(e)(ii)

- c. The Group has disclosed information on the impact of significant climate-related risks and opportunities on the key assumptions used in calculating the fair value less costs of disposal of the CGU. This is because the CGU is highly exposed to climate-related risks and opportunities and the impact on the key assumptions used is significant.

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 (continued)

IAS 36.134(f)(i)

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately EUR 300 thousand (2022: EUR 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.

In percent	Change required for carrying amount to equal recoverable amount	
	2023	2022
Discount rate	1.6	1.3
Budgeted EBITDA growth rate	(4.4)	(3.6)

IAS 36.134(f)(iii)

IAS 36.134(f)(iii)

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 EUR 960 thousand and an impairment loss of EUR 116 thousand during 2023 (2022: nil) was recognised. The impairment loss was fully allocated to goodwill and included in 'other expenses'.

The Group committed in 2023 to reduce the carbon footprint of its Timber Products segment (see Note 39). The impact of this project – which has substantively commenced in 2022 incurring costs of EUR 1,000 thousand and under which additional capital expenditure of EUR 20,000 thousand is expected in the next four years – was included in calculating the recoverable amount.^a Furthermore, the budgeted EBITDA growth rate is expected to decrease by 1 percent on average in the next five years due to higher energy costs. The budgeted EBITDA does not reflect environmental costs arising from potential regulatory developments, as the Group expects that the project will decrease the carbon footprint to sufficiently low levels.

IAS 36.134(d)(i)

The key assumptions used in the estimation of value in use were as follows.^b

In percent	2023	2022
Discount rate	9.6	10.0
Terminal value growth rate	1.8	2.0
Budgeted EBITDA growth rate (average of next five years)	8.0	9.0

IAS 36.134(d)(v)

IAS 36.134(d)(iv)

IAS 36.134(d)(i), (f)(ii)

IAS 36.48,
Insights 3.10.250.20

^a IAS 36 requires that, when determining value in use, the benefits from capital expenditure to improve or enhance an asset's performance are taken into account in the future net cash flow estimation only once the expenditure is incurred. In our view, capital expenditure should be considered incurred once the project has substantively commenced, rather than it being necessary for the project to have been completed.

IAS 36.134(d)(ii),
(iv)-(v), (e)(ii),
(iv)-(v), (f), IE89

^b 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.

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 (continued)

IAS 36.134(d)(ii)

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

IAS 36.134(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 EUR 37 thousand (2022: EUR 12 thousand) that represents borrowing costs capitalised during the year using a capitalisation rate of 5.1 percent (2022: 5.4 percent).

E. Emissions certificates

The Group participates in a 'cap and trade' scheme in various countries. Under the scheme, at the beginning of each year the Government in each country sets specific annual limits for emitting pollutants and grants the Group the respective number of emissions certificates. The Group can settle its annual obligation created by the emissions of pollutants only by surrendering emissions certificates by a specified date, which is usually within 12 months after the reporting date. If the Group's annual emissions are below the limit, then it can sell the remaining certificates to other parties on a trading platform. Conversely, if the annual emissions exceed the limit, then the Group purchases additional certificates to settle its obligation. Historically, the Group has emitted more pollutants than its annual allocation of emissions certificates from the Government and has had to purchase additional certificates.

The Group recognises emissions certificates as intangible assets. Emissions certificates received from the Government are initially measured at fair value, which is determined based on the market price of certificates traded on the platform at that date. Emissions certificates purchased on the trading platform are initially measured at cost.

In 2023, the Group received emissions certificates amounting to EUR 115 thousand (2022: EUR 120 thousand) (see Note 31(D)). In addition, the Group purchased emissions certificates amounting to EUR 20 thousand during 2023 (2022: EUR 10 thousand) on a trading platform. The additional certificates are purchased and surrendered within a period of less than 12 months to settle the obligation to the Government.

IAS 36.50(b), 55,
A20, Insights
3.10.840.10–20

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

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\(N\)](#).

A. Reconciliation of carrying amount

In thousands of euro

	Note	2023	2022
Balance at 1 January		400	300
Acquisitions		300	40
Reclassification from property, plant and equipment	21(F)	800	-
Change in fair value	9(A)	20	60
Balance at 31 December		1,520	400

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. Subsequent renewals are negotiated with the lessee and historically the average renewal period is four years. Further information about these leases is included in [Note 38\(B\)](#).

Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

B. Amounts recognised in profit or loss

Rental income recognised by the Group during 2023 was EUR 460 thousand (2022: EUR 302 thousand) and was included in 'other revenue' (see [Note 8\(A\)](#)). Maintenance expense, included in 'cost of sales' (see [Note 9\(C\)](#)), was as follows.

In thousands of euro

	2023	2022
Income-generating property	45	30
Vacant property	20	15
	65	45

C. Measurement of fair values

i. Fair value hierarchy

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.

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\(B\)](#)).

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)

23. Investment property (continued)

C. Measurement of fair values (continued)

ii. Valuation technique and significant unobservable inputs

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

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Discounted cash flows:</i> 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.</p>	<ul style="list-style-type: none"> Expected market rental growth (2023: 2–3%, weighted average 2.6%; 2022: 2–3%, weighted average 2.5%). Void periods (2023 and 2022: average 6 months after the end of each lease). Occupancy rate (2023: 90–95%, weighted average 92.5%; 2022: 91–95%, weighted average 92.8%). Rent-free periods (2023 and 2022: 1-year period on new leases). Risk-adjusted discount rates (2023: 5–6.3%, weighted average 5.8%; 2022: 5.7–6.8%, weighted average 6.1%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> 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).

Notes to the consolidated financial statements (continued)

24. Equity-accounted investees^{a, b}

See accounting policies in Notes 45(A)(v)–(vi) and (S)(i).

In thousands of euro

	Note	2023	2022
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

Paletel AG (Paletel) is a joint venture in which the Group has joint control and a 40 percent 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.

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 EUR 6,000 thousand. This commitment has not been recognised in these consolidated financial statements.

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

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

- ^{a.} For additional disclosure examples and explanatory notes on IFRS 12 *Disclosure of Interests in Other Entities*, see our [Guide to annual financial statements – IFRS 12 supplement](#).
- ^{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.
- ^{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)

A. Joint venture (continued)

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

	2023	2022
Percentage ownership interest	40%	40%
Non-current assets	5,953	3,259
Current assets (including cash and cash equivalents – 2023: EUR 200 thousand, 2022: EUR 150 thousand)	1,089	821
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions – 2023: EUR 1,211 thousand, 2022: EUR 986 thousand)	(1,716)	(1,320)
Current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2023: EUR 422 thousand, 2022: EUR 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
Revenue	25,796	21,405
Depreciation and amortisation	(445)	(350)
Interest expense	(396)	(218)
Income tax expense	(1,275)	(290)
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
Dividends received by the Group	21	-

IFRS 12.21(b),
B12–B14

IFRS 12.21(a)(iv)

IFRS 12.B12(b)(iii)

IFRS 12.B12(b)(i),
B13(a)

IFRS 12.B12(b)(iv),
B13(c)

IFRS 12.B12(b)(iii),
B13(b)

IFRS 12.B12(b)(v)

IFRS 12.B13(d)

IFRS 12.B13(f)

IFRS 12.B13(g)

IFRS 12.B12(b)(vi), (ix)

IFRS 12.B12(a)

Notes to the consolidated financial statements (continued)

24. Equity-accounted investees (continued)

B. Associates

IFRS 12.20, 21(a)(i)–(iii),
(b)(iii)

On 31 March 2023, the Group's equity interest in its material associate, Papyrus, increased from 25 to 90 percent 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, the US. Papyrus is not publicly listed.

IFRS 12.21(b),
B12–B14

The following table summarises the financial information of Papyrus as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Papyrus. The information for 2022 presented in the table includes the results of Papyrus for the period from 1 January to 31 December 2022. The information for 2023 includes the results of Papyrus only for the period from 1 January to 31 March 2023, because Papyrus became a subsidiary on 31 March 2023.

In thousands of euro

	2023	2022
Percentage ownership interest	25%	25%
Non-current assets	-	1,280
Current assets	-	1,975
Non-current liabilities	-	(1,087)
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
Revenue	7,863	19,814
Profit from continuing operations (100%)	271	857
Other comprehensive income (100%)	(408)	(552)
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 12.21(a)(iv)

IFRS 12.B12(b)(ii)

IFRS 12.B12(b)(i)

IFRS 12.B12(b)(iv)

IFRS 12.B12(b)(iii)

IFRS 12.B12(b)(v)

IFRS 12.B12(b)(vi)

IFRS 12.B12(b)(viii)

IFRS 12.B12(b)(ix)

IFRS 12.7(b), 12.9(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 percent of the equity interests but has less than 20 percent 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

	2023	2022
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 EUR 15 thousand (2022: nil) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

During 2023, the Group repaid a loan of EUR 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\(P\)](#) and [\(S\)\(i\)](#).

In thousands of euro

2023

2022

Non-current investments

<i>IFRS 7.8(f)</i>	Corporate debt securities – at amortised cost	2,421	2,243
<i>IFRS 7.8(h)</i>	Corporate debt securities – at FVOCI	118	373
<i>IFRS 7.8(h)</i>	Equity securities – at FVOCI	710	511
<i>IFRS 7.8(a)</i>	Equity securities – mandatorily at FVTPL	251	254
<i>IFRS 7.22B(a)</i>	Interest rate swaps used for hedging	116	131
		3,616	3,512

Current investments

<i>IFRS 7.8(a)</i>	Sovereign debt securities – mandatorily at FVTPL	243	591
<i>IFRS 7.22B(a)</i>	Forward exchange contracts used for hedging	297	352
	Other forward exchange contracts	122	89
		662	1,032

IFRS 7.7

Corporate debt securities classified as at amortised cost have interest rates of 6.3 to 7.8 percent (2022: 7.5 to 8.3 percent) and mature in two to five years. Corporate debt securities at FVOCI have stated interest rates of 5.2 to 7.0 percent (2022: 6.5 to 8.0 percent) and mature in two to three years.

Sovereign debt securities at FVTPL have stated interest rates of 3.5 to 4.0 percent (2022: 3.2 to 3.8 percent) 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

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.

<i>In thousands of euro</i>	Fair value at 31 December 2023	Fair value at 31 December 2022	Dividend income recognised during 2023	Dividend income recognised during 2022
Investment in MSE Limited	243	175	10	12
Investment in DEF Limited	467	336	16	20
	710	511	26	32

IFRS 7.11A(e)

No strategic investments were disposed of during 2023, 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, in our view 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.

Notes to the consolidated financial statements (continued)

26. Capital and reserves^a

See accounting policies in [Notes 45\(B\)\(i\)–\(ii\)](#), [\(E\)\(iv\)](#), [\(L\)\(iv\)](#), [\(P\)\(ii\)](#), [\(P\)\(iv\)–\(v\)](#), [\(Q\)](#) and [\(R\)](#).

A. Share capital and share premium

IAS 1.79(a)(iv)	In thousands of shares	Ordinary shares		Non-redeemable preference shares	
		2023	2022	2023	2022
	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 EUR 3	10,000	10,000	2,000	2,000

IAS 1.79(a)(ii)

IAS 1.79(a)(i), (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 2023, the general meeting of shareholders approved the issue of 130,000 ordinary shares at a price of EUR 11.92 per share (2022: nil).

Additionally, 5,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2018 share option programme granted to key management personnel (2022: nil) (see [Note 12](#)). Options were exercised at an average price of EUR 10 per share.

IAS 7.43

During 2023, 8,000 ordinary shares were also issued as a result of the acquisition of Papyrus (see [Note 34\(A\)](#)) (2022: 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\(P\)\(v\)](#)).

^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)

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.

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

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI; and
- the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

v. Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

vi. Convertible notes

The reserve for convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the Group in May 2023 (see [Note 28\(C\)](#)).

vii. Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 31 December 2023, the Group held 48,000 of the Company's shares (2022: 50,000).^a

C. Dividends

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

<i>In thousands of euro</i>	2023	2022
25.97 cents per qualifying ordinary share (2022: 4.28 cents)	805	133
25.03 cents per non-redeemable preference share (2022: 25.03 cents)	438	438
	1,243	571

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.

<i>In thousands of euro</i>	2023	2022
27.92 cents per qualifying ordinary share (2022: 25.97 cents)	892	805
25.03 cents per non-redeemable preference share (2022: 25.03 cents)	438	438
	1,330	1,243

IAS 1.79(b)

IAS 1.79(b)

IAS 1.79(b)

IAS 1.79(b)

IAS 1.79(b)

IAS 1.79(b), 32.34

IAS 1.107

IAS 1.137(a), 10.13,
12.81(i)

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.

Notes to the consolidated financial statements (continued)

26. Capital and reserves (continued)

D. OCI accumulated in reserves, net of tax^a

IAS 1.106(d)(iii), 106A

		Cost of hedging reserve
<i>In thousands of euro</i>		
2023		
	Revaluation of property, plant and equipment	-
	Remeasurements of defined benefit liability/asset	-
	Equity investments at FVOCI – net change in fair value	-
	Foreign operations – foreign currency translation differences	-
	Reclassification of foreign currency differences on loss of significant influence	-
	Net investment hedge – net loss	-
	Cash flow hedges – effective portion of changes in fair value	-
	Cash flow hedges – reclassified to profit or loss	-
	Cost of hedging reserve – changes in fair value	22
	Cost of hedging reserve – reclassified to profit or loss	5
	Debt investments at FVOCI – net change in fair value	-
	Debt investments at FVOCI – reclassified to profit or loss	-
	Equity-accounted investees – share of OCI	-
	Total	27
2022		
	Remeasurements of defined benefit liability/asset	-
	Equity investments at FVOCI – net change in fair value	-
	Foreign operations – foreign currency translation differences	-
	Net investment hedge – net loss	-
	Cash flow hedges – effective portion of changes in fair value	-
	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
	Debt investments at FVOCI – net change in fair value	-
	Equity-accounted investees – share of OCI	-
	Total	9

IAS 16.77(f)

IFRS 7.20(a)(vii)

IAS 21.52(b)

IAS 21.52(b)

IAS 21.52(b)

IFRS 7.24C(b)(ii)

IFRS 7.24C(b)(iv)

IFRS 7.20(a)(viii)

IFRS 7.20(a)(viii)

IFRS 7.20(a)(vii)

IAS 21.52(b)

IAS 21.52(b)

IFRS 7.24C(b)(ii)

IFRS 7.24C(b)(iv)

IFRS 7.20(a)(viii)

Attributable to owners of the Company							
Translation reserve (see (B)(i))	Hedging reserve (see (B)(ii))	Fair value reserve (see (B)(iv))	Revaluation reserve (see (B)(v))	Retained earnings	Total	NCI (see Note 34)	Total OCI
-	-	-	134	-	134	-	134
-	-	-	-	48	48	-	48
-	-	94	-	-	94	-	94
653	-	-	-	-	653	26	679
(20)	-	-	-	-	(20)	-	(20)
(3)	-	-	-	-	(3)	-	(3)
-	(41)	-	-	-	(41)	-	(41)
-	(21)	-	-	-	(21)	-	(21)
-	-	-	-	-	22	-	22
-	-	-	-	-	5	-	5
-	-	36	-	-	36	-	36
-	-	(43)	-	-	(43)	-	(43)
(172)	-	-	-	15	(157)	-	(157)
458	(62)	87	134	63	707	26	733
-	-	-	-	(10)	(10)	-	(10)
-	-	41	-	-	41	-	41
449	-	-	-	-	449	22	471
(8)	-	-	-	-	(8)	-	(8)
-	64	-	-	-	64	-	64
-	(8)	-	-	-	(8)	-	(8)
-	-	-	-	-	7	-	7
-	-	-	-	-	2	-	2
-	-	41	-	-	41	-	41
(166)	-	-	-	(3)	(169)	-	(169)
275	56	82	-	(13)	409	22	431

IAS 1.106A

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

Notes to the consolidated financial statements (continued)

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 percent; in 2023 the return was 29.9 percent (2022: 24.3 percent). The weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.8 percent (2022: 5.5 percent).

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 1.95. The Group's net debt to adjusted equity ratio at 31 December 2023 was as follows.

<i>In thousands of euro</i>	2023	2022 restated*
Total liabilities	67,638	54,647
Less: cash and cash equivalents	(1,504)	(1,849)
Net debt	66,134	52,798
Total equity	45,222	35,366
Less: hedging reserve	(433)	(491)
Less: cost of hedging reserve	(4)	27
Adjusted equity	44,785	34,902
Net debt to adjusted equity ratio	1.48	1.51

* See [Note 44](#).

See [Notes 28\(B\)](#), [32\(C\)\(iii\)](#), [37](#) and [42\(B\)](#) for information about liabilities subject to loan covenants.

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 Accounting Standards. It has also provided the reconciliations between these measures and items presented in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

28. Loans and borrowings

See accounting policies in [Notes 45\(B\)\(i\)–\(ii\)](#), [\(P\)\(i\)](#), [\(P\)\(iii\)](#), [\(S\)\(ii\)](#), [\(T\)](#) and [\(U\)](#).

<i>In thousands of euro</i>	Note	2023	2022
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	-
Lease liabilities		3,451	3,975
		23,758	21,268
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 lease liabilities		674	554
Loan from associate	41(C)	-	1,000
		5,347	5,656

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in [Note 32\(C\)](#).

IFRS 78(g)

IAS 1.77

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

28. Loans and borrowings (continued)

A. Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.

In thousands of euro	Currency	Nominal interest rate	Year of maturity	31 December 2023		31 December 2022	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loan (see Note 18(A))	EUR	3.60–3.90%	2023–24	600	598	1,000	985
Secured bank loan	CHF	3.90%	2027	1,240	1,240	1,257	1,257
Secured bank loan	USD	4.70%	2025–26	1,447	1,447	1,521	1,521
Secured bank loan	EUR	4.50%	2025–26	3,460	3,460	3,460	3,460
Secured bank loan	GBP	SONIA+1.1%	2023–25	1,864	1,864	4,855	4,855
Unsecured bank loan	EUR	3.80%	2024	510	503	-	-
Unsecured bank loan	EUR	5.50%	2023	-	-	117	117
Unsecured bond issues	EUR	Euribor+0.5%	2027	1,023	1,023	1,023	1,023
Unsecured bond issues	EUR	Euribor+1%	2028	5,113	5,113	5,113	5,113
Unsecured bond issues	EUR	Euribor	2024	3,064	3,064	3,064	3,064
Loan from associate	EUR	4.80%	2023	-	-	1,000	1,000
Convertible notes	EUR	3.00%	2026	5,000	4,678	-	-
Redeemable preference shares	EUR	4.40%	2029	2,051	1,990	-	-
Lease liabilities	EUR	6.0–7.0%	2023–37	5,697	4,125	5,936	4,529
Total interest-bearing liabilities				31,069	29,105	28,346	26,924

The secured bank loans are secured over land and buildings, inventories and trade receivables with a carrying amount of EUR 5,000 thousand (2022: EUR 4,700 thousand) (see Note 21(D)), EUR 1,650 thousand (2022: EUR 2,090 thousand) (see Note 17) and EUR 600 thousand (2022: EUR 1,000 thousand) (see Note 18(A)) respectively.

IFRS 7.7, 14,
IAS 16.74(a)

Notes to the consolidated financial statements (continued)

28. Loans and borrowings (continued)

B. Breach of loan covenant

The Group has a secured bank loan with a carrying amount of EUR 3,460 thousand at 31 December 2023 (2022: EUR 3,460 thousand). This loan is repayable in tranches within five years. However, the loan contained 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 2023 and the threshold was still exceeded as at 31 December 2023. However, management obtained a waiver from the bank in October 2023, which extends until March 2025. Accordingly, the loan was not payable on demand at 31 December 2023 (see [Note 37](#)).^a

C. Convertible notes

In thousands of euro

	<i>Note</i>
Proceeds from issue of convertible notes (1,250,000 notes at EUR 4 par value)	5,000
Transaction costs	(250)
Net proceeds	4,750
Amount classified as equity (net of transaction costs of EUR 9 thousand)	<i>14(C)</i> (163)
Accreted interest	91
Carrying amount of liability at 31 December 2023	4,678

These notes were issued on 29 May 2023. They are convertible into 250,000 ordinary shares in May 2025 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 2023	1,990

During 2023, 1,000,000 redeemable preference shares were issued as fully paid with a par value of EUR 2 per share (2022: nil). The redeemable preference shares are mandatorily redeemable at par on 31 May 2029 and the Group is obliged to pay holders of these shares annual dividends of 4.4 percent of the par amount on 31 May each year until and including on maturity. Redeemable preference shares do not carry the right to vote.

IFRS 7.18–19

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. Reconciliation of movements of liabilities to cash flows arising from financing activities^a

<i>In thousands of euro</i>	Note	Liabilities		
		Bank overdrafts used for cash management purposes	Other loans and borrowings	Convertible notes
Balance at 1 January 2023		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 lease liabilities		-	-	-
Dividend paid	26(C)	-	-	-
Total changes from financing cash flows		-	(4,464)	4,587
Changes arising from obtaining or losing control of subsidiaries or other businesses				
		-	500	-
The effect of changes in foreign exchange rates				
		-	(122)	-
Changes in fair value				
		-	-	-
Other changes				
Liability-related				
Change in bank overdraft	19	52	-	-
New leases	38(A)	-	-	-
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 2023		334	18,312	4,678

Liabilities		Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity				
Redeemable preference shares	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
-	4,529	(205)	8	18,050	439	13,786	3,091	62,375
-	-	-	-	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)
-	(554)	-	-	-	-	-	-	(554)
-	-	-	-	-	-	(1,243)	-	(1,243)
1,939	(554)	4	1	1,619	182	(1,336)	(115)	1,863
-	-	-	-	87	-	120	-	707
-	-	-	-	-	-	-	-	(122)
-	-	24	16	-	-	-	-	40
-	-	-	-	-	-	-	-	52
-	150	-	-	-	-	-	-	150
-	-	-	-	-	-	-	-	231
51	320	-	-	-	-	-	-	1,523
-	(320)	-	-	-	-	-	-	(1,609)
51	150	-	-	-	-	-	-	347
-	-	-	-	-	598	7,873	828	9,299
1,990	4,125	(177)	25	19,756	1,219	20,443	3,804	74,509

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.

Notes to the consolidated financial statements (continued)

28. Loans and borrowings (continued)

E. Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Liabilities			
		Bank overdrafts used for cash management purposes	Other loans and borrowings	Convertible notes
<i>In thousands of euro</i>	<i>Note</i>			
Restated balance at 1 January 2022		303	20,769	-
Changes from financing cash flows				
Proceeds from loans and borrowings		-	4,079	-
Proceeds from sale of treasury shares		-	-	-
Proceeds from settlement of derivatives		-	-	-
Repayment of borrowings		-	(2,445)	-
Payment of lease liabilities		-	-	-
Dividend paid	26(C)	-	-	-
Total changes from financing cash flows		-	1,634	-
The effect of changes in foreign exchange rates		-	(30)	-
Changes in fair value		-	-	-
Other changes				
Liability-related				
Change in bank overdraft	19	(21)	-	-
New 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 2022		282	22,395	-

Liabilities		Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity				
Redeemable preference shares	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
-	4,939	(204)	1	18,050	297	8,497	2,718	55,010
-	-	-	-	-	-	-	-	4,079
-	-	-	-	-	(280)	-	-	(280)
-	-	8	3	-	-	-	-	11
-	-	-	-	-	-	-	-	(2,445)
-	(590)	-	-	-	-	-	-	(590)
-	-	-	-	-	-	(571)	-	(571)
-	(590)	8	3	-	(280)	(571)	-	204
-	-	-	-	-	-	-	-	(30)
-	-	(9)	4	-	-	-	-	(5)
-	-	-	-	-	-	-	-	(21)
-	180	-	-	-	-	-	-	180
-	-	-	-	-	-	-	-	12
-	238	-	-	-	-	-	-	1,299
-	(238)	-	-	-	-	-	-	(1,289)
-	180	-	-	-	-	-	-	181
-	-	-	-	-	422	5,860	373	6,655
-	4,529	(205)	8	18,050	439	13,786	3,092	62,375

Notes to the consolidated financial statements (continued)

29. Trade and other payables

See accounting policies in [Notes 45\(P\)\(iii\)](#) and [\(iv\)](#).

<i>In thousands of euro</i>	<i>Note</i>	2023	2022 restated*
<i>IFRS 78(g)</i>			
Trade payables due to related parties	41	174	351
Trade payables – supply chain financing arrangement		5,515	4,900
Other trade payables		17,016	14,700
Accrued expenses		312	487
Trade payables		23,017	20,438
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
		24,303	21,333
Non-current		290	5
Current		24,013	21,328
		24,303	21,333

* See [Note 44](#).

Information about the Group's exposure to currency and liquidity risks is included in [Note 32\(C\)](#).

The Group participates in a supply chain financing arrangement (SCF) under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this arrangement is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained nor the original liability was substantially modified on entering into the arrangement. From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers. The Group therefore discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables but discloses disaggregated amounts in the notes. All payables under the SCF are classified as current as at 31 December 2023 and 2022.

The payments to the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the purchase of goods and services. The payments to a supplier by the bank are considered non-cash transactions and amount to EUR 3,860 thousand (2022: EUR 3,430 thousand).

IAS 7.43

Notes to the consolidated financial statements (continued)

30. Government grants

See accounting policies in [Notes 8\(D\)](#) and [45\(F\)–\(G\)](#).

<i>In thousands of euro</i>	<i>Note</i>	2023	2022
Deferred income – Asset acquisition ^a	(A)	1,424	1,462
		1,424	1,462
Non-current		1,424	1,462
Current		-	-
		1,424	1,462

A. Asset acquisitions

IAS 20.39(b)–(c)

In 2022, the Group was awarded a grant, amounting to EUR 1,462 thousand, conditional on the acquisition of factory premises in a specified region. The factory has been in operation since early 2023 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.

B. Emissions schemes^b

IAS 20.39(b)–(c)

The Group participates in a ‘cap and trade’ scheme in various countries. Under the scheme, at the beginning of each year the Government in each country sets specific annual limits for emitting pollutants and grants the Group the respective number of emissions certificates. The Group recognises emissions certificates and the related deferred income at the fair value of certificates granted, which is determined based on the quoted market price of certificates traded in an active market. When the Group emits pollutants and recognises a liability (see [Note 31\(D\)](#)), it reduces the related expense in profit or loss by releasing the deferred income. In 2023, the Group received emissions certificates amounting to EUR 115 thousand (2022: EUR 120 thousand) (see [Note 22](#)). The Group emitted pollutants above the limit in 2023 and 2022, and therefore the deferred income related to this grant as at 31 December 2023 is nil (2022: nil).

C. New pine tree plantations

IAS 41.57(a)–(b)

In 2023, the Group was awarded an unconditional grant, amounting to EUR 130 thousand, for plantations of pine trees in a specified region. This grant was recognised in profit or loss in full and presented in ‘other income’ when it became receivable (see [Note 9\(A\)](#)). There is no outstanding balance of deferred income related to this grant as at 31 December 2023.

D. Payroll expenses for employees in flood-affected areas

IAS 20.39(b)–(c)

In 2023, the Group received support from the Government in [*Country X*], amounting to EUR 70 thousand, towards payroll for employees who were temporarily out of work in flood-affected areas. The full amount of the grant was received in 2023 and recognised in profit or loss as ‘other income’ (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.

IAS 20.23,
Insights 4.3.110.10

- b. In our view, if emissions certificates are received from a government for less than their fair value, then the entity should choose an accounting policy, to be applied consistently, either to recognise the resulting government grant at fair value (as the difference between the fair value of the certificates and the consideration (if any) paid) or to recognise them at the nominal amount paid for the certificates. IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* notes that fair value is the usual approach for non-monetary grants.
- The Group has elected to account for the government grant related to emissions certificates at their fair value.

Notes to the consolidated financial statements (continued)

31. Provisions

See accounting policy in [Note 45\(T\)](#).

	<i>In thousands of euro</i>	Note	Warranties	Restructuring	Site restoration	Emissions schemes	Legal	Total
IAS 3784(a)	Balance at 1 January 2023		200	460	740	140	-	1,540
	Assumed in a business combination	34	-	-	150	-	20	170
IAS 3784(b)	Provisions made during the year		440	280	660	120	-	1,500
IAS 3784(c)	Provisions used during the year	22	(200)	(360)	(800)	(140)	-	(1,500)
IAS 3784(d)	Provisions reversed during the year ^a		-	(100)	-	-	-	(100)
IAS 3784(e)	Unwind of discount	10	-	-	60	-	-	60
IAS 3784(a)	Balance at 31 December 2023		440	280	810	120	20	1,670
	Non-current		200	-	810	-	-	1,010
	Current		240	280	-	120	20	660
			440	280	810	120	20	1,670

A. Warranties

IAS 3785(a)–(c)

The provision for warranties relates mainly to paper sold during 2022 and 2023. 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 EUR 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, 3785(a)–(b)

During 2023, a provision of EUR 280 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 2024.

During 2022, 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 EUR 460 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 2023, and EUR 360 thousand of the provision was used during the year. The unused provision of EUR 100 thousand was reversed and has been included in 'cost of sales'.

Insights 3.12.850.10 ^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 EUR 740 thousand was made during 2022 and an unwind of the discount of EUR 60 thousand was recognised in 2023 in respect of the Group's obligation to rectify environmental damage in France. The required work was completed during 2023 at a cost of EUR 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 2025. During 2023, the Group provided EUR 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 EUR 500 thousand to EUR 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 percent, 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 EUR 500 thousand reported in the Company's interim financial statements as at 30 June 2023 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 EUR 150 thousand, measured on a provisional basis (see [Note 34\(C\)](#)).

D. Emissions schemes

IAS 37.85(a)

The Group participates in a 'cap and trade' scheme in various countries (see [Note 30\(B\)](#)). The Group recognises a liability to surrender emissions certificates as it emits pollutants. The liability is measured based on the carrying amount of the certificates on hand to the extent of emissions within the annual limit (see [Note 22](#)), and at the current market value of certificates to the extent that the Group would be required to purchase additional certificates to settle the obligation.

During 2023, the Group recognised a provision for pollutants emitted of EUR 120 thousand. The provision will be settled by surrendering the emissions certificates to the Government in 2024. A provision of EUR 140 thousand at 31 December 2022 was settled in 2023 in a similar manner.

E. Legal

IAS 37.86(a)–(b)

As a result of the acquisition of Papyrus, the Group assumed a contingent liability of EUR 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 2023 no liability for environmental taxes has been recognised. An expense of EUR 102 thousand has been recognised in profit or loss for the year ended 31 December 2023.

Notes to the consolidated financial statements (continued)

32. Financial instruments – Fair values and risk management

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.

31 December 2023 <i>In thousands of euro</i>	Note	Carrying amount		
		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	-	-	-
Trade and other payables*	29	-	-	-
		-	-	-

* Other payables that are not financial liabilities (refund liabilities recognised under IFRS 15 – EUR 988 thousand) are not included.

IFRS 7.8, 25–26, 29,
13.93(a)–(b), 94, 97, 99

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				
-	32,518	-	32,518				
-	1,504	-	1,504				
-	2,421	-	2,421	2,461	-	-	2,461
-	36,443	-	36,443				
-	-	-	(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)
-	-	(23,017)	(23,017)				
-	-	(48,331)	(48,331)				

IFRS 7, 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.

IFRS 7, 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.

Notes to the consolidated financial statements (continued)

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

A. Accounting classifications and fair values (continued)

31 December 2022 <i>In thousands of euro</i>	Note	Carrying amount		
		Fair value – hedging instruments	Mandatorily at FVTPL – others	FVOCI – debt instruments
Financial assets measured at fair value				
Interest rate swaps used for hedging	25	131	-	-
Forward exchange contracts used for hedging	25	352	-	-
Other forward exchange contracts	25	-	89	-
Sovereign debt securities	25	-	591	-
Corporate debt securities	25	-	-	373
Equity securities	25	-	254	-
		483	934	373
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	(5)	-	-
Forward exchange contracts used for hedging	29	(7)	-	-
Contingent consideration	29	-	-	-
		(12)	-	-
Financial liabilities not measured at fair value				
Bank overdrafts	19	-	-	-
Secured bank loans	28	-	-	-
Unsecured bank loans	28	-	-	-
Unsecured bond issues	28	-	-	-
Loan from associate		-	-	-
Trade and other payables*	29	-	-	-
		-	-	-

* Other payables that are not financial liabilities (refund liabilities recognised under IFRS 15 – EUR 883 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
-	-	-	131	-	131	-	131
-	-	-	352	-	352	-	352
-	-	-	89	-	89	-	89
-	-	-	591	81	510	-	591
-	-	-	373	151	222	-	373
511	-	-	765	540	-	225	765
511	-	-	2,301				
-	22,325	-	22,325				
-	1,849	-	1,849				
-	2,243	-	2,243	2,249	-	-	2,249
-	26,417	-	26,417				
-	-	-	(5)	-	(5)	-	(5)
-	-	-	(7)	-	(7)	-	(7)
-	-	-	-	-	-	-	-
-	-	-	(12)				
-	-	(282)	(282)				
-	-	(12,078)	(12,078)	-	(12,078)	-	(12,078)
-	-	(117)	(117)	-	(117)	-	(117)
-	-	(9,200)	(9,200)	-	(9,301)	-	(9,301)
-	-	(1,000)	(1,000)	-	(997)	-	(997)
-	-	(20,438)	(20,438)				
-	-	(43,115)	(43,115)				

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 in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in [Note 4\(B\)\(i\)](#).

Financial instruments measured at fair value

IFRS 13.91(a), 93(d),
93(h)(i), 99

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	<i>Discounted cash flows:</i> The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.	<ul style="list-style-type: none"> Expected cash flows (31 December 2023: EUR 318–388 thousand). Risk-adjusted discount rate (31 December 2023: 15%). 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> the expected cash flows were higher (lower); or the risk-adjusted discount rate were lower (higher).
Equity securities	<i>Market comparison technique:</i> 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.	<ul style="list-style-type: none"> Adjusted market multiple (2022: 4–7). 	The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower).
Corporate debt securities	<i>Market comparison/ discounted cash flow:</i> 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.

IFRS 3.B67(b)(iii)

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)

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	<i>Forward pricing:</i> 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	<i>Swap models:</i> 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.

Financial instruments not measured at fair value

Type	Valuation technique
Other financial liabilities*	<i>Discounted cash flows:</i> 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 and loans from associates.

IFRS 13.91(a), 93(d), 93(h)(i), 99

IFRS 13.93(d), 97

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 2023, FVOCI corporate debt securities with a carrying amount of EUR 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 (see Note 32(B)(i)). There were no transfers from Level 2 to Level 1 in 2023 and no transfers in either direction in 2022.

iii. Level 3 recurring 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.

<i>In thousands of euro</i>	Note	Equity securities	Contingent consideration
Balance at 1 January 2022		-	-
Gain included in OCI			
– Net change in fair value (unrealised)		13	-
Purchases		212	-
Balance at 31 December 2022		225	-
Balance at 1 January 2023		225	-
Assumed in a business combination	<i>34(A)</i>	-	(250)
Loss included in ‘finance costs’			
– Net change in fair value (unrealised)	<i>10</i>	-	(20)
Gain included in OCI			
– Net change in fair value (unrealised)		18	-
Transfers out of Level 3		(243)	-
Balance at 31 December 2023		-	(270)

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 EUR 243 thousand at 31 December 2023 (2022: EUR 225 thousand). The fair value of this investment was categorised as Level 3 at 31 December 2022 (for information on the valuation technique, see B(ii)). 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 2023, 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 2023.

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 recurring fair values (continued)

Sensitivity analysis

For the fair values of contingent consideration and equity securities, 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

Effect in thousands of euro

	Profit or loss	
	Increase	Decrease
31 December 2023		
Expected cash flows (10% movement)	(23)	23
Risk-adjusted discount rate (1% movement (100 bps))	6	(6)

Equity securities

Effect in thousands of euro

	OCI, net of tax	
	Increase	Decrease
31 December 2022		
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

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 13.93(h)(ii)

IFRS 7.31, 33(b)

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.

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

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.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

<i>In thousands of euro</i>	2023	2022
Impairment loss on trade receivables and contract assets arising from contracts with customers*	210	192
Impairment loss on lease receivable	1	1
Impairment loss on debt securities at amortised cost	62	13
Impairment loss (reversal) on debt securities at FVOCI	(3)	-
	270	206

* Of which EUR 11 thousand (2022: EUR 3 thousand) related to a discontinued operation (see [Notes 6](#) and [7](#)).

Trade receivables and contract assets

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 percent 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.

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 2023, 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.

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](#)).

IFRS 7.31, 33

IFRS 7.35K(a), 36(a)

IAS 1.82(ba)

IFRS 15.113(b)

IFRS 7.33(a)–(b)

IFRS 7.33(c)

IFRS 7.35K(b), B8G

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), (c)

At 31 December 2023, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows.^a

In thousands of euro	Carrying amount	
	2023	2022
[Countries A, B, C, D and E]	1,598	1,583
Other [Region Z] countries	24,027	13,649
US	11,374	7,687
Other regions	286	188
	37,285	23,107

IFRS 7.34(a), (c)

At 31 December 2023, 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	
	2023	2022
Wholesale customers	27,588	15,051
Retail customers	9,246	7,145
End-user customers	342	820
Other	109	91
	37,285	23,107

IFRS 7.34(a), (c)

At 31 December 2023, the carrying amount of the receivable from the Group's most significant customer (a European wholesaler) was EUR 8,034 thousand (2022: EUR 4,986 thousand).

IFRS 7.34(a), 35M, B8I

A summary of the Group's exposure to credit risk for trade receivables and contract assets is as follows.

In thousands of euro	2023		2022	
	Not credit-impaired	Credit-impaired	Not credit-impaired	Credit-impaired
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*	21,298	-	14,230	-
– Less than four years' trading history with the Group*	8,735	-	3,290	-
– Higher risk	952	223	446	216
Total gross carrying amount	37,382	223	23,105	216
Loss allowance	(246)	(74)	(138)	(76)
	37,136	149	22,967	140

* Excluding 'higher risk'.

IFRS 7.1G18

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)

Expected credit loss assessment for corporate customers

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 (2022: 1.2) for [*Country X*], 0.9 (2022: 0.8) for [*Country Y*], 1.1 (2022: 1.2) for [*Country Z*] and 1.8 (2022: 1.9) for [*Industry A*].

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 2023.

31 December 2023 <i>In thousands of euro</i>	Equivalent to external credit rating [<i>Agency Y</i>]	Weighted- average loss rate	Gross carrying amount	Impairment loss allowance	Credit- impaired
Grades 1–6: <i>Low risk</i>	BBB- to AAA	0.30%	9,163	(27)	No
Grades 7–9: <i>Fair risk</i>	BB- to BB+	0.60%	16,094	(97)	No
Grade 10: <i>Substandard</i>	B- to CCC-	2.60%	1,633	(42)	No
Grade 11: <i>Doubtful</i>	C to CC	23.20%	118	(27)	Yes
Grade 12: <i>Loss</i>	D	44.90%	67	(30)	Yes
			27,075	(223)	

Expected credit loss assessment for individual customers

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 under 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 7.35B(a), 35F(c),
35G(a)–(b)

IFRS 7.35M, B8I

IFRS 7.35B(a), 35F(c),
35G(a)–(b)

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 individual customers (continued)

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 2023.

31 December 2023 <i>In thousands of euro</i>	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit- impaired
Current (not past due)	0.40%	8,511	(34)	No
1–30 days past due	1.10%	1,638	(18)	No
31–60 days past due	5.60%	232	(13)	No
61–90 days past due	13.20%	111	(15)	No
More than 90 days past due	43.60%	38	(17)	Yes
		10,530	(97)	

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 (2022: 1.2) for [Country X], 0.95 (2022: 1.0) for [Country Y] and 1.2 (2022: 1.1) for [Country Z].

Expected credit loss assessment for corporate customers

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 2022.

31 December 2022 <i>In thousands of euro</i>	Equivalent to external credit rating [Agency Y]	Weighted- average loss rate	Gross carrying amount	Impairment loss allowance	Credit- impaired
Grades 1–6: <i>Low risk</i>	BBB- to AAA	0.20%	4,786	(10)	No
Grades 7–9: <i>Fair risk</i>	BB- to BB+	0.60%	8,141	(49)	No
Grade 10: <i>Substandard</i>	B- to CCC-	2.60%	865	(22)	No
Grade 11: <i>Doubtful</i>	C to CC	24.20%	100	(24)	Yes
Grade 12: <i>Loss</i>	D	44.80%	101	(45)	Yes
			13,993	(150)	

Expected credit loss assessment for individual customers

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 2022.

31 December 2022 <i>In thousands of euro</i>	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit- impaired
Current (not past due)	0.30%	7,088	(21)	No
1–30 days past due	1.10%	2,012	(22)	No
31–60 days past due	5.60%	193	(11)	No
61–90 days past due	14.60%	20	(3)	No
More than 90 days past due	43.50%	15	(7)	Yes
		9,328	(64)	

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

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

In thousands of euro

	2023	2022
Balance at 1 January	214	26
Amounts written off	(80)	(5)
Amounts derecognised due to discontinued operation	(25)	-
Net remeasurement of loss allowance	211	193
Balance at 31 December	320	214

IFRS 7.35L

Trade receivables with a contractual amount of EUR 70 thousand written off during 2023 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 2023:

- the growth of the business in [Countries A, B, X and Y] resulted in increases in trade receivables of EUR 4,984 thousand (2022: EUR 2,356 thousand) and EUR 4,556 thousand (2022: EUR 2,587 thousand) respectively and increases in impairment allowances of EUR 30 thousand (2022: EUR 14 thousand) and EUR 44 thousand (2022: EUR 23 thousand) respectively;
- increases in credit-impaired balances in [Countries D and Z] of EUR 143 thousand (2022: EUR 98 thousand) resulted in increases in impairment allowances of EUR 47 thousand (2022: EUR 44 thousand); and
- a decrease in trade receivables of EUR 3,970 thousand attributed to the Packaging segment, which was sold in February 2023 (see [Note 7](#)), resulted in a decrease in the loss allowance in 2023 of EUR 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

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 debtors.

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 parameters generally reflect an assumed recovery rate of 40 percent 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.

The exposure to credit risk for debt securities at amortised cost, FVOCI and FVTPL at the reporting date by geographic region was as follows.

In thousands of euro	Net carrying amount	
	2023	2022
[Country X]	1,615	2,338
[Countries A, B, C, D and E]	68	115
Other [Region Z] countries	366	273
UK	435	430
US	298	51
	2,782	3,207

IFRS 7.33(a)–(b),
35B(a), 35F(a),
35G(a)–(b)

IFRS 7.34(a), (c)

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)

The following table presents an analysis of the credit quality of debt securities at amortised cost, FVOCI and FVTPL. 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.

Credit rating	2023					2022				
	FVTPL	FVOCI	At amortised cost			FVTPL	FVOCI	At amortised cost		
			Lifetime		Lifetime ECL – credit-impaired			Lifetime		Lifetime ECL – credit-impaired
			12-month ECL	12-month ECL				12-month ECL	12-month ECL	
<i>In thousands of euro</i>										
BBB- to AAA	243	122	1,764	-	-	591	378	1,569	-	-
BB- to BB+	-	-	-	207	-	-	-	-	334	-
B- to B+	-	-	-	113	-	-	-	-	233	-
C to CCC+	-	-	-	247	-	-	-	-	73	-
D	-	-	-	-	185	-	-	-	-	67
Gross carrying amounts		122	1,764	567	185		378	1,569	640	67
Loss allowance		(1)	(15)	(25)	(55)		(4)	(7)	(7)	(19)
Amortised cost		121	1,749	542	130		374	1,562	633	48
Carrying amount	243	118	1,749	542	130	591	373	1,562	633	48

An impairment allowance of EUR 55 thousand (2022: EUR 19 thousand) in respect of debt securities at amortised cost with a credit rating of D was recognised because of significant financial difficulties being experienced by the debtors. The Group has no collateral in respect of these investments.

IFRS 7.35I

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)

The movement in the allowance for impairment for debt securities at amortised cost during the year was as follows.

IFRS 7.35H, 42P

IFRS 7.42P

In thousands of euro	2023			Total
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
Balance at 1 January	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

IFRS 7.42P

In thousands of euro	2022			Total
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
Balance at 1 January	6	2	12	20
Net remeasurement of loss allowance	-	10	6	16
Transfer to lifetime ECL – not credit-impaired	-	-	-	-
Transfer to lifetime ECL – credit-impaired	-	(1)	1	-
Financial assets repaid	-	(4)	-	(4)
New financial assets acquired	1	-	-	1
Balance at 31 December	7	7	19	33

IFRS 7.35I, B8D

The following contributed to the increase in the loss allowance during 2023.

- An issuer of a debt security with a gross carrying amount of EUR 109 thousand entered administration. The Group classified the debt security as credit-impaired and increased the loss allowance by EUR 25 thousand.
- A recession in [Country Y] in the fourth quarter of 2023 resulted in credit rating downgrades and transfers to lifetime ECL measurement, with consequent increases in loss allowances of EUR 33 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 (continued)

The movement in the allowance for impairment in respect of debt securities at FVOCI during the year was as follows.

	2023	2022
	12-month ECL	12-month ECL
<i>In thousands of euro</i>		
Balance at 1 January	4	4
Net remeasurement of loss allowance	(1)	(1)
Financial assets derecognised	(3)	-
New financial assets acquired	1	1
Balance at 31 December	1	4

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 1,504 thousand at 31 December 2023 (2022: EUR 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.

The amount of impairment allowance at 31 December 2023 is EUR 1 thousand (2022: EUR 1 thousand).

Derivatives

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 2023 and 2022, the Company has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see [Note 33\(B\)](#)).

IFRS 7.16A, 35H, 42P

IFRS 7.33(a)–(b),
34(a), 35B(a), 35F(a),
35G(a)–(b), 35M

IFRS 7.35H, 42P

IFRS 7.33(a)–(b), 34(a)

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iii. Liquidity risk

IFRS 7.31, 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 objective when 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

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. As described in [Note 19](#), cash of EUR 300 thousand (2022: nil) is subject to restrictions imposed by certain customers. As such, this cash amount was excluded when calculating the ratio for the current period. The ratio of investments to outflows was 1.17 at 31 December 2023 (2022: 1.21).

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 2023, the expected cash inflows from trade and other receivables maturing within two months were EUR 30,892 thousand (2022: EUR 21,209 thousand) and the expected cash outflows from trade and other payables due within two months were EUR 23,024 thousand (2022: EUR 20,444 thousand). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As described in [Note 29](#), the Group also participates in a supply chain financing arrangement (SCF) with the principal purpose of facilitating efficient payment processing of supplier invoices. The SCF allows the Group to centralise payments of trade payables to the bank rather than paying each supplier individually. While the SCF does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating, the programme assists in making cash outflows more predictable.

IAS 7.50(a), IFRS 7B11F

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

- EUR 10,000 thousand overdraft facility that is unsecured. Interest would be payable at the rate of Euribor plus 250 basis points (2022: Euribor plus 160 basis points).
- EUR 15,000 thousand 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 200 basis points (2022: 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)

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}

IFRS 7.39(a),
B11A–B11D

31 December 2023 <i>In thousands of euro</i>	Carrying amount	Contractual cash flows					More than 5 years
		Total	2 months or less	2–12 months	1–2 years	2–5 years	
Non-derivative financial liabilities							
Contingent consideration	270	(330)	-	-	-	(330)	-
Bank overdrafts	334	(334)	(334)	-	-	-	-
Secured bank loans	8,609	(9,409)	(367)	(1,720)	(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)
Lease liabilities	4,125	(5,697)	(381)	(334)	(963)	(1,450)	(2,569)
Trade payables	23,017	(23,017)	(23,017)	-	-	-	-
	52,726	(57,482)	(24,352)	(5,813)	(3,720)	(18,940)	(4,657)
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 16.58

IFRS 7.39(b),
B11A–B11DIFRS 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.

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)

31 December 2022 <i>In thousands of euro</i>	Carrying amount	Contractual cash flows					
		Total	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Bank overdrafts	282	(282)	(282)	-	-	-	-
Secured bank loans	12,078	(13,112)	(1,720)	(3,605)	(518)	(6,357)	(912)
Unsecured bank loan	117	(125)	(63)	(62)	-	-	-
Unsecured bond issues	9,200	(10,613)	(61)	(184)	(3,306)	(1,703)	(5,359)
Lease liabilities	4,529	(5,936)	(200)	(400)	(900)	(1,400)	(3,036)
Loan from associate	1,000	(1,048)	(8)	(1,040)	-	-	-
Trade payables	20,438	(20,438)	(20,438)	-	-	-	-
	47,644	(51,554)	(22,772)	(5,291)	(4,724)	(9,460)	(9,307)
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)	-

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.

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

IFRS 7.39(a),
B11A–B11D

IFRS 16.58

IFRS 7.39(b),
B11A–B11D

IFRS 7.39(b)–(c), B11D

IFRS 7.B10A

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

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.

Managing interest rate benchmark reform and associated risks

IFRS 7.24I–24J

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). In 2021, the Group undertook amendments to most financial instruments with contractual terms indexed to IBORs such that they incorporate new benchmark rates, e.g. SONIA. As at 31 December 2023, the Group's remaining unreformed IBOR exposure is indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). The Group finished the process of implementing appropriate fallback clauses for all US dollar LIBOR indexed exposures in 2022. These clauses automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases. As announced by the Financial Conduct Authority (FCA) in early 2022, the panel bank submissions for the overnight and 12-month US dollar LIBOR ceased on 30 June 2023. In addition, the FCA announced in early 2023 that the one-, three- and six-month synthetic US dollar LIBOR settings will cease on 30 September 2024.

Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

All unreformed contracts relate to corporate debt securities and contain appropriate fallback clauses. At 31 December 2023, the carrying amount of unreformed contracts with appropriate fallback clauses is EUR 7 thousand (1 January 2023: EUR 253 thousand).

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^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 percent 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 7.24C(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.

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 7.22B

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 under the hypothetical derivative method.

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)

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.

In thousands of	31 December 2023				31 December 2022			
	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 7.23E

- 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)

- 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.

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)

Exposure to currency risk (continued)

The following significant exchange rates have been applied.^a

Euro	Average rate		Year-end spot rate	
	2023	2022	2023	2022
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

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.

Effect in thousands of euro	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 December 2023				
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 2022				
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

IFRS 7.34(a)

IFRS 7.31

IFRS 7.40

IFRS 7.31

- a. Although it is not specifically required by the Accounting Standards, 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)

Interest rate risk

IFRS 7.21C,
22A(b)–(c), 22B–C

The Group adopts a policy of ensuring that between 80 and 90 percent 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),
IFRS 9.6.8.6

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 under 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.

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.

In thousands of euro	Nominal amount	
	2023	2022
Fixed-rate instruments		
Financial assets	2,554	2,629
Financial liabilities	(18,041)	(12,869)
	(15,487)	(10,240)
Effect of interest rate swaps	(8,000)	(7,500)
	(23,487)	(17,740)
Variable-rate instruments		
Financial liabilities	(11,064)	(14,055)
Effect of interest rate swaps	8,000	7,500
	(3,064)	(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 EUR 65 thousand after tax (2022: EUR 66 thousand). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

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.

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)

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.

Effect in thousands of euro	Profit or loss		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2023				
Variable-rate instruments	(66)	66	-	-
Interest rate swaps	61	(61)	310	(302)
Cash flow sensitivity (net)	(5)	5	310	(302)
31 December 2022				
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 primary goal of the Group's investment in equity securities is to hold the investments for the long term for strategic purposes. Management is assisted by external advisers in this regard. However, the Group also holds certain equity securities for the purposes of trading. See [Note 25](#) for further details.

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, a 2 percent increase in the FTSE 100 plus a 3 percent increase in the Dow Jones Industrial Average at the reporting date would have increased equity by EUR 28 thousand after tax (2022: an increase of EUR 18 thousand after tax); an equal change in the opposite direction would have decreased equity by EUR 28 thousand after tax (2022: a decrease of EUR 18 thousand after tax). For such investments classified as at FVTPL, the impact of a 2 percent increase in the FTSE 100 plus a 3 percent increase in the Dow Jones Industrial Average at the reporting date on profit or loss would have been an increase of EUR 16 thousand after tax (2022: EUR 18 thousand after tax). An equal change in the opposite direction would have decreased profit or loss by EUR 16 thousand after tax (2022: EUR 18 thousand after tax).

IFRS 7.40

IFRS 7.40

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 2023, 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

IFRS 7.23B(a)

IFRS 7.23B(b)

Interest rate risk

Interest rate swaps

	1–6 months	6–12 months	More than one year
Net exposure (in thousands of euro)	-	41	78
Average fixed interest rate	2.2%	2.4%	2.8%

At 31 December 2022, 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

Interest rate risk

Interest rate swaps

	1–6 months	6–12 months	More than one year
Net exposure (in thousands of euro)	-	63	67
Average fixed interest rate	2.1%	2.2%	2.9%

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

- 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)

The amounts at the reporting date relating to items designated as hedged items were as follows.

In thousands of euro	31 December 2023			
	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
Foreign currency risk				
Sales, receivables and borrowings	23	154	2	-
Inventory purchases	15	101	2	-
Interest rate risk				
Variable-rate instruments	24	178	-	-
31 December 2022				
Foreign currency risk				
Sales, receivables and borrowings	(35)	181	(27)	-
Inventory purchases	(23)	119	-	-
Interest rate risk				
Variable-rate instruments	(37)	191	-	-

IFRS 7.24B(b)

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)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

IFRS 7.21B, 21D, 24A, 24C(b)

	2023			Line item in the statement of financial position where the hedging instrument is included
	Nominal amount	Carrying amount		
		Assets	Liabilities	
<i>In thousands of euro</i>				
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)	Other investments including derivatives (assets), trade and other payables (liabilities)
Interest rate risk				
Interest rate swaps	8,000	116	(20)	Other investments including derivatives (assets), trade and other payables (liabilities)

During the period – 2023

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

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)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

	2022			Line item in the statement of financial position where the hedging instrument is included
	Nominal amount	Carrying amount		
		Assets	Liabilities	
<i>In thousands of euro</i>				
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)

IFRS 7.21B, 21D, 24A, 24C(b)

During the period – 2022

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
35	(11)	Finance costs – other	6	-	-	(3)	7	Revenue
			-	-	-	(3)	(5)	Finance costs – other
23	-		4	1	(1)	-	-	
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)

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.

	2023	
	Hedging reserve	Cost of hedging reserve
<i>In thousands of euro</i>		
Balance at 1 January 2023	491	(27)
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 2023	433	4

IFRS 7.24E–F

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)

<i>In thousands of euro</i>	2022	
	Hedging reserve	Cost of hedging reserve
Balance at 1 January 2022	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 – other items	(6)	2
– Interest rate risk	(5)	-
Amount included in the cost of non-financial items:		
– Foreign currency risk – inventory purchases	1	(1)
Tax on movements on reserves during the year	(28)	(3)
Balance at 31 December 2022	491	(27)

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)

Part of the Group's net investment in its Swiss subsidiary is hedged by a Swiss franc-denominated secured bank loan (carrying amount: EUR 1,240 thousand (2022: EUR 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.

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)

Net investment hedges (continued)

The amounts related to items designated as hedging instruments were as follows.

2023				
<i>In thousands of euro</i>	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included
		Assets	Liabilities	
Foreign exchange-denominated debt (CHF)	1,240	-	1,240	Loans and borrowings

The amounts related to items designated as hedged items were as follows.

2023	
<i>In thousands of euro</i>	Change in value used for calculating hedge ineffectiveness
CHF net investment	3

The amounts related to items designated as hedging instruments were as follows.

2022				
<i>In thousands of euro</i>	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included
		Assets	Liabilities	
Foreign exchange-denominated debt (CHF)	1,257	-	1,257	Loans and borrowings

The amounts related to items designated as hedged items were as follows.

2022	
<i>In thousands of euro</i>	Change in value used for calculating hedge ineffectiveness
CHF net investment	8

During the period – 2023

Change in value used for calculating hedge ineffectiveness for 2023	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 – 2023

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 – 2022

Change in value used for calculating hedge ineffectiveness for 2022	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 – 2022

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)

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

<i>In thousands of euro</i>	<i>Note</i>	Gross amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
31 December 2023				
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 2022				
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, 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, Insights 7.10.250.120

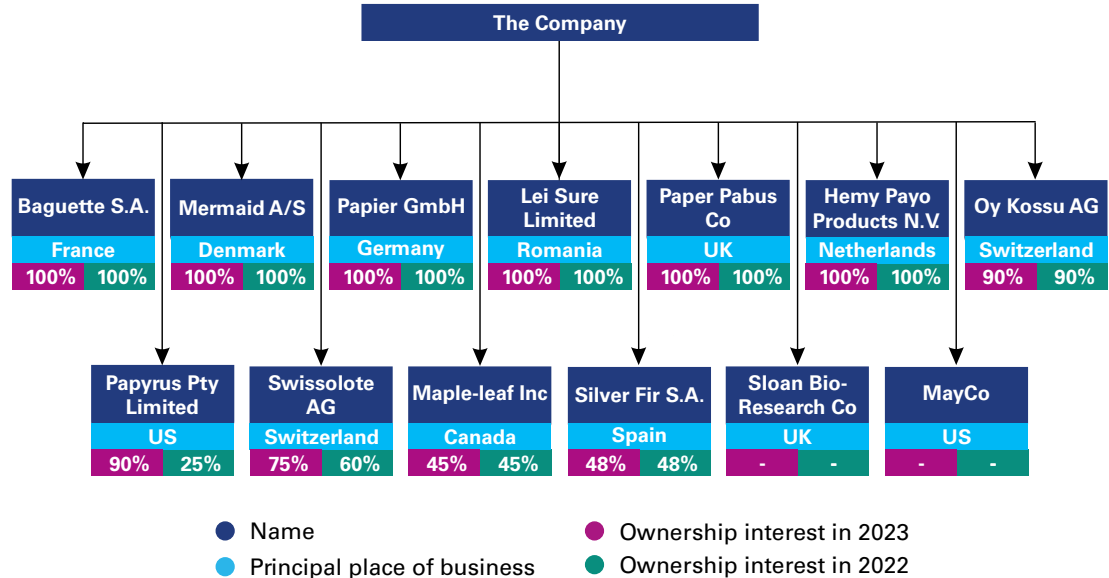
b. The disclosure requirements described in paragraph 13C of IFRS 7 are minimum requirements. An entity supplements them with additional qualitative disclosures if they are necessary for financial statement users to evaluate the actual or potential effect of netting arrangements on its financial position. 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).

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



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

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

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.

The Company has issued guarantees to certain banks in respect of the credit facilities of EUR 700 thousand granted to these entities, which is the maximum amount the Company is exposed to.

IFRS 12.10(a), 12(a)-(b),
IAS 24.13-14

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

IFRS 12.7(a), 9(b),
10(b)(iii)

IFRS 12.14

a. For additional disclosure examples and explanatory notes on IFRS 12, see our [Guide to annual financial statements – IFRS 12 supplement](#).

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 2023, the Group acquired 65 percent of the shares and voting interests in Papyrus. As a result, the Group's equity interest in Papyrus increased from 25 to 90 percent, granting it control of Papyrus (see [Note 24\(B\)](#)).

Included in the identifiable assets and liabilities acquired at the date of acquisition of Papyrus are inputs (a head office, several factories, patented technology, inventories and customer relationships), production processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

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 2023, Papyrus contributed revenue of EUR 20,409 thousand and profit of EUR 425 thousand to the Group's results. If the acquisition had occurred on 1 January 2023, management estimates that consolidated revenue would have been EUR 107,091 thousand, and consolidated profit for the year would have been EUR 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 2023.

A. Consideration transferred

IFRS 3.B64(f)

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

In thousands of euro

IFRS 3.B64(f)(i),
IAS 740(a)–(b)
IFRS 3.B64(f)(iv),
IAS 743

	<i>Note</i>	
Cash		2,500
Equity instruments (8,000 ordinary shares)	<i>26(A)(i)</i>	87
Replacement share-based payment awards		120
Contingent consideration	<i>32(B)(iii)</i>	250
Settlement of pre-existing relationship	<i>9(B)</i>	(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 2023 of EUR 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 2022 Vesting date: 31 March 2026 Service condition	Vesting date: 31 March 2026 Service condition
Fair value at date of acquisition	EUR 527 thousand	EUR 571 thousand

Notes to the consolidated financial statements (continued)

34. Acquisition of subsidiary (continued)

A. Consideration transferred (continued)

ii. Replacement share-based payment awards (continued)

The value of the replacement awards is EUR 520 thousand, after taking into account an estimated forfeiture rate of 9 percent. The consideration for the business combination includes EUR 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 EUR 400 thousand will be recognised as post-acquisition compensation cost. For further details on the replacement awards, see [Note 12\(A\)\(ii\)](#).

iii. Contingent consideration

The Group has agreed to pay the selling shareholders in three years' time additional consideration of EUR 600 thousand if the acquiree's cumulative EBITDA over the next three years exceeds EUR 10,000 thousand. The Group has included EUR 250 thousand as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At 31 December 2023, the contingent consideration had increased to EUR 270 thousand (see [Note 29](#)).

iv. Settlement of pre-existing relationship

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 EUR 326 thousand. This pre-existing relationship was effectively terminated when the Group acquired Papyrus.

The Group has attributed EUR 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 EUR 600 thousand, of which EUR 400 thousand related to the unfavourable aspect of the contract to the Group relative to market prices.

B. Acquisition-related costs

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

C. Identifiable assets acquired and liabilities assumed

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

<i>In thousands of euro</i>	<i>Note</i>	
Property, plant and equipment	21(A)	1,955
Intangible assets	22(A)	250
Inventories		825
Trade receivables		848
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

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

IFRS 3.B64(l)

IFRS 3.B64(l)-(m)

IFRS 3.B64(i),
IAS 7.40(a)-(d)

IFRS 3.B64(h)(i)
IAS 7.40(c)

Notes to the consolidated financial statements (continued)

34. Acquisition of subsidiary (continued)

C. Identifiable assets acquired and liabilities assumed (continued)

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	<i>Market comparison technique and cost technique:</i> 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	<i>Relief-from-royalty method and multi-period excess earnings method:</i> 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	<i>Market comparison technique:</i> 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.

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

Fair values measured on a provisional basis

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.
- 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 EUR 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 3.61

IFRS 3.B64(h)(ii)–(iii)

IFRS 3.B67(a),
IAS 1.125IFRS 3.B64(j), B67(c),
IAS 37.86

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.

<i>In thousands of euro</i>	<i>Note</i>	2023
Consideration transferred	(A)	2,631
IFRS 3.B64(o)(ii) 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 percent interest in Papyrus resulted in a gain of EUR 250 thousand (EUR 649 thousand less the EUR 419 thousand carrying amount of the equity-accounted investee at the date of acquisition plus EUR 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.

Notes to the consolidated financial statements (continued)

35. Non-controlling interests^a

See accounting policies in [Note 45\(A\)\(ii\)–\(iii\)](#) and [\(vi\)](#).

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 2023 <i>In thousands of euro</i>	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 2022 <i>In thousands of euro</i>	
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 2023, the Group's equity interest in Papyrus increased from 25 to 90 percent 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 2023.

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	(80)	3,804
10,930	9,540	8,112	15,882			
566	410	245	309			
-	-	44	-			
566	410	289	309			
57	103	135	161	3	(7)	497
-	-	24	-	-	(1)	26
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	2	(54)	3,091
8,660	9,390	6,259	13,743			
150	252	236	285			
-	-	40	-			
150	252	276	285			
15	101	130	148	(5)	(38)	351
-	-	22	-	-	-	22
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 [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.

Notes to the consolidated financial statements (continued)

36. Acquisition of NCI

See accounting policies in [Note 45\(A\)\(ii\)–\(iii\)](#).

In June 2023, the Group acquired an additional 15 percent interest in Swissolote, increasing its ownership from 60 to 75 percent. The carrying amount of Swissolote's net assets in the Group's consolidated financial statements on the date of the acquisition was EUR 767 thousand.

In thousands of euro

Carrying amount of NCI acquired (EUR 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 EUR 93 thousand; and
- an increase in the translation reserve of EUR 8 thousand.

IFRS 12.10(b)(iii), 18

Notes to the consolidated financial statements (continued)

37. Loan covenant waiver

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 2023. The Group obtained a waiver of the breach of covenant in October 2023 for a period of 18 months. Subsequent to 31 December 2023, 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.

IFRS 7.18–19

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

38. Leases

See accounting policy in [Note 45\(U\)](#).

A. Leases as lessee

IFRS 16.51, 59

The Group leases warehouse and factory facilities. 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 leases, the Group is restricted from entering into any sub-lease arrangements. The Group also leases production equipment.

IAS 1.122

The warehouse and factory leases were entered into many years ago as combined leases of land and buildings.

During 2023, one of the leased properties has been sub-let by the Group. The lease and sub-lease expire in 2025.

IFRS 16.60

The Group leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

IFRS 16.53–54

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets^a

IFRS 16.47(a)(ii)

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see [Note 21\(A\)](#)).

<i>In thousands of euro</i>	Land and buildings	Production equipment	Total
2023			
IFRS 16.53(j) Balance at 1 January	2,181	1,972	4,153
IFRS 16.53(a) Depreciation charge for the year	(25)	(283)	(308)
IFRS 16.53(h) Additions to right-of-use assets	150	-	150
Derecognition of right-of-use assets*	(402)	-	(402)
Balance at 31 December	1,904	1,689	3,593

* Derecognition of the right-of-use assets is as a result of entering into a finance sub-lease.

^a Although it is not required by IFRS 16 *Leases*, the Group has reconciled the opening and closing right-of-use asset carrying amounts in the financial statements. This disclosure is provided for illustrative purposes only.

Notes to the consolidated financial statements (continued)

38. Leases (continued)

A. Leases as lessee (continued)

i. Right-of-use assets (continued)

<i>In thousands of euro</i>	Land and buildings	Production equipment	Total
2022			
IFRS 16.53(j) Balance at 1 January	2,526	2,057	4,583
IFRS 16.53(a) Depreciation charge for the year	(30)	(265)	(295)
IFRS 16.53(h) Additions to right-of-use assets	-	180	180
Derecognition of right-of-use assets*	(315)	-	(315)
Balance at 31 December	2,181	1,972	4,153

* Derecognition of the right-of-use assets is as a result of entering into a finance sub-lease.

ii. Amounts recognised in profit or loss

<i>In thousands of euro</i>	2023	2022
IFRS 16.53(b) Interest on lease liabilities	320	238
IFRS 16.53(f) Income from sub-leasing right-of-use assets presented in 'other revenue'	(150)	(90)
IFRS 16.53(c) Expenses relating to short-term leases	80	90
IFRS 16.53(d) Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	65	119

iii. Amounts recognised in statement of cash flows

<i>In thousands of euro</i>	2023	2022
IFRS 16.53(g) Total cash outflow for leases	1,019	1,037

iv. Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of EUR 120 thousand.

B. Leases as lessor

The Group leases out its investment property consisting of its owned commercial properties as well as leased property (see Note 23). All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease, which the Group has classified as a finance sub-lease.

Notes to the consolidated financial statements (continued)

38. Leases (continued)

B. Leases as lessor (continued)

i. Finance lease

IFRS 16.92(a)

During 2023, the Group has sub-leased a building that has been presented as a right-of-use asset – property, plant and equipment.

IFRS 16.90(a)(i)

During 2023, the Group recognised a gain of EUR 22 thousand (2022: nil) on derecognition of the right-of-use asset pertaining to the building and presented the gain as part of 'Gain on sale of property, plant and equipment' (see [Note 9\(A\)](#)).

IFRS 16.90(a)(ii)

During 2023, the Group recognised interest income on lease receivables of EUR 31 thousand (2022: 10).

IFRS 16.94

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

<i>In thousands of euro</i>	2023	2022
Less than one year	143	35
One to two years	180	100
Two to three years	131	120
Three to four years	-	100
Four to five years	-	-
More than five years	-	-
Total undiscounted lease receivable	454	355
Unearned finance income	30	40
Net investment in the lease	424	315

ii. Operating lease

IFRS 16.92(a)

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. [Note 23](#) sets out information about the operating leases of investment property.

IFRS 16.90(b)

Rental income recognised by the Group during 2023 was EUR 460 thousand (2022: EUR 302 thousand).

IFRS 16.97

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

<i>In thousands of euro</i>	2023	2022
Less than one year	450	332
One to two years	400	420
Two to three years	380	390
Three to four years	350	360
Four to five years	340	300
More than five years	145	445
Total	2,065	2,247

Notes to the consolidated financial statements (continued)

39. Commitments

IAS 16.74(c)

During 2023, the Group entered into a contract to purchase property, plant and equipment and patents and trademarks in 2023 for EUR 1,465 thousand (2022: nil) and EUR 455 thousand (2022: nil) respectively.

The Group has committed to reduce the carbon footprint of its Timber Products segment by 50 percent by increasing the use of green energy in the production and transportation of timber products. The Group's project to replace its fleet of diesel trucks with electric vehicles and to use solar energy in one of its factories has substantively commenced. The Group has incurred costs of EUR 1,000 thousand in 2022 and is committed to incurring capital expenditure of EUR 20,000 thousand over the next four years. As part of the plan, the Group entered into a contract in 2023 to acquire property, plant and equipment in 2024 in the amount of EUR 640 thousand. See [Notes 21\(G\)](#) and [22\(C\)](#) for the plan's impact on the useful life and impairment of property, plant and equipment.

The Group is committed to incurring other capital expenditure of EUR 150 thousand (2022: EUR 45 thousand). The Group's joint venture is committed to incurring capital expenditure of EUR 23 thousand (2022: EUR 11 thousand), of which the Group's share is EUR 9 thousand (2022: EUR 4 thousand). These commitments are expected to be settled in 2024.

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 EUR 15 thousand for the next five years.

40. Contingencies

IAS 1.125, 3786

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 EUR 950 thousand, of which EUR 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 EUR 20 thousand in respect of a claim for contractual penalties made by one of Papyrus's customers (see [Note 34\(C\)](#)).

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 2023, 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

B. Transactions with key management personnel

i. Key management personnel compensation

IAS 24.18

Key management personnel compensation comprised the following.

<i>In thousands of euro</i>	2023	2022
Short-term employee benefits	502	420
Post-employment benefits	82	103
Other long-term benefits	3	2
Termination benefits	25	-
Share-based payments	516	250
	1,128	775

IAS 24.17(a)

IAS 19.151(b), 24.17(b)

IAS 24.17(c)

IAS 24.17(d)

IAS 24.17(e)

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 EUR 78 thousand from the salaries of the employees concerned (including an amount of EUR 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 EUR 25 thousand during the year (2022: nil).

ii. Key management personnel transactions

Directors of the Company control 12 percent of the voting shares of the Company. A relative of a director of a subsidiary has a 10 percent 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 international-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)

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.

Transaction	Note	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
		2023	2022	2023	2022
Legal fees	(a)	12	13	-	-
Repairs and maintenance	(b)	410	520	137	351
Inventory purchases – paper	(c)	66	-	-	-

- 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 2022, 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 EUR 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.

C. Other related party transactions^a

Transaction	Note	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
		2023	2022	2023	2022
Sale of goods and services					
Parent of the Group – Cameron Paper Co (2022: 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

IAS 24.18(a)

IAS 24.18(b)(i), 23

IAS 24.18

IAS 24.18(a)–(b), 19

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)

C. Other related party transactions (continued)

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 are 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 2023, 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](#)).

Purchase obligations in relation to recycled paper products arise from supply and service contracts signed by the Group. During 2023, the Group entered into an EUR 89 thousand supply agreement with Cameron Paper Co. At 31 December 2023, the Group has used EUR 25 thousand of its commitment under the agreement.

IAS 24.18

IAS 24.18(b)(i)–(ii),
18(c)–(d), 23

IAS 1.114(c)(iv)(1),
24.21

Notes to the consolidated financial statements (continued)

42. Subsequent events

A. Restructuring

At the end of January 2024, 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 2024, by means of non-replacement whenever possible. The Group expects the restructuring associated with the reduction in positions to cost between EUR 600 thousand and EUR 850 thousand in 2024 and 2025.

B. Others

Subsequent to 31 December 2023, one of the Group's major trade customers went into liquidation following a natural disaster in February 2024 that damaged its operating plant. Of the EUR 100 thousand owed by the customer, the Group expects to recover less than EUR 10 thousand. No additional allowance for impairment has been made in these consolidated financial statements.

On 10 January 2024, one of the premises of Oy Kossu AG, having a carrying amount of EUR 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 2023. The Group obtained a waiver for the breach of covenant in October 2023 for a period of 18 months. Subsequent to 31 December 2023, the bank revised the loan covenant ratio and the waiver was lifted (see [Note 37](#)).

On 23 March 2024, an increase in the Netherlands corporate tax rate from 25 to 30 percent was substantively enacted, effective from 1 January 2024. This increase does not affect the amounts of current or deferred income taxes recognised at 31 December 2023. 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 2023 the effect would be that net deferred tax assets would increase by EUR 27 thousand (see [Note 14](#)).

On 22 July 2023, the Group announced its intention to acquire all of the shares of ABC Company for EUR 6,500 thousand. On 4 January 2024, 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 2024.

IAS 10.21–22

IAS 10.21–22

Notes to the consolidated financial statements (continued)

43. Basis of measurement

IAS 1.112(a), 117

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	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 share-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

During 2023, the Group discovered that maintenance expenses had been erroneously duplicated in its financial statements since 2021. 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.

i. Consolidated statement of financial position

1 January 2022 <i>In thousands of euro</i>	Impact of correction of error		
	As previously reported	Adjustments	As restated
Total assets	86,344	-	86,344
Trade and other payables (current)	(28,335)	85	(28,250)
Deferred tax liabilities	(295)	(28)	(323)
Others	(28,209)	-	(28,209)
Total liabilities	(56,839)	57	(56,782)
Retained earnings	(8,440)	(57)	(8,497)
Others	(21,065)	-	(21,065)
Total equity	(29,505)	(57)	(29,562)
31 December 2022 <i>In thousands of euro</i>	As previously reported	Adjustments	As restated
Total assets	90,013	-	90,013
Trade and other payables (current)	(21,424)	96	(21,328)
Deferred tax liabilities	(374)	(32)	(406)
Others	(32,913)	-	(32,913)
Total liabilities	(54,711)	64	(54,647)
Retained earnings	(13,722)	(64)	(13,786)
Others	(21,580)	-	(21,580)
Total equity	(35,302)	(64)	(35,366)

ii. Consolidated statement of profit or loss and OCI

For the year ended 31 December 2022 <i>In thousands of euro</i>	Impact of correction of error		
	As previously reported	Adjustments	As restated
Administrative expenses	(14,439)	11	(14,428)
Income tax expense	(2,456)	(4)	(2,460)
Others	22,862	-	22,862
Profit	5,967	7	5,974
Total comprehensive income	6,398	7	6,405

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 2022.

IAS 8.49

IAS 8.49

IAS 8.49

a. The Group has disclosed the nature of the prior-period error and the amount of the correction for each financial statement line item affected as required by IAS 8.

Notes to the consolidated financial statements (continued)

45. Material accounting policies^a

IAS 1.112(a), 116

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

IAS 1.117–117E

In addition, the Group adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 45 in certain instances (see [Note 5\(C\)](#) for further information).^b

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 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 material accounting policies, the details of which are available on the pages that follow.

A. Basis of consolidation	211
B. Foreign currency	212
C. Discontinued operation	213
D. Revenue from contracts with customers	213
E. Employee benefits	213
F. Government grants	215
G. Emissions schemes	215
H. Finance income and finance costs	216
I. Income tax	217
J. Biological assets	218
K. Inventories	218
L. Property, plant and equipment	218
M. Intangible assets and goodwill	220
N. Investment property	220
O. Assets held for sale	221
P. Financial instruments	221
Q. Share capital	227
R. Compound financial instruments	227
S. Impairment	228
T. Provisions	230
U. Leases	230
V. Operating profit	232
W. Fair value measurement	232

- ^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 (see [Note 45\(Q\)\(iii\)](#)) 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 Accounting Standards and should not be used as a substitute for referring to the accounting standards and interpretations themselves. To help you identify the underlying requirements in IFRS Accounting Standards, references to the recognition and measurement requirements in IFRS Accounting Standards that are relevant for a particular accounting policy have been included and indicated by square brackets – e.g. [\[IFRS 3.19\]](#).

- ^b For further information about material accounting policies, see our [web article](#) and read our [talkbook](#).

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

A. Basis of consolidation

i. Business combinations

[IFRS 3.3–4, 32, 34, 53, B5–B12]

The Group accounts for business combinations under the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see (A)(ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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

[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.

[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.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

A. Basis of consolidation (continued)

v. *Interests in equity-accounted investees*^a

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

[IFRS 11.15–16,
IAS 28.3]

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

[IAS 28.38–39]

Interests in associates and the joint venture are accounted for under 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 (except for foreign currency transaction gains or losses) 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.^b 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.^c

[IFRS 9.B5.73]

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 (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 (P)(v)); and
- qualifying cash flow hedges to the extent that the hedges are effective.

Insights
5.10.140.150

- ^{a.} 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.

Insights 3.5.430.30

- ^{b.} In the absence of specific guidance in the Accounting Standards, 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.

Insights 2.7.160.20

- ^{c.} In our experience, the most common practice is for all such exchange differences related to monetary items to be included as part of finance costs. However, it is also acceptable to allocate the exchange differences to the various line items affected. If exchange differences are allocated in this way, then this should be done consistently from period to period having regard to the guidance in IAS 1 on offsetting, and in our view it would be necessary to disclose the entity's allocation policy, if it is significant, in the financial statements.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

B. Foreign currency (continued)

ii. Foreign operations

[IAS 21.39]

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

[IFRS 10.B94,
IAS 21.41]

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

[IAS 21.48–48D]

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

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

Information about the Group's accounting policies relating to contracts with customers is provided in [Note 8\(D\)](#).

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.

IAS 1.117–117E

- a. The Group presents material accounting policies related to revenue from contracts with customers in the 'revenue' note, rather than in a separate note with other material accounting policies. Other approaches to presenting accounting policies may be acceptable.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

E. Employee benefits (continued)

ii. Share-based payment arrangements

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.

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.

iii. Defined contribution plans

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

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.

The calculation of defined benefit obligations is performed annually by a qualified actuary under 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.

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.

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

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

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.

[IFRS 2.14–15,
19–21, 21A]

[IFRS 2.30, 32]

[IAS 19.28, 51]

[IAS 19.57, 83]

[IAS 19.63–64,
IFRIC 14.23–24]

[IAS 19.122, 127–130]

[IAS 19.103, 109–110]

[IAS 19.155–156]

[IAS 19.165]

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

F. Government grants^a

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. Grants related to the acquisition of assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants related to emissions certificates are recognised in profit or loss as a reduction of emissions expense in cost of sales as the group emits pollutants (see (G)).

[IAS 20.12, 20, 29]

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

G. Emissions schemes^{b, c}

[IAS 38.74]

The Group participates in a 'cap and trade' scheme in various countries. Under the scheme, the Government in each country sets specific annual limits for emitting pollutants and grants the Group the respective number of emissions certificates. The Group can settle its annual obligation created by the emissions of pollutants only by surrendering emissions certificates. If the Group's annual emissions are below the limit, then it can sell the remaining certificates to other parties on a trading platform. Conversely, if the annual emissions exceed the limit, then the Group purchases additional certificates to settle its obligation.

The Group recognises emissions certificates as intangible assets (see (M)). Emissions certificates received from the Government are initially measured at fair value, which is determined based on the market price of certificates traded on the platform at that date. Emissions certificates purchased on the trading platform are initially measured at cost. Subsequent to initial recognition, the emissions certificates are measured at cost less any accumulated impairment losses. The cost of emissions certificates is based on the first-in, first-out allocation method.

Emissions certificates received from the Government are government grants (see (F)).

The Group recognises a liability to surrender emissions certificates as it emits pollutants. The Group measures the liability based on the carrying amount of the certificates on hand to the extent of emissions within the annual limit, and at the current market value of certificates to the extent that it would be required to purchase additional certificates to settle the obligation. The liability is presented as a provision and derecognised when the certificates are surrendered to the Government (see (T)).

Insights 4.3.140.10 a. An entity chooses a presentation format, to be applied consistently, either to offset a grant related to income against the related expenditure (net presentation) or to present it separately or under a general heading such as 'other income' (gross presentation).

Insights 3.3.100.70, 167.10 b. Emissions allowances are often interchangeable. The Accounting Standards are silent on how an entity should determine the carrying amount of such assets – e.g. whether to calculate a gain or loss on disposal. In some cases, it is feasible to identify and track the specific units sold or transferred – e.g. when the units have unique identification numbers. Conversely, if it is not feasible to identify and track the specific units, then in our view an entity should apply the guidance for determining cost formulas for inventories by analogy (see *Insights into IFRS 3.8.280*) under the hierarchy for selecting accounting policies. We believe that a reasonable cost allocation method may be used – i.e. average cost or first-in, first-out. An entity should apply the elected accounting policy consistently.

Insights 3.12.510.30 c. The Group has elected the first-in, first-out allocation method for emissions certificates. In our view, when other means of settlement than surrendering emissions certificates are not possible, the provision could be measured based on the current carrying amount of the certificates on hand if sufficient certificates are owned to settle the current obligation, because that could be viewed as being the best estimate of the expenditure required to settle the obligation. Otherwise, the provision should be based on the current market value of the emissions certificates at the reporting date.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

H. 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 under 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, A1

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 7.10.70.37 ^a There is no guidance in the Accounting Standards 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. Material accounting policies (continued)

I. 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

[IAS 12.88A]

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.^b

i. Current tax

[IAS 12.2, 12, 46,
IFRIC 23.11]

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
 - at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- 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.

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.

Insights 3.13.43.20 ^b. Pillar Two top-up taxes are determined based on taxable profit or loss in a specific jurisdiction. They are included in the consolidated financial statements of the ultimate parent entity, before eliminating intra-group items and after making other adjustments – i.e. top-up taxes are levied on a net amount. Therefore, in our view all Pillar Two top-up taxes levied by tax authorities are generally income taxes in the scope of IAS 12.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

I. 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.

J. 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.

K. 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 allocation method. 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.

L. 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 the IFRS Accounting Standards, 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.

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

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

L. Property, plant and equipment (continued)

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 under the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. 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.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

L. 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 OCI and reduces the revaluation surplus within equity.

M. Intangible assets and goodwill

i. Recognition and measurement

[IAS 38.107–108]

Goodwill Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

[IAS 38.54–55]

Research and development Expenditure on research activities is recognised in profit or loss as incurred.

[IAS 38.57, 66, 71, 74]

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Emissions certificates See (G).

[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 under the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill and emissions certificates^a are 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.

N. 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]

[IAS 40.62(b)(ii), 69]

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 (L)(iv)) is transferred to retained earnings.

Insights

3.3.165.20

- ^a For most emissions certificates traded in an active market, no amortisation will be required because the condition of the asset does not change over time, and therefore the residual value will be the same as cost. As a result, the depreciable amount will be nil.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

N. Investment property (continued)

[IFRS 16.81]

Rental income from investment property is recognised as other 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.

O. Assets held for sale

[IFRS 5.6]

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

[IFRS 5.15–15A, 18–23]

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

[IFRS 5.25, IAS 28.20]

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

[IFRS 7.21]

P. Financial instruments

i. Recognition and initial measurement

[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.

[IFRS 9.5.1.1, 5.1.3, 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 or minus, 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 – classification

[IFRS 9.4.1.1]

On initial recognition, a financial asset is classified as subsequently 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. Material accounting policies (continued)

P. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – classification (continued)

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 (SPPI) on the principal amount outstanding.

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 SPPI on the principal amount outstanding.

On initial recognition of certain equity investments that are not held for trading, the Group has made an irrevocable election to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. See [Note 25](#) for further details.

All financial assets not classified as measured at amortised cost or FVOCI as described above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL. This includes all derivative financial assets (see [Note 32\(A\)](#)).

Financial assets – Business model assessment

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.

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 7.21

[IFRS 9.4.1.2]

[IFRS 9.4.1.2A]

[IFRS 9.4.1.4, 5.75]

[IFRS 9.4.1.5,
IFRS 9.B4.1.6]

[IFRS 9.B4.1.2]

IFRS 9.B4.1.1–
B4.1.2,
Insights 7.4.70.30

Insights 7.4.110.15

^{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.

^{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. Material accounting policies (continued)

P. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Business model assessment (continued)

The business models of the Group are as follows.

Held to collect

There are two main portfolios of financial assets that have a held-to-collect business model.

The Group holds financial assets which arise from its paper manufacturing business and investment property. The objective of the business model for these financial instruments is to collect the amounts due from the Group's receivables and to earn contractual interest income on the amounts collected.

The Group also holds a portfolio of corporate debt securities for the purposes of earning fixed coupons throughout the life of the instrument, as well as maintaining a largely fixed interest rate profile to manage its interest rate risk exposure (see [Notes 25](#) and [32](#) for further details).

Held to collect and sell

The Group holds a portfolio of corporate debt securities for liquidity management purposes (see [Notes 25](#) and [32](#) for further details).

Held for trading

The Group holds a portfolio of listed equity securities and sovereign debt securities for the purposes of trading (see [Note 25](#) for further details).

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are SPPI, 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).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable 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 compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition. The Group had no financial assets held outside trading business models that failed the SPPI assessment.

IFRS 7.21

[IFRS 9.B4.1.11(b),
B4.1.12]

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

P. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses

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(P)(v) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost under the effective interest method. The gross carrying amount 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.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated under 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.
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.

Financial liabilities – Classification, subsequent measurement and gains and losses

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 under 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\(P\)\(v\)](#) for financial liabilities designated as hedging instruments.

iii. Derecognition

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. See [Note 18\(A\)](#) for further details.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

IFRS 7.21

IFRS 7.B5(e)

[IFRS 9.5.7.1]

[IFRS 9.5.7.2]

[IFRS 9.5.7.10–5.7.11]

[IFRS 9.5.7.5–5.7.6, B5.7.1]

[IFRS 9.5.7.1]

[IFRS 9.3.2.6(b)]

[IFRS 9.5.4.7, 5.4.9]

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

P. Financial instruments (continued)

iv. Offsetting

Information about the Group's accounting policies relating to offsetting of financial assets and financial liabilities is provided in [Note 32\(D\)](#).

v. Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

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.

More information about the Group's accounting policies and risk management activities related to derivative financial instruments and hedge accounting is provided in [Note 32\(C\)\(iv\)](#).

Hedges directly affected by interest rate benchmark reform

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform (as defined in [\(P\)\(iii\)](#)). For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Group also amends the description of the hedging instrument if the following conditions are met:

- it makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

IFRS 7.21

IFRS 9.5.1.1, 5.2.1(c)

IFRS 9.6.9.1

IFRS 9.6.9.2

IFRS 9.6.9.4

IFRS 9.6.9.5

IFRS 9.6.9.7–6.9.8

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

P. Financial instruments (continued)

v. Derivative financial instruments and hedge accounting (continued)

Cash flow hedges

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, recognised in other comprehensive income and accumulated in a separate component of equity.

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.

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

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 changes in the fair value of a derivative or foreign exchange gains and losses for a non-derivative 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 fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

IFRS 7.21

[IFRS 9.6.5.11, 6.5.16]

[IFRS 9.6.5.6–6.5.7, 6.5.12]

[IFRS 9.6.5.13–6.5.14]

Introduction

Australian content

Primary statements

NOTES

Appendices

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

Q. 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 (I)).

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.

R. Compound financial instruments

[IAS 32.28–32]

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value. See [Note 28\(C\)](#) for further details.

[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 under 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. Material accounting policies (continued)

S. Impairment

i. Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost ('cash and cash equivalents' and 'trade and other receivables');
- debt securities measured at FVOCI (disclosed as part of 'other investments including derivatives'; see [Note 25](#) for further details); and
- contract assets.

The Group also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables. See [Note 32\(C\)\(ii\)](#) for further details.

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 (including lease 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, that includes forward-looking information. See [Note 32\(C\)\(ii\)](#) for further details.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor 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.

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).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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.

(IFRS 9.2, 9.5.5.1, IFRS 16.77)

(IFRS 9.5.5.3, 5.5.5, 5.5.11, 5.5.15–5.5.16)

IFRS 7.35F(b), B8A

IFRS 7.35F(a)(i), IFRS 9.5.5.10, B5.5.22–B5.5.24, A)

(IFRS 9.5.5.19, B5.5.38)

(IFRS 9.5.5.17, A, B5.5.28–B5.5.30, B5.5.33)

IFRS 9.5.5.15

- ^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 the loss allowance or always to measure the loss allowance at an amount equal to the lifetime ECLs. The Group has chosen the latter policy.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

S. Impairment (continued)

i. Non-derivative financial assets (continued)

Credit-impaired financial assets

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 debtor;
- 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 debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

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. Based on its experience, there have been no corporate customer recoveries after six months.

ii. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets 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.

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.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. 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.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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.

IFRS 7.35F(d),
35G(a)(iii), [IFRS 9.A]

[IFRS 9.5.5.1–5.5.2]

IFRS 7.35F(e),
[IFRS 9.5.4.4]

[IAS 36.9–10, 59]

[IAS 36.22, 80]

[IAS 36.6, 30]

[IAS 36.59]

[IAS 36.104]

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

S. 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.

T. Provisions

[IAS 37.14, 45, 47, IFRIC 1.8]

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

[IAS 37.39]

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.

Restructuring

[IAS 37.72]

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.

Site restoration

[IAS 37.21]

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.

Emissions schemes

See (G).

Onerous contracts

[IAS 37.66, 68, 68A, 69]

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, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see (S)(ii)).

U. Leases

[IFRS 16.9]

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. As a lessee

[IFRS 16.15, 45]

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

U. Leases (continued)

i. As a lessee (continued)

[IFRS 16.22–24]

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

[IFRS 16.29–33]

The right-of-use asset is subsequently depreciated under the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

[IFRS 16.26]

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

IAS 1.112(c)

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

[IFRS 16.27]

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

[IFRS 16.36, 40, 42]

The lease liability is measured at amortised cost under the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

[IFRS 16.39]

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

[IFRS 16.105]

From 1 January 2021, where the basis for determining future lease payments changed as required by interest rate benchmark reform (see (P)(iii)), the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

[IFRS 16.47–48]

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

IFRS 16.60,
[IFRS 16.5–6, 8,
B3–B8, BC100]

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

U. Leases (continued)

ii. As a lessor

[IFRS 16.17]

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

[IFRS 16.61–62]

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

[IFRS 16.63]

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

[IFRS 16.B58]

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

[IFRS 16.17]

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

[IFRS 16.77]

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see [Note 45\(S\)\(i\)](#)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

[IFRS 16.81]

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

V. 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.

W. 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.

Notes to the consolidated financial statements (continued)

45. Material accounting policies (continued)

W. Fair value measurement (continued)

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.

IFRS 7.28(a)

Notes to the consolidated financial statements (continued)

46. Accounting standards issued but not yet effective^a

IAS 8.30–31

A number of new accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Group has not early adopted the following new or amended accounting standards in preparing these consolidated financial statements.

A. Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

As disclosed in [Notes 28, 32C\(iii\)](#) and [37](#), the Group has a secured bank loan and convertible notes that are subject to specific covenants. While both liabilities are classified as non-current at 31 December 2023, a future breach of the related covenants may require the Group to repay the liabilities earlier than the contractual maturity dates. The Group is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

B. Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024.

As disclosed in [Notes 29](#) and [32](#), the Group participates in a supply chain financing arrangement for which the new disclosures will apply. The Group is in the process of assessing the impact of the amendments, particularly with respect to the collation of additional information needed to meet the new disclosure requirements.

C. Other accounting standards^b

The following new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statements.

- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*
- *Lack of Exchangeability (Amendments to IAS 21)*

AASB 1054.17

- a. When an IFRS Accounting Standard has been issued by the IASB Board but the equivalent Australian Accounting Standard has yet to be issued by the AASB, an entity intending to comply with IFRS Accounting Standards discloses the information specified in paragraphs 30 and 31 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to that IFRS Accounting Standard.
- b. Although new or amended accounting 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 accounting standards and their possible impact on the consolidated financial statements for illustrative purposes only.

Appendix I

New accounting standards or amendments for 2023-24 and forthcoming requirements

Since the November 2022 edition of this guide, a number of accounting standards, amendments to or interpretations of accounting standards have been issued. This appendix lists these new requirements that have been issued by the IASB as at 31 August 2023, and it contains two tables, as follows.

- **New currently effective requirements:** This table lists the recent changes to the Accounting Standards that are required to be applied by an entity with an annual reporting period beginning on 1 January 2023 and annual periods beginning on 1 July 2023.
- **Forthcoming requirements:** This table lists the recent changes to the Accounting Standards that are required to be applied for annual periods beginning after 1 January 2023 and annual periods beginning on 1 July 2023 and that are available for early adoption in annual periods beginning on 1 January 2023 and annual periods beginning on 1 July 2023.

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 accounting standards or amendments	KPMG guidance
	IFRS 17 <i>Insurance Contracts</i>	<i>Insights into IFRS</i> (Chapter 8.1), web article , A new transition option for IFRS 17
1 January 2023	<i>Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2</i>	<i>Insights into IFRS</i> (1.2.40, 2.1.10, 2.8.45), web article , talkbook
	<i>Definition of Accounting Estimates – Amendments to IAS 8</i>	<i>Insights into IFRS</i> (2.8.100–110), web article
	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12</i>	<i>Insights into IFRS</i> (3.13.210, 6.1.925), web article
23 May 2023 ^a	<i>International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12</i>	<i>Insights into IFRS</i> (3.13.43, 80, 645), web article , talkbook

^a. The amendments introduce a relief from deferred tax accounting for the global minimum top-up tax under Pillar Two, which applies immediately from their release on 23 May 2023, and new disclosure requirements about the Pillar Two exposure that apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

Forthcoming requirements

Effective date	New accounting standards or amendments	KPMG guidance
	<p><i>Non-current Liabilities with Covenants – Amendments to IAS 1</i></p> <p>and</p> <p><i>Classification of Liabilities as Current or Non-current – Amendments to IAS 1</i></p>	<p><i>Insights into IFRS</i> (2.9.45, 3.1.47, 7.10.55), web article</p>
1 January 2024	<p><i>Lease Liability in a Sale and Leaseback – Amendments to IFRS 16</i></p>	<p><i>Insights into IFRS</i> (5.1.595), web article, Leases – Sale and leaseback</p>
	<p><i>Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7</i></p>	<p><i>Insights into IFRS</i> (2.3.195, 7.10.657), web article</p>
1 January 2025	<p><i>Lack of Exchangeability – Amendments to IAS 21</i></p> <p><i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28^a</i></p>	<p><i>Insights into IFRS</i> (2.7.390), web article</p>

^a. The effective date for these amendments was deferred indefinitely by the IASB Board. Due to regulatory framework in Australia, the AASB set an effective date of 1 January 2025. Early adoption continues to be permitted.

Appendix II

Presentation of comprehensive income – Two-statement approach

Consolidated income statement^a

For the year ended 31 December

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

	Note	2023	2022 restated*
<i>In thousands of euro</i>			
Continuing operations			
IAS 1.82(a)	8	102,860	96,719
IAS 1.99, 103	9(C)	(55,432)	(56,186)
IAS 1.103		47,428	40,533
IAS 1.85	9(A)	893	104
IAS 1.99, 103	9(C)	(18,322)	(15,865)
IAS 1.99, 103	9(C)	(17,732)	(14,428)
IAS 1.99, 103, 38.126	9(C)	(1,109)	(697)
IAS 1.99, 103	31(C)(ii)	(200)	(190)
IAS 1.99, 103	9(B)	(996)	-
IAS 1.85, BC55–BC56		9,962	9,457
IAS 1.85		1,131	447
IAS 1.82(b)		(1,883)	(1,635)
IAS 1.85	10	(752)	(1,188)
IAS 1.82(c)	24	1,141	587
IAS 1.85		10,351	8,856
IAS 1.82(d), 12.77	14	(3,178)	(2,460)
IAS 1.85		7,173	6,396
Discontinued operation			
IFRS 5.33A, IAS 1.82(ea)	7	379	(422)
IAS 1.81A(a)		7,552	5,974
Profit for the period			
Profit attributable to:			
IAS 1.81B(a)(ii)		7,055	5,623
IAS 1.81B(a)(i)	35	497	351
		7,552	5,974
Earnings per share			
IAS 33.4A	11	2.15	1.69
IAS 33.66, 67A	11	2.04	1.68
Earnings per share – Continuing operations			
IAS 33.66, 67A	11	2.02	1.83
IAS 33.66, 67A	11	1.92	1.82
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)			
	15	15,744	16,782

* The comparative information is restated on account of correction of errors. See Note 44. Comparative information has also been re-presented due to a discontinued operation and a change in classification. See Notes 7 and 21(H) respectively.

The notes on pages 69 to 232 are an integral part of these consolidated financial statements.

IAS 1.10A

a. This appendix illustrates the two-statement approach to the presentation of comprehensive income, consisting of an income statement displaying profit or loss, and a separate statement displaying the components of OCI.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

	<i>Note</i>	2023	2022 restated*
<i>In thousands of euro</i>			
		7,552	5,974
IAS 1.10A			
Profit for the period			
Other comprehensive income			
Items that will not be reclassified to profit or loss			
<i>IAS 1.85</i>		200	-
<i>IAS 1.85</i>	<i>21(F)</i>		-
<i>IAS 1.85</i>	<i>13(B)</i>	72	(15)
<i>IFRS 7.20(a)(vii)</i>	<i>26(D)</i>	141	59
<i>IAS 1.82A(b)(i)</i>	<i>24, 26(D)</i>	15	(3)
<i>IAS 1.91(b)</i>	<i>14(B)</i>	(137)	(14)
		291	27
Items that are or may be reclassified subsequently to profit or loss			
<i>IAS 1.82A(a)(ii)</i>			
<i>IAS 21.52(b)</i>		679	471
<i>IAS 1.85</i>		(3)	(8)
<i>IAS 1.82A(b)(iii)</i>	<i>24, 26(D)</i>	(172)	(166)
<i>IAS 1.92</i>			
<i>IFRS 7.24C(b)(i)</i>		(20)	-
<i>IFRS 7.24C(b)(iv), IAS 1.92</i>	<i>34(D)</i>		-
<i>IAS 1.85</i>	<i>26(D)</i>	(62)	95
<i>IAS 1.92</i>			
<i>IAS 1.85</i>	<i>26(D)</i>	(31)	(12)
<i>IAS 1.92</i>	<i>26(D)</i>	34	10
<i>IAS 1.85</i>	<i>26(D)</i>	8	2
<i>IAS 1.92</i>	<i>26(D)</i>	54	60
<i>IFRS 7.20(a)(viii)</i>			
<i>IFRS 7.20(a)(viii), IAS 1.92</i>	<i>26(D)</i>	(64)	-
<i>IAS 1.91(b)</i>	<i>14(B)</i>	19	(48)
		442	404
<i>IAS 1.81A(b)</i>			
<i>IAS 1.81A(c)</i>			
		733	431
Other comprehensive income for the period, net of tax			
Total comprehensive income for the period			
		8,285	6,405
Total comprehensive income attributable to:			
<i>IAS 1.81B(b)(iii)</i>		7,762	6,032
<i>IAS 1.81B(b)(i)</i>	<i>35</i>	523	373
		8,285	6,405

* The comparative information is restated on account of correction of errors. See [Note 44](#). Comparative information has also been re-presented due to a discontinued operation and a change in classification. See [Notes 7](#) and [21\(H\)](#) respectively.

The notes on pages 69 to 232 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

IAS 7.18(a)

IAS 7.31–32

IAS 7.35

IAS 7.10

IAS 7.31

IAS 7.31

IAS 7.16(b)

IAS 7.16(d), (h)

IAS 7.39

IAS 7.39

IAS 7.16(a)

IAS 7.16(a)

IAS 7.16(a)

IAS 7.16(c), (g)

IAS 24.18

IAS 7.16(a)

IAS 7.10

IAS 7.17(a)

IAS 7.17(c)

IAS 7.17(c)

IAS 7.17(c)

IAS 7.17(a)

IAS 7.17(a)

IAS 7.16(h)

IAS 7.21

IAS 7.42A

IAS 7.17(b)

IAS 7.17(d)

IAS 7.17(e)

IAS 7.31, 34

IAS 7.10

IAS 7.28

IAS 7.45

Consolidated statement of cash flows

For the year ended 31 December

In thousands of euro

	Note	2023	2022
Cash flows from operating activities			
Cash receipts from customers		95,008	97,935
Cash paid to suppliers and employees		(89,020)	(94,079)
Cash generated from operating activities		5,988	3,856
Interest paid		(1,609)	(1,289)
Income taxes paid		(400)	(1,910)
Net cash from operating activities		3,979	657
Cash flows from investing activities			
Interest received		37	29
Dividends received		26	32
Proceeds from sale of property, plant and equipment		1,179	397
Proceeds from sale of investments		1,346	534
Disposal of discontinued operation, net of cash disposed of	7	10,890	-
Acquisition of subsidiary, net of cash acquired	34	(1,799)	-
Acquisition of property, plant and equipment		(15,857)	(2,228)
Acquisition of investment property	23(A)	(300)	(40)
Purchase of non-current biological assets	16(A)	(305)	(835)
Acquisition of other investments		(359)	(342)
Dividends from equity-accounted investees	24(A)	21	-
Development expenditure	22(A), (D)	(1,235)	(503)
Receipt of asset-related government grant	30	130	1,462
Net cash used in investing activities		(6,226)	(1,494)
Cash flows from financing activities			
Proceeds from issue of share capital	26(A)	1,550	-
Proceeds from issue of convertible notes	28(C)	5,000	-
Proceeds from issue of redeemable preference shares	28(D)	2,000	-
Proceeds from loans and borrowings		591	4,079
Proceeds from sale of treasury shares		30	-
Proceeds from exercise of share options	26(A)	50	-
Proceeds from settlement of derivatives		5	11
Transaction costs related to loans and borrowings	28(C)–(D)	(311)	-
Acquisition of NCI	36	(200)	-
Repurchase of treasury shares		-	(280)
Repayment of borrowings		(5,055)	(2,445)
Payment of lease liabilities		(554)	(590)
Dividends paid	26(C)	(1,243)	(571)
Net cash from financing activities		1,863	204
Net decrease in cash and cash equivalents		(384)	(633)
Cash and cash equivalents at 1 January*		1,567	2,226
Effect of movements in exchange rates on cash held		(13)	(26)
Cash and cash equivalents at 31 December*	19	1,170	1,567

* 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 69 to 232 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 discharge its liabilities including the mandatory repayment terms of the banking facilities as disclosed in [Note 31\(C\)](#).

The Group has recognised a net profit after tax of EUR 7,937 thousand for the year ended 31 December 2023 and, as at that date, current assets exceed current liabilities by EUR 22,046 thousand. However, as described in [Note 22\(C\)](#) significant one-off environmental costs are expected in 2024, reflecting various regulatory developments in a number of European countries.

In addition to the above, fully drawn banking facilities of EUR 7,012 thousand are subject to review by 30 June 2024. 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; and
- the progress of compliance with new regulatory requirements.

Management believes that the repayment of the facilities will be met out of operating cash flows and the immediate and significant mitigating actions taken by management to reduce costs and optimise the Group's cash flow and liquidity. Among these are the following mitigating actions: reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend; freezing non-essential recruitment; and reducing marketing spend. Management anticipates that any additional cash flow needs will be met out of asset sales. Management is confident that the asset sales will be finalised before 30 June 2024 as disclosed in [Note 20](#) and that the proceeds will be sufficient to meet any additional cash flow needs.

Based on these factors, management has a reasonable expectation that the Group has and will have adequate resources to continue in operational existence for the foreseeable future.

4. Use of judgements and estimates

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 2\(X\)](#) – going concern: whether there are material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern [...]

IAS 1.122, IU 07-14, Insights 1.2.83.10

a. This appendix illustrates one possible example of disclosures in a close-call scenario. Additional illustrative examples of going concern disclosures are provided in our [COVID-19 supplement](#) (September 2020).

IAS 1.122, IU 07-14, Insights 1.2.85.10

b. In some cases, management may conclude that there are no material uncertainties that require disclosure in accordance with paragraph 25 of IAS 1. However, reaching that conclusion involved significant judgement (i.e. a 'close-call' scenario). In these cases, a question arises about whether any disclosures are required. The IFRS Interpretations Committee discussed this issue and noted that the disclosure requirements in paragraph 122 of IAS 1 apply to the judgements made in concluding that there are no material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. To meet these disclosure requirements, in our view similar information to that in respect of material uncertainties (see first three points in 1.2.83.10 in [Insights into IFRS](#)) may be relevant to the users' understanding of the entity's financial statements.

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 2023, 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 EUR 12,500 thousand, being the fair value of the assets to be distributed.

On 3 June 2023, the shares were distributed. The net assets comprised assets of EUR 17,408 thousand less liabilities of EUR 7,464 thousand as follows.

<i>In thousands of euro</i>	2023
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.
- 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.
- 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.

IFRS 5.5A,
Insights 5.4.130.30

IFRIC 17.14

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 2020, 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 2022 to 2024, with an agreed bulk discount of 10 percent 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 2023 amounted to EUR 3,500 thousand (2022: EUR 2,800 thousand). As at 31 December 2023, the aggregate amounts due from the Department amounted to EUR 10 thousand (2022: EUR 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 2022, 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 2023 to 2026. 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 2023 amounted to EUR 3,500 thousand. As at 31 December 2023, the aggregate amounts due from the Department amounted to EUR 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 2023, 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 2023, the capital invested in the venture amounted to EUR 700 thousand and total lease payments of EUR 100 thousand were received as rental income.

Example 4 – Individually significant transaction subject to shareholder approval

Griffin Limited currently owns 40 percent of Galaxy Corp, with the remaining 60 percent owned by the Department of Commerce of the Government of [Country X] (25 percent) and Lex Corp (35 percent), a party indirectly controlled by the Department of Commerce.

On 1 December 2023, 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 EUR 1 per share, at a total consideration of EUR 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 2024. 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)

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 2023, management estimates that the aggregate amount of Griffin Limited’s significant transactions with other government-related entities is at least 50 percent of its sales of recycled paper products and between 30 and 40 percent of its purchase of materials.

IAS 24.26

Introduction

Australian content

Primary statements

Notes

APPENDICES

Entities with a service concession arrangement

Extracts of notes to the consolidated financial statements (continued)

X. Service concession arrangement^{a, b}

SIC-29.6

On 1 July 2023, 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 2023 and it was completed and available for use on 30 September 2023. 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 2023. 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 2023, the Group has recognised revenue of EUR 350 thousand, consisting of EUR 320 thousand on construction and EUR 30 thousand on operation of the toll road, which is the amount of tolls collected. The Group has recognised profit of EUR 20 thousand, consisting of a profit of EUR 25 thousand on construction and a loss of EUR 5 thousand on operation of the toll road. The revenue recognised in relation to construction in 2023 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 EUR 260 thousand representing the present value of the guaranteed annual minimum payments to be received from the grantor, discounted at a rate of 5 percent, of which EUR 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 EUR 95 thousand, of which EUR 5 thousand has been amortised in 2023. 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.
- 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.

SIC-29.7

Extracts of notes to the consolidated financial statements (continued)

45. Material 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.

M. Intangible assets and goodwill

x. Service concession arrangements

[IFRIC 12.17]

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

P. Financial instruments

x. Non-derivative financial assets – Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash 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 (M)(x)).

Acknowledgements

We would like to acknowledge the principal contributors to and reviewers of this guide, who include:

Toshiyuki Bukawa
Denise Fong
Irina Ipatova
Rudah Luccas
Julie Locke
Colin Martin
Daisuke Masuda
Genevieve Naik
Hayley Pang
Ingo Rahe
Agnieszka Sekita
Avi Victor
Guy Zmora


Keeping in touch

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


Whether you are new to IFRS Accounting Standards 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.



IFRS Today
Blogs, podcasts and videos




News
Search all KPMG articles on IFRS Accounting Standards and IFRS® Sustainability Disclosure Standards



Climate change financial reporting resource centre



Sustainability reporting resource centre




Reporting


Guides to financial statements
Illustrative disclosures and checklists



Get ready for ESG reporting



Better communication in financial reporting



Insights into IFRS®
Helping you apply IFRS Accounting Standards to real transactions and arrangements

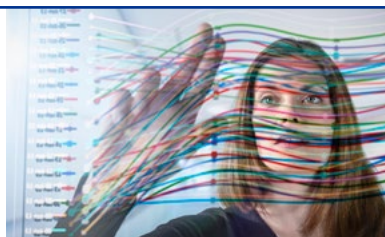


Handbooks

Combined and/or carve-out financial statements



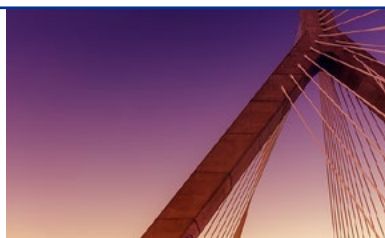
Earnings per share



Fair value measurement



IFRS compared to US GAAP



Leases



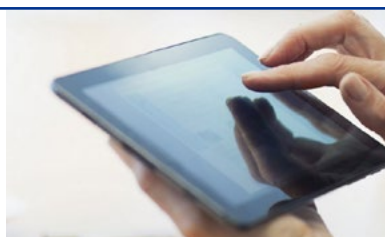
Revenue



Share-based payments



Toolkit



More guidance and insight

Business combinations and consolidation



Insurance contracts



Financial instruments



Banks



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.

KPMG.com.au

This publication is based on Guide to annual financial statements – illustrative disclosures (September 2023) ('Original Publication'). The copyright in the Original Publication is vested in KPMG IFRG Limited and KPMG IFRG Limited retains all rights to the Original Publication.

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

This publication contains copyright[®] material of the IFRS[®] Foundation. All rights reserved. Reproduced by KPMG Australia with the permission of the IFRS Foundation. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit www.ifrs.org.

To the extent permitted by applicable law, the IASB, the ISSB and the IFRS Foundation expressly disclaims all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise (including, but not limited to, liability for any negligent act or omission) to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

© 2024 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Liability limited by a scheme approved under Professional Standards Legislation.

ISSB[™] is a Trade Mark and 'IFRS[®]', 'IASB[®]', 'IFRIC[®]', 'IFRS for SMEs[®]', 'IAS[®]' and 'SIC[®]' are registered Trade Marks of the IFRS Foundation and are used by KPMG Australia under licence subject to the terms and conditions contained therein. Please contact the IFRS Foundation for details of countries where its Trade Marks are in use and/or have been registered.

July 2024. 1425997327AA