



cutting through complexity

AUDIT

Example Public Company Limited

Guide to annual reports – illustrative disclosures 2015-16

November 2015

kpmg.com.au

Concise, clear and informative financial reporting

As evidenced in our publication [A new era in corporate reporting](#), public companies in Australia continue to challenge themselves to prepare more relevant and user friendly financial reports. 2015 has seen a marked increase in companies de-cluttering their financial reports by reducing immaterial or irrelevant disclosures, reordering notes into more logical groupings and rewriting technical wording into plain English.

With few new or amended standards or regulatory requirements to apply this year, now is the time to consider whether you too are reporting your financial information in the most meaningful way.

This publication provides a large range of illustrative disclosures, for the most part without regard to materiality. We encourage you to be careful not to become buried in compliance to the detriment of relevance.

Our [Example Public Financial Statements website](#) is designed to support you in this goal, providing access to our guidance and tools to assist you in the preparation of your annual report.

As in recent years, due to Australia's close alignment to IFRS, we have made minimal changes to the source document prepared by our international colleagues and built the Australian-specific disclosures around this guide. In addition, the publication covers both 31 December 2015 and 30 June 2016 annual financial year ends.

The navigation bookmarks and links in our digital publication will assist you to identify the changes and disclosures you need in a quick and accessible manner.

We trust you will find this publication a useful reference in your annual report preparation. For further information on the contents of this publication or to provide feedback, please contact your KPMG adviser.

Duncan McLennan

National Managing Partner – Audit

How to use Example Public Company Limited

Example Public Company Limited Guide to annual reports – illustrative disclosures (Example Public Company Limited, or the guide) has been compiled on the same basis as last year. With Australia's close alignment to International Financial Reporting Standards (IFRS), a substantial portion of Example Public Company Limited has been drawn from the illustrative disclosures publication prepared by our international colleagues based on 'pure' IFRS. Additional Australian-Generally accepted accounting principles (GAAP) specific disclosures and alternative presentation methods that are commonly used in Australia have been illustrated in a separate section just before the main financial statements. A clear cross-reference to the Australian section is included on affected international pages.

In addition, Example Public Company Limited covers both 31 December 2015 and 30 June 2016 annual financial year ends. The [What's new?](#) page and [Appendix I](#) will help to determine which requirements are applicable to a period end based on the annual reporting date.

Our [Example Public Financial Statements website](#) provides access to our guidance and tools to assist you in the preparation of your annual report. This guidance includes the [KPMG Australian Financial Reporting Manual](#), a companion to KPMG's Insights into IFRS, which focuses on the Australian regulatory framework for preparation and lodgement of financial report.

The purpose of the KPMG Australian Financial Reporting Manual is to:

- provide a guide to the Australian financial reporting environment and legal financial reporting framework;
- give guidance on distinguishing between reporting and non-reporting entities;
- provide specific guidance on the financial reporting requirements of various types of entities; and
- outline the requirements for annual, concise, and interim reporting in Australia.

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What's new?

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

	Effective for the first time for an annual reporting period ending:	
	31 December 2015	30 June 2016
<i>Annual Improvements to IFRS 2010-2012 Cycle</i>	✓	Already adopted 30 June 2015
<i>Corporations Legislation (Deregulatory and Other Measures) Act 2015</i>	✓	Already adopted 30 June 2015
<i>ASX Corporate Governance Council Principles and Recommendations (Third Edition)</i>	✓	Already adopted 30 June 2015

As demonstrated above, major changes since the previous edition of this guide are highlighted as follows:

- for changes effective for the first time for ONLY an annual reporting period ending 31 December 2015, by a green line running down the left margin of the text;
- for changes effective for the first time for BOTH annual reporting periods ending 31 December 2015 and 30 June 2016, by a double black line running down the left margin of the text. The double black line in the left margin also highlights major changes in terms of what was illustrated in the 2015 edition of this guide.

The Group has no transactions that would be affected by these new amendments; therefore, these requirements are not illustrated in this guide. Nevertheless, the new disclosure requirements of the *Annual Improvements to IFRSs 2010-2012 Cycle* in respect of operating segments and related parties are reflected in the explanatory notes. Other changes included in the standard have no impact on the illustrative disclosures in this guide.

The changes effected by the *Corporations Legislation (Deregulatory and Other Measures) Act 2015* are highlighted within the remuneration report in section 20 of the Directors' report.

A discussion of the impact of the *ASX Corporate Governance Council Principles and Recommendations (Third Edition)* can be found in the Australian content section in the Corporate governance statement sub-section.

In addition, a number of other IFRSs and amendments to IFRSs and Australian Accounting Standards (AASBs), as listed in the table below, are effective for the first time for an annual reporting period ending on 31 December 2015 and 30 June 2016. However, these changes had no impact on the illustrative disclosures in this guide.

	Effective for the first time for an annual reporting period ending:	
	31 December 2015	30 June 2016
<i>Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)</i>	✓	Already adopted 30 June 2015
<i>Annual Improvements to IFRSs 2011–2013 Cycle</i>	✓	Already adopted 30 June 2015
<i>Withdrawal of AASB 1031 Materiality</i>	–	✓
<i>Financial Reporting Requirements for Australian Groups with a Foreign Parent (Amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures)</i>	–	✓

[Appendix I](#) provides a list of IFRSs that are effective for the first time for an annual reporting period ending on 31 December 2015 and 30 June 2016, and those that are available for early adoption in the period.

ASIC has released CP240 *Remaking ASIC class orders on rounding, directors' reports, disclosing entities and other matters* which proposes to remake a number of class orders relating to financial reporting due to their approaching sunset dates. No changes are proposed to the substance of the class orders. New legislative instruments are proposed to be issued by January 2016 with updated titles, together with updated formatting and legislative references. Entities should monitor KPMG [Reporting Updates](#) for progress on this matter.

About this guide – compliance focused

The purpose of this publication is to help you in preparing annual financial reports in accordance with Australian Accounting Standards (AASBs), which are International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB) as adopted by the AASB for for-profit entities. It illustrates one possible format for financial statements based on a fictitious multinational corporation involved in general business. Our fictitious corporation has been applying IFRS for some time – i.e. it is not a first-time adopter of IFRS. For more information on adopting IFRS for the first time, see Chapter 6.1 in the 12th edition 2015/16 of our publication [Insights into IFRS](#).

Standards covered

This guide reflects standards and interpretations that have been issued by the IASB as at 1 August 2015 and that are required to be applied by an entity with an annual reporting period beginning 1 January 2015 and 1 July 2015 ('currently effective requirements'). The early adoption of standards that are effective for annual reporting periods beginning after 1 July 2015 ('forthcoming requirements') has not been illustrated.

This guide does not illustrate the requirements of IFRS 4 *Insurance Contracts*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IAS 26 *Accounting and Reporting by Retirement Benefit Plans* or IAS 34 *Interim Financial Reporting*. IAS 34 requirements are illustrated in our [Guide to condensed interim financial statements – illustrative disclosures](#). This guide does not address specific public sector standards and interpretations or not-for-profit requirements included in AASBs.

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

Dual AASB and IFRS compliance

In accordance with AASB 101 *Presentation of Financial Statements*, paragraph 16, an entity makes an explicit and unreserved statement of whether the financial statements are compliant with IFRSs in the notes to the financial statements. Under the *Corporations Act 2001* an entity is required to refer to the statement in the Directors' declaration.

Each entity will need to perform its own assessment of whether it should and/or can claim compliance with IFRS.

Need for judgement

These illustrative disclosures are part of our suite of products – [Guides to financial statements](#) – and specifically focus on compliance with IFRS. Although they are not exhaustive, they illustrate the disclosures *required* by IFRS for one hypothetical corporation; for ease of illustration, the disclosures here are generally presented without regard to materiality.

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

Applying the concept of materiality to disclosures

An entity needs to consider the concept of materiality when preparing the notes to its financial statements; it is not appropriate simply to apply the disclosure requirements in a standard without considering materiality. An entity does not need to provide a specific disclosure under IFRS if the information resulting from that disclosure is not material. Also, an entity has to take care not to reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures and functions.

For example, a standard may provide specific disclosures for a material item in the financial statements, but even if the item is material, this does not mean that all of the disclosures specified in that standard will be material for that item. An entity applies the materiality concept on a disclosure-by-disclosure basis.

References and abbreviations

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

IAS 1.82(a)

Paragraph 82(a) of IAS 1.

(IAS 39.46(a))

Paragraph 46(a) of IAS 39. The square brackets are used only in [Note 44](#) to the financial statements (significant accounting policies) to indicate that the paragraph relates to recognition and measurement requirements, as opposed to presentation and disclosure requirements.

Insights 2.3.60.10

Paragraph 2.3.60.10 of the 12th edition 2015/16 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 5](#)) and EPS (statement of profit or loss and other comprehensive income (OCI), and [Note 10](#)) apply only if the parent:

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

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 15 represent Accounting Standards issued by the AASB equivalent to an IFRS issued by the IASB (AASB 1 is the Australian equivalent to IFRS 1); • AASB 101 onwards represent Accounting Standards issued by the AASB equivalent to an IAS issued by the IASB (AASB 136 is the Australian equivalent to IAS 36); and • AASB 1004 onwards are those domestic Australian Accounting Standards for which there are no equivalent IASB standards.
AI	Australian Interpretations issued by the AASB relating to AASBs, both as Australian equivalents of IFRIC Interpretations and domestic Interpretations, previously issued by the Urgent Issues Group (UIG) <p>The Interpretations numbering convention is as follows:</p> <ul style="list-style-type: none"> • interpretations 1- 99 are those Australian interpretations equivalent to an interpretation issued by IFRIC (AI 1 is the Australian equivalent to IFRIC 1); • Interpretations 101 onwards are those Australian interpretations equivalent to an interpretation issued by Standard Industrial Classification (SIC) (AI 129 is the Australian equivalent to SIC 29); • Interpretations numbered 1001 onwards are those Australian domestic interpretations that do not have a corresponding IASB interpretation; and • The above three groups of interpretations are contained in AASB 1048 Interpretation and Application of Standards.
ASIC	Australian Securities and Investments Commission Regulatory Guides (RG) and Class Orders (CO)
ASX	Australian Securities Exchange Limited – Official Listing Rules. This refers to information which must be included in the annual report
ASX Appendix	Australian Securities Exchange Limited – Appendix 4E. This refers to information that must be disclosed in the Preliminary Final Report. There is no requirement for this information to be disclosed in the annual report
IAS	International Accounting Standards issued by the predecessor of the IASB, the International Accounting Standards Committee, and amended by the IASB
IFRIC	Interpretations of the IFRS Interpretations Committee of the IASB
IFRS	International Financial Reporting Standards issued by the IASB
Reg	Corporations Regulations 2001
S	Section, Corporations Act 2001

Australian content

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Annual Financial Report

Example Public Company Limited

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

Reg 1.0.07

30 June 2016

Corporate governance statement

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

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

Corporate Governance Principles and Recommendations (Third Edition)

The third edition of the *Principles and Recommendations* is effective for financial years beginning on or after 1 July 2014.

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

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

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

Approach in Example Public Company Limited

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. Rather, the *Principles and Recommendations* are detailed below for an entity to consider for inclusion in its corporate governance statement.

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 Class Order 98/2395 *Transfer of information from the director’s report*^a.

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.

a. See section 4.2.5 of KPMG’s [Australian Financial Reporting Manual](#) for further details and discussion of ASIC Class Order 98/2395.

ASIC has released CP240 *Remaking ASIC class orders on rounding, directors’ reports, disclosing entities and other matters* which proposes to remake this Class Order due to its approaching sunset date. No changes are proposed to the substance of the Class Order. A new legislative instrument is proposed to be issued by January 2016 with an updated title, together with updated formatting and legislative references. Entities should monitor KPMG [Reporting Updates](#) for progress on this matter.

Corporate governance statement

Appendix 4G

The ASX introduced Appendix 4G *Key to disclosures Corporate Governance Council Principles and Recommendations* to simplify the identification and location of 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 commencing for financial years ending on or after 30 June 2015.

Corporate Governance Principles and Recommendations (Third Edition)

Principle 1 – lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.

- 1.1** A listed entity should disclose:
- (a) the respective roles and responsibilities of board and management ; and
 - (b) those matters expressly reserved to the board and those delegated to management.
- 1.2** A listed entity should:
- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
 - (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director
- 1.3** A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.
- 1.4** The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.
- 1.5** A listed entity should:
- (a) have a diversity policy, which includes requirements for the board or a relevant committee of the board, to set measurable objectives for achieving gender diversity, and to assess annually both the objectives and the entity's progress in achieving them;
 - (b) disclose that policy or a summary of it; and
 - (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:
 - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.
- 1.6** A listed entity should:
- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
 - b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.
- 1.7** A listed entity should:
- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
 - (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Corporate governance statement

Corporate Governance Principles and Recommendations (Third Edition) (continued)

Principle 2 – structure the board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

- 2.1** The board of a listed entity should:
- (a) have a nomination committee that:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director,
 and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **OR**
 - (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues, and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
- 2.2** A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.
- 2.3** A listed entity should disclose:
- (a) the names of the directors considered by the board to be independent directors;
 - (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question, and an explanation of why the board is of that opinion; and
 - (c) the length of service of each director.
- 2.4** A majority of the board of a listed entity should be independent directors.
- 2.5** The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.
- 2.6** A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Principle 3 – act ethically and responsibly

A listed entity should act ethically and responsibly.

- 3.1** A listed entity should:
- (a) have a code of conduct for its directors, senior executives and employees; and
 - (b) disclose that code or a summary of it.

Corporate governance statement

Corporate Governance Principles and Recommendations (Third Edition) (continued)

Principle 4 – safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

4.1 The board of a listed entity should:

(a) have an audit committee that:

- (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
- (2) is chaired by an independent director, who is not the chair of the board, and disclose:
 - (3) the charter of the committee;
 - (4) the relevant qualifications and experience of the members of the committee; and
 - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **OR**

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its chief executive officer (CEO) and chief financial officer (CFO) a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 A listed entity that has an Annual General Meeting (AGM) should ensure that its external auditor attends AGM, and is available to answer questions from security holders relevant to the audit.

Principle 5 – make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Principle 6 – respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

6.1 A listed entity should provide information about itself and its governance to investors via its website.

6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Corporate governance statement

Corporate Governance Principles and Recommendations (Third Edition) (continued)

Principle 7 – recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

- 7.1** The board of a listed entity should:
- (a) have a committee or committees to oversee risk, each of which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **OR**
 - (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.
- 7.2** The board or a committee of the board should:
- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
 - (b) disclose, in relation to each reporting period, whether such a review has taken place.
- 7.3** A listed entity should disclose:
- (a) if it has an internal audit function, how the function is structured, and what role it performs; **OR**
 - (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management, and internal control processes.
- 7.4** A listed entity should disclose whether it has any material exposure to economic, environmental, and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Principle 8 – remunerate fairly and responsibly

A listed entity should pay directors remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

- 8.1** The board of a listed entity should:
- (a) have a remuneration committee that:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; **OR**
 - (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Corporate governance statement

Corporate Governance Principles and Recommendations (Third Edition) (continued)

Principle 8 – remunerate fairly and responsibly (continued)

- 8.2** A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.
- 8.3** A listed entity which has an equity-based remuneration scheme should:
- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
 - (b) disclose that policy or a summary of it.

Source: ASX Corporate Governance Council Principles and Recommendations (Third Edition)

Additional references

The following KPMG publications provide further guidance on aspects of corporate governance statements:

- [Corporate Governance Principles and Recommendations \(Third Edition\)](#)
- [Oversight of Corporate Reporting by Company Directors](#)

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Directors' report^a

For the year ended 30 June 2016

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

The directors present their report together with the consolidated financial statements of the Group comprising of Example Public Company Limited (the Company) and its subsidiaries for the financial year ended 30 June 2016 and the auditor's report thereon.

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

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

S300(11)(e)

Name, qualifications and independence status	Experience, special responsibilities and other directorships^b
Mr Frederick D Adair, AO B.Eng. <i>Chairperson Independent Non-Executive Director</i>	Extensive knowledge of all the Company's industries. Chairperson of EFT Limited since 2011, FORX Ltd since 2012, and Example Public Company Limited since 2008. Chairperson of Remuneration and Nomination Committees. Director since 2009 – appointed chairperson 2013.
Mr Garry S Andrews, B.Eng. <i>Chief Executive Officer</i>	Extensive management and engineering experience in paper and mining industries in Australia and overseas. Director since 2005 – appointed chief executive officer 2010.
Mr Benjamin Q Barton, B.Eng. <i>Independent Non-Executive Director</i>	Extensive experience in paper and packaging manufacturing. Formerly chief executive officer of Australian Paper Pack Limited, 2008 to 2013. A director of Australian Containers Packaging Limited since 2012. Member of Nomination and Audit Committees. Appointed 1 November 2015.
Ms Harriet W James, B.Com., CA, A.R.E.S.I.(Vic.) <i>Independent Non-Executive Director</i>	Extensive corporate finance expertise, and knowledge of the paper manufacturing and forestry industries. Formerly chief executive officer of Pine Trees Limited, 2004 to 2013. Chairperson of Audit Committee. Member of Remuneration Committee. Director since 2012.
Ms Kimberly Nguyen, B.Sc.,A.A.I.M.M.,F.A.I.M. <i>Independent Non-Executive Director</i>	Extensive corporate administration expertise and paper and mining industry knowledge. Formerly chief executive officer of Eastern Paper Limited, 2004 to 2013. Directorships include Deep Mines Limited and Pine Forest Limited since 2008, ABC Energy Limited since 2010, New Packaging Limited since 2012, Mining Technologies Limited since 2010 and Example Public Company Limited since 2009. Member of Nomination Committee. Director since 2011.
Mr Carlos C Martinez, B.Eng, <i>Independent Non-Executive Director</i>	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 2015). Director since 2010.
Mr Richard O Stephens, B.A., LL.B. <i>Non-Executive Director</i>	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 2009, and RMG Energise Limited since 2010. Member of Nomination Committee until retirement. Director since 2006. Retired as a director on 30 September 2015. Nominee of Example Investment Holdings (Australia) Limited.
Ms Veronica M Thomas, B.Com., CPA <i>Independent Non-Executive Director</i>	Extensive corporate administration and finance expertise. Twenty-five years service in an accounting and management capacity. Member of Remuneration and Audit Committees. Director since 2014.

S299(2)

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

S300(11)(e)

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

Directors' report (continued)

For the year ended 30 June 2016

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 2009. Ms Rachel M Parish previously held the role of compliance manager and company secretary with another listed public company for five years, and prior to that worked as general counsel to a listed entity, and as a solicitor with a major legal practice.

3 Officers who were previously partners of the audit firm

S300(1)(ca)
S9

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

- [insert names if applicable]

4 Directors' meetings

S300(10)(b),(c)

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

ASX 12.7
ASX 12.8

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

A – Number of meetings attended

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

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

Directors' report (continued)

For the year ended 30 June 2016

5 Principal activities

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

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

In November 2015, 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 2015.

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

*G100 Guidance: 7
RG 24753-59*

Objectives

The Group's objectives are to:

- increase the return on equity to 15 percent in the next financial year and to 20 percent by the end of the 2018 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 2019 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 2017 financial year and beyond:

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

Directors' report (continued)

For the year ended 30 June 2016

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

G100 Guidance: 13, 14
RG 230

6 Operating and financial review^a

Overview of the Group

[Insert details]

Shareholder returns

	2016	2015	2014	2013	2012
Profit attributable to owners of the company	\$7,413,000	\$5,736,000	\$2,447,000	\$2,039,000	\$1,700,000
Basic EPS	\$2.262	\$1.728	\$1.203	\$1.172	\$1.164
Dividends paid	\$1,243,000	\$571,000	\$310,000	\$300,000	\$300,000
Dividends per share	24.8c	4.8c	5.0c	4.5c	4.5c
Change in share price	\$0.15	\$0.20	\$0.10	\$0.05	\$0.05
Return on capital employed	35.1%	24.8%	9.2%	8.5%	8.6%

Net profit amounts have been calculated in accordance with Australian Accounting Standards (AASBs).

Returns to shareholders increased through both dividends and capital growth. Dividends for 2016 were fully franked and it is expected that dividends in future years will continue to be fully franked.

G100 Guidance: 15

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]

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

Review of financial condition

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

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

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]

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

Review of [each operating segment of the Group]

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

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

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.]

- Refer to KPMG publication: [Operating and Financial Reviews 2014](#) for further guidance on Operating and financial reviews.
- 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.

Directors' report (continued)

For the year ended 30 June 2016

S300(1)(a),(b)

7 Dividends

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

S300(1)(a)

Declared and paid during the year 2016

	Cents per share	Total amount \$'000	Date of payment
Final 2015 ordinary	25.25	805	31 August 2015
Final 2015 preference	25.03	438	31 August 2015
Total amount		<u>1,243</u>	

S300(1)(b)

Declared after end of year

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

	Cents per share	Total amount \$'000	Date of payment
Final ordinary	27.82	892	31 August 2016
Final preference	25.03	438	31 August 2016
Total amount		<u>1,330</u>	

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2016 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	25(C)	1,243
Interest expense ^a	27	51
Noted as a subsequent event	25(C)	<u>1,330</u>

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

Directors' report (continued)

For the year ended 30 June 2016

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

8 Events subsequent to reporting date^a

At the end of July 2016 the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to today's market conditions, and the effects of the global recession, it is intended to reduce the Group's workforce by 400 positions worldwide by 30 June 2017, 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 2017.

Subsequent to 30 June 2016 one of the Group's major trade debtors went into liquidation following a natural disaster in August 2016 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 2016, one of the premises of Oy Kossu AG, having a carrying amount of \$220 thousand, was seriously damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company. The Group is unable to estimate the incremental costs relating to refurbishment and temporary shift of production to other locations (in excess of the reimbursement expected).

As reported in the condensed interim financial statements on 22 January 2016 the Group announced its intention to acquire all of the shares of ABC Company for \$6,500,000.

On 4 July 2016 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 2016.

Subsequent to 30 June 2016, the loan covenant maximum leverage ratio (calculated as debt to quarterly revenue for continuing operations) related to a secured bank loan was revised from 2.5 to 3.5 times.

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

S299(1)(e)

9 Likely developments

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

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

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 41](#) in the consolidated financial statements.

Directors' report (continued)

For the year ended 30 June 2016

S299(1)(f)
RG 68**10 Environmental regulation**

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

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

As part of this process the committee is responsible for:

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

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

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

S300(11)(a)-(d)
S205G, S608, S609, ASIC
RG 5**11 Directors' interests^a**

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

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

S300

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

Directors' report (continued)

For the year ended 30 June 2016

12 Share options

Unissued shares under options^a

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

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

S300(1)(e)
S300(6)

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

S300(1)(e)
S300(6)

Expiry date	Exercise price	Number of shares
1 July 2018	\$10.00	200,000
1 July 2024	\$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.

Directors' report (continued)

For the year ended 30 June 2016

*S300(1)(g), (8)&(9)***13 Indemnification and insurance of officers and auditors***S199A, S199B***Indemnification***S300(8)(a)
S300(9)(a)
S300(9)(c)*

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

S300(9)(e)

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

Under the terms of an agreement entered into in April 2009, the Company has agreed to indemnify certain senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The senior executives in question are the general managers of each of the Group's operating divisions. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

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

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

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

Under the terms of an agreement entered into in April 2010, the Company has agreed to indemnify their former auditors, LMN, for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as auditor, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including legal fees.

S300(9)(d)

XYZ Limited, who allegedly relied upon the 2010 Independent Audit Report and acquired an interest in the Company, subsequently brought an action in the current year against the former auditors, LMN, alleging that certain contingent liabilities were not adequately disclosed in the financial report. Under the terms of the indemnity agreement, the Company incurred costs of \$50,000 being the costs incurred by LMN in mounting a successful defence.

S300(9)(a)

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

Directors' report (continued)

For the year ended 30 June 2016

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

13 Indemnification and insurance of officers and auditors (continued)

Insurance premiums^a

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

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

S300(9)(c)

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

S199B

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

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

- premiums totalling \$18,000 were paid in respect of the following current directors of the Company: Mr F D Adair, Mr G S Andrews, Mr B Q Barton, Ms HW James, Ms K Nguyen, Mr C C Martinez and Ms V M Thomas;
- premiums totalling \$8,000 were paid in respect of the following former directors of the Company: Mr A Brown, Mr R O Stephens and Mr K Wall;
- premiums totalling \$4,000 were paid in respect of those officers of the Company holding the position of general manager of operating divisions; and
- 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 2016

S300(11B)

14 Non-audit services^a

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

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

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

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

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

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

	2016
	\$
Services other than audit and review of financial statements:	
Other regulatory audit services^c	
Workers compensation audit	43,410
Other assurance services^d	
Controls assurance services	97,600
Due diligence services	362,910
Other services^e	
Taxation compliance services	114,320
	618,240
Audit and review of financial statements^f	1,708,500
Total paid to KPMG^f	2,326,740

S300(11B)

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

S300(11B)(a)

b. Comparative information is not required.

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

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

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

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

Directors' report (continued)

For the year ended 30 June 2016

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 2016.

19 Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100^b dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

ASIC CO98/100

- 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.

ASIC CO 98/100

- b. See section 4.1.8 of KPMG's [Australian Financial Reporting Manual](#) for further details and discussion of ASIC Class Order 98/100.

ASIC has released CP240 *Remaking ASIC class orders on rounding, directors' reports, disclosing entities and other matters* which proposes to remake this Class Order due to its approaching sunset date. No changes are proposed to the substance of the Class Order. A new legislative instrument is proposed to be issued by January 2016 with an updated title, together with updated formatting and legislative references. Entities should monitor KPMG [Reporting Updates](#) for progress on this matter.

Directors' report (continued)

For the year ended 30 June 2016

20 Remuneration report – audited^{a,b,c,d}

S300A(1), S300A(1A)

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

20.1 Principles of compensation – audited^b

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

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

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

S300A(1)(e)(i)

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

	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.]

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)
Reporting Update
11RU-015

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 2016

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.

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

Consequences of performance on shareholder wealth

[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

		2016	2015	2014	2013	2012
S300A(1AA)(a)	Profit attributable to owners of the company	\$7,413,000	\$5,736,000	\$2,447,000	\$2,039,000	\$1,700,000
S300A(1AB)(a)	Dividends paid	\$1,243,000	\$571,000	\$310,000	\$300,000	\$300,000
S300A(1AB)(d)	Operating income growth	7.4%	6.2%	5.8%	6.1%	6.8%
S300A(1AB)(b)	Change in share price	\$0.15	\$0.20	\$0.10	\$0.05	\$0.05
S300A(1AB)(d)	Return on capital employed	35.1%	24.8%	9.2%	8.5%	8.6%

ASIC RG230.20(f)(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 (AASBs). Operating income is operating profit as reported in the statement of profit or loss.

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

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

S300A(1AB)(c)

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

Directors' report (continued)

For the year ended 30 June 2016

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 consultantsS300A(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; and
- 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 2016

20 Remuneration report – audited (continued)

20.1 Principles of compensation – audited (continued)

S300A(1)(a)

Non-executive directors

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

Total compensation for all non-executive directors, last voted upon by shareholders at the 2012 AGM, is not to exceed \$950,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. The base fee for the Chairperson is \$100,000 per annum. Base fees for other directors are \$50,000 per annum.

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

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

20 Remuneration report – audited (continued)

20.2 Directors' and executive officers' remuneration – audited^{a, b, c, d}

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

S300A(1)(c), Reg 2M.3.03(1) Items 6 – 11		Short term				Post-employment	Other long term	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related
		Salary & fees (D)	STI cash bonus (A)	Non-monetary benefits	Total	Superannuation benefits	(D)		Options and rights (B & C)		
<i>In dollars</i>											
Directors											
Non-executive directors											
Name (Chairperson)	2016	87,602	-	5,825	93,427	8,400	-	-	-	101,827	-
	2015	83,660	-	4,622	88,282	8,200	-	-	-	96,485	-
Name (appointed [date])	2016	19,110	-	-	19,110	1,720	-	-	-	20,830	-
Name	2016	42,397	-	-	42,397	3,820	-	-	-	46,217	-
	2015	40,666	-	-	40,666	3,555	-	-	-	44,221	-
Name (Retired [date])	2016	42,390	-	-	42,390	3,820	-	-	-	46,210	-
	2015	46,666	-	-	46,666	4,555	-	-	-	51,221	-
Sub-total non-executive directors' remuneration ^e	2016	313,382	-	15,611	328,993	28,740	-	-	-	357,733	-
	2015	289,136	-	8,702	297,838	26,765	-	-	-	324,603	-
Executive directors											
Name, Director, CEO	2016	436,613	102,500	248,506	787,619	95,000	8,325	-	215,000	1,105,944	28.7%
	2015	420,444	95,256	241,553	757,253	89,552	8,305	-	125,000	980,110	
Total directors' remuneration ^e	2016	749,995	102,500	264,117	1,116,612	123,740	8,325	-	215,000	1,463,677	
	2015	709,580	95,256	250,255	1,055,091	116,317	8,305	-	125,000	1,304,713	

- S300A(1)(c)
- Reg 2M.3.03(1) Items 4 and 5
- Reg 2M.3.03(1) Items 7, 8, 9 and 11
- Reg 2M.3.03(2)
- 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.
 - 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.
 - The table excludes the following components of compensation which should be included where applicable: long-term incentives distributed in cash, post-employment benefits other than superannuation, shares and units, cash-settled share-based payment compensation and share-based payments giving a choice of equity- or cash-settlement.
 - 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.
 - There is no explicit requirement to disclose total KMP remuneration, however this is a common disclosure and may be useful to a shareholder.

20 Remuneration report – audited (continued)**20.2 Directors' and executive officers' remuneration – audited (continued)**

In dollars

		Short term				Post-employment	Other long term	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related
		Salary & fees (D)	STI cash bonus (A)	Non-monetary benefits	Total	Superannuation benefits	(D)		Options and rights (B & C)		
Executives											
Name, CFO	2016	194,545	77,500	111,263	383,308	41,500	8,325	-	215,000	648,133	45.1%
	2015	188,233	74,558	109,225	372,016	39,556	8,305	-	125,000	545,877	
Name, COO	2016	490,908	56,000	139,297	686,205	66,800	8,325	-	62,500	823,830	7.4%
	2015	387,831	54,666	137,555	580,052	64,887	8,305	-	-	653,244	
Name, Finance Director, Karooa Pty Limited, Example Mining Company Pty Ltd	2016	380,111	70,000	112,821	562,932	45,800	8,325	-	-	617,057	11.3%
	2015	310,885	98,666	105,332	514,883	44,661	7,865	-	-	567,409	
Former^a											
Name, Finance Director, Example Gumnut Limited (resigned [date])	2016	164,376	37,500	141,756	343,632	28,609	8,325	116,658	-	497,224	7.5%
	2015	200,634	45,666	112,069	358,369	56,127	7,865	-	-	430,693	
Total executives' remuneration	2016	2,924,644	518,528	1,089,609	4,532,781	356,009	91,575	116,658	215,000	5,312,023	
	2015	2,439,863	573,715	976,767	3,990,345	393,412	79,970	-	125,000	4,588,727	
Total directors' and executive officers' remuneration	2016	3,674,639	621,028	1,353,726	5,649,393	479,749	99,900	116,658	430,000	6,775,700	
	2015	3,149,443	668,971	1,227,022	5,045,436	509,729	88,275	-	250,000	5,893,440	

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 8 August 2016 (2014: 9 August 2015) 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.
- 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(3)

- a. 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 2016

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%

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

(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 8 August 2016.

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

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

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

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).

Reg 2M.3.03(3)

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	Number of options granted during 2015	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options vested during 2015
			\$	\$		
KMP name	–	1 July 2013	5.60	10.10	1 July 2023	100,000

Rights	Number of rights granted during 2015	Vesting condition	Grant date	Fair value at grant date	Expiry date
				\$	
KMP name	20,000	Operating income	1 July 2015	10.10	1 July 2025
	20,000	Relative TSR	1 July 2015	8.50	1 July 2025

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

All rights and options expire on the earlier of their expiry date or termination of the individual's employment. The rights vest and options are exercisable three years from grant date. In addition to a continuing employment service condition, vesting is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page [x]. For rights granted in the current year, the earliest vesting date is 1 July 2018.

Reg 2M.3.03(1)
Item 12

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

Reg 2M.3.03(3)

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

Directors' report (continued)

For the year ended 30 June 2016

20 Remuneration report – audited (continued)

20.4 Equity instruments – audited (continued)

Reg 2M.3.03(1) Item 16

20.4.2 Exercise of options granted as compensation – audited

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

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

KMP name	Number of shares ^a	Amount paid \$/share
	5,000	10.00

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

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2015 financial year.

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

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

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

KMP name	Instrument	Grant date	% vested in year	% forfeited in year (A)	Financial years in which grant vests	
	Options	100,000	1 July 2012	100%	-%	1 July 2015
	Options	100,000	1 July 2014	-%	-%	1 July 2017
	Rights	40,000	1 July 2015	-%	-%	1 July 2018

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

20.4.4 Analysis of movements in equity instruments – audited^b

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

The value^c 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.

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

IFRS 2.7

(A) The value of rights granted in the year is the fair value of the rights calculated at grant date. The total value of the rights granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2015 to 1 July 2018).

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

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

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

S300A(1)(e)

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

S300A(1)(e)(iv)

c. The *Corporations Legislation Amendment (Deregulatory and Other Measures) Act 2015* amended S300A(1)(e)(iv). The value of lapsed options is no longer required to be disclosed. The number of options lapsed, and the financial year in which those options were granted, now need to be disclosed. This publication includes these disclosures in section 20.4.5.

Directors' report (continued)

For the year ended 30 June 2016

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 2015	Granted as compen- sation	Exercised	Lapsed ^b	Forfeited	Held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2016 ^c
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 2012.

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^d – audited**Loans to key management personnel and their related parties^e**

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 2014 \$	Balance 30 June 2015 \$	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 2016 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 2016, are as follows:^f

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

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)

S300A(1)(e)(iv)

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.
- The *Corporations Legislation Amendment (Deregulatory and Other Measures) Act 2015* was enacted in March 2015 and requires, in relation to each KMP, the number of options lapsed, and the financial year in which those options were granted, to be disclosed.
- 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 in relation to 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 2016

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 2015	Received on exercise of options	Other changes*	Held at 30 June 2016 ^d
KMP name	1,000	–	4,000	5,000

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

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

F D Adair

Director

Dated at (City) this day of 2016.

Reg 2M.3.03(1)
Item 22

Reg 2M.3.03(3B)

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

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 any one of the following criteria:
- 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; or
 - 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; or
 - the transaction is trivial or domestic in nature.

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

Reg 2M.3.03(1)
Items 18

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

Reg 2M.3.03(1)
Items 18

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

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

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

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

Consolidated statement of financial position^aIAS 1.10(a), (ea)-(f),
38–38A, 40A–40B, 113

	Note	30 June 2016	30 June 2015 Restated* ^b	1 July 2014 Restated* ^{b,c}
<i>In thousands of dollars</i>				
Assets				
IAS 1.54(i)	18	1,505	1,850	2,529
IAS 1.54(h)	17	32,402	22,765	17,651
IAS 1.54(g)	16	11,603	12,119	11,587
IAS 1.54(f)	15	32	31	29
IAS 1.54(d)	24	662	1,032	947
IAS 1.54(n)		34	60	–
IAS 1.55		330	1,200	895
IFRS 5.38, 40, IAS 1.54(j)	19	14,400	–	–
IAS 1.60		60,968	39,057	33,638
Total current assets^e				
IAS 1.54(h)	17	213	–	–
IAS 1.54(d)	24	3,631	3,525	3,221
IAS 1.54(e)	23	2,489	1,948	1,530
IAS 1.54(b), 17.49	22	1,370	250	150
IAS 1.54(o), 56	14	2,116	2,050	984
	12	671	731	716
IAS 1.54(a)	20	26,586	31,049	34,937
IAS 1.54(f)	15	4,698	4,025	3,407
IAS 1.54(c)	21	6,226	4,661	5,429
IAS 1.60		48,000	48,239	50,374
Total non-current assets^e				
Total assets		108,968	87,296	84,012

* See Note 43.

Consolidated statement of financial position (continued)

	Note	30 June 2016	30 June 2015 Restated* ^b	1 July 2014 Restated* ^{b,c}
<i>In thousands of dollars</i>				
Liabilities				
IAS 1.55	18	334	282	303
IAS 1.54(k)	28	22,698	20,828	28,254
IAS 1.54(m)	27	4,988	5,546	3,003
IAS 1.55, 78(d)	12	20	388	13
IAS 1.54(n)		4,853	1,693	25
IAS 1.54(l)	30	660	1,540	140
IAS 1.55, 11.42(b), 20.24	29	177	168	140
IFRS 5.38, 40, IAS 1.54(p)	19	4,410	–	–
IAS 1.60		38,140	30,445	31,878
Total current liabilities^e				
IAS 1.54(m)	27	20,942	19,031	20,538
IAS 1.55, 1.78(d)	12	912	453	1,136
IAS 1.54(k)	28	290	5	4
IAS 1.55, 20.24	29	1,424	1,462	–
IAS 1.54(l)	30	1,010	–	740
IAS 1.54(o), 56	14	549	406	323
IAS 1.60		25,127	21,357	22,561
Total non-current liabilities^e				
Total liabilities				
Net assets				
Equity				
IAS 1.54(r), 78(e)		19,756	18,050	18,050
IAS 1.54(r), 78(e)		19,425	12,903	3,853
IAS 1.55, 78(e)		2,671	4,541	4,950
Equity attributable to owners of the Company				
Non-controlling interests				
IAS 1.54(q)	34	45,701	35,494	29,573
Total equity				

* See Note 43.

The notes on pages 66 to 176 are an integral part of these consolidated financial statements.

- IAS 1.10 a. An entity may also use other titles – e.g. ‘balance sheet’ – as long as the meaning is clear and the title not misleading.
- IAS 8.26, Insights 2.8.50.110 b. The Group has labelled the restated comparative information with the heading ‘restated’.
- IAS 1.10(f), 40A c. The Group has presented a third statement of financial position as at the beginning of the preceding period, because the retrospective changes in accounting policies have a material effect on the information in the statement.
- Insights 78.50.50 d. In our view, derivative assets and liabilities should be presented as separate line items in the statement of financial position if they are significant.
- IAS 1.60-61 e. The Group has made a current/non-current distinction in the statement of financial position. An entity may present its assets and liabilities broadly in order of liquidity if such a presentation provides information that is reliable and more relevant. Our publication *Guide to annual financial statements – Illustrative disclosures for banks* provides an example presentation of assets and liabilities in order of liquidity.

Consolidated statement of profit or loss and other comprehensive income (OCI)^a

For the year ended 30 June

IAS 1.10(b), 38–38A,
81A, 113

<i>In thousands of dollars</i>	Note	2016	2015 Restated*
Continuing operations			
IAS 1.82(a)	7	102,716	96,636
IAS 1.99, 103	8(C)	(55,548)	(56,186)
IAS 1.103		47,168	40,450
IAS 1.85	8(A)	1,021	194
IAS 1.99, 103	8(C)	(17,984)	(15,865)
IAS 1.99, 103	8(C)	(17,732)	(14,428)
IAS 1.99, 103, 38.126	8(C)	(1,109)	(697)
IAS 1.99, 103	8(B)	(1,030)	(30)
IAS 1.85, BC55–BC56		10,334	9,624
IAS 1.85		1,161	458
IAS 1.82(b)		(1,707)	(1,624)
IAS 1.85	9	(546)	(1,166)
IAS 1.82(c)	23	1,141	587
IAS 1.85		10,929	9,045
IAS 1.82(d), 12.77	14	(3,371)	(2,520)
IAS 1.85		7,558	6,525
Discontinued operation			
IFRS 5.33(a), IAS 1.82(ea)	6	379	(422)
IAS 1.81A(a)		7,937	6,103
Other comprehensive income			
Items that will never be reclassified to profit or loss			
IAS 1.82A(a)		200	-
IAS 1.85	20(F)	72	(15)
IAS 1.85	12(B)	13	(3)
IAS 1.85	23, 25(D)	(90)	5
IAS 1.91(b)	14(B)	(195)	(13)
Items that are or may be reclassified to profit or loss			
IAS 1.82A(b)		680	471
IAS 21.52(b)		(172)	(166)
IAS 1.85	23, 25(D)	(20)	-
IAS 1.85, 92	33(D)	(3)	(8)
IAS 1.85		(62)	95
IFRS 7.23(c)		(31)	(11)
IFRS 7.23(d), IAS 1.92		199	118
IFRS 7.20(a)(ii)		(64)	-
IFRS 7.20(a)(iii), IAS 1.92		(14)	(67)
IAS 1.91(b)	14(B)	513	432
IAS 1.81A(b)		708	419
IAS 1.81A(c)		8,645	6,522

* See Notes 6, 20(H) and 43

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

For the year ended 30 June

IAS 1.10(b), 38–38A, 81A, 113

In thousands of dollars

Note **2016** **2015**
Restated*

IAS 1.81B(a)(ii)

Profit attributable to:

Owners of the Company

7,413 5,736

IAS 1.81B(a)(i)

Non-controlling interests

34 **524** 367

7,937 6,103

Total comprehensive income attributable to:

IAS 1.81B(b)(iii)

Owners of the Company

8,094 6,133

IAS 1.81B(b)(i)

Non-controlling interests

34 **551** 389

8,645 6,522

Earnings per share

IAS 33.4

IAS 33.66,

ASIC CO 98/100⁹

Basic earnings per share (dollars)

10 **2.22** 1.731

IAS 33.66,

ASIC CO 98/100

Diluted earnings per share (dollars)

10 **2.146** 1.721

Earnings per share – continuing operations

IAS 33.66,

ASIC CO 98/100

Basic earnings per share (dollars)

10 **2.139** 1.869

IAS 33.66,

ASIC CO 98/100

Diluted earnings per share (dollars)

10 **2.031** 1.858

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

The notes on pages 66 to 176 are an integral part of these consolidated financial statements.

IAS 1.10A

a. The Group has elected to present comprehensive using a 'one-statement' approach. For an illustration of the alternative 'two-statement' approach, see [Appendix II](#).

IAS 1.99–100

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

IAS 1.85,
BC55–BC56

c. The Group has elected to present a sub-total of 'operating profit', even though this term is not defined in IFRS in the context of comprehensive income, and such disclosure is not required. An entity should ensure that the amount disclosed is representative of activities that would normally be regarded as 'operating', and it would be inappropriate to exclude items clearly related to operations.

IFRS 5.33(a)–(b),
IAS 1.82(ea)

d. The Group has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss and OCI, and has analysed that single amount into revenue, expenses and the pre-tax profit or loss in [Note 6](#). Alternatively, an entity may present the analysis in the statement.

IAS 1.90–91

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

IAS 1.94

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

ASIC CO 98/100

g. ASIC has released CP240 *Remaking ASIC class orders on rounding, directors' reports, disclosing entities and other matters* which proposes to remake this Class Order due to its approaching sunset date. No changes are proposed to the substance of the Class Order. A new legislative instrument is proposed to be issued by January 2016 with an updated title, together with updated formatting and legislative references. Entities should monitor KPMG [Reporting Updates](#) for progress on this matter.

Consolidated statement of changes in equity

For the year ended 30 June 2016

	Note	Attributable to owners of the Company										Non-controlling interests	Total equity
		Share capital	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Profits reserve	Treasury share reserve	Convertible notes	Retained earnings	Total		
<i>In thousands of dollars</i>													
Restated balance at 30 June 2015		18,050	156	490	96	-	9,332	(280)	-	4,541	32,385	3,109	35,494
Total comprehensive income													
Profit		-	-	-	-	-	-	-	-	7,413	7,413	524	7,937
Other comprehensive income	14(B), 25(D)	-	458	(62)	90	134	-	-	-	61	681	27	708
Total comprehensive income		-	458	(62)	90	134	-	-	-	7,474	8,094	551	8,645
Transactions with owners of the Company													
Contributions and distributions													
Issue of ordinary shares	25(A)	1,550	-	-	-	-	-	-	-	-	1,550	-	1,550
Business combination	33(A)	87	-	-	-	-	-	-	-	120	207	-	207
Issue of convertible notes	14(C), 27(C)	-	-	-	-	-	-	-	109	-	109	-	109
Treasury shares sold ^a	25(B)	19	-	-	-	-	-	11	-	-	30	-	30
Transfer to profits reserve ^b	25(B)	-	-	-	-	-	10,216	-	-	(10,126)	-	-	-
Dividends	25(C)	-	-	-	-	-	(1,243)	-	-	-	(1,243)	-	(1,243)
Equity-settled share-based payment ^c	13	-	-	-	-	-	-	-	-	755	755	-	755
Share options exercised	25(A)	50	-	-	-	-	-	-	-	-	50	-	50
Total contributions and distributions		1,706	-	-	-	-	8,883	11	109	(9,251)	1,458	-	1,458
Changes in ownership interests													
Acquisition of NCI without a change in control	35	-	8	-	-	-	-	-	-	(93)	(85)	(115)	(200)
Acquisition of subsidiary with NCI	33	-	-	-	-	-	-	-	-	-	-	304	304
Total changes in ownership interests		-	8	-	-	-	-	-	-	(93)	(85)	189	104
Total transactions with owners of the Company		1,706	8	-	-	-	8,883	11	109	(9,344)	1,373	189	1,562
Balance at 30 June 2016		19,756	622	428	186	134	18,215	(269)	109	2,671	41,852	3,849	45,701

IAS 1.10(c), 108, 113

IAS 1.106(d)(i)

IAS 1.106(d)(iii), 106A

IAS 1.106(a)

IAS 1.106(d)(iii)

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IAS 1.106(d)(iii)

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

Consolidated statement of cash flows

		For the year ended 30 June	
<i>In thousands of dollars</i>		Note	
		2016	2015
IAS 7.18(a)	Cash flows from operating activities^a		
	Cash receipts from customers	96,049	97,996
	Cash paid to suppliers and employees	(90,439)	(93,025)
	Cash generated from operating activities	5,610	4,971
IAS 7.31-32	Interest paid ^{b, c}	(1,499)	(1,289)
IAS 7.35	Income taxes paid	(400)	(1,913)
IAS 7.10	Net cash from operating activities	46	3,711
	Cash flows from investing activities		
IAS 7.31	Interest received ^b	6	19
IAS 7.31	Dividends received ^b	26	32
IAS 7.16(b)	Proceeds from sale of property, plant and equipment	1,177	397
IAS 7.21	Proceeds from sale of investments	1,476	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of ^d	6	–
IAS 7.39	Acquisition of subsidiary, net of cash acquired	33	–
IAS 7.16(a)	Acquisition of property, plant and equipment	20(A)	(2,228)
IAS 7.16(a)	Acquisition of investment property	22(A)	(40)
IAS 7.21	Purchase of non-current biological assets	15(A)	(814)
IAS 7.16(a)	Acquisition of other investments		(363)
IAS 24.18	Dividends from equity-accounted investees	23(A)	–
IAS 7.21	Development expenditure		(503)
IAS 7.10	Net cash used in investing activities		(6,059)

Consolidated statement of cash flows (continued)

For the year ended 30 June

IAS 1.10(d), 38-38A, 113	In thousands of dollars	Note	2016	2015
	Cash flows from financing activities			
IAS 7.17(a)	Proceeds from issue of share capital	25(A)	1,550	–
IAS 7.17(c)	Proceeds from issue of convertible notes	27(C)	5,000	–
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	27(D)	2,000	–
IAS 7.17(c)	Proceeds from loans and borrowings		591	4,439
IAS 7.21	Proceeds from sale of treasury shares		30	–
IAS 7.21	Proceeds from exercise of share options	25(A)	50	–
IAS 7.16(h)	Proceeds from settlement of derivatives		5	11
IAS 7.21	Transaction costs related to loans and borrowings	27(C), (D)	(311)	–
IAS 7.42A	Acquisition of non-controlling interests	35	(200)	–
IAS 7.17(b)	Repurchase of treasury shares		–	(280)
IAS 7.17(d)	Repayment of borrowings		(5,055)	(2,445)
IAS 7.17(e)	Payment of finance lease liabilities		(454)	(590)
IAS 7.31	Dividends paid ^b	25(C)	(1,243)	(571)
IAS 7.10	Net cash from financing activities		1,963	564
	Net decrease in cash and cash equivalents		(385)	(633)
	Cash and cash equivalents at 1 July*		1,568	2,226
IAS 7.28	Effect of movements in exchange rates on cash held		(12)	(25)
	Cash and cash equivalents at 30 June*	18	1,171	1,568

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

The notes on pages 66 to 176 are an integral part of these consolidated financial statements

IAS 7.18-19	a.	The Group has elected to present cash flows from operating activities using the direct method, disclosing major classes of gross cash receipts and payments related to operating activities. Alternatively, an entity may present operating cash flows using the indirect method.
IAS 7.31, Insights 2.3.50.20	b.	In the absence of specific guidance in IFRS, an entity should choose an accounting policy, to be applied consistently, for classifying interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities.
Insights 2.3.50.38	c.	In our view, an entity should choose an accounting policy, to be applied consistently, to classify cash flows related to capitalised interest as follows: <ul style="list-style-type: none"> • as cash flows from investing activities if the other cash payments to acquire the qualifying asset are reflected as investing activities; or • consistently with interest cash flows that are not capitalised (which has been applied by the Group).
IFRS 5.33(c), Insights 5.4.220.40	d.	The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 6(B). However, in our view cash flows from discontinued operations may be presented in other ways.

Notes to the consolidated financial statements

IAS 1.10(e)

1. Reporting entity

IAS 1.138(a)-(b)

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

IAS 1.51(a)-(c)

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

AASB 1054.8(b)

The Group is a for-profit entity and is primarily involved in manufacturing paper and paper-related products, cultivating trees and selling wood (see [Note 5\(A\)](#)).

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 (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). They were authorised for issue by the Board of Directors on [date].

IAS 1.16, 10.17

Details of the Group's accounting policies are included in [Note 44](#).

AASB 1048

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

IAS 1.16

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

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

Notes to the consolidated financial statements (continued)

The following are **additional Australian specific disclosures that are included in Note 25, as appropriate.**

25. 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)
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12RU-005

The profits reserve represents profits of entities within the Group transferred to a separate reserve to preserve their profit character. Such profits are available to enable payment of franked dividends in future years. Dividends amounting to \$1,243 thousand (2015: \$571 thousand) were distributed from the profits reserve during the year.

C. Dividends

In thousands of dollars

	2016	2015
Dividend franking account^a		
Amount of franking credits available to shareholders of Example Public Company Limited for subsequent financial years	4,122	2,074

AASB 1054.13

Amount of franking credits available to shareholders of Example Public Company Limited for subsequent financial years

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 (2015: \$2,074 thousand) franking credits.

Notes to the consolidated financial statements (continued)

AASB 1054.16

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

IAS 7.18(b)

46. Reconciliation of cash flows from operating activities

<i>In thousands of dollars</i>	Note	2016	2015
Cash flows from operating activities			
Profit ^a		7,937	6,103
Adjustments for:			
– Depreciation	20(A)	5,001	5,122
– Amortisation	21(A)	785	795
– (Reversal of) impairment losses on property, plant and equipment	20(B), 21(C)	(393)	1,123
– Impairment losses on intangible assets and goodwill	21(C)	16	285
– Impairment loss on remeasurement of disposal group	19(A)	35	–
– Change in fair value of biological assets	15(A)	(587)	(28)
– Increase in fair value of investment property	22(A)	(20)	(60)
– Impairment loss on trade receivables	8(B), 31(C)	150	30
– Net finance costs	9	546	1,166
– Share of profit of equity-accounted investees, net of tax	23	(1,141)	(587)
– Gain on sale of property, plant and equipment	8(A)	(26)	(16)
– Gain on sale of discontinued operation, net of tax	6	(516)	–
– Equity-settled share-based payment transactions	13	755	248
– Tax expense	14	3,346	2,476
		15,888	16,657
Changes in:			
– Inventories		(1,306)	(197)
– Trade and other receivables		(16,461)	(5,527)
– Prepayments		870	(305)
– Trade and other payables		6,622	(7,421)
– Provisions and employee benefits		26	274
– Deferred income/revenue		(29)	1,490
Cash generated from operating activities		6,094	7,161
Interest paid		(1,499)	(1,289)
Taxes paid		(400)	(1,913)
Net cash from operating activities		3,711	1,769

IAS 7.31-32

IAS 7.35

IAS 7.10

IAS 7.18, 20, A,
Insights 2.3.30.20

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

Notes to the consolidated financial statements (continued)

47. Auditors' remuneration^{a, b}		2016	2015
<i>ASIC CO98/100^f</i>	<i>In dollars</i>		
Audit and review services^c			
Auditors of the Company – KPMG			
<i>AASB 1054.10(a)</i>	Audit and review of financial statements	1,708,500	1,214,250
<i>AASB 1054.10(b), 11</i>	Other regulatory audit services ^d	43,410	30,860
		1,751,910	1,245,110
Other auditors			
<i>AASB 1054.10(a)</i>	Audit and review of financial statements	12,260	11,310
Other services^e			
Auditors of the Company – KPMG			
<i>AASB 1054.10(b), 11</i>	In relation to other assurance, taxation and due diligence services	574,830	587,720
Other auditors			
<i>AASB 1054.10(b), 11</i>	In relation to other assurance services	2,000	2,000

- a.** In our opinion, audit fees exclude audit fees for audits of associates or joint ventures but would include partnerships and joint operations.
- b.** Disclosures are required regardless of whether the entity or a related entity make the payments. Where fees are paid on behalf of the entity by a related party outside the consolidated entity, disclosure as a related party transaction is required.
- c.** Half-year audit and review fees for entities in the group are included in 'audit and review services'.
- d.** Other regulatory audit services would include for example, dealer's licence, workers compensation, retirement villages, franchising code of conduct, APRA reports and US Sarbanes-Oxley Act of 2002 Section 404. These amounts could alternatively be disclosed under "other services" below.
- e.** An entity must describe the nature of other services provided. There is no requirement to provide an amount for each non-audit service.
- AASB 1054.10, 11*
- However, an entity that has not included details of non-audit services in the directors' report but has specified that this information may be found in this note to the financial statements, discloses the amount for each non-audit service in order to comply with the *Corporations Act 2001* requirements.
- S300(2A), S300(11B)(a), S300(11C)(b)*
- f.** ASIC has released CP240 *Remaking ASIC class orders on rounding, directors' reports, disclosing entities and other matters* which proposes to remake this Class Order due to its approaching sunset date. No changes are proposed to the substance of the Class Order. A new legislative instrument is proposed to be issued by January 2016 with an updated title, together with updated formatting and legislative references. Entities should monitor KPMG [Reporting Updates](#) for progress on this matter.
- ASIC CO 98/100*

Notes to the consolidated financial statements (continued)

48. Deed of cross guarantee^{a,b}

ASIC CO98/1418

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, 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 CO98/1418
Condition (i)(ii)

It is a condition of the Class Order 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 CO98/1418
Condition (i)(iii)

The subsidiaries subject to the Deed are:

- Acacia Pty Limited
- Gumnut Limited
- Karooa Pty Limited

ASIC CO98/1418
Condition (i)(iii)

Karooa Pty Limited became a party to the Deed on 1 November 2015, by virtue of a Deed of Assumption. Tasman Trust was released from its obligations under the Deed by executing Revocation Deeds on 30 September 2015.

Acacia Pty limited obtained relief pursuant to the Class Order for the year ended 30 June 2015, however, whilst still party to the Deed, is not eligible for relief in the current year as it has become as small propriety company. It was a large proprietary company in the previous financial year.

ASIC CO98/1418
Condition (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 2016 is set out as follows:

- ASIC CO98/1418
- 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 Class Order. The Class Order must be referred to for full details and conditions of the Class Order.
- ASIC CO98/1418
Schedule
- b.** Comparative information is only required where the holding entity was a holding entity in a deed of cross guarantee at any time during the immediately preceding financial year.

Notes to the consolidated financial statements (continued)

48. Deed of cross guarantee (continued)

ASIC CO98/1418 schedule

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

	2016	2015
<i>In thousands of dollars</i>		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 never 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 Note 43

Notes to the consolidated financial statements (continued)

48. Deed of cross guarantee (continued)**Statement of financial position**

	30 June 2016	30 June 2015	1 July 2014
<i>In thousands of dollars</i>		Restated*	Restated*
Assets			
Cash and cash equivalents	x	x	x
Trade and other receivables	x	x	x
Inventories	x	x	x
Biological assets	x	x	x
Other investments, including derivatives	x	x	x
Current tax assets	x	x	x
Prepayments	x	x	x
Assets held for sale	x	x	x
Total 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
Total non-current assets	x	x	x
Total assets	x	x	x
Liabilities			
Bank overdraft	x	x	x
Trade and other payables, including derivatives	x	x	x
Loans and borrowings	x	x	x
Employee benefits	x	x	x
Current tax liabilities	x	x	x
Provisions	x	x	x
Deferred income/revenue	x	x	x
Liabilities held for sale	x	x	x
Total 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
Total 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 43

Notes to the consolidated financial statements (continued)

49. Parent entity disclosures^a

As at, and throughout, the financial year ended 30 June 2016 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)

<i>In thousands of dollars</i>		2016	2015
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

Reg 2M.3.01(1)(f)

Reg 2M.3.01(1)(g)

Reg 2M.3.01(1)(a)

Reg 2M.3.01(1)(b)

Reg 2M.3.01(1)(c)

Reg 2M.3.01(1)(d)

Reg 2M.3.01(1)(e)

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>In thousands of dollars</i>	Note	2016	2015
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 (2015: nil) of which \$250 thousand (2015: 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.

Notes to the consolidated financial statements (continued)

49. 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 thousand. The contract is due to be fulfilled by 31 December 2016.

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 (2015: \$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 48.

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 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 2016 and of its performance for the financial year ended on that date; and

S295(4)(d)(i)

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

S295(4)(c),
ASIC RG22

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

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 48 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 Class Order 98/1418.

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 2016.

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 2016

S295(5)(c)

[Director_name]

Director^b

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

S295(5)

b. The 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 2016)

ASX 4.10.4

Substantial shareholders

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

Shareholder

Example Investment Holdings (Australia) Limited

Voting rights

ASX 4.10.6

Ordinary shares

Refer to [Note 25](#) in the financial statements

ASX 4.10.6

Options

There are no voting rights attached to the options

ASX 4.10.6

Rights

There are no voting rights attached to the rights

ASX 4.10.6

Redeemable preference shares

There are no voting rights attached to the redeemable preference shares

ASX 4.10.6

Non-redeemable preference shares

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

ASX 4.10.6

Redeemable convertible notes

Refer to [Note 27](#) 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)

ASX 4.10.22

Securities purchased on-market^a

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

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

ASX 4.10.16

Unquoted equity securities

Redeemable preference shares

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

Redeemable convertible notes

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

ASX 4.10.13

Securities exchange^b

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

IAS 1.138(a)

Other information

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

ASX 4.10.18

On-market buy-back

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

ASX 4.10.9

Twenty largest shareholders

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

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 4.10.9

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.

[Name of the Company]

Consolidated financial statements

31 December 2015

Consolidated statement of financial position^aIAS 1.10(a), (ea)–(f),
38–38A, 40A–40B, 113

	Note	31 December 2015	31 December 2014 Restated* ^b	1 January 2014 Restated* ^{b, c}
<i>In thousands of euro</i>				
Assets				
IAS 1.54(a)	20	26,586	31,049	34,937
IAS 1.54(c)	21	6,226	4,661	5,429
IAS 1.54(f)	15	4,698	4,031	3,407
IAS 1.54(h)	17	213	-	-
IAS 1.54(b), 17.49	22	1,370	250	150
IAS 1.54(e)	23	2,489	1,948	1,530
IAS 1.54(d)	24	3,631	3,525	3,221
IAS 1.54(o), 56	24	2,116	2,050	984
IAS 1.55	12	671	731	716
IAS 1.60		48,000	48,239	50,374
Non-current assets^e				
IAS 1.54(g)	16	11,603	12,119	11,587
IAS 1.54(f)	15	32	31	29
IAS 1.54(d)	24	662	1,032	947
IAS 1.54(n)		34	60	-
IAS 1.54(h)	17	32,402	22,765	17,651
IAS 1.55		330	1,200	895
IAS 1.54(i)	18	1,505	1,850	2,529
IFRS 5.38, 40, IAS 1.54(j)	19	14,400	-	-
IAS 1.60		60,968	39,057	33,638
Current assets^e				
Total assets				
		108,968	87,296	84,012

* See Note 43.

Consolidated statement of financial position (continued)

	Note	31 December 2015	31 December 2014 Restated* ^b	1 January 2014 Restated* ^{b, c}
<i>In thousands of euro</i>				
Equity				
IAS 1.10(a), (ea)–(f), 38–38A, 40A–40B, 113				
IAS 1.54(r), 78(e)		14,979	14,550	14,550
IAS 1.55, 78(e)		4,777	3,500	3,500
IAS 1.54(r), 78(e)		1,210	462	332
IAS 1.55, 78(e)		20,886	13,873	8,471
		47,852	32,385	26,853
IAS 1.54(q)		3,849	3,109	2,720
		45,701	35,494	29,573
Liabilities				
IAS 1.54(m)	27	20,942	19,031	20,358
IAS 1.55, 78(d)	12	912	453	1,136
IAS 1.54(k)	28	290	5	4
IAS 1.55, 20.24	29	1,424	1,462	-
IAS 1.54(l)	30	1,010	-	740
IAS 1.54(o), 56	14	549	406	323
IAS 1.60		25,127	21,357	22,561
IAS 1.55	18	334	282	303
IAS 1.54(n)		4,853	1,693	25
IAS 1.54(m)	27	4,988	5,546	3,003
IAS 1.55, 78(d)	12	20	388	13
IAS 1.54(k)	28	22,698	20,828	28,254
IAS 1.55, 11.42(b), 20.24	29	177	168	140
IAS 1.54(l)	30	660	1,540	140
IFRS 5.38, 40, IAS 1.54(p)	19	4,410	-	-
IAS 1.60		38,140	30,445	31,878
		63,267	51,802	54,439
		108,968	87,296	84,012

* See Note 43.

The notes on pages 66 to 176 are an integral part of these consolidated financial statements.

- IAS 1.10 a. An entity may also use other titles – e.g. ‘balance sheet’ – as long as the meaning is clear and the title not misleading.
- IAS 8.26, Insights 2.8.50.110 b. The Group has labelled the restated comparative information with the heading ‘restated’.
In our view, this is necessary to highlight for users the fact that the comparative financial statement information is not the same as the financial statement information previously presented in the prior year’s financial statements.
- IAS 1.10(f), 40A c. The Group has presented a third statement of financial position as at the beginning of the preceding period, because the correction of errors (see Note 43) has a material effect on the information in the statement.
- Insights 78.50.50 d. In our view, derivative assets and liabilities should be presented in separate line items in the statement of financial position if they are significant.
- IAS 1.60–61 e. The Group has made a current/non-current distinction in the statement of financial position. An entity may present its assets and liabilities broadly in order of liquidity if such a presentation provides information that is reliable and more relevant. Our publication [Guide to annual financial statements – Illustrative disclosures for banks](#) provides an example presentation of assets and liabilities in order of liquidity.

Consolidated statement of profit or loss and other comprehensive income^a

For the year ended 31 December

IAS 1.10(b), 38–38A, 81A, 113

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 1.99, 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)

IAS 1.85

IAS 1.85

IAS 1.85

IAS 1.91(b)

IAS 1.82A(b)

IAS 21.52(b)

IAS 1.85

IAS 1.85

IAS 1.85, 92

IFRS 7.23(c)

IFRS 7.23(d), IAS 1.92

IFRS 7.20(a)(ii)

IFRS 7.20(a)(iii), IAS 1.92

IAS 1.91(b)

IAS 1.81A(b)

IAS 1.81A(c)

In thousands of euro

Note

2015

2014

Restated*

Continuing operations

Revenue	7	102,716	96,636
Cost of sales ^b	8(C)	(55,548)	(56,186)
Gross profit		47,168	40,450
Other income	8(A)	1,021	194
Selling and distribution expenses ^b	8(C)	(1,984)	(15,865)
Administrative expenses ^b	8(C)	(17,732)	(14,428)
Research and development expenses ^b	8(C)	(1,109)	(697)
Other expenses	8(B)	(1,030)	(30)

Operating profit^c

Finance income		1,161	458
Finance costs		(1,707)	(1,624)

Net finance costs

	9	(546)	(1,166)
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Share of profit of equity-accounted investees, net of tax

23, 25(D)

1,141

587

Profit before tax

Income tax expense	14	(3,371)	(2,520)
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Profit from continuing operations

		7,558	6,525
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Discontinued operation

Profit (loss) from discontinued operation, net of tax ^d	6	379	(422)
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Profit

		7,937	6,103
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Other comprehensive income

Items that will not be reclassified to profit or loss

Revaluation of property, plant and equipment	20(F)	200	-
Remeasurements of defined benefit liability (asset)	12(B)	72	(15)
Equity-accounted investees – share of OCI	23, 25(D)	13	(3)
Related tax ^e	14(B)	(90)	5
		195	(13)

Items that are or may be reclassified subsequently to profit or loss

Foreign operations – foreign currency translation differences		680	471
Net investment hedge – net loss		(3)	(8)
Equity-accounted investees – share of OCI	23, 25(D)	(172)	(166)
Reclassification of foreign currency differences on loss of significant influence	33(D)	(20)	-
Cash flow hedges – effective portion of changes in fair value		(62)	95
Cash flow hedges – reclassified to profit or loss ^f		(31)	(11)
Available-for-sale financial assets – net change in fair value		199	118
Available-for-sale financial assets – reclassified to profit or loss ^f		(64)	-
Related tax ^e	14(B)	(14)	(67)
		513	432

Other comprehensive income, net of tax

		708	419
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Total comprehensive income

		8,645	6,522
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* See Notes 6, 20(H) and 43.

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

For the year ended 31 December

IAS 1.10(b), 38–38A,
81A, 113

IAS 1.81B(a)(ii)

IAS 1.81B(a)(i)

IAS 1.81B(b)(ii)

IAS 1.81B(b)(i)

IAS 33.4

IAS 33.66

IAS 33.66

IAS 33.66

IAS 33.66

<i>In thousands of euro</i>	<i>Note</i>	2015	2014 Restated*
Profit attributable to:			
Owners of the Company		7,413	5,736
Non-controlling interests	34	524	367
		7,937	6,103
Total comprehensive income attributable to:			
Owners of the Company		8,094	6,133
Non-controlling interests	34	551	389
		8,645	6,522
Earnings per share			
Basic earnings per share (euro)	10	2.26	1.73
Diluted earnings per share (euro)	10	2.15	1.72
Earnings per share – continuing operations			
Basic earnings per share (euro)	10	2.14	1.87
Diluted earnings per share (euro)	10	2.03	1.86

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

The notes on pages 66 to 176 are an integral part of these consolidated financial statements.

IAS 1.10A

a. The Group has elected to present comprehensive income using a 'one-statement' approach. For an illustration of the alternative 'two-statement' approach, see [appendix II](#).

IAS 1.99–100

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

IAS 1.85,
BC55–BC56

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

IFRS 5.33(a)–(b),
IAS 1.82(ea)

d. The Group has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss and OCI, and has analysed that single amount into revenue, expenses and the pre-tax profit or loss in [Note 6](#). Alternatively, an entity may present the analysis in the statement.

IAS 1.90–91

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

IAS 1.94

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

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Note	Attributable to owners of the Company										Non-controlling interests	Total equity
		Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Treasury share reserve	Equity component of convertible notes	Retained earnings	Total		
<i>In thousands of euro</i>													
Restated balance at 31 December 2014		14,550	3,500	156	490	96	-	(280)	-	13,873	32,385	3,109	35,494
Total comprehensive income													
Profit		-	-	-	-	-	-	-	-	7,413	7,413	524	7,937
Other comprehensive income	14(B), 25(D)	-	-	458	(62)	90	134	-	-	61	681	27	708
Total comprehensive income		-	-	458	(62)	90	134	-	-	7,474	8,094	551	8,645
Transactions with owners of the Company													
Contributions and distributions													
Issue of ordinary shares	25(A)	390	1,160	-	-	-	-	-	-	-	1,550	-	1,550
Business combination	33(A)	24	63	-	-	-	-	-	-	120	207	-	207
Issue of convertible notes	14(C), 27(C)	-	-	-	-	-	-	-	109	-	109	-	109
Treasury shares sold ^a	25(B)	-	19	-	-	-	-	11	-	-	30	-	30
Dividends	25(C)	-	-	-	-	-	-	-	-	(1,243)	(1,243)	-	(1,243)
Equity-settled share-based payment ^b	13	-	-	-	-	-	-	-	-	755	755	-	755
Share options exercised	25(A)	-	35	-	-	-	-	-	-	-	50	-	50
Total contributions and distributions		429	1,277	-	-	-	-	11	109	(368)	1,458	-	1,458
Changes in ownership interests													
Acquisition of NCI without a change in control	35	-	-	8	-	-	-	-	-	(93)	(85)	(115)	(200)
Acquisition of subsidiary with NCI	33	-	-	-	-	-	-	-	-	-	-	304	304
Total changes in ownership interests		-	-	8	-	-	-	-	-	(93)	(85)	189	104
Total transactions with owners of the Company		429	1,277	8	-	-	-	11	109	(461)	1,373	189	1,562
Balance at 31 December 2015		14,979	4,777	622	428	186	134	(269)	109	20,886	41,852	3,849	45,701

Refer to page 40 for Australian style Consolidated statement of changes in equity

IAS 1.10(c), 108, 113

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)

Consolidated statement of cash flows

For the year ended 31 December

IAS 1.10(d), 38–38A, 113

IAS 7.18(b)

In thousands of euro

Note

2015

2014

Cash flows from operating activities^aProfit^b

7,937

6,103

Adjustments for:

– Depreciation

20(A)

5,001

5,122

– Amortisation

21(A)

785

795

– (Reversal of) impairment losses on property, plant and equipment

20(B), 21(A)

(393)

1,123

– Impairment losses on intangible assets and goodwill

21(C)

16

285

– Impairment loss on remeasurement of disposal group

19(A)

35

-

– Change in fair value of biological assets

15(A)

(587)

(28)

– Increase in fair value of investment property

22(A)

(20)

(60)

– Impairment loss on trade receivables

8(B), 31(C)

150

30

– Net finance costs

9

546

1,166

– Share of profit of equity-accounted investees, net of tax

23

(1,141)

(587)

– Gain on sale of property, plant and equipment

8(A)

(26)

(16)

– Gain on sale of discontinued operation, net of tax

6

(516)

-

– Equity settled share-based payment transactions

13

755

248

– Tax expense

14

3,346

2,476

15,888

16,657

Changes in:

– Inventories

(1,306)

(197)

– Trade and other receivables

(16,461)

(5,527)

– Prepayments

870

(305)

– Trade and other payables

6,622

(7,421)

– Provisions and employee benefits

26

274

– Deferred income/revenue

(29)

1,490

Cash generated from operating activities

5,610

4,971

IAS 7.31–32

Interest paid^{c, d}

(1,499)

(1,289)

IAS 7.35

Income taxes paid

(400)

(1,913)

IAS 7.10

Net cash from operating activities

3,711

1,769

Consolidated statement of cash flows (continued)

For the year ended 31 December

IAS 1.10(d), 38–38A, 113	In thousands of euro	Note	2015	2014
	Cash flows from investing activities			
IAS 7.31	Interest received ^c		6	19
IAS 7.31	Dividends received ^c		26	32
IAS 7.16(b)	Proceeds from sale of property, plant and equipment		1,177	397
IAS 7.21	Proceeds from sale of investments		1,476	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of ^e	6	10,890	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired		(1,799)	-
IAS 7.16(a)	Acquisition of property, plant and equipment	20(A)	(15,657)	(2,228)
IAS 7.16(a)	Acquisition of investment property	22(A)	(300)	(40)
IAS 7.21	Purchase of non-current biological assets	15(A)	(305)	(814)
IAS 7.16(a)	Acquisition of other investments		(359)	(363)
IAS 24.18	Dividends from equity-accounted investees	23(A)	21	-
IAS 7.21	Development expenditure	21(A), (D)	(1,235)	(503)
IAS 7.10	Net cash used in investing activities		(6,059)	(2,966)
	Cash flows from financing activities			
IAS 7.17(a)	Proceeds from issue of share capital	25(A)	1,550	-
IAS 7.17(c)	Proceeds from issue of convertible notes	27(C)	5,000	-
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	27(D)	2,000	-
IAS 7.17(c)	Proceeds from loans and borrowings		591	4,439
IAS 7.21	Proceeds from sale of treasury shares		30	-
IAS 7.21	Proceeds from exercise of share options	25(A)	50	-
IAS 7.16(h)	Proceeds from settlement of derivatives		5	11
IAS 7.21	Transaction costs related to loans and borrowings	27(C), (D)	(311)	-
IAS 7.42A	Acquisition of non-controlling interests	35	(200)	-
IAS 7.17(b)	Repurchase of treasury shares		-	(280)
IAS 7.17(d)	Repayment of borrowings		(5,055)	(2,445)
IAS 7.17(e)	Payment of finance lease liabilities		(454)	(590)
IAS 7.31	Dividends paid ^c	25(C)	(1,243)	(571)
IAS 7.10	Net cash from financing activities		1,963	564
	Net decrease in cash and cash equivalents		(385)	(633)
	Cash and cash equivalents at 1 January*		1,568	2,226
IAS 7.28	Effect of movements in exchange rates on cash held		(12)	(25)
	Cash and cash equivalents at 31 December*	18	1,171	1,568

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

The notes on pages 66 to 176 are an integral part of these consolidated financial statements.

- IAS 7.18–19 a. The Group has elected to present cash flows from operating activities using the indirect method. Alternatively, an entity may present operating cash flows using the direct method, disclosing major classes of gross cash receipts and payments related to operating activities (see appendix III).
- IAS 7.18, 20, A, Insights 2.3.30.20 b. The Group has used 'profit or loss' as the starting point for presenting operating cash flows using the indirect method. This is the starting point referred to in IAS 7 *Statement of Cash Flows*, although the example provided in the appendix to the standard starts with a different figure – 'profit before tax'. Because the appendix does not have the same status as the standard, it would be more appropriate to follow the standard.
- IAS 7.31, Insights 2.3.50.20 c. In the absence of specific guidance in IFRS, an entity should choose an accounting policy, to be applied consistently, for classifying interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities.
- Insights 2.3.50.38 d. In our view, an entity should choose an accounting policy, to be applied consistently, to classify cash flows related to capitalised interest as follows:
- as cash flows from investing activities if the other cash payments to acquire the qualifying asset are reflected as investing activities; or
 - consistently with interest cash flows that are not capitalised (which has been applied by the Group).
- IFRS 5.33(c), Insights 5.4.220.40 e. The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 6(B). However, in our view cash flows from discontinued operations may be presented in other ways.

IAS 1.10(e)

Notes to the consolidated financial statements^a**1. Reporting entity**IAS 1.51(a)–(b),
138(a)–(b)

[Name of Company] (the 'Company') is domiciled in [Country X]. The Company's registered office is at [address]. These consolidated financial statements comprise the Company and its subsidiaries (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 5(A)).

2. Basis of accounting

IAS 1.16, 112(a), 10.17

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

Details of the Group's accounting policies are included in Note 44.

3. Functional and presentation currency

IAS 1.51(d)–(e)

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

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

IAS 1.122

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

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

B. Assumptions and estimation uncertainties

IAS 1.125, 129–130

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

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

IAS 1.113–115

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

Notes to the consolidated financial statements (continued)

4. Use of judgements and estimates (continued)

B. Assumptions and estimation uncertainties (continued)

i. Measurement of fair values

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

IFRS 13.93(g)

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the 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 such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

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

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

IFRS 13.95

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

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

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

IFRS 13.6(a)

- a. The Group has included in a 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. Operating segments^a**A. Basis for segmentation***IFRS 8.20–22*

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

The following summary describes the operations of each reportable segment.

IAS 41.46(a)

Reportable segments ^b	Operations
Standard Papers	Buying, manufacturing and distributing pulp and paper
Recycled Papers	Buying, recycling and distributing pulp and paper
Packaging ^c (sold in May 2015; see Note 6)	Designing and manufacturing packaging materials
Forestry	Cultivating and managing forest resources and related services
Timber Products	Manufacturing and distributing softwood lumber, plywood, veneer, composite panels, engineered lumber, raw materials and building materials
Research and Development (R&D)	Conducting research and development activities

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 7 and 15). None of these segments met the quantitative thresholds for reportable segments in 2015 or 2014.

IFRS 8.27(a)

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

IFRS 8.IN13, 27–28

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

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

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

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.
- c.** The operations of the packaging segment were reviewed by management until the discontinuance was completed; therefore, it is presented as a reportable segment in Note 5B.

5. Operating segments (continued)**B. Information about reportable segments**

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.

2015 <i>In thousands of euro</i>	Reportable segments						Total reportable segments	All other segments	Total
	Standard Papers	Recycled Papers	Packaging (discontinued)*	Forestry	Timber Products	Research and Development			
External revenues ^a	64,118	30,367	7,543	3,967	2,700	-	108,695	1,564	110,259
Inter-segment revenue ^a	-	317	940	2,681	1,845	875	6,658	891	7,549
Segment revenue	64,118	30,684	8,483	6,648	4,545	875	115,353	2,455	117,808
Segment profit (loss) before tax	6,627	5,595	(158)	1,208	(263)	101	13,110	771	13,881
Interest income ^a	109	42	-	45	10	-	206	4	210
Interest expense ^a	(589)	(397)	-	(349)	(76)	-	(1,411)	(5)	(1,416)
Depreciation and amortisation ^a	(1,999)	(1,487)	(623)	(1,069)	(233)	(189)	(5,600)	(231)	(5,831)
Share of profit (loss) of equity-accounted investees ^a	1,109	-	-	32	-	-	1,141	-	1,141
Other material non-cash items: ^a									
– Impairment losses on non-financial assets	-	-	-	-	(116)	-	(116)	-	(116)
– Reversal of impairment losses on non-financial assets	493	-	-	-	-	-	493	-	493
Segment assets^a	41,054	23,025	-	24,929	4,521	2,323	95,852	7,398	103,250
Equity-accounted investees	2,209	-	-	280	-	-	2,489	-	2,489
Capital expenditure	9,697	6,365	-	1,158	545	1,203	18,968	560	19,528
Segment liabilities^a	39,399	12,180	-	6,390	1,236	169	59,374	237	59,611

* See Note 6.

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

IFRS 8 *Operating Segments* does not specify the disclosure requirements for a discontinued operation; nevertheless, if management reviews the financial results of the discontinued operation until the discontinuance is completed, then an entity is not prohibited from disclosing such information.

IFRS 8.27

IFRS 8.16

IFRS 8.23(a), 32

IFRS 8.23(b)

IFRS 8.21(b), 23

IFRS 8.23(c)

IFRS 8.23(d)

IFRS 8.23(e)

IFRS 8.23(g)

IFRS 8.23(i)

IAS 36.129(a)

IAS 36.129(b)

IFRS 8.21(b)

IFRS 8.24(a)

IFRS 8.24(b)

IFRS 8.21(b)

IFRS 8.23

5. Operating segments (continued)**B. Information about reportable segments (continued)**

2014 <i>In thousands of euro</i>	Reportable segments (Restated)*							All other segments	Total (Restated)*
	Standard Papers	Recycled Papers	Packaging (discontinued)**	Forestry	Timber Products	Research and Development	Total reportable segments		
External revenues ^a	67,092	22,060	23,193	3,483	2,985	-	118,813	1,016	119,829
Inter-segment revenue ^a	-	323	2,835	2,676	1,923	994	8,751	765	9,516
Segment revenue	67,092	22,383	26,028	6,159	4,908	994	127,564	1,781	129,345
Segment profit (loss) before tax	4,106	3,811	(458)	971	1,280	67	9,777	195	9,972
Interest income ^a	91	24	-	27	7	-	149	3	152
Interest expense ^a	(577)	(355)	-	(301)	(63)	-	(1,296)	(4)	(1,300)
Depreciation and amortisation ^a	(2,180)	(1,276)	(1,250)	(696)	(201)	(165)	(5,768)	(199)	(5,967)
Share of profit (loss) of equity-accounted investees ^a	561	-	-	26	-	-	587	-	587
Other material non-cash items: ^a									
– Impairment losses on non-financial assets	(1,408)	-	-	-	-	-	(1,408)	-	(1,408)
– Reversal of impairment losses on non-financial assets	-	-	-	-	-	-	-	-	-
Segment assets^a	25,267	16,003	13,250	18,222	3,664	1,946	78,352	3,683	82,035
Equity-accounted investees	1,700	-	-	248	-	-	1,948	-	1,948
Capital expenditure	1,136	296	127	722	369	123	2,773	150	2,923
Segment liabilities^a	26,907	14,316	2,959	4,540	1,456	158	50,336	454	50,790

* As a result of the acquisition of Papyrus Pty Limited (Papyrus) during 2015 (see Note 33), the Group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the year ended 31 December 2014.

** See Note 6.

IFRS 8.16

IFRS 8.23(a), 32

IFRS 8.23(b)

IFRS 8.21(b), 23

IFRS 8.23(c)

IFRS 8.23(d)

IFRS 8.23(e)

IFRS 8.23(g)

IFRS 8.23(i)

IAS 36.129(a)

IAS 36.129(b)

IFRS 8.21(b)

IFRS 8.24(a)

IFRS 8.24(b)

IFRS 8.21(b)

IFRS 8.29

IFRS 8.23

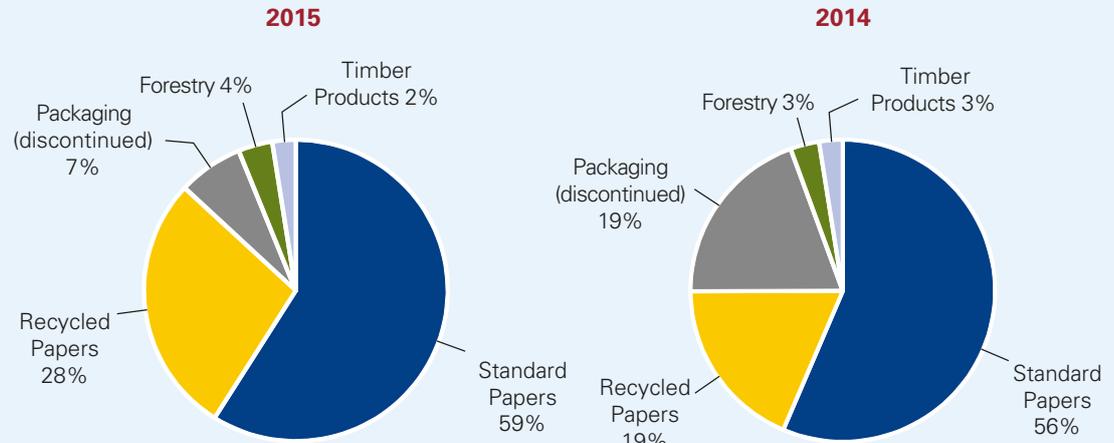
a. The Group has disclosed these amounts for each reportable segment because they are regularly provided to the CODM.

Notes to the consolidated financial statements (continued)

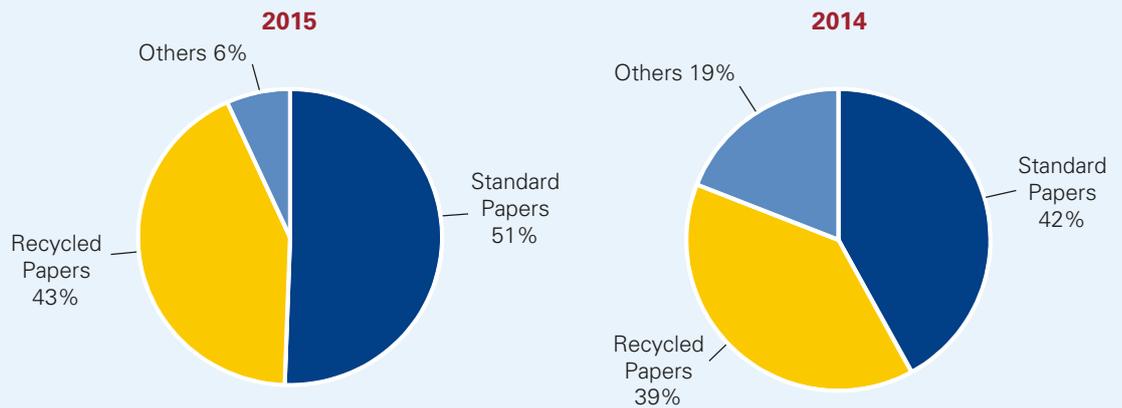
5. Operating segments (continued)

B. Information about reportable segments (continued)

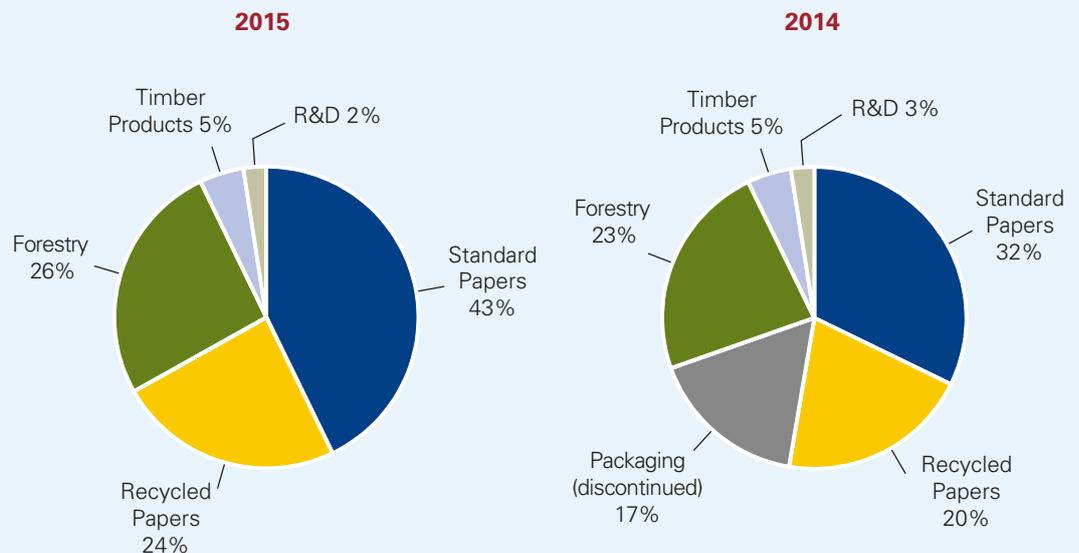
i. External revenues*



ii. Profit before tax*

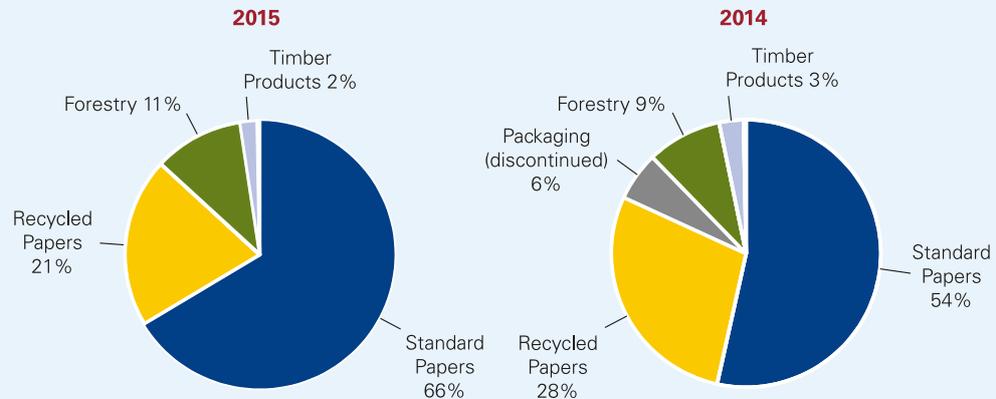


iii. Assets*



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

Notes to the consolidated financial statements (continued)

5. Operating segments (continued)**B. Information about reportable segments (continued)****iv. Liabilities***

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

C. Reconciliations of information on reportable segments to IFRS measures^a

In thousands of euro

	Note	2015	2014
i. Revenues			
Total revenue for reportable segments		115,353	127,564
Revenue for other segments		2,455	1,781
Elimination of inter-segment revenue		(7,549)	(9,516)
Elimination of discontinued operations	6	(7,543)	(23,193)
Consolidated revenue		102,716	96,636
ii. Profit before tax			
Total profit before tax for reportable segments		13,110	9,777
Profit before tax for other segments		771	195
Elimination of inter-segment profit		(1,691)	(1,167)
Elimination of discontinued operation	6	162	466
Unallocated amounts:			
– Other corporate expenses		(2,564)	(813)
– Share of profit of equity-accounted investees	23	1,141	587
Consolidated profit before tax from continuing operations (restated)**		10,929	9,045
iii. Assets			
Total assets for reportable segments		95,852	78,352
Assets for other segments		7,398	3,683
Equity-accounted investees	23	2,489	1,948
Other unallocated amounts		3,229	3,313
Consolidated total assets		108,968	87,296

** As a result of the acquisition of Papyrus Pty Limited (Papyrus) during 2015 (see Note 33), the Group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the year ended 31 December 2014.

IFRS 8.27–28

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

Notes to the consolidated financial statements (continued)

5. Operating segments (continued)

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

<i>In thousands of euro</i>	<i>Note</i>	2015	2014
iv. Liabilities			
Total liabilities for reportable segments		59,374	50,336
Liabilities for other segments		237	454
Other unallocated amounts		3,656	1,012
Consolidated total liabilities (restated)*		63,267	51,802

* See Note 43.

v. Other material items

2015 <i>In thousands of euro</i>	Reportable segment totals	Adjustments	Consolidated totals
Interest income	206	2	208
Interest expense	1,411	2	1,413
Capital expenditure	18,968	560	19,528
Depreciation and amortisation	5,600	186	5,786
Impairment losses on non-financial assets	116	-	116
Reversal of impairment losses on non-financial assets	493	-	493

2014 <i>In thousands of euro</i>	Reportable segment totals	Adjustments	Consolidated totals
Interest income	149	2	151
Interest expense	1,296	3	1,299
Capital expenditure	2,773	150	2,923
Depreciation and amortisation	5,768	149	5,917
Impairment losses on non-financial assets	1,408	-	1,408

D. Geographic information^{a, b}

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

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

Insights 5.2.220.20 **a.** In our view, entity-wide disclosures by region – e.g. Europe or Asia – do not meet the requirement to disclose information by an individual foreign country, if they are material.

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

Notes to the consolidated financial statements (continued)

5. Operating segments (continued)**D. Geographic information (continued)****i. Revenue**

<i>In thousands of euro</i>	2015	2014
[Country X]	31,696	34,298
All foreign countries		
Germany	23,556	25,877
Netherlands	22,654	25,641
UK	4,001	5,300
US	22,643	23,268
Other countries	5,709	5,445
Packaging (discontinued)	(7,543)	(23,193)
	102,716	96,636

ii. Non-current assets

<i>In thousands of euro</i>	2015	2014
[Country X]	15,013	14,273
All foreign countries		
Germany	6,104	7,877
Netherlands	9,608	8,986
UK	2,002	1,998
US	7,691	7,807
Other countries	951	992
	41,369	41,933

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

E. Major customer

Revenues from one customer of the Group's Standard Papers and Recycled Papers segments represented approximately €20,000 thousand (2014: €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 clarify which financial instruments are excluded from non-current assets reported in the geographic information. An entity discloses the equity-accounted investees within the disclosure of geographic information of non-current assets, if they are regularly provided to the CODM.

Notes to the consolidated financial statements (continued)

6. Discontinued operation

See accounting policy in Note 44(C).

IFRS 5.30, 41(a)–(b),
(d)

In May 2015, the Group sold its entire Packaging segment (see Note 5). Management committed to a plan to sell this segment early in 2015, following a strategic decision to place greater focus on the Group's key competencies – i.e. the manufacture of paper used in the printing industry, forestry and the manufacture of timber products.

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

IAS 1.98(e)

A. Results of discontinued operation^a

In thousands of euro

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)(i)

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)

	Note	2015	2014
Revenue		7,543	23,193
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	10	0.12	(0.14)
Diluted earnings (loss) per share (euro) ^b	10	0.12	(0.14)

The profit from the discontinued operation of €379 thousand (2014: loss of €422 thousand) is attributable entirely to the owners of the Company. Of the profit from continuing operations of €7,558 thousand (2014: €6,525 thousand), an amount of €7,034 thousand is attributable to the owners of the Company (2014: €6,158 thousand).

IFRS 5.33(c)

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

In thousands of euro

IAS 7.40(d)

IAS 7.40(c)

IAS 7.40(a)–(b)

	Note	2015	2014
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

In thousands of euro

	Note	2015
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

Insights
5.4.220.12–17

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

IAS 33.68

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

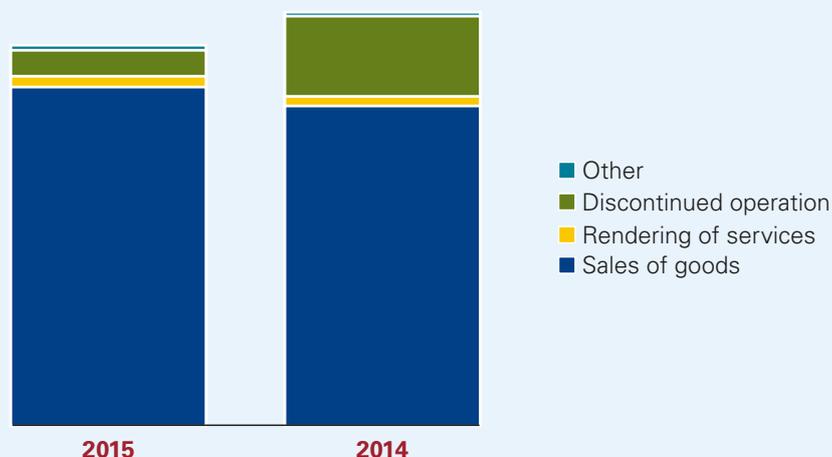
IFRS 5.33(c)

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

Notes to the consolidated financial statements (continued)

7. Revenue^a

See accounting policy in Note 44(D).



In thousands of euro	Note	Continuing operations		Discontinued operation (see Note 6)		Total	
		2015	2014	2015	2014	2015	2014
IAS 18.35(b)(i)		98,176	92,690	7,543	23,193	105,719	115,883
IAS 18.35(b)(ii)		3,120	2,786	-	-	3,120	2,786
IAS 18.35(b)(ii)		451	307	-	-	451	307
IAS 40.75(f)(i)		310	212	-	-	310	212
IAS 11.39(a)	37(B)	659	641	-	-	659	641
		102,716	96,636	7,543	23,193	110,259	119,829

IAS 1.122

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

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

For the year ended 31 December 2015, the Group has deferred revenue of €50 thousand (2014: €38 thousand) relating to its customer loyalty programme (see Note 29).

IAS 18.35(b)(iii),
Insights 4.2.720.20

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

Notes to the consolidated financial statements (continued)

8. Income and expenses

A. Other income

IAS 1.97

In thousands of euro

	Note	2015	2014
IAS 41.40	15(A)	587	28
IAS 40.76(d)	22(A)	20	60
	29(A)	238	-
IAS 1.98(c)		26	16
	37(A)(ii)	150	90
		1,021	194

B. Other expenses^a

IAS 1.97

In thousands of euro

	Note	2015	2014
IFRS 5.41(c)	19(A)	35	-
IFRS 7.20(e)	31(C)(ii)	150	30
	33(A)	326	-
	30(D)	160	-
IAS 1.87		359	-
		1,030	30

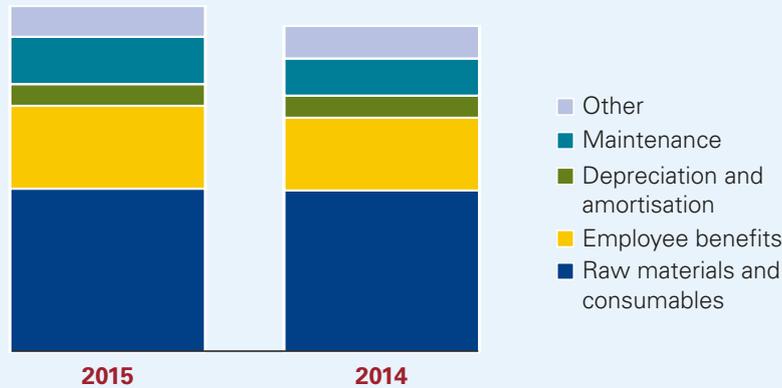
 Insights
 4.1.30.10–40

- a.** There is no guidance in IFRS on how specific expenses are allocated to functions. An entity establishes its own definitions of functions. In our view, cost of sales includes only expenses directly or indirectly attributable to the production process. Only expenses that cannot be allocated to a specific function are classified as 'other expenses'.
- b.** IFRS is silent about whether impairment losses on trade receivables are presented in profit or loss as finance costs or operating expenses. Although the Group has presented these amounts as part of 'other expenses', other presentations – e.g. as 'finance costs' – are also possible as long as the disclosure requirements of IFRS 7 *Financial Instruments: Disclosures* are met.

Notes to the consolidated financial statements (continued)

8. Income and expenses (continued)**C. Expenses by nature**

IAS 1.104



	Note	2015	2014 Restated*
<i>In thousands of euro</i>			
Changes in inventories of finished goods and work in progress		(1,641)	(343)
Raw materials and consumables		43,716	43,208
Employee benefits	13	22,154	19,439
Depreciation and amortisation	20(A), 21(A)	5,786	5,917
Impairment of property, plant and equipment and goodwill ^a	20(B), 21(C)	(377)	1,408
Consultancy		4,866	2,732
Advertising		2,550	2,650
Maintenance		12,673	9,957
Lease and contingent rent	37(A)(ii)	475	477
Other		2,171	1,731
Total cost of sales, selling and distribution, administrative and research and development expenses		92,373	87,176

* See Note 43.

IAS 1.104

IAS 1.104

IAS 36.126,
Insights
3.10.430.20

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

Notes to the consolidated financial statements (continued)

9. Net finance costs

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

IAS 1.97	<i>In thousands of euro</i>	Note	2015	2014
	Interest income on:			
IFRS 7.20(b)	– Unimpaired held-to-maturity investments		191	117
IFRS 7.20(d)	– Impaired held-to-maturity investments		7	6
IFRS 7.20(b)	– Loans and receivables		2	1
IFRS 7.20(b)	– Available-for-sale financial assets		8	27
IFRS 7.20(b)	Total interest income arising from financial assets not measured at fair value through profit or loss ^a		208	151
IFRS 3.B64(p)(ii)	Remeasurement to fair value of pre-existing interest in acquiree	<i>33(D)</i>	250	-
	Available-for-sale financial assets:			
IAS 18.35(b)(v)	– Dividend income		26	32
IFRS 7.20(a)(ii)	– Reclassified from OCI		64	-
IFRS 7.20(a)(i)	Financial assets at fair value through profit or loss – net change in fair value:			
	– Held-for-trading		74	-
	– Designated on initial recognition		508	264
IFRS 7.23(d)	Cash flow hedges – reclassified from OCI		31	11
	Finance income		1,161	458
IFRS 7.20(b)	Financial liabilities measured at amortised cost – interest expense ^b		(1,413)	(1,299)
IAS 21.52(a)	Net foreign exchange loss		(138)	(243)
IAS 37.84(e)	Unwind of discount on site restoration provision	<i>30</i>	(60)	(50)
IFRS 7.20(e)	Held-to-maturity investments – impairment loss	<i>31(C)(ii)</i>	(60)	-
IFRS 7.20(a)(i)	Change in fair value of contingent consideration	<i>31(B)(iii)</i>	(20)	-
IFRS 7.24(b)	Cash flow hedges – ineffective portion of changes in fair value		(15)	(13)
IFRS 7.24(c)	Net investment hedge – ineffective portion of changes in fair value		(1)	-
IFRS 7.20(a)(i)	Financial assets at fair value through profit or loss – net change in fair value:			
	– Held-for-trading		-	(19)
	Finance costs		(1,707)	(1,624)
	Net finance costs recognised in profit or loss		(546)	(1,166)

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

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

Notes to the consolidated financial statements (continued)

10. Earnings per share**A. Basic earnings per share**

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

IAS 33.70(a)

i. Profit attributable to ordinary shareholders (basic)

In thousands of euro	2015			2014		
	Continuing operations	Discontinued operation	Total	Continuing operations (Restated)*	Discontinued operation (Restated)*	Total (Restated)*
Profit (loss) for the year, attributable to the owners of the Company	7,034	379	7,413	6,158	(422)	5,736
Dividends on non-redeemable preference shares (see Note 25(C))	(438)	-	(438)	(438)	-	(438)
Profit (loss) attributable to ordinary shareholders	6,596	379	6,975	5,720	(422)	5,298

* See Notes 6 and 43.

IAS 33.70(b)

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

In thousands of shares	Note	2015	2014
Issued ordinary shares at 1 January	25(A)(i)	3,100	3,100
Effect of treasury shares held	25(B)(vi)	(49)	(40)
Effect of share options exercised	25(A)(i)	3	-
Effect of shares issued related to a business combination	25(A)(i)	6	-
Effect of shares issued in October 2015	25(A)(i)	23	-
Weighted-average number of ordinary shares at 31 December		3,083	3,060

B. Diluted earnings per share

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

IAS 33.70(a)

i. Profit attributable to ordinary shareholders (diluted)

In thousands of euro	2015			2014		
	Continuing operations	Discontinued operation	Total	Continuing operations (Restated)*	Discontinued operation (Restated)*	Total (Restated)*
Profit (loss) attributable to ordinary shareholders (basic)	6,596	379	6,975	5,720	(422)	5,298
Interest expense on convertible notes, net of tax	61	-	61	-	-	-
Profit (loss) attributable to ordinary shareholders (diluted)	6,657	379	7,036	5,720	(422)	5,298

* Sees Notes 6 and 43.

Notes to the consolidated financial statements (continued)

10. Earnings per share (continued)

B. Diluted earnings per share (continued)

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

IAS 33.70(b)

<i>In thousands of shares</i>	<i>Note</i>	2015	2014
Weighted-average number of ordinary shares (basic)		3,083	3,060
Effect of conversion of convertible notes	27(C)	148	-
Effect of share options on issue		47	18
Weighted-average number of ordinary shares (diluted) at 31 December		3,278	3,078

IAS 33.70(c)

At 31 December 2015, 135,000 options (2014: 44,000) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

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

Insights
5.3.270.80

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

Notes to the consolidated financial statements (continued)

11. Share-based payment arrangements^a

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

IFRS 2.44–45(a), 50

A. Description of share-based payment arrangements

At 31 December 2015, the Group had the following share-based payment arrangements.

i. Share option programmes (equity-settled)

On 1 January 2011 and 1 January 2014, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 January 2015, 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 2011	400	3 years' service from grant date and 5% increase in operating income in each of the 3 years	7 years
On 1 January 2014	200	Same as above	10 years
On 1 January 2015	225	Same as above	10 years
Options granted to senior employees			
On 1 January 2015	100	3 years' service from grant date	10 years
Total share options	925		

ii. Replacement awards (equity-settled)

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

iii. Share purchase plan (equity-settled)

On 1 January 2015, the Group offered 26 of its employees the opportunity to participate in an employee share purchase plan. To participate in the plan, the employees are required to save an amount of 5% of their gross monthly salary, up to a maximum of €300 per month, for a period of 36 months. Under the terms of the plan, at the end of the 36-month period the employees are entitled to purchase shares using funds saved at a price of 20% below the market price at grant date. Only employees that remain in service and save the required amount of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. Employees who cease their employment, do not save the required amount of their gross monthly salary in any month before the 36-month period expires, or elect not to exercise their options to purchase shares will be refunded their saved amounts.

iv. Share appreciation rights (cash-settled)

On 1 January 2012 and 1 January 2015, the Group granted 100,000 and 300,000 share appreciation rights (SARs), respectively, to employees that entitle them to a cash payment after three years of service. The SARs expire at the end of a five-year period after grant date. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and the time of exercise.

ASIC CO
98/100

a. Where ASIC CO 98/100 is applied in the financial statements, certain share-based payment disclosures are subject to the exception of the rounding provisions. See section 4.1.8 of KPMG's *Australian Financial Reporting Manual*. This exception is not reflected in this international-based illustrative disclosure.

ASIC has released CP240 *Remaking ASIC class orders on rounding, directors' reports, disclosing entities and other matters* which proposes to remake this Class Order due to its approaching sunset date. No changes are proposed to the substance of the Class Order. A new legislative instrument is proposed to be issued by January 2016 with an updated title, together with updated formatting and legislative references. Entities should monitor KPMG [Reporting Updates](#) for progress on this matter.

Notes to the consolidated financial statements (continued)

11. Share-based payment arrangements (continued)

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

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

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

<i>In thousands of euro</i>		<i>Note</i>	2015	2014
<i>IFRS 2.51(b)(i)</i>	Total carrying amount of liabilities for SARs	12	440	380
<i>IFRS 2.51(b)(ii)</i>	Total intrinsic value of liabilities for vested benefits		-	380

The liabilities at 31 December 2014 were settled during 2015.

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

IFRS 2.46, 47(a)(i), (iii) The fair value of the employee share purchase plan (see (A)(iii)) has been measured using Monte Carlo simulation. The fair value of the employee share options (see (A)(i) and (A)(ii)) has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

IFRS 2.47(a)(iii) The requirement that the employee has to save in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained. The discount has been determined by estimating the probability that the employee will stop saving based on historical behaviour.

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

	Share option programmes					
	Key management personnel (see (A)(i))		Senior employees (see (A)(i))	Replacement awards (see (A)(ii))	Share purchase plan (see (A)(iii))	
	2015	2014	2015	2015	2015	
<i>IFRS 2.47(a)(i)</i>	Fair value at grant date	€3.54	€3.75	€3.14	€3.81	€4.02
	Share price at grant date	€10.10	€10.50	€10.10	€10.30	€10.10
	Exercise price	€10.10	€10.50	€10.10	€10.30	€8.08
	Expected volatility (weighted-average)	40.1%	40.9%	40.1%	42.4%	43.3%
	Expected life (weighted-average)	8.6 years	8.8 years	5.4 years	5.9 years	4.0 years
	Expected dividends	3.2%	3.2%	3.2%	3.2%	3.2%
	Risk-free interest rate (based on government bonds)	3.9%	3.8%	3.8%	3.9%	3.9%

IFRS 2.47(a)(ii) Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

At 31 December 2015, a total amount of €78 thousand was invested by the participants in the share purchase plan (see Note 40(B)(ii)) and has been included in 'other trade payables' (see Note 28).

Notes to the consolidated financial statements (continued)

11. Share-based payment arrangements (continued)**B. Measurement of fair values (continued)****ii. Cash-settled share-based payment arrangement^a**

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

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

	Grant date 1 January 2015	Measure- ment date 31 December 2015
<i>IFRS 2.52</i> Fair value	€2.82	€4.40
Share price	€10.10	€12.70
Exercise price	€10.10	€10.10
Expected volatility (weighted-average)	43.3%	43.1%
Expected life (weighted-average)	4.0 years	2.8 years
Expected dividends	3.2%	3.3%
Risk-free interest rate (based on government bonds)	4.4%	4.5%

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

C. Reconciliation of outstanding share options

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

	Number of options 2015	Weighted- average exercise price 2015	Number of options 2014	Weighted- average exercise price 2014
<i>In thousands of options</i>				
<i>IFRS 2.45(b)(i)</i> Outstanding at 1 January	550	€10.18	400	€10.00
<i>IFRS 2.45(b)(iii)</i> Forfeited during the year	(50)	€10.00	(50)	€10.00
<i>IFRS 2.45(b)(iv)</i> Exercised during the year	(5)	€10.00	-	-
<i>IFRS 2.45(b)(ii)</i> Granted during the year	475	€10.16	200	€10.50
<i>IFRS 2.45(b)(vi)</i> Outstanding at 31 December	970	€10.18	550	€10.18
<i>IFRS 2.45(b)(vii)</i> Exercisable at 31 December	295	€10.00	350	€10.00

IFRS 2.45(d) The options outstanding at 31 December 2015 had an exercise price in the range of €8.08 to €10.50 (2014: €10.00 to €10.50) and a weighted-average contractual life of 6.4 years (2014: 5.2 years).

IFRS 2.45(c) The weighted-average share price at the date of exercise for share options exercised in 2015 was €10.00 (2014: no options exercised).

D. Expense recognised in profit or loss

For details on the related employee benefit expenses, see [Note 13](#).

Insights
4.5.1000.10

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

Notes to the consolidated financial statements (continued)

12. Employee benefits

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

<i>In thousands of euro</i>	<i>Note</i>	2015	2014
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>11</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 [Note 13](#).

IAS 19.139(a)

The Group contributes to the following post-employment defined benefit plans in [*Countries X and Y*]:

- plan A entitles a retired employee to receive an annual pension payment. Directors and executive officers (see [Note 40\(B\)\(ii\)](#)) retire at age 60 and are entitled to receive annual payments equal to 70 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; and
- plan B reimburses certain medical costs for retired employees.

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

IAS 19.139(b)

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

A. Funding

IAS 19.147(a)

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

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements for Plan A) for the plans of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2015 or 31 December 2014.

IAS 19.147(b)

The Group expects to pay €350 thousand in contributions to its defined benefit plans in 2016.

IAS 1.69, 19.133

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

Notes to the consolidated financial statements (continued)

12. Employee benefits (continued)**B. Movement in net defined benefit (asset) liability**

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

<i>In thousands of euro</i>	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) liability		
	2015	2014	2015	2014	2015	2014	
IAS 19.140	Balance at 1 January	7,057	6,718	(7,508)	(7,162)	(451)	(444)
	Included in profit or loss^b						
IAS 19.141(a)	Current service cost	497	456	-	-	497	456
IAS 19.141(d)	Past service credit	(100)	-	-	-	(100)	-
IAS 19.141(b)	Interest cost (income)	360	322	(383)	(344)	(23)	(22)
		757	778	(383)	(344)	374	434
	Included in OCI^b						
IAS 19.141(c)	Remeasurements loss (gain):						
	– Actuarial loss (gain) arising from:						
IAS 19.141(c)(ii)	- demographic assumptions	(31)	4	-	-	(31)	4
IAS 19.141(c)(iii)	- financial assumptions	(21)	8	-	-	(21)	8
	- experience adjustment	(30)	6	-	-	(30)	6
IAS 19.141(c)(i)	– Return on plan assets excluding interest income	-	-	10	(3)	10	(3)
IAS 19.141(e)	Effect of movements in exchange rates ^c	21	(1)	76	(1)	97	(2)
		(61)	17	86	(4)	25	13
	Other						
IAS 19.141(f)	Contributions paid by the employer	-	-	(325)	(403)	(325)	(403)
IAS 19.141(g)	Benefits paid	(433)	(456)	424	405	(9)	(51)
		(433)	(456)	99	2	(334)	(454)
IAS 19.140	Balance at 31 December	7,320	7,057	(7,706)	(7,508)	(386)	(451)
	Represented by:						
	<i>In thousands of euro</i>					2015	2014
	Net defined benefit asset (Plan A)					(671)	(731)
	Net defined benefit liability (Plan B)					285	280
						(386)	(451)

IAS 19.139(c) During 2015, the pension arrangements for a number of employees in [Country X] were adjusted to reflect new legal requirements in that country regarding the retirement age. As a result of the plan amendment, the Group's defined benefit obligation decreased by €100 thousand (2014: nil). A corresponding past service credit was recognised in profit or loss during 2015.

IAS 19.138

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

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

IAS 21.39, Insights 4.4.1010

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

Notes to the consolidated financial statements (continued)

12. Employee benefits (continued)

C. Plan assets

IAS 19.140(a)(i), 142

Plan assets comprise the following.

In thousands of euro

IAS 19.142(b)

	2015	2014
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
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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
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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.

D. Defined benefit obligation

i. Actuarial assumptions

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

	2015	2014
Discount rate	5.1%	4.8%
Future salary growth	2.5%	2.5%
Future pension growth	3.0%	2.0%
Medical cost trend rate	4.5%	4.0%

Notes to the consolidated financial statements (continued)

12. Employee benefits (continued)**D. Defined benefit obligation (continued)****i. Actuarial assumptions (continued)**

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

	2015		2014	
	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 2015, the weighted-average duration of the defined benefit obligation was 17.1 years (2014: 17.5 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.

<i>Effect in thousands of euro</i>	31 December 2015		31 December 2014	
	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

IAS 19.144

IAS 19.147(c)

IAS 1.125, 129, 19.145

Notes to the consolidated financial statements (continued)

IAS 1.104

13. Employee benefit expenses

See accounting policy in Note 44(E).

<i>In thousands of euro</i>	<i>Note</i>	2015	2014
Wages and salaries		18,286	16,259
Social security contributions		1,468	1,267
Contributions to defined contribution plans		455	419
Termination benefits	<i>30(B)</i>	350	450
Expenses related to post-employment defined benefit plans	<i>12(B)</i>	374	434
Expenses related to long-service leave		26	12
Equity-settled share-based payments	<i>11</i>	755	248
Cash-settled share-based payments ^a	<i>11</i>	440	350
	<i>8(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

See accounting policy in Note 44(H).

A. Amounts recognised in profit or loss^a

<i>In thousands of euro</i>		2015	2014 Restated*
Current tax expense			
<i>IAS 12.80(a)</i>	Current year	3,165	3,597
<i>IAS 12.80(b)</i>	Adjustment for prior years	116	(34)
		3,281	3,563
Deferred tax expense			
<i>IAS 12.80(c)</i>	Origination and reversal of temporary differences	168	(808)
<i>IAS 12.80(d)</i>	Reduction in tax rate	(15)	-
<i>IAS 12.80(f)</i>	Recognition of previously unrecognised tax losses	(50)	(240)
<i>IAS 12.80(g)</i>	Change in recognised deductible temporary differences	(13)	5
		90	(1,043)
	Tax expense on continuing operations	3,371	2,520

* See Note 43.

IAS 12.81(h)(i)–(ii)

'Tax expense on continuing operations' excludes the Group's share of the tax expense of equity-accounted investees^b of €492 thousand (2014: €261 thousand), which has been included in 'share of profit of equity-accounted investees, net of tax'. The amount also excludes the tax income from the discontinued operation of €25 thousand (2014: €44 thousand) and the tax expense on the gain on sale of the discontinued operation of €330 thousand (2014: nil); both of these have been included in 'profit (loss) from discontinued operation, net of tax' (see Note 6).

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

B. Amounts recognised in OCI

<i>In thousands of euro</i>		2015			2014		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax	
Revaluation of property, plant and equipment	200	(66)	134	-	-	-	
Remeasurements of defined benefit liability (asset)	72	(24)	48	(15)	5	(10)	
Foreign operations – foreign currency translation differences	680	-	680	471	-	471	
Net investment hedge	(3)	-	(3)	(8)	-	(8)	
Cash flow hedges	(93)	31	(62)	84	(28)	56	
Available-for-sale financial assets	135	(45)	90	118	(39)	79	
Reclassification of foreign currency differences on loss of significant influence	(20)	-	(20)	-	-	-	
Equity-accounted investees – share of OCI	(159)	-	(159)	(169)	-	(169)	
	812	(104)	708	481	(62)	419	

Insights
3.13.580.20–80

- a.** The Group has allocated the entire amount of current income tax related to cash contributions to funded post-employment benefit plans to profit or loss because the cash contributions relate primarily to service costs. In our view, the allocation of the current income tax effect to profit or loss and OCI should reflect the nature of the cash contribution, unless it is impracticable to identify whether the cost to which the funding relates affects profit or loss or OCI. We believe that a number of allocation approaches are acceptable if the nature of the cash contribution is unclear.
- b.** Although it is not specifically required, the Group has disclosed the share of tax of equity-accounted investees. This disclosure is provided for illustrative purposes only.

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)
C. Amounts recognised directly in equity

<i>In thousands of euro</i>	2015			2014		
	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

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

<i>In thousands of euro</i>	2015	2015	2014 Restated*	2014 Restated*
IAS 12.81(c) Profit before tax from continuing operations		10,929		9,045
Tax using the Company's domestic tax rate	33.00%	3,607	33.00%	2,985
Effect of tax rates in foreign jurisdictions	(0.66%)	(72)	(0.58%)	(52)
Reduction in tax rate	(0.13%)	(15)	-	-
Tax effect of:				
Share of profit of equity-accounted investees reported net of tax	(3.45%)	(377)	(2.14%)	(194)
Non-deductible expenses	2.25%	246	0.40%	36
Tax-exempt income	(0.22%)	(24)	(0.55%)	(50)
Tax incentives	(0.81%)	(88)	(0.70%)	(63)
Current-year losses for which no deferred tax asset is recognised	0.38%	41	1.40%	127
Recognition of tax effect of previously unrecognised tax losses	(0.46%)	(50)	(2.65%)	(240)
Change in recognised deductible temporary differences	(0.12%)	(13)	0.06%	5
Changes in estimates related to prior years	1.06%	116	(0.38%)	(34)
	30.84%	3,371	27.86%	2,520

* See Note 43.

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

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

14. Income taxes (continued)**E. Movement in deferred tax balances^{a, b}**

2015	Net balance at 1 January	Recognised in profit or loss (see (A))	Recognised in OCI (see (B))	Recognised directly in equity (see (C))	Acquired in business combinations (see Note 33(C))	Other (see Notes 6(C) and 19(B))	Balance at 31 December		
							Net	Deferred tax assets	Deferred tax liabilities
<i>In thousands of euro</i>									
Property, plant and equipment	579	(130)	(66)	-	(35)	210	558	679	(121)
Intangible assets	56	4	-	-	(38)	-	22	98	(76)
Biological assets	(22)	(182)	-	-	-	-	(204)	-	(204)
Investment property	(30)	(7)	-	-	-	-	(37)	-	(37)
Available-for-sale financial assets	(60)	(22)	(45)	-	-	-	(127)	27	(154)
Derivatives	(39)	(5)	31	-	-	-	(13)	3	(16)
Inventories	64	96	-	-	(3)	40	197	197	-
Loans and borrowings	-	-	-	(54)	(9)	-	(63)	-	(63)
Employee benefits	(91)	21	(24)	-	-	-	(94)	160	(254)
Equity-settled share-based payments	225	88	-	-	-	-	313	313	-
Provisions	508	(13)	-	-	6	-	501	501	-
Deferred income	54	(15)	-	-	-	-	39	39	-
Other items	14	25	-	-	-	-	39	50	(11)
Tax losses carried forward	386	50	-	-	-	-	436	436	-
Tax assets (liabilities) before set-off	1,644	(90)	(104)	(54)	(79)	250	1,567	2,503	(936)
Set-off of tax							-	(387)	387
Net tax assets (liabilities)							1,567	2,116	(549)

IAS 12.81(g),
Insights
3.13.640.60

- a.** IAS 12 *Income Taxes* requires disclosure of the amount of recognised deferred tax assets and liabilities in respect of each type of temporary difference. IFRS is unclear on what constitutes a 'type', and the Group has provided the disclosures based on the classes of assets and liabilities related to the temporary differences. Another possible interpretation is to present disclosures based on the reason for the temporary difference – e.g. depreciation.
- b.** In our view, it is not appropriate to disclose the tax effects of gross deferred tax assets if there are unrecognised amounts because, under IFRS, it is *recognised* deferred tax assets that are required to be disclosed.

Insights
3.13.640.70

Notes to the consolidated financial statements (continued)

14. Income taxes (continued)

E. Movement in deferred tax balances (continued)

2014 <i>In thousands of euro</i>	Net balance at 1 January	Recognised in profit or loss (see (A)) Restated*	Recognised in OCI (see (B))	Recognised directly in equity (see (C))	Balance at 31 December		
					Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	213	366	-	-	579	662	(83)
Intangible assets	(38)	94	-	-	56	94	(38)
Biological assets	(25)	3	-	-	(22)	-	(22)
Investment property	(10)	(20)	-	-	(30)	-	(30)
Available-for-sale financial assets	(18)	(3)	(39)	-	(60)	12	(72)
Derivatives	(12)	1	(28)	-	(39)	3	(42)
Inventories	8	56	-	-	64	64	-
Employee benefits	(90)	(6)	5	-	(91)	150	(241)
Equity-settled share-based payments ^a	141	82	-	2	225	225	-
Provisions	290	218	-	-	508	508	-
Deferred income	46	8	-	-	54	54	-
Other items	10	4	-	-	14	18	(4)
Tax losses carried forward	146	240	-	-	386	386	-
Tax assets (liabilities) before set-off	661	1,043	(62)	2	1,644	2,176	(532)
Set-off of tax					-	(126)	126
Net tax assets (liabilities)					1,644	2,050	(406)

* See Note 43.

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

IAS 12.81(g)(i)-(ii)

IAS 12.68C

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 2015, there was a deferred tax liability of €1,523 thousand (2014: €1,146 thousand) for temporary differences of €5,000 thousand (2014: €3,800 thousand) related to investments in subsidiaries and the joint venture. However, this liability was not recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its joint venture – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.^{b, c}

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 2015, total tax-exempt reserves amounted to €613 thousand (2014: €540 thousand), which would result in a tax liability of €202 thousand (2014: €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.

<i>In thousands of euro</i>	2015	2014
Deductible temporary differences (will never expire)	161	200
Tax losses	644	672
	805	872

H. Tax losses carried forward

IAS 12.81(e)

Unrecognised tax losses carried forward expire as follows.

<i>In thousands of euro</i>	2015	Expiry date	2014	Expiry date
Expire	644	2020–2022	520	2020–2021
Never expire	-	-	152	-

IAS 1.125, 129, 12.82

In 2015, one of the Group's UK subsidiaries, Paper Pabus Co, successfully launched a new type of paper and entered into a number of long-term supply contracts. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of €152 thousand of previously unrecognised tax losses because management considered it probable that future taxable profits would be available against which such losses can be used.

In 2014, the Group's Danish subsidiary, Mermaid A/S, launched a new production line that would allow it to reduce costs significantly going forward and ensure profitability. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of €727 thousand of previously unrecognised tax losses because management considered it probable that future taxable profits would be available against which such losses can be used. In 2015, Mermaid A/S achieved its planned profitability; therefore, management continues to consider it probable that future taxable profits would be available against which the related deferred tax asset can be realised.

In 2015, the Group's Romanian subsidiary, Lei Sure Limited, incurred a tax loss of €124 thousand. Management has determined that the recoverability of the balance of losses of €644 thousand at 31 December 2015 related to Lei Sure Limited and expiring in 2020–2022 is uncertain due to the slow economic growth in Romania. Based on the five-year business plan, Lei Sure Limited is not expected to generate taxable profits until 2020. However, if these estimates change, then a deferred tax asset will be recognised, resulting in additional tax income of €212 thousand.

IAS 12.81(f), 87

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

Insights 3.13.300

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

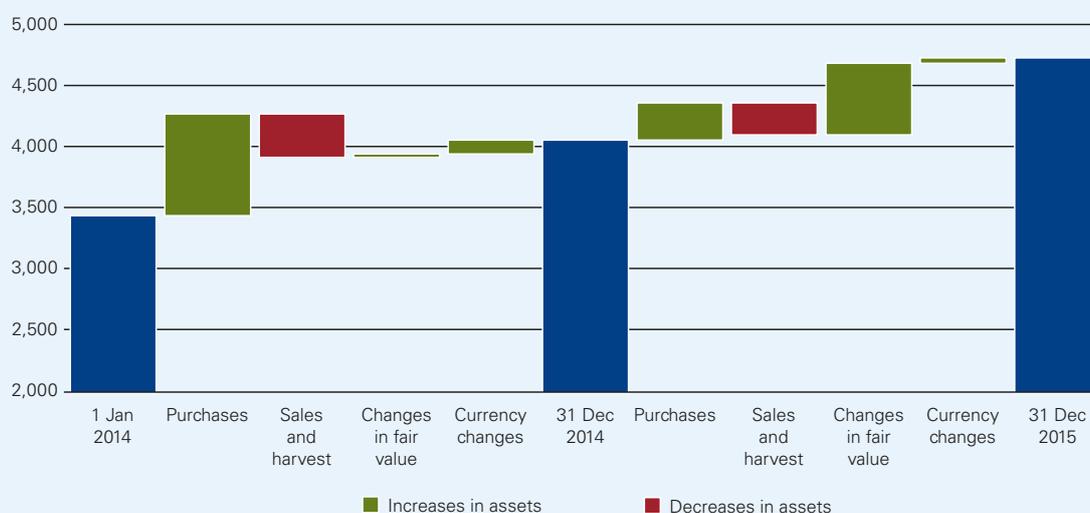
Insights
3.13.310.10

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

Notes to the consolidated financial statements (continued)

15. Biological assets

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


A. Reconciliation of carrying amount

<i>In thousands of euro</i>		<i>Note</i>	Standing timber	Livestock	Total
<i>IAS 41.50, IFRS 13.93(e)</i>	Balance at 1 January 2014		3,240	196	3,436
<i>IAS 41.50(b), IFRS 13.93(e)(iii)</i>	Purchases		743	92	835
<i>IAS 41.50(c), IFRS 13.93(e)(iii)</i>	Sales of livestock		-	(63)	(63)
<i>IAS 41.50(d), IFRS 13.93(e)(iii)</i>	Harvested timber transferred to inventories		(293)	-	(293)
<i>IAS 41.40, 50(a)</i>	Change in fair value less costs to sell:				
<i>IAS 41.51</i>	– Due to price changes	8(A)	(17)	22	5
<i>IAS 41.51</i>	– Due to physical changes	8(A)	15	8	23
<i>IAS 41.50(f)</i>	Effect of movements in exchange rates		68	45	113
<i>IAS 41.50</i>	Balance at 31 December 2014		3,756	300	4,056
	Non-current		3,756	269	4,025
	Current		-	31	31
			3,756	300	4,056
<i>IAS 41.50, IFRS 13.93(e)</i>	Balance at 1 January 2015		3,756	300	4,056
<i>IAS 41.50(b), IFRS 13.93(e)(iii)</i>	Purchases		294	11	305
<i>IAS 41.50(c), IFRS 13.93(e)(iii)</i>	Sales of livestock		-	(127)	(127)
<i>IAS 41.50(d), IFRS 13.93(e)(iii)</i>	Harvested timber transferred to inventories		(135)	-	(135)
<i>IAS 41.40, 50(a)</i>	Change in fair value less costs to sell:				
<i>IAS 41.51</i>	– Due to price changes	8(A)	92	59	151
<i>IAS 41.51</i>	– Due to physical changes	8(A)	315	121	436
<i>IAS 41.50(f)</i>	Effect of movements in exchange rates		30	14	44
<i>IAS 41.50</i>	Balance at 31 December 2015		4,352	378	4,730
	Non-current		4,352	346	4,698
	Current		-	32	32
			4,352	378	4,730

Notes to the consolidated financial statements (continued)

15. Biological assets (continued)**A. Reconciliation of carrying amount (continued)**

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

At 31 December 2015, standing timber comprised approximately 3,310 hectares of pine tree plantations (2014: 3,230 hectares), which ranged from newly established plantations to plantations that were 30 years old. €282 thousand (2014: €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 2015, livestock comprised 1,875 cattle and 3,781 sheep (2014: 1,260 cattle and 3,314 sheep). During 2015, the Group sold 289 cattle and 286 sheep (2014: 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>	2015	2014
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 about 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 15(A).

15. 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 (2015: €12.8–17.9, weighted average €16.25; 2014: €11.6–16.3, weighted average €15.15). Estimated yields per hectare (2015: 6–10, weighted average 8; 2014: 5–10, weighted average 7.5). Estimated harvest and transportation costs (2015: 6.4–8.3%, weighted average 7.5%; 2014: 6.3–7.8%, weighted average 6.7%). Risk-adjusted discount rate (2015: 7.9–9.0%, weighted average 8.6%; 2014: 7.1–8.3%, weighted average 7.8%). 	The estimated fair value would increase (decrease) if: <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 (2015: €0.8–1.1, weighted average €0.95; 2014: €0.8–1.2, weighted average €0.97). Estimated costs of cultivation and preparation per hectare (2015: €0.2–0.4, weighted average €0.3; 2014: €0.3–0.4, weighted average €0.35). Estimated costs of buying and planting young trees (2015: €1.0–1.3, weighted average €1.25; 2014: €1.1–1.3, weighted average €1.2). Estimated future timber market prices per tonne (2015: €13.8–19.8, weighted average €17.05; 2014: €13.7–19.5, weighted average €16.6). Estimated yields per hectare (2015: 6–11, weighted average 8.6; 2014: 7–11, weighted average 8.9). Risk-adjusted discount rate (2015: 8.9–9.9%, weighted average 9.4%; 2014: 9.3–9.9%, weighted average 9.6%). 	The estimated fair value would increase (decrease) if: <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), 93(h), 99

Notes to the consolidated financial statements (continued)

15. Biological assets (continued)

IAS 41.49(c)

C. Risk management strategy related to agricultural activities

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

i. Regulatory and environmental risks

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

ii. Supply and demand risk

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

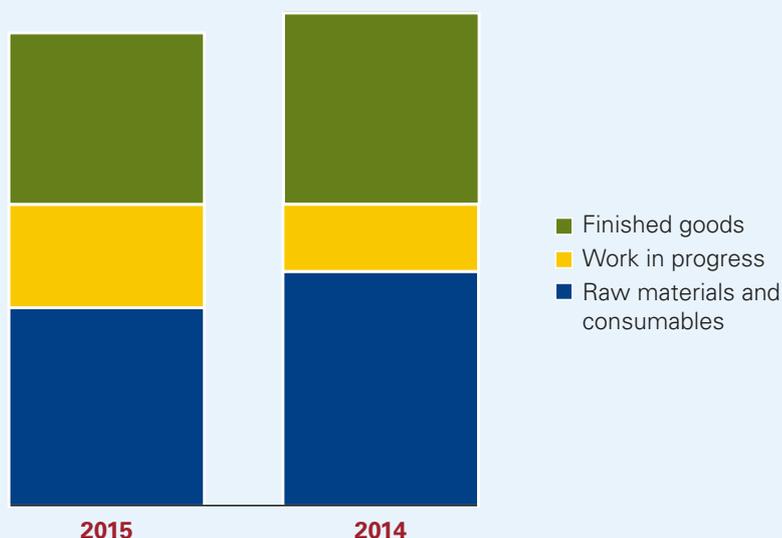
iii. Climate and other risks

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

Notes to the consolidated financial statements (continued)

16. Inventories

See accounting policy in Note 44(J).



In thousands of euro

IAS 1.78(c), 2.36(b)
IAS 1.78(c), 2.36(b)
IAS 1.78(c), 2.36(b)

	2015	2014
Raw materials and consumables	4,860	5,753
Work in progress	2,543	1,661
Finished goods	4,200	4,705
Inventories	11,603	12,119
Carrying amount of inventories subject to retention of title clauses	1,650	2,090

IAS 2.36(h)
IAS 1.98(a), 2.36(d)

In 2015, inventories of €54,019 thousand (2014: €53,258 thousand) were recognised as an expense during the period and included in 'cost of sales'.

IAS 2.36(e)–(g)

During 2014, due to regulatory restrictions imposed on the manufacture of a new product in the Standard Papers segment, the Group tested the related product line for impairment (see Note 21(C)(ii)) and wrote down the related inventories to their net realisable value, which resulted in a loss of €42 thousand. In 2015, following a change in estimates, €10 thousand of the write-down was reversed.

In addition, during 2015 inventories of €345 thousand were written down to net realisable value (2014: €125 thousand).

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

Insights
3.8.440.70

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

Notes to the consolidated financial statements (continued)

17. Trade and other receivables

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

	<i>In thousands of euro</i>	Note	2015	2014
<i>IAS 1.78(b)</i>	Trade receivables due from related parties	<i>40(C)</i>	1,236	642
	Loans to directors	<i>40(B)(i)</i>	78	32
<i>IAS 1.78(b)</i>	Other trade receivables		30,953	21,811
			32,267	22,485
<i>IAS 1.78(b), 11.42(a)</i>	Construction contracts in progress		348	280
			32,615	22,765
	Non-current		213	-
	Current		32,402	22,765
			32,615	22,765

A. Transfer of trade receivables

IFRS 7.14(a), 42D

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

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

	<i>In thousands of euro</i>	2015	2014
<i>IFRS 7.42D(e)</i>	Carrying amount of trade receivables transferred to a bank	600	1,000

B. Construction contracts in progress

IAS 11.40(a)

At 31 December 2015, the aggregate amount of costs incurred and recognised profits (less recognised losses) to date under open construction contracts amounted to €570 thousand (2014: €530 thousand).

IAS 11.40(c)

At 31 December 2015, trade receivables included retentions of €200 thousand (2014: €180 thousand) related to construction contracts in progress.

C. Credit and market risks, and impairment losses

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

Notes to the consolidated financial statements (continued)

18. Cash and cash equivalents

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

IAS 7.45

<i>In thousands of euro</i>	2015	2014
Bank balances	51	988
Call deposits	1,454	862
Cash and cash equivalents in the statement of financial position	1,505	1,850
Bank overdrafts used for cash management purposes	(334)	(282)
Cash and cash equivalents in the statement of cash flows	1,171	1,568

IAS 7.48, IFRS 7.14(a)

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

Notes to the consolidated financial statements (continued)

19. Disposal group held for sale^a

See accounting policy in Note 44(O).

IFRS 5.41(a)–(b), (d)

In June 2015, management committed to a plan to sell part of a manufacturing facility within the Standard Papers segment. Accordingly, part of that facility is presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected by April 2016.

IFRS 5.41(c)

A. Impairment losses relating to the disposal group

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

IFRS 5.38

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

At 31 December 2015, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

In thousands of euro

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

In thousands of euro

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

IFRS 5.38

C. Cumulative income or expenses included in OCI

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

D. Measurement of fair values**i. Fair value hierarchy**

IFRS 13.93(a)–(b)

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

ii. Valuation technique and significant unobservable inputs

IFRS 13.93(d), 99

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

Valuation technique	Significant unobservable inputs
<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 (7.2–8.5%, weighted average 7.7%).

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

IFRS 5.38

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

IFRS 13.93(a)

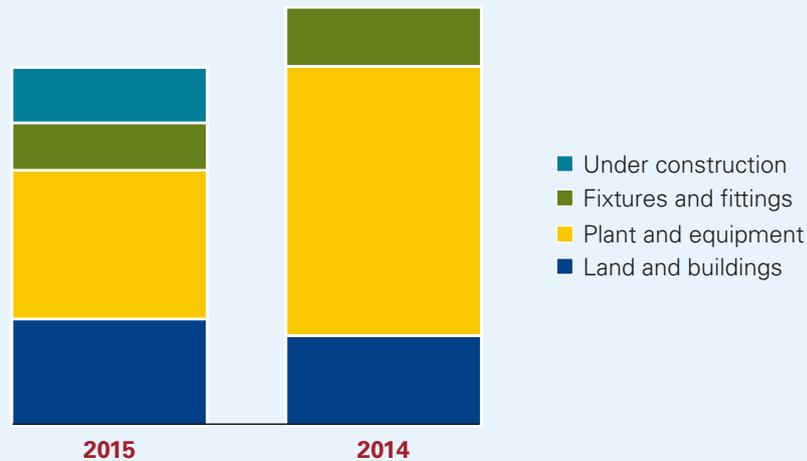
c. A non-recurring fair value measurement – e.g. related to an asset classified as held-for-sale – may occur during the reporting period. The disclosures required for a non-recurring fair value measurement are applicable in the financial statements for the period in which the fair value measurement occurred.

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

Notes to the consolidated financial statements (continued)

20. Property, plant and equipment

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


A. Reconciliation of carrying amount^a

<i>In thousands of euro</i>		<i>Note</i>	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
Cost							
IAS 16.73(d)	Balance at 1 January 2014		7,328	29,509	5,289	-	42,126
IAS 16.73(e)(i)	Additions		193	1,540	675	-	2,408
IAS 16.73(e)(ii)	Disposals		-	(1,081)	-	-	(1,081)
IAS 16.73(e)(viii)	Effect of movements in exchange rates		-	316	171	-	487
IAS 16.73(d)	Balance at 31 December 2014		7,521	30,284	6,135	-	43,940
IAS 16.73(d)	Balance at 1 January 2015		7,521	30,284	6,135	-	43,940
IAS 16.73(e)(iii)	Acquisitions through business combinations	33(C)	185	1,580	190	-	1,955
IAS 16.73(e)(i)	Additions		1,750	9,544	657	4,100	16,051
IAS 16.73(e)(ix)	Reclassification to investment property – depreciation offset		(300)	-	-	-	(300)
IAS 16.73(e)(ix)	Revaluation of building reclassified to investment property		200	-	-	-	200
IAS 16.73(e)(ix)	Reclassification to investment property	22(A)	(800)	-	-	-	(800)
IAS 16.73(e)(ii)	Reclassification to assets held for sale	19(B)	-	(9,222)	-	-	(9,222)
IAS 16.73(e)(ii)	Disposals		-	(11,972)	(2,100)	-	(14,072)
IAS 16.73(e)(viii)	Effect of movements in exchange rates		-	91	50	-	141
IAS 16.73(d)	Balance at 31 December 2015		8,556	20,305	4,932	4,100	37,893

IAS 16.73(d)–(e) a. Although IAS 16 *Property, Plant and Equipment* only requires the reconciliation of the carrying amount at the beginning and at the end of the reporting period, the Group has also provided separate reconciliations of the gross carrying amount and accumulated depreciation. These additional reconciliations are not required and a different format may be used.

Notes to the consolidated financial statements (continued)

20. 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)	Balance at 1 January 2014		693	5,557	939	-	7,189
IAS 16.73(e)(vii)	Depreciation	8(C)	123	4,240	759	-	5,122
IAS 16.73(e)(v)	Impairment loss	8(C), 21(C)	-	1,123	-	-	1,123
IAS 16.73(e)(ii)	Disposals		-	(700)	-	-	(700)
	Effect of movements in exchange rates		-	98	59	-	157
IAS 16.73(d)	Balance at 31 December 2014		816	10,318	1,757	-	12,891
IAS 16.73(d)	Balance at 1 January 2015		816	10,318	1,757	-	12,891
IAS 16.73(e)(vii)	Depreciation	8(C)	120	4,140	741	-	5,001
IAS 16.73(e)(vi)	Reversal of impairment loss	8(C), 21(C)	-	(393)	-	-	(393)
IAS 16.73(e)(ix)	Reclassification to investment property – depreciation offset		(300)	-	-	-	(300)
IAS 16.73(e)(ii)	Reclassification to assets held for sale	19(B)	-	(1,058)	-	-	(1,058)
IAS 16.73(e)(ii)	Disposals		-	(3,808)	(1,127)	-	(4,935)
IAS 16.73(e)(viii)	Effect of movements in exchange rates		-	63	38	-	101
IAS 16.73(d)	Balance at 31 December 2015		636	9,262	1,409	-	11,307
Carrying amounts							
IAS 1.78(a), 16.73(e)	At 1 January 2014		6,635	23,952	4,350	-	34,937
	At 31 December 2014		6,705	19,966	4,378	-	31,049
	At 31 December 2015		7,920	11,043	3,523	4,100	26,586

B. Impairment loss and subsequent reversal

IAS 36.126(a)–(b)

During 2014, due to regulatory restrictions imposed on the manufacture of a new product in the Standard Papers segment, the Group tested the related product line for impairment and recognised an impairment loss of €1,123 thousand with respect to plant and equipment. In 2015, €393 thousand of the loss was reversed. Further information about the impairment loss and subsequent reversal is included in Note 21(C)(ii).

C. Leased plant and equipment

IAS 17.31(a), (e)

The Group leases production equipment under a number of finance leases. One of the leases is an arrangement that is not in the legal form of a lease, but is accounted for as a lease based on its terms and conditions (see Note 27(E)). The leased equipment secures lease obligations. At 31 December 2015, the net carrying amount of leased equipment was €1,646 thousand (2014: €1,972 thousand).

IAS 7.43

During 2015, the Group acquired equipment with a carrying amount of €200 thousand (2014: €180 thousand) under a finance lease. Some leases provide the Group with the option to buy the equipment at a beneficial price.

D. Security

IAS 16.74(a)

At 31 December 2015, properties with a carrying amount of €5,000 thousand (2014: €4,700 thousand) were subject to a registered debenture that forms security for bank loans (see Note 27(A)).

Notes to the consolidated financial statements (continued)

20. Property, plant and equipment (continued)

E. Property, plant and equipment under construction

IAS 16.74(b)

During 2015, the Group acquired a piece of land for €3,100 thousand, with the intention of constructing a new factory on the site.

IAS 23.26

The Group has started construction and costs incurred up to 31 December 2015 totalled €1,000 thousand (2014: nil). Included in this amount are capitalised borrowing costs related to the acquisition of the land and the construction of the factory of €194 thousand, calculated using a capitalisation rate of 5.2%.

F. Transfer to investment property

During 2015, a building was transferred to investment property (see Note 22(A)), because it was no longer used by the Group and it was decided that the building would be leased to a third party.

IFRS 13.93(d)

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

G. Change in estimates

IAS 8.39, 16.76

During 2015, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain dyeing equipment. The dyeing equipment, which management had previously intended to sell after 5 years of use, is now expected to remain in production for 12 years from the date of purchase. As a result, the expected useful life of the equipment increased and its estimated residual value decreased. The effect of these changes on actual and expected depreciation expense, included in 'cost of sales', was as follows.

<i>In thousands of euro</i>	2015	2016	2017	2018	2019	Later
(Decrease) increase in depreciation expense	(256)	(113)	150	150	130	170

H. Change in classification

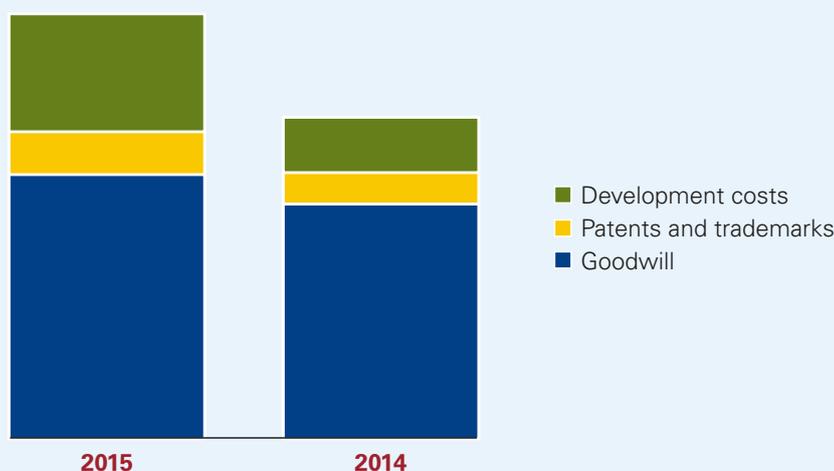
IAS 1.41(a)–(c)

During 2015, the Group modified the classification of depreciation expense on certain office space to reflect more appropriately the way in which economic benefits are derived from its use. Comparative amounts in the statement of profit or loss and OCI were restated for consistency. As a result, €120 thousand was reclassified from 'administrative expenses' to 'selling and distribution expenses'.

Notes to the consolidated financial statements (continued)

21. Intangible assets and goodwill

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

**A. Reconciliation of carrying amount^a**

<i>In thousands of euro</i>		Note	Goodwill	Patents and trademarks	Development costs	Customer relationships	Total
Cost							
	Balance at 1 January 2014		3,545	1,264	4,111	-	8,920
	Acquisitions – internally developed		-	-	515	-	515
	Effect of movements in exchange rates		-	(171)	(75)	-	(246)
	Balance at 31 December 2014		3,545	1,093	4,551	-	9,189
	Balance at 1 January 2015		3,545	1,093	4,551	-	9,189
	Acquisitions through business combinations	33(C)-(D)	541	170	-	80	791
	Acquisitions – internally developed		-	-	1,272	-	1,272
	Effect of movements in exchange rates		-	186	195	-	381
	Balance at 31 December 2015		4,086	1,449	6,018	80	11,633
Accumulated amortisation and impairment losses							
	Balance at 1 January 2014		138	552	2,801	-	3,491
	Amortisation	8(C)	-	118	677	-	795
	Impairment loss	8(C)	-	-	285	-	285
	Effect of movements in exchange rates		-	(31)	(12)	-	(43)
	Balance at 31 December 2014		138	639	3,751	-	4,528
	Balance at 1 January 2015		138	639	3,751	-	4,528
	Amortisation	8(C)	-	129	646	10	785
	Impairment loss	8(C)	116	-	-	-	116
	Reversal of impairment loss	8(C)	-	-	(100)	-	(100)
	Effect of movements in exchange rates		-	61	17	-	78
	Balance at 31 December 2015		254	829	4,314	10	5,407

IAS 38.118(c), (e)

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

Notes to the consolidated financial statements (continued)

21. 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	Total
Carrying amounts						
IAS 38.118(c)		3,407	712	1,310	-	5,429
IAS 38.118(c)		3,407	454	800	-	4,661
IAS 38.118(c)		3,832	620	1,704	70	6,226

IAS 38.118(d)

B. Amortisation

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

C. Impairment test

IAS 36.131(b)

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

<i>In thousands of euro</i>	<i>Note</i>	2015	2014
Standard Papers			
Plant and equipment and development costs	(ii)	(493)	1,408
Timber Products			
Goodwill	(iii)	116	-
(Reversal of) impairment loss	8(C)	(377)	1,408

IAS 36.126(a)–(b)

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

i. Recoverability of development costs^b

IAS 36.132

Included in the carrying amount of development costs at 31 December 2015 is an amount of €400 thousand related to a development project for a new process in one of the Group's factories in the Standard Papers segment. The regulatory approval that would allow this new process was delayed; consequently, the benefit of the new process will not be realised as soon as previously expected and management has carried out an impairment test.

The recoverable amount of the CGU that included these development costs (the factory using the process) was estimated based on the present value of the future cash flows expected to be derived from the CGU (value in use), assuming that the regulation would be passed by July 2016 and using a pre-tax discount rate of 12% and a terminal value growth rate of 2% from 2020. The recoverable amount of the CGU was estimated to be higher than its carrying amount and no impairment was required.

IAS 1.125, 129

Management considers it possible that the regulatory approval may be delayed by a further year to July 2017. Such further delay would result in an impairment of approximately €100 thousand in the carrying amount of the factory.

IAS 36.126,
Insights 3.10.430.20

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

IAS 36.132, 134

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

Notes to the consolidated financial statements (continued)

21. Intangible assets and goodwill (continued)**C. Impairment test (continued)****ii. Impairment loss and subsequent reversal in relation to a new product**IAS 36. 130(a),
130(d)(i)

During 2014, a regulatory inspection revealed that a new product in the Standard Papers segment did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. Before the inspection, the product was expected to be available for sale in 2015; 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 2014. The recoverable amount was estimated based on its value in use, assuming that the production line would go live in August 2016.

In 2015, following certain changes to the recovery plan, the Group reassessed its estimates and reversed part of the initially recognised impairment.

IAS 36. 130(g), 132

The estimate of value in use was determined using a pre-tax discount rate of 10.5% (2014: 9.8%) and a terminal value growth rate of 3% from 2020 (2014: 3% from 2019).^a

<i>In thousands of euro</i>	Note	2015	2014
Plant and equipment	20(B)	(393)	1,123
Development costs		(100)	285
(Reversal of) impairment loss		(493)	1,408

IAS 36. 130(e)

At 31 December 2015, the recoverable amount of the CGU was as follows.

<i>In thousands of euro</i>	2015	2014
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>	2015	2014
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. The Group has provided separate disclosures for different CGUs containing goodwill. Such separate disclosures are required for each CGU for which the carrying amount of goodwill or intangible assets with an indefinite useful life allocated to the CGU is significant in comparison with its carrying amount.

Notes to the consolidated financial statements (continued)

21. Intangible assets and goodwill (continued)

C. Impairment test (continued)

iii. Impairment testing for CGUs containing goodwill (continued)

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.

IAS 36.134(f)(ii)

In percent

IAS 36.134(e)(v)

Discount rate

2015

8.7

2014

8.5

IAS 36.134(e)(iv)

Terminal value growth rate

1.0

0.9

IAS 36.134(e)(i)

Budgeted EBITDA growth rate (average of next five years)

5.2

4.8

IAS 36.134(e)(ii)

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 40 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:

- revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years;
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments in a number of European countries in which the CGU operates. Other environmental costs are assumed to grow with inflation in other years; and
- Estimated cash flows related to a restructuring that is expected to be carried out in 2016 were reflected in the budgeted EBITDA.

IAS 36.134(f)(i)

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately €300 thousand (2014: €250 thousand). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount		
<i>In percent</i>	2015	2014	
IAS 36.134(f)(iii)	Discount rate	1.6	1.3
IAS 36.134(f)(iii)	Budgeted EBITDA growth rate	(4.4)	(3.6)

IAS 36.134, (d)(iv)–(v), (e)(iv)–(v), (f)

- 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 unless a reasonably possible change in the assumption would result in an impairment; in that case, the value of the assumption is disclosed.

Notes to the consolidated financial statements (continued)

21. Intangible assets and goodwill (continued)**C. Impairment test (continued)****iii. Impairment testing for CGUs containing goodwill (continued)****Timber Products**IAS 1.125,
36.134(c)–(d)

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be higher than its recoverable amount of €960 thousand and an impairment loss of €116 thousand during 2015 (2014: nil) was recognised. The impairment loss was fully allocated to goodwill and included in 'cost of sales'.

IAS 36.134(d)(i)

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

IAS 36.134(d)(v)

IAS 36.134(d)(iv)

IAS 36.134(d)(i)

In percent	2015	2014
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)(ii)

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

IAS 36.134(d)(ii)–(iii)

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

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

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

D. Development costs

IAS 23.26(a)–(b)

Included in development costs is an amount of €37 thousand (2014: €12 thousand) that represents borrowing costs capitalised during the year using a capitalisation rate of 5.1 percent (2014: 5.4 percent).

IAS 36.134, (d)(iv)–
(v), (e)(iv)–(v), (f)

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

IAS 36.55, A20,
Insights
3.10.310.10–20

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

Notes to the consolidated financial statements (continued)

22. Investment property^a

See accounting policy in Note 44(M).

A. Reconciliation of carrying amount

<i>In thousands of euro</i>		Note	2015	2014
IAS 40.76, IFRS 13.93(e)	Balance at 1 January		250	150
IAS 40.76(a), IFRS 13.93(e)(iii)	Acquisitions		300	40
IAS 40.76(f), IFRS 13.93(e)(iii)	Reclassification from property, plant and equipment	20(F)	800	-
IAS 40.76(d), IFRS 13.93(e)(i), (f)	Change in fair value	8(A)	20	60
IAS 40.76, IFRS 13.93(e)	Balance at 31 December		1,370	250

IAS 17.56(c)

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

IFRS 13.93(e)(i), (f)

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

B. Measurement of fair values

i. Fair value hierarchy

IAS 40.75(e)

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

IFRS 13.93(b)

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

ii. Valuation technique and significant unobservable inputs

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

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<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.	<ul style="list-style-type: none"> Expected market rental growth (2015: 2–3%, weighted average 2.6%; 2014: 2–3%, weighted average 2.5%). Void periods (2015 and 2014: average 6 months after the end of each lease). Occupancy rate (2015: 90–95%, weighted average 92.5%; 2014: 91–95%, weighted average 92.8%). Rent-free periods (2015 and 2014: 1-year period on new leases). Risk-adjusted discount rates (2015: 5–6.3%, weighted average 5.8%; 2014: 5.7–6.8%, weighted average 6.1%). 	The estimated fair value would increase (decrease) if: <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).

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 we prefer entities to disclose additional analysis – e.g. portfolio by types of investment property.

Notes to the consolidated financial statements (continued)

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

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

<i>In thousands of euro</i>	<i>Note</i>	2015	2014
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^cIFRS 12.20(a),
21(a)(i)–(iii), (b)(iii)

Paletel AG (Paletel) is joint venture in which the Group has joint control and a 40% ownership interest. It is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp in Himmerland, Denmark. Paletel is not publicly listed.

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

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

IFRS 12.21(b),
B12–B14

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

<i>In thousands of euro</i>	2015	2014
Percentage ownership interest	40%	40%
Non-current assets	5,953	3,259
Current assets (including cash and cash equivalents – 2015: €200 thousand, 2014: €150 thousand)	1,089	821
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions – 2015: €1,211 thousand, 2014: €986 thousand)	(1,716)	(1,320)
Current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2015: €422 thousand, 2014: €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.B12(a)

IFRS 12.B12(b)(v)

IFRS 12.B13(d)

IFRS 12.B13(f)

IFRS 12.B13(g)

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

IFRS 12.21

IFRS 12.21–23,
B12–B13

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

23. Equity-accounted investees (continued)

B. Associates

IFRS 12.20, 21(a)(i)–(iii),
(b)(iii)

On 31 March 2015, the Group's equity interest in material associate, Papyrus, increased from 25 to 90% and Papyrus became a subsidiary from that date (see Note 33). Papyrus is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp in Kentucky, US. Papyrus is not publicly listed.

IFRS 12.21(b),
B12–B14

The following table summarises the financial information of Papyrus as included in its own financial statements, adjusted for fair value adjustments at acquisition, and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Papyrus. The information for 2014 presented in the table includes the results of Papyrus for the period from 1 January to 31 December 2014. The information for 2015 includes the results of Papyrus only for the period from 1 January to 31 March 2015, because Papyrus became a subsidiary on 31 March 2015.

In thousands of euro

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)

	2015	2014
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.B12(b)(v)

IFRS 12.B12(b)(vi)

IFRS 12.B12(b)(viii)

IFRS 12.B12(b)(ix)

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

The Group also has interests in a number of individually immaterial associates. For one of these associates, the Group owns 20 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 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

	2015	2014
Carrying amount of interests in associates	272	447
Share of:		
– Profit from continuing operations	(133)	102
– OCI	(57)	(31)
	(190)	71

IFRS 12.22(c)

The Group has not recognised losses totalling €15 thousand (2014: nil) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

During 2015, the Group repaid a loan of €1,000 thousand received from one of its associates (see Notes 27 and 40(C)).

Notes to the consolidated financial statements (continued)

24. Other investments, including derivatives

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

In thousands of euro

	2015	2014
Non-current investments		
<i>IFRS 7.8(b)</i> Corporate debt securities – held-to-maturity	2,436	2,256
<i>IFRS 7.8(d)</i> Corporate debt securities – available-for-sale	118	373
<i>IFRS 7.8(d)</i> Equity securities – available-for-sale	710	511
<i>IFRS 7.8(a)</i> Equity securities – designated as at fair value through profit or loss	251	254
<i>IFRS 7.22(b)</i> Interest rate swaps used for hedging	116	131
	3,631	3,525
Current investments		
<i>IFRS 7.8(a)</i> Sovereign debt securities – held-for-trading	243	591
<i>IFRS 7.22(b)</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 available-for-sale have stated interest rates of 5.2 to 7.0 percent (2014: 6.5 to 8.0 percent) and mature in one to two years. Corporate debt securities classified as held-to-maturity investments have interest rates of 6.3 to 7.8 percent (2014: 7.5 to 8.3 percent) and mature in two to five years.

Sovereign debt securities classified as held-for-trading have stated interest rates of 3.5 to 4.0 percent (2014: 3.2 to 3.8 percent) and mature within one year.

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

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

Notes to the consolidated financial statements (continued)

25. Capital and reserves^a

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

A. Share capital and share premium

	<i>In thousands of shares</i>	Ordinary shares		Non-redeemable preference shares	
		2015	2014	2015	2014
IAS 1.79(a)(iv)					
	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
IAS 1.79(a)(ii)					
IAS 1.79(a)(i), (iii)	Authorised – par value €3	10,000	10,000	2,000	2,000

IAS 1.79(a)(v)

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

i. Ordinary shares

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

Issue of ordinary shares

IAS 1.79(a)

In October 2015, the general meeting of shareholders approved the issue of 130,000 ordinary shares at an exercise price of €11.92 per share (2014: nil).

Additionally, 5,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2011 share option programme granted to key management personnel (2014: nil) (see Note 11). Options were exercised at an average price of €10 per option.

IAS 7.43

During the year ended 31 December 2015, 8,000 ordinary shares were also issued as a result of the acquisition of Papyrus (see Note 33(A)) (2014: nil).

ii. Non-redeemable preference shares

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

B. Nature and purpose of reserves

i. Translation reserve

IAS 1.79(b)

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

a. Refer to Australia content: Note 25 Capital and reserves for additional Australia specific disclosures.

Notes to the consolidated financial statements (continued)

25. Capital and reserves (continued)**B. Nature and purpose of reserves (continued)**

IAS 1.79(b)

ii. Hedging reserve

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

iii. Fair value reserve

IAS 1.79(b)

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

iv. Revaluation reserve

IAS 1.79(b)

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

v. Convertible notes

IAS 1.79(b)

The reserve for convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the Group in May 2015 (see [Note 27\(C\)](#)).

vi. Treasury share reserve

IAS 1.79(b), 32.34

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 31 December 2015, the Group held 48,000 of the Company's shares (2014: 50,000).^a

C. Dividends

IAS 1.107

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

<i>In thousands of euro</i>	2015	2014
25.25 cents per qualifying ordinary share (2014: 4.28 cents)	805	133
25.03 cents per non-redeemable preference share (2014: 25.03 cents)	438	438
	1,243	571

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

After the reporting date, the following dividends were proposed by the board of directors. The dividends have not been recognised as liabilities and there are no tax consequences.

<i>In thousands of euro</i>	2015	2014
27.92 cents per qualifying ordinary share (2014: 26.40 cents)	892	805
25.03 cents per non-redeemable preference share (2014: 25.03 cents)	438	438
	1,330	1,243

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

Notes to the consolidated financial statements (continued)

25. Capital and reserves (continued)

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

	Attributable to owners of the Company					Total	NCI (see Note 34)	Total OCI
	Translation reserve (see (B)(i))	Hedging reserve (see (B)(ii))	Fair value reserve (see (B)(iii))	Revaluation reserve (see (B)(iv))	Retained earnings			
<i>In thousands of euro</i>								
2015								
IAS 16.77(f) Revaluation of property, plant and equipment	-	-	-	134	-	134	-	134
IAS 21.52(b) Remeasurements of defined benefit liability (asset)	-	-	-	-	48	48	-	48
IAS 21.52(b) Foreign operations – foreign currency translation differences	653	-	-	-	-	653	27	680
IAS 21.52(b) Reclassification of foreign currency differences on loss of significant influence	(20)	-	-	-	-	(20)	-	(20)
IAS 21.52(b) Net investment hedge – net loss	(3)	-	-	-	-	(3)	-	(3)
IFRS 7.23(c) Cash flow hedges – effective portion of changes in fair value	-	(41)	-	-	-	(41)	-	(41)
IFRS 7.23(d) Cash flow hedges – reclassified to profit or loss	-	(21)	-	-	-	(21)	-	(21)
IFRS 7.20(a)(ii) Available-for-sale financial assets – net change in fair value	-	-	133	-	-	133	-	133
IFRS 7.20(a)(ii) Available-for-sale financial assets – reclassified to profit or loss	-	-	(43)	-	-	(43)	-	(43)
Equity-accounted investees – share of OCI	(172)	-	-	-	13	(159)	-	(159)
Total	458	(62)	90	134	61	681	27	708
2014								
IAS 21.52(b) Remeasurements of defined benefit liability (asset)	-	-	-	-	(10)	(10)	-	(10)
IAS 21.52(b) Foreign operations – foreign currency translation differences	449	-	-	-	-	449	22	471
IAS 21.52(b) Net investment hedge – net loss	(8)	-	-	-	-	(8)	-	(8)
IFRS 7.23(c) Cash flow hedges – effective portion of changes in fair value	-	64	-	-	-	64	-	64
IFRS 7.23(d) Cash flow hedges – reclassified to profit or loss	-	(8)	-	-	-	(8)	-	(8)
IFRS 7.20(a)(ii) Available-for-sale financial assets – net change in fair value	-	-	79	-	-	79	-	79
Equity-accounted investees – share of OCI	(166)	-	-	-	(3)	(169)	-	(169)
Total	275	56	79	-	(13)	397	22	419

- 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.

IAS 1.106A

IAS 1.106(d)(iii), 106A

IAS 16.77(f)

IAS 21.52(b)

IAS 21.52(b)

IAS 21.52(b)

IFRS 7.23(c)

IFRS 7.23(d)

IFRS 7.20(a)(ii)

IFRS 7.20(a)(ii)

IAS 21.52(b)

IAS 21.52(b)

IFRS 7.23(c)

IFRS 7.23(d)

IFRS 7.20(a)(ii)

IAS 1.106A

Notes to the consolidated financial statements (continued)

26. Capital management

IAS 1.134–135(a)

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

IAS 1.135(a)

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings, and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 23 percent; in 2015 the return was 29.9 percent (2014: 24.3 percent). The weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.8 percent (2014: 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 11(A)). The Group is in discussions with employee representatives, but no decisions have been made.

IAS 1.135(a)

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

The Group's policy is to keep the ratio below 2.00. The Group's adjusted net debt to equity ratio at 31 December 2015 was as follows.

<i>In thousands of euro</i>	2015	2014 Restated*
Total liabilities	63,267	51,802
Less: cash and cash equivalents	(1,505)	(1,850)
Adjusted net debt	61,762	49,952
Total equity	45,701	35,494
Less: hedging reserve	(428)	(490)
Adjusted equity	45,273	35,004
Adjusted net debt to adjusted equity ratio	1.36	1.43

* See Note 43.

IAS 1.135(a)

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

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

Notes to the consolidated financial statements (continued)

27. Loans and borrowings

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

<i>In thousands of euro</i>	<i>Note</i>	2015	2014
Non-current liabilities			
Secured bank loans		6,576	8,093
Unsecured bond issues		6,136	9,200
Convertible notes		4,678	-
Redeemable preference shares		1,939	-
Finance lease liabilities		1,613	1,738
		20,942	19,031
Current liabilities			
Current portion of secured bank loans		1,055	3,985
Unsecured bank loans		503	117
Unsecured bond issues		3,064	-
Dividends on redeemable preference shares		51	-
Current portion of finance lease liabilities		315	444
Loan from associate	40(C)	-	1,000
		4,988	5,546

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

A. Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.

<i>In thousands of euro</i>	Currency	Nominal interest rate	Year of maturity	31 December 2015		31 December 2014	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loan (See Note 17(A))	EUR	3.60–3.90%	2015–16	600	598	1,000	985
Secured bank loan	CHF	3.90%	2019	1,240	1,240	1,257	1,257
Secured bank loan	USD	4.70%	2017–20	1,447	1,447	1,521	1,521
Secured bank loan	EUR	4.50%	2017–20	3,460	3,460	3,460	3,460
Secured bank loan	GBP	LIBOR+1%	2015–17	886	886	4,855	4,855
Unsecured bank loan	EUR	3.80%	2016	510	503	-	-
Unsecured bank loan	EUR	5.50%	2015	-	-	117	117
Unsecured bond issues	EUR	LIBOR+0.5%	2019	1,023	1,023	1,023	1,023
Unsecured bond issues	EUR	LIBOR+1%	2020	5,113	5,113	5,113	5,113
Unsecured bond issues	EUR	LIBOR	2016	3,064	3,064	3,064	3,064
Loan from associate	EUR	4.80%	2015	-	-	1,000	1,000
Convertible notes	EUR	3.00%	2018	5,000	4,678	-	-
Redeemable preference shares	EUR	4.40%	2021	2,000	1,939	-	-
Dividends on redeemable preference shares	EUR	-	2016	51	51	-	-
Finance lease liabilities	EUR	6.5–7.0%	2015–29	2,663	1,928	3,186	2,182
Total interest-bearing liabilities				27,057	25,930	25,596	24,577

The secured bank loans are secured over land and buildings and trade receivables with a carrying amount of €5,000 thousand (2014: €4,700 thousand) (see Note 20(D)) and €600 thousand (2014: €1,000 thousand) (see Note 17(A)) respectively. Additionally, call deposits with a carrying amount of €600 thousand (2014: €600 thousand) (see Note 18) are pledged against certain secured bank loans.

IAS 1.77

IFRS 7.7

IFRS 7.42D(e)

IFRS 7.7, 14,
IAS 16.74(a)

Notes to the consolidated financial statements (continued)

27. Loans and borrowings (continued)**B. Breach of loan covenant**

IFRS 7.19

The Group has a secured bank loan with a carrying amount of €3,460 thousand at 31 December 2015 (2014: €3,460 thousand). This loan is repayable in tranches over the next five years. However, the loan contains a covenant stating that at the end of each quarter the Group's debt (defined in the covenant as the Group's loans and borrowings and trade and other payables) cannot exceed 2.5 times the Group's quarterly revenue from continuing operations, otherwise the loan will be repayable on demand.

The Group exceeded its maximum leverage threshold in the third quarter of 2015 and the threshold was still exceeded as of 31 December 2015. However, management obtained a waiver from the bank in October 2015. Accordingly, the loan was not payable on demand at 31 December 2015 which extended until March 2016 (see Note 36).

C. Convertible notes

In thousands of euro

Note

Proceeds from issue of convertible notes (1,250,000 notes at €4 par value)		5,000
Transaction costs		(250)
Net proceeds		4,750
Amount classified as equity (net of transaction costs of €9 thousand)	14(C)	(163)
Accreted interest		91
Carrying amount of liability at 31 December 2015		4,678

These notes were issued on 29 May 2015. They are convertible into 250,000 ordinary shares in May 2018 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)
Carrying amount at 31 December 2015	1,939

During 2015, 1,000,000 redeemable preference shares were issued as fully paid with a par value of €2 per share (2014: nil). The redeemable preference shares are mandatorily redeemable at par on 31 May 2021 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.

E. Finance lease liabilities

IAS 17.31(b)

Finance lease liabilities are payable as follows.

In thousands of euro	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2015	2014	2015	2014	2015	2014
Less than one year	535	706	220	262	315	444
Between one and five years	1,128	1,124	343	385	785	739
More than five years	1,000	1,356	172	357	828	999
	2,663	3,186	735	1,004	1,928	2,182

IAS 17.31(c), (e)(i)–(ii)

Certain leases provide for additional payments that are contingent on changes in future price indices. Contingent rents included in profit or loss amounted to €17 thousand (2014: €15 thousand).

Notes to the consolidated financial statements (continued)

27. Loans and borrowings (continued)

E. Finance lease liabilities (continued)

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

IAS 1.122, 1731(e)

During 2014, the Group entered into an arrangement whereby a supplier built equipment that the supplier will use to produce a specific chemical used in manufacturing a new product in the American Paper manufacturing and distribution division for a minimum period of 16 years. The Group pays a fixed annual fee over the term of the arrangement, plus a variable charge based on the quantity of chemical delivered.

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

Notes to the consolidated financial statements (continued)

28. Trade and other payables

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

IFRS 7.8(f)

<i>In thousands of euro</i>	Note	2015	2014 Restated*
Trade payables due to related parties	40	174	351
Other trade payables		22,204	19,983
Accrued expenses		312	487
Trade payables		22,690	20,821
Forward exchange contracts used for hedging	31(C)–(E)	8	7
Interest rate swaps used for hedging	31(C)–(E)	20	5
Contingent consideration	33(A)(iii)	270	-
Other payables		298	12
		22,988	20,833
Non-current		290	5
Current		22,698	20,828
		22,988	20,833

* See Note 43.

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

Notes to the consolidated financial statements (continued)

29. Deferred income/revenue

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

<i>In thousands of euro</i>	<i>Note</i>	2015	2014
Government grants ^a	(A)	1,424	1,462
Customer advances		110	117
Billing in advance of work completed		17	13
Customer loyalty claims	(B), 7	50	38
		1,601	1,630
Non-current		1,424	1,462
Current		177	168
		1,601	1,630

IAS 11.40(b)

IAS 11.42(b)

A. Government grants

IAS 20.39(b)–(c)

The Group has been awarded two government grants. One of the grants, received in 2014, amounted to €1,462 thousand and was conditional on the acquisition of factory premises in a specified region. The factory has been in operation since early 2015 and the grant, recognised as deferred income, is being amortised over the useful life of the building. In accordance with the terms of the grant, the Group is prohibited from selling the factory premises for a period of 15 years from the date of the grant.

The second grant, received in 2015, was unconditional, amounted to €200 thousand and related to pine trees. It was included in 'other income' when it became receivable (see Note 8(A)).

B. Customer loyalty claims^b

The deferred revenue related to loyalty credits granted of €50 thousand (2014: €38 thousand) has been estimated with reference to the fair value of paper products for which they could be redeemed. This is because the fair value of the loyalty credits is not directly observable. The fair value of the right to buy paper products at a discount for which the loyalty credits can be redeemed takes into account the amount of the discount available to customers that have not earned the loyalty credits and the expected forfeiture rate.

IAS 20.24

- a. The Group has elected to present government grants related to assets as deferred income. Alternatively, an entity may present such grants as a deduction in arriving at the carrying amount of the asset.
- b. Although it is not required by IFRIC 13 *Customer Loyalty Programmes*, the Group has provided certain disclosures for illustrative purposes only. Additional disclosures may be necessary if a customer loyalty programme is significant.

Notes to the consolidated financial statements (continued)

30. Provisions

See accounting policy in Note 44(T).

<i>In thousands of euro</i>	Note	Warranties	Restructuring	Site restoration	Onerous contracts	Legal	Total
<i>IAS 3784(a)</i>							
Balance at 1 January 2015		200	600	740	-	-	1,540
Assumed in a business combination	33	-	-	150	-	20	170
<i>IAS 3784(b)</i>							
Provisions made during the year		280	400	660	160	-	1,500
<i>IAS 3784(c)</i>							
Provisions used during the year		(200)	(500)	(800)	-	-	(1,500)
<i>IAS 3784(d)</i>							
Provisions reversed during the year ^a		-	(100)	-	-	-	(100)
<i>IAS 3784(e)</i>							
Unwind of discount	9	-	-	60	-	-	60
<i>IAS 3784(a)</i>							
Balance at 31 December 2015		280	400	810	160	20	1,670
Non-current		100	-	810	100	-	1,010
Current		180	400	-	60	20	660
		280	400	810	160	20	1,670

A. Warranties*IAS 3785(a)–(c)*

The provision for warranties relates mainly to paper sold during 2014 and 2015. The provision has been estimated based on historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year. An expected reimbursement of warranty expense incurred of €25 thousand has been included in 'other trade receivables' (see Note 17) following a supplier accepting responsibility for the defective products.

B. Restructuring*IAS 1.98(b), 125, 3785(a)–(b)*

During 2014, the Group committed to a plan to restructure a product line in the American Paper manufacturing and distribution division due to a decrease in demand as a result of deteriorated economic circumstances. Following the announcement of the plan, the Group recognised a provision of €600 thousand for expected restructuring costs, including contract termination costs, consulting fees, and employee termination benefits (see Note 13). Estimated costs were based on the terms of the relevant contracts. The restructuring was completed in 2015, and €500 thousand of the provision was used during the year. The unused provision of €100 thousand was reversed and has been included in 'cost of sales'.

During 2015, a provision of €400 thousand was made to cover the costs associated with restructuring part of a manufacturing facility within the Standard Papers segment that will be retained when the remainder of the facility is sold (see Note 19). Estimated restructuring costs mainly include employee termination benefits (see Note 13) and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be completed by June 2016.

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

Notes to the consolidated financial statements (continued)

30. Provisions (continued)

C. Site restoration

i. France

IAS 3785(a)

A provision of €740 thousand was made during 2013 and an unwind of the discount of €60 was recognised in 2014 in respect of the Group's obligation to rectify environmental damage in France. The required work was completed during 2015 at a cost of €800 thousand.

ii. Romania

IAS 1.125, 129,
3785(a)–(b)

In accordance with Romanian law, the Group's subsidiary in Romania is required to restore contaminated land to its original condition before the end of 2018. During 2015, the Group provided €660 thousand for this purpose.

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

IAS 34.26

The provision has increased compared with the amount of €500 thousand reported in the Company's interim financial statements as at 30 June 2015 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 their final report.

iii. Acquisition of Papyrus

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

D. Onerous contracts

IAS 3785(a)–(b)

In 2014, the Group entered into a non-cancellable lease for office space. Due to changes in its activities, the Group stopped using the premises on 30 September 2015, resulting in surplus lease space (see [Note 37\(A\)](#)). The lease will expire in 2018. The facilities have been sub-let for the remaining lease term, but changes in market conditions have meant that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided for.

E. Legal

IAS 1.125, 3786(a)–(b)

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

F. Levies

IAS 3785(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 occurs. It paid that liability in full at a later date.

Therefore, at 31 December 2015, no liability for environmental taxes has been recognised. An expense of €102 thousand has been recognised in profit or loss for the year ended 31 December 2015.

31. 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.

31 December 2015 <i>In thousands of euro</i>	Note	Carrying amount							Fair value				
		Held-for-trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Interest rate swaps used for hedging	24	-	-	116	-	-	-	-	116	-	116	-	116
Forward exchange contracts used for hedging	24	-	-	297	-	-	-	-	297	-	297	-	297
Other forward exchange contracts	24	122	-	-	-	-	-	-	122	-	122	-	122
Sovereign debt securities	24	243	-	-	-	-	-	-	243	243	-	-	243
Corporate debt securities	24	-	-	-	-	-	118	-	118	78	40	-	118
Equity securities	24	-	251	-	-	-	710	-	961	961	-	-	961
		365	251	413	-	-	828	-	1,857				
Financial assets not measured at fair value^c													
Trade and other receivables	17	-	-	-	-	32,267	-	-	32,267				
Cash and cash equivalents	18	-	-	-	-	1,505	-	-	1,505				
Corporate debt securities	24	-	-	-	2,436	-	-	-	2,436	2,461	-	-	2,461
		-	-	-	2,436	33,772	-	-	36,208				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	28	-	-	(20)	-	-	-	-	(20)	-	(20)	-	(20)
Forward exchange contracts used for hedging	28	-	-	(8)	-	-	-	-	(8)	-	(8)	-	(8)
Contingent consideration	28	-	(270)	-	-	-	-	-	(270)	-	-	(270)	(270)
		-	(270)	(28)	-	-	-	-	(298)				
Financial liabilities not measured at fair value^c													
Bank overdrafts	18	-	-	-	-	-	-	(334)	(334)				
Secured bank loans	27	-	-	-	-	-	-	(7,631)	(7,631)	-	(8,001)	-	(8,001)
Unsecured bank loans	27	-	-	-	-	-	-	(503)	(503)	-	(505)	-	(505)
Unsecured bond issues	27	-	-	-	-	-	-	(9,200)	(9,200)	-	(9,675)	-	(9,675)
Convertible notes – liability component	27	-	-	-	-	-	-	(4,678)	(4,678)	-	(4,671)	-	(4,671)
Redeemable preference shares	27	-	-	-	-	-	-	(1,939)	(1,939)	-	(1,930)	-	(1,936)
Dividends payable on redeemable shares	27	-	-	-	-	-	-	(51)	(51)	-	(49)	-	(51)
Finance lease liabilities	27	-	-	-	-	-	-	(1,928)	(1,928)	-	(1,856)	-	(1,856)
Trade payables*	28	-	-	-	-	-	-	(22,662)	(22,662)				
		-	-	-	-	-	-	(48,926)	(48,926)				

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

IFRS 7.8

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 IAS 39 *Financial Instruments: Recognition and Measurement*. This presentation method is optional and different presentation methods may be desirable, depending on circumstances.

IFRS 7B1–B3

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

IFRS 7.29, 13.97

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

Notes to the consolidated financial statements (continued)

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

A. Accounting classifications and fair values (continued)

31 December 2014 <i>In thousands of euro</i>	Note	Carrying amount							Fair value				
		Held-for-trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Interest rate swaps used for hedging	24	-	-	131	-	-	-	-	131	-	131	-	131
Forward exchange contracts used for hedging	24	-	-	352	-	-	-	-	352	-	352	-	352
Other forward exchange contracts	24	89	-	-	-	-	-	-	89	-	89	-	89
Sovereign debt securities	24	591	-	-	-	-	-	-	591	591	-	-	591
Corporate debt securities	24	-	-	-	-	-	373	-	373	373	-	-	373
Equity securities	24	-	254	-	-	-	511	-	765	540	-	225	765
		680	254	483	-	-	884	-	2,301				
Financial assets not measured at fair value^a													
Trade and other receivables	17	-	-	-	-	22,485	-	-	22,485				
Cash and cash equivalents	18	-	-	-	-	1,850	-	-	1,850				
Corporate debt securities	24	-	-	-	2,256	-	-	-	2,256	2,259	-	-	2,259
		-	-	-	2,256	24,335	-	-	26,591				
Financial liabilities measured at fair value													
Interest rate swaps used for hedging	28	-	-	(5)	-	-	-	-	(5)	-	(5)	-	(5)
Forward exchange contracts used for hedging	28	-	-	(7)	-	-	-	-	(7)	-	(7)	-	(7)
		-	-	(12)	-	-	-	-	(12)				
Financial liabilities not measured at fair value^a													
Bank overdrafts	18	-	-	-	-	-	-	(282)	(282)				
Secured bank loans	27	-	-	-	-	-	-	(12,078)	(12,078)	-	(12,861)	-	(12,861)
Unsecured bank loans	27	-	-	-	-	-	-	(117)	(117)	-	(115)	-	(115)
Unsecured bond issues	27	-	-	-	-	-	-	(9,200)	(9,200)	-	(9,381)	-	(9,381)
Loan from associate	27	-	-	-	-	-	-	(1,000)	(1,000)	-	(997)	-	(997)
Finance lease liabilities	27	-	-	-	-	-	-	(2,182)	(2,182)	-	(2,163)	-	(2,163)
Trade payables*	28	-	-	-	-	-	-	(20,789)	(20,789)				
		-	-	-	-	-	-	(45,648)	(45,648)				

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

IFRS 7.29, 13.97

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

Notes to the consolidated financial statements (continued)

31. Financial instruments – fair values and risk management (continued)**B. Measurement of fair values****i. Valuation techniques and significant unobservable inputs**

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

IFRS 13.93(d), (h)

Financial instruments measured at fair value

IFRS 3.B67(b)(iii), 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 expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast revenue and EBITDA, the amount to be paid under each scenario and the probability of each scenario.	<ul style="list-style-type: none"> Forecast annual revenue growth rate (2015: 3–8%; 2014: 4–8%). Forecast EBITDA margin (2015: 8%; 2014: 7%). Risk-adjusted discount rate (2015: 5.5%; 2014: 5.0%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the annual revenue growth rate were higher (lower); the EBITDA margin were higher (lower); or the risk-adjusted discount rate were lower (higher). <p>Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.</p>
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 and the expected revenue and EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities.	<ul style="list-style-type: none"> Forecast annual revenue growth rate (2015: 2–6%; 2014: 3–7%). Forecast EBITDA margin (2015: 4%; 2014: 4%). Adjusted market multiple (2015: 4–6; 2014: 4–7). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the annual revenue growth rate were higher (lower); the EBITDA margin were higher (lower); or the adjusted market multiple were higher (lower). <p>Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.</p>
Corporate debt securities, forward exchange contracts and interest rate swaps	<i>Market comparison technique:</i> The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.	Not applicable.

IFRS 13.93(d), 97

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 payment, discounted using a risk-adjusted discount rate.

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

Notes to the consolidated financial statements (continued)

31. Financial instruments – fair values and risk management (continued)
B. Measurement of fair values (continued)
ii. Transfers between Levels 1 and 2

IFRS 13.93(c)

At 31 December 2015, available-for-sale corporate debt securities with a carrying amount of €40 thousand were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities were no longer regularly available. To determine the fair value of such debt securities, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers from Level 2 to Level 1 in 2015 and no transfers in either direction in 2014.

iii. Level 3 fair values
Reconciliation of Level 3 fair values

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

<i>In thousands of euro</i>	<i>Note</i>	Equity securities available-for-sale	Contingent consideration
Balance at 1 January 2014		-	-
Gain included in OCI			
– Net change in fair value (unrealised)		13	-
Purchases		212	-
Balance at 31 December 2014		225	-
Balance at 1 January 2015		225	-
Assumed in a business combination	33(A)	-	(250)
Loss included in ‘finance costs’			
– Net change in fair value (unrealised)	9	-	(20)
Gain included in OCI			
– Net change in fair value (unrealised)		18	-
Transfers out of Level 3		(243)	-
Balance at 31 December 2015		-	(270)

Transfer out of Level 3

IFRS 13.93(e)(iv)

The Group holds an investment in equity shares of MSE Limited, which is classified as available-for-sale, with a fair value of €243 thousand at 31 December 2015 (31 December 2014: €225 thousand). The fair value of the investment was previously categorised as Level 3 at 31 December 2014 (for information on the valuation technique, see (i) above). This was because the shares were not listed on an exchange and there were no recent observable arm’s-length transactions in the shares.

During 2015, 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 2015.

Notes to the consolidated financial statements (continued)

31. Financial instruments – fair values and risk management (continued)**B. Measurement of fair values (continued)****iii. Level 3 fair values (continued)**

IFRS 13.93(h)(ii)

Sensitivity analysis

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

Contingent consideration

Effect in thousands of euro

	Profit or loss	
	Increase	Decrease
31 December 2015		
Annual revenue growth rate (0.5% movement)	(80)	78
EBITDA margin (0.3% movement)	(60)	59
Risk-adjusted discount rate (1% movement)	90	(85)

Equity securities – Available-for-sale

Effect in thousands of euro

	OCI, net of tax	
	Increase	Decrease
31 December 2014		
Annual revenue growth rate (0.5% movement)	70	(69)
EBITDA margin (0.2% movement)	79	(71)
Adjusted market multiple (5% movement)	81	(81)

C. Financial risk management^a

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

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

i. Risk management framework

IFRS 7.31

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

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

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

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

Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

ii. Credit risk

IFRS 7.31, 33

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

IFRS 7.36(a)

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

Trade and other receivables

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

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

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

IFRS 7.33(c)

The Group is closely monitoring the economic environment in the eurozone and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In 2015, certain purchase limits have been reduced, particularly for customers operating in [*Countries A, B, C, D and E*], because the Group's experience is that the recent economic volatility has had a greater impact for customers in those countries than for customers in other countries.

IFRS 7.36(b)

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

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

Notes to the consolidated financial statements (continued)

31. Financial instruments – fair values and risk management (continued)**C. Financial risk management (continued)****ii. Credit risk (continued)****Trade and other receivables (continued)**

IFRS 7.34(a), 36(a)

At 31 December 2015, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.^a

<i>In thousands of euro</i>	Carrying amount	
	2015	2014
[Countries A, B, C, D and E]	1,053	1,583
Other eurozone countries	18,516	10,342
UK	2,534	2,685
US	9,915	7,687
Other regions	249	188
	32,267	22,485

IFRS 7.34(a), 36(a)

At 31 December 2015, the maximum exposure to credit risk for trade and other receivables by type of counterparty was as follows.^a

<i>In thousands of euro</i>	Carrying amount	
	2015	2014
Wholesale customers	23,804	14,429
Retail customers	8,090	7,145
End-user customers	298	820
Other	75	91
	32,267	22,485

IFRS 7.34(a), 36(a)

At 31 December 2015, the Group's most significant customer, a European wholesaler, accounted for €8,034 thousand of the trade and other receivables carrying amount (2014: €4,986 thousand).

IFRS 7.37(a)

At 31 December 2015, the ageing of trade and other receivables that were not impaired was as follows.^b

<i>In thousands of euro</i>	2015	2014
Neither past due nor impaired	28,943	19,120
Past due 1–30 days	2,685	3,032
Past due 31–90 days	375	112
Past due 91–120 days	37	26
	32,040	22,290

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

IFRS 7.1G18

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

IFRS 7.37(a)

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

Notes to the consolidated financial statements (continued)

31. Financial instruments – fair values and risk management (continued)
C. Financial risk management (continued)
ii. Credit risk (continued)
Trade and other receivables (continued)

IFRS 7.36(c)

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

<i>In thousands of euro</i>	2015	2014
External credit ratings at least A1 from [Rating Agency X] or A from [Rating Agency Y]	15,664	10,139
Other customers:		
– Four or more years' trading history with the Group*	11,258	7,633
– Less than four years' trading history with the Group*	1,930	1,290
– Higher risk	91	58
	28,943	19,120

* Excluding 'higher risk'.

IFRS 7.16

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

<i>In thousands of euro</i>	Individual impairments	Collective impairments
Balance at 1 January 2014	6	20
Impairment loss recognised	6	24
Amounts written off	(2)	-
Balance at 31 December 2014	10	44
Impairment loss recognised	144	6
Amounts written off	(4)	-
Balance at 31 December 2015	150	50

IFRS 7.37(b)

At 31 December 2015, there was an impairment loss of €60 thousand related to a customer that was declared bankrupt during the year. Although the goods sold to the customer were subject to a retention of title clause, the Group has no indication that the customer is still in possession of the goods. There was also an impairment loss of €20 thousand related to trade receivables acquired as part of the acquisition of Papyrus (see Note 33(C)). The remainder of the impairment loss at 31 December 2015 related to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Debt securities

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

Notes to the consolidated financial statements (continued)

31. Financial instruments – fair values and risk management (continued)**C. Financial risk management (continued)****ii. Credit risk (continued)****Debt securities (continued)**

IFRS 7.34(a), 36(a)

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

In thousands of euro	Carrying amount	
	2015	2014
[Country X]	1,625	2,328
[Countries A, B, C, D and E]	69	115
Other eurozone countries	368	273
UK	436	430
US	299	51
	2,797	3,197

IFRS 7.16

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

In thousands of euro	2015	2014
Balance at 1 January	20	20
Impairment loss recognised	60	-
Balance at 31 December	80	20

The Group did not have any debt securities that were past due but not impaired at 31 December 2015 or 2014.

IFRS 7.37(b)

An impairment loss of €60 thousand in respect of held-to-maturity investments was recognised in 2015 because of significant financial difficulties being experienced by the issuers. The Group has no collateral in respect of these investments.

Cash and cash equivalents

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

The Group held cash and cash equivalents of €1,505 thousand at 31 December 2015 (2014: €1,850 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on [Rating Agency Y] ratings.

Derivatives

IFRS 7.36(c)

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

Guarantees

The Group's policy is to provide financial guarantees only for subsidiaries' liabilities. At 31 December 2015, the Company has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see Note 32(B)).

IFRS 7.31, 33

iii. Liquidity risk

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

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

Notes to the consolidated financial statements (continued)

31. Financial instruments – fair values and risk management (continued)
C. Financial risk management (continued)
iii. Liquidity risk (continued)

IFRS 7.31, 33

 IFRS 7.34(a), 39(c),
 B10A

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The ratio of investments to outflows was 1.65 at 31 December 2015 (2014: 1.58). The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 December 2015, the expected cash flows from trade and other receivables maturing within two months were €12,331 thousand (2014: €8,940 thousand). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

 IAS 7.50(a),
 IFRS 7.B11F

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

- €10 million overdraft facility that is unsecured. Interest would be payable at the rate of Euribor plus 150 basis points (2014: Euribor plus 160 basis points); and
- €15 million facility that is unsecured and can be drawn down to meet short-term financing needs. The facility has a 30-day maturity that renews automatically at the option of the Group. Interest would be payable at a rate of Euribor plus 100 basis points (2014: Euribor plus 110 basis points).

Exposure to liquidity risk

IFRS 7.39(a)

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

31 December 2015 <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	7,631	(8,431)	(689)	(420)	(1,810)	(5,512)	-
Unsecured bank loan	503	(520)	(194)	(326)	-	-	-
Unsecured bond issues	9,200	(10,272)	(59)	(3,195)	(709)	(6,309)	-
Convertible notes	4,678	(5,375)	-	(150)	(150)	(5,075)	-
Redeemable preference shares	1,939	(2,528)	(15)	(73)	(88)	(264)	(2,088)
Dividends on redeemable preference shares	51	(51)	(51)	-	-	-	-
Finance lease liabilities	1,928	(2,663)	(178)	(357)	(450)	(678)	(1,000)
Trade payables	22,662	(22,662)	(22,662)	-	-	-	-
	49,196	(53,166)	(24,182)	(4,521)	(3,207)	(18,168)	(3,088)
Derivative financial liabilities^c							
Interest rate swaps used for hedging	20	(21)	(1)	(6)	(6)	(8)	-
Forward exchange contracts used for hedging:							
– Outflow	8	(152)	(91)	(61)	-	-	-
– Inflow	-	142	85	57	-	-	-
	28	(31)	(7)	(10)	(6)	(8)	-

 IFRS 7.39(b), B11A–
 B11D

 IFRS 7.39, B11,
 Insights 78.370.80

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

Insights 78.370.70

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

Insights 78.370.30

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)

31. Financial instruments – fair values and risk management (continued)**C. Financial risk management (continued)****iii. Liquidity risk (continued)****Exposure to liquidity risk (continued)**

31 December 2014 <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)
Finance lease liabilities	2,182	(3,186)	(177)	(354)	(458)	(666)	(1,531)
Loan from associate	1,000	(1,048)	(8)	(1,040)	-	-	-
Trade payables	20,789	(20,789)	(20,789)	-	-	-	-
	45,648	(49,155)	(23,100)	(5,245)	(4,282)	(8,726)	(7,802)
Derivative financial liabilities							
Interest rate swaps used for hedging	5	(5)	-	(2)	(1)	(2)	-
Forward exchange contracts used for hedging:							
– Outflow	7	(41)	(25)	(16)	-	-	-
– Inflow	-	32	19	13	-	-	-
	12	(14)	(6)	(5)	(1)	(2)	-

IFRS 7.39(a), B11A–B11D

IFRS 7.39(b), B11A–B11D

IFRS 7.39(b)–(c), B11D

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

IFRS 7.B10A

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

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

Insights
78.370.110

- ^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)

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

C. Financial risk management (continued)

iv. Market risk

IFRS 7.33

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

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

Currency risk

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

IFRS 7.22

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

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

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

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

IFRS 7.22

The Group's investment in its Swiss subsidiary, Oy Kossu AG, is hedged by a Swiss franc-denominated secured bank loan (carrying amount: €1,240 thousand (2014: €1,257 thousand)), which mitigates the foreign currency risk arising from the subsidiary's net assets. The fair value of the borrowing at 31 December 2015 was €1,090 thousand (2014: €1,050 thousand). The loan is designated as a net investment hedge. No ineffectiveness was recognised from the net investment hedge. The Group's investments in other subsidiaries are not hedged.

Notes to the consolidated financial statements (continued)

31. Financial instruments – fair values and risk management (continued)**C. Financial risk management (continued)****iv. Market risk (continued)****Currency risk (continued)****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:

<i>In thousands of</i>	31 December 2015				31 December 2014			
	EUR	USD	GBP	CHF	EUR	USD	GBP	CHF
Trade receivables	1,977	8,365	2,367	-	3,099	6,250	1,780	-
Secured bank loans	-	(1,447)	(886)	(1,240)	-	(1,521)	(4,855)	(1,257)
Trade payables	(876)	(7,956)	(4,347)	-	(5,411)	(10,245)	(2,680)	-
Net statement of financial position exposure	1,101	(1,038)	(2,866)	(1,240)	(2,312)	(5,516)	(5,755)	(1,257)
Next six months' forecast sales ^a	9,000	23,000	12,000	-	18,700	17,000	24,000	-
Next six months' forecast purchases ^a	(10,000)	(20,000)	(8,000)	-	(9,800)	(10,000)	(17,000)	-
Net forecast transaction exposure	(1,000)	3,000	4,000	-	8,900	7,000	7,000	-
Forward exchange contracts	-	(950)	(946)	-	-	(1,042)	(870)	-
Net exposure	101	1,012	188	(1,240)	6,588	442	375	(1,257)

The following significant exchange rates have been applied.^b

<i>Euro</i>	Average rate		Year-end spot rate	
	2015	2014	2015	2014
USD 1	0.758	0.765	0.750	0.758
GBP 1	1.193	1.214	1.172	1.230
CHF 1	0.818	0.825	0.810	0.828

IFRS 7.34(a)

IFRS 7.31

IFRS 7.34(a)

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

IFRS 7.31

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

31. Financial instruments – fair values and risk management (continued)
C. Financial risk management (continued)
iv. Market risk (continued)
Currency risk (continued)
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 2015				
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 2014				
EUR (10% movement)	(37)	37	28	(28)
USD (12% movement)	85	(85)	(8)	8
GBP (10% movement)	92	(92)	(7)	7
CHF (5% movement)	6	(6)	(50)	50

Interest rate risk

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 interest rate risk.

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	
	2015	2014
Fixed-rate instruments		
Financial assets	2,554	2,629
Financial liabilities	(15,793)	(10,522)
	(13,239)	(7,893)
Effect of interest rate swaps	(8,000)	(7,500)
	(21,239)	(15,393)
Variable-rate instruments		
Financial liabilities	(10,086)	(14,055)
Effect of interest rate swaps	8,000	7,500
	(2,086)	(6,555)

Fair value sensitivity analysis for fixed-rate instruments

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

IFRS 7.40

IFRS 7.22

IFRS 7.34(a)

Notes to the consolidated financial statements (continued)

31. Financial instruments – fair values and risk management (continued)**C. Financial risk management (continued)****iv. Market risk (continued)****Interest rate risk (continued)****Fair value sensitivity analysis for fixed-rate instruments (continued)**

A change of 100 basis points in interest rates would have increased or decreased equity by €65 thousand after tax (2014: €66 thousand). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

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 2015				
Variable-rate instruments	(66)	66	-	-
Interest rate swaps	61	(61)	310	(302)
Cash flow sensitivity (net)	(5)	5	310	(302)
31 December 2014				
Variable-rate instruments	(142)	142	-	-
Interest rate swaps	61	(61)	280	(275)
Cash flow sensitivity (net)	(81)	81	280	(275)

Other market price risk

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

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

Sensitivity analysis – Equity price risk

All of the Group's listed equity investments are listed on either the London Stock Exchange or the New York Stock Exchange. For such investments classified as available-for-sale, a 2 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 €28 thousand after tax (2014: an increase of €18 thousand after tax); an equal change in the opposite direction would have decreased equity by €28 thousand after tax (2014: a decrease of €18 thousand after tax). For such investments classified as at fair value through profit or loss, 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 and equity would have been an increase of €16 thousand after tax (2014: €18 thousand after tax). An equal change in the opposite direction would have decreased profit or loss and equity by €16 thousand after tax (2014: €18 thousand after tax).

IFRS 7.40

IFRS 7.B5(a)(iii)

IFRS 7.40

31. Financial instruments – Fair values and risk management (continued)**D. Derivative assets and liabilities designated as cash flow hedges**

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

	2015				2014			
	Carrying amount	Expected cash flows			Carrying amount	Expected cash flows		
Total		12 months or less	More than one year	Total		12 months or less	More than one year	
<i>In thousands of euro</i>								
Interest rate swaps								
Assets	116	140	48	92	131	155	39	116
Liabilities	(20)	(21)	(7)	(14)	(5)	(5)	(2)	(3)
Forward exchange contracts								
Assets	297	326	326	-	352	375	375	-
Liabilities	(8)	(10)	(10)	-	(7)	(9)	(9)	-
	385	435	357	78	471	516	403	113

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

	2015				2014			
	Carrying amount	Expected cash flows			Carrying amount	Expected cash flows		
Total		12 months or less	More than one year	Total		12 months or less	More than one year	
<i>In thousands of euro</i>								
Interest rate swaps								
Assets	116	140	48	92	131	155	39	116
Liabilities	(20)	(21)	(7)	(14)	(5)	(5)	(2)	(3)
Forward exchange contracts								
Assets	297	326	228	98	352	375	330	45
Liabilities	(8)	(10)	(8)	(2)	(7)	(9)	(8)	(1)
	385	435	261	174	471	516	359	157

IFRS 7.23(a)

Notes to the consolidated financial statements (continued)

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

IFRS 7.13B, 13E, B50

E. 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 such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

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

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

IFRS 7.13C, B46

<i>In thousands of euro</i>	<i>Note</i>	Gross and net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
31 December 2015				
Financial assets				
Other investments, including derivatives				
– Interest rate swaps used for hedging	24	116	(5)	111
– Forward exchange contracts used for hedging	24	297	(16)	281
– Other forward exchange contracts	24	122	(7)	115
		535	(28)	507
Financial liabilities				
Trade and other payables				
– Interest rate swaps used for hedging	28	(20)	20	-
– Forward exchange contracts used for hedging	28	(8)	8	-
		(28)	28	-
31 December 2014				
Financial assets				
Other investments, including derivatives				
– Interest rate swaps used for hedging	24	131	(2)	129
– Forward exchange contracts used for hedging	24	352	(8)	344
– Other forward exchange contracts	24	89	(2)	87
		572	(12)	560
Financial liabilities				
Trade and other payables				
– Interest rate swaps used for hedging	28	(5)	5	-
– Forward exchange contracts used for hedging	28	(7)	7	-
		(12)	12	-

IFRS 7.13C, B51–B52, Insights 78.150.65

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 78.150.110

b. The disclosure requirements described in paragraph 13C of IFRS 7 are minimum requirements. An entity supplements them with additional qualitative disclosures if necessary for financial statement users to evaluate the actual or potential effect of netting arrangements on its financial position. When disclosing quantitative information of a counterparty, an entity considers qualitative disclosure about the type of counterparty.

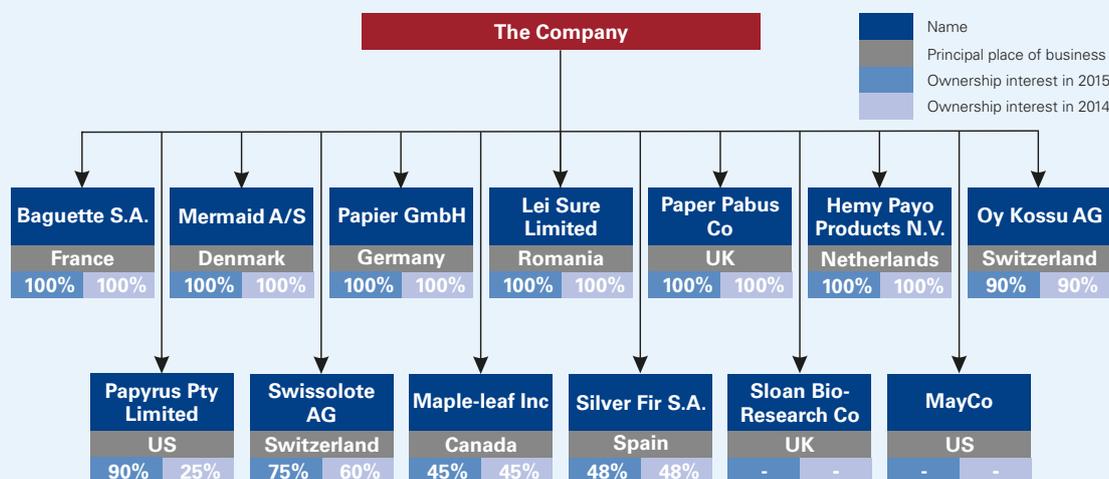
Notes to the consolidated financial statements (continued)

32. List of subsidiaries^a

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

IFRS 12.10(a), 12(a)–(b)

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



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

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

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

B. Sloan Bio-Research Co and MayCo

IFRS 12.10(b)(iii)

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

IFRS 12.14

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

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

Notes to the consolidated financial statements (continued)

33. Acquisition of subsidiary

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

IFRS 3.B64(a)–(c)

On 31 March 2015, 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, obtaining control of Papyrus (see Note 23(B)).

IFRS 3.B64(d)

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

IFRS 3.B64(q)

For the nine months ended 31 December 2015, Papyrus contributed revenue of €20,409 thousand and profit of €425 thousand to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been €107,091 thousand, and consolidated profit for the year would have been €8,128 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

IFRS 3.B64(f)

A. Consideration transferred

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

<i>In thousands of euro</i>	<i>Note</i>	
Cash		2,500
Equity instruments (8,000 ordinary shares)	25(A)(i)	87
Replacement share-based payment awards	(ii)	120
Contingent consideration	31(B)(iii)	250
Settlement of pre-existing relationship	8(B)	(326)
Total consideration transferred		2,631

IFRS 3.B64(f)(i),
IAS 7.40(a)

IAS 7.43

IFRS 3.B64(f)(iii)

i. Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2015 of €10.88 per share.

ii. Replacement share-based payment awards

IFRS 3.B64(l)

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

	Acquiree's awards	Replacement awards
Terms and conditions	Grant date: 1 April 2014 Vesting date: 31 March 2018 Service condition	Vesting date: 31 March 2018 Service condition
Fair value at date of acquisition	€527 thousand	€571 thousand

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

Notes to the consolidated financial statements (continued)

33. Acquisition of subsidiary (continued)

A. Consideration transferred (continued)

iii. Contingent consideration

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

The Group has agreed to pay the selling shareholders in three years' time additional consideration of €600 thousand if the acquiree's cumulative EBITDA over the next three years exceeds €10,000 thousand. The Group has included €250 thousand as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At 31 December 2015, the contingent consideration had increased to €270 thousand (see Note 28).

iv. Settlement of pre-existing relationship

IFRS 3.B64(l)

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

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

B. Acquisition-related costs

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

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

C. Identifiable assets acquired and liabilities assumed

IFRS 3.B64(i),
IAS 7.40(a)–(d)

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

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

IFRS 3.B64(h)(i)

IAS 7.40(c)

Notes to the consolidated financial statements (continued)

33. 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 quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	<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 or trademarks being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Inventories	<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.

IFRS 3.B64(h)(ii)–(iii)

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

Fair values measured on a provisional basis

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's contingent liability relates to a claim for contractual penalties made by one of Papyrus's customers. Although the Group acknowledges responsibility, it disputes the amount claimed by the customer of €100 thousand. The claim is expected to go to arbitration in April 2016. The recognised fair value of €20 thousand is based on the Group's interpretation of the underlying contract, taking into account the range of possible outcomes of the arbitration process, and is supported by independent legal advice (see [Note 39](#)); and
- 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.B67(a),
IAS 1.125

IFRS 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)

33. 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>
	Consideration transferred	(A) 2,631
<i>IFRS 3.B64(o)(i), B64(p)(ii)</i>	NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of Papyrus	304
<i>IFRS 3.B64(p)(i)</i>	Fair value of pre-existing interest in Papyrus	650
	Fair value of identifiable net assets	(C) (3,044)
	Goodwill	21(A) 541
<i>IFRS 3.B64(p)(ii)</i>	The remeasurement to fair value of the Group's existing 25 percent interest in Papyrus resulted in a gain of €250 thousand (€650 thousand less the €420 thousand carrying amount of the equity-accounted investee at the date of acquisition plus €20 thousand of translation reserve reclassified to profit or loss). This amount has been included in 'finance income' (see Note 9).	
<i>IFRS 3.B64(e), B64(k)</i>	The goodwill is attributable mainly to the skills and technical talent of Papyrus's work force, and the synergies expected to be achieved from integrating the company into the Group's existing Standard Papers business. None of the goodwill recognised is expected to be deductible for tax purposes.	

Notes to the consolidated financial statements (continued)

34. NCI^a

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

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 2015 <i>In thousands of euro</i>	Papyrus Pty Limited	Oy Kossu AG	Swissolote AG	Maple-leaf Inc	Silver Fir S.A.	Other individually immaterial subsidiaries	Intra-group eliminations	Total
NCI percentage	10%	10%	25%	55%	52%			
Non-current assets	2,500	9,550	7,438	1,550	4,948			
Current assets	1,780	5,120	1,115	890	1,272			
Non-current liabilities	(715)	(5,230)	(6,575)	(1,280)	(533)			
Current liabilities	(43)	(5,084)	(915)	(442)	(1,018)			
Net assets	3,522	4,356	1,063	718	4,669			
Net assets attributable to NCI	352	436	266	395	2,428	7	(35)	3,849
Revenue	20,409	10,930	9,540	8,112	15,882			
Profit	450	566	410	245	309			
OCI	25	-	-	44	-			
Total comprehensive income	475	566	410	289	309			
Profit allocated to NCI	45	57	120	135	161	3	3	524
OCI allocated to NCI	3	-	-	24	-	-	-	27
Cash flows from operating activities	430	210	166	(268)	(135)			
Cash flows from investment activities	(120)	510	75	-	(46)			
Cash flows from financing activities (dividends to NCI: nil)	12	(600)	(320)	-	130			
Net increase (decrease) in cash and cash equivalents	322	120	(79)	(268)	(51)			

On 31 March 2015, the Group's equity interest in Papyrus increased from 25 to 90% and Papyrus became a subsidiary from that date (see Note 33). Accordingly, the information relating to Papyrus is only for the period from 1 April to 31 December 2015.

- a. For additional disclosure examples and explanatory notes on IFRS 12, see our publication [Guide to annual financial statements – IFRS 12 supplement](#).
- b. Although it is not required by IFRS 12, the Group has reconciled from the summarised financial information about subsidiaries with material NCI to the total amounts in the financial statements. This disclosure is provided for illustrative purposes only.

Notes to the consolidated financial statements (continued)

34. NCI (continued)

31 December 2014 <i>In thousands of euro</i>	Oy Kossu AG Restated*	Swissolote AG Restated*	Maple-leaf Inc	Silver Fir S.A.	Other individually immaterial subsidiaries	Intra-group eliminations	Total
NCI percentage	10%	40%	55%	52%			
Non-current assets	9,120	7,322	1,394	4,874			
Current assets	4,960	1,278	850	638			
Non-current liabilities	(5,900)	(6,900)	(1,200)	-			
Current liabilities	(4,390)	(1,047)	(615)	(1,152)			
Net assets	3,790	653	429	4,360			
Net assets attributable to NCI	379	261	236	2,267	4	(38)	3,109
Revenue	8,660	9,390	6,259	13,743			
Profit	150	252	236	285			
OCI	-	-	40	-			
Total comprehensive income	150	252	276	285			
Profit allocated to NCI	15	101	130	148	(5)	(22)	367
OCI allocated to NCI	-	-	22	-	-	-	22
Cash flows from operating activities	300	115	530	(100)			
Cash flows from investment activities	(25)	(40)	(788)	(30)			
Cash flows from financing activities (dividends to NCI: nil)	(200)	(50)	190	130			
Net increase (decrease) in cash and cash equivalents	75	25	(68)	-			

* See Note 43.

Notes to the consolidated financial statements (continued)

35. Acquisition of NCI

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

IFRS 12.18

In June 2015, the Group acquired an additional 15 percent interest in Swissolote for €200 thousand in cash, increasing its ownership from 60 to 75 percent. The carrying amount of Swissolote's net assets in the Group's financial statements on the date of the acquisition was €767 thousand. The Group recognised a decrease in NCI of €115 thousand, a decrease in retained earnings of €93 thousand and an increase in the translation reserve of €8 thousand attributable to owners of the group of €85 thousand of changes in the Company's ownership interest in Swissolote.

In thousands of euro

Carrying amount of NCI acquired (€767 × 15%)	115
Consideration paid to NCI	200
A decrease in equity attributable to owners of the group	(85)

Notes to the consolidated financial statements (continued)

36. Loan covenant waiver

IFRS 7.19

As explained in [Note 27\(B\)](#), the Group exceeded its maximum leverage threshold (loan covenant ratio, calculated as debt to quarterly revenue for continuing operations) associated with a bank loan in the third quarter of 2015. The Group obtained a waiver of the breach of covenant in October 2015. Subsequent to 31 December 2015, the bank revised the loan covenant ratio from 2.5 to 3.5 times. On the basis of the new covenant and its forecasts, management believes that the risk of the new covenant being breached is low and that the Group will continue as a going concern for the foreseeable future.

Notes to the consolidated financial statements (continued)

37. Operating leases

See accounting policy in Note 44(U).

A. Leases as lessee

IAS 17.35(d)

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

IAS 1.122, 17.15A

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

IAS 17.35(b)

One of the leased properties has been sub-let by the Group. The lease and sub-lease expire in 2018. Sub-lease payments of €50 thousand are expected to be received during 2016. The Group has recognised a provision of €160 thousand in respect of this lease (see Note 30(D)).

i. Future minimum lease payments

IAS 17.35(a)

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

<i>In thousands of euro</i>	2015	2014
Less than one year	417	435
Between one and five years	419	486
More than five years	1,764	1,805
	2,600	2,726

ii. Amounts recognised in profit or loss

IAS 17.35(c)

<i>In thousands of euro</i>	Note	2015	2014
Lease expense	8(C)	435	447
Contingent rent expense	8(C)	40	30
Sub-lease income	8(A)	(150)	(90)

B. Leases as lessor

IAS 17.56(c)

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

IAS 17.56(a)

i. Future minimum lease payments

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

<i>In thousands of euro</i>	2015	2014
Less than one year	332	290
Between one and five years	1,470	1,360
More than five years	445	320
	2,247	1,970

ii. Amounts recognised in profit or loss

IAS 40.75(f)(i)–(iii)

During 2015, investment property rentals of €310 thousand (2014: €212 thousand) were included in 'revenue' (see Note 7). Maintenance expense, included in 'cost of sales' (see Note 8), was as follows.

<i>In thousands of euro</i>	2015	2014
Income-generating property	45	30
Vacant property	20	15
	65	45

Notes to the consolidated financial statements (continued)

38. Commitments

IAS 16.74(c)

During 2015, the Group entered into a contract to purchase property, plant and equipment, and patents and trademarks in 2016 for €1,465 thousand (2014: nil) and €455 thousand (2014: nil) respectively.

The Group is committed to incur other capital expenditure of €150 thousand (2014: €45 thousand). The Group's joint venture is committed to incur capital expenditure of €23 thousand (2014: €11 thousand), of which the Group's share is €9 thousand (2014: €4 thousand). These commitments are expected to be settled in 2016.

IAS 40.75(h)

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

Notes to the consolidated financial statements (continued)

39. Contingencies

IAS 1.125, 37.86

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

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

Notes to the consolidated financial statements (continued)

40. Related parties^{a, b, c}

A. Parent and ultimate controlling party

IAS 1.138(c), 24.13

During 2015, 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.

B. Transactions with key management personnel

IAS 24.18

i. Loans to directors^d

During 2015, unsecured loans advanced to directors were €85 thousand (2014: €32 thousand). No interest is payable by the directors, and the loans are repayable in cash in full 12 months after the issue date. At 31 December 2015, the balance outstanding was €78 thousand (2014: €32 thousand) and is included in 'trade and other receivables' (see Note 17).

ii. Key management personnel compensation

Key management personnel compensation comprised the following.

<i>In thousands of euro</i>		2015	2014
IAS 24.17(a)	Short-term employee benefits	502	420
IAS 24.17(b)	Post-employment benefits	82	103
IAS 24.17(c)	Other long-term benefits	3	2
IAS 24.17(d)	Termination benefits	25	-
IAS 24.17(e)	Share-based payments	516	250
		1,128	775

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

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

IAS 24.17(d)

As a result of the termination of the employment of one of the Group's executives in France, the executive received an enhanced retirement entitlement. Accordingly, the Group has recognised an expense of €25 thousand during the year (2014: nil).

ASIC CO 98/100

- a. Where ASIC CO 98/100 is applied in the financial statements, related party disclosures are subject to the exception of the rounding provisions. See section 4.1.8 of KPMG's *Australian Financial Reporting Manual*. This exception is not reflected in this international-based illustrative disclosure.

ASIC has released CP240 *Remaking ASIC class orders on rounding, directors' reports, disclosing entities and other matters* which proposes to remake this Class Order due to its approaching sunset date. No changes are proposed to the substance of the Class Order. A new legislative instrument is proposed to be issued by January 2016 with an updated title, together with updated formatting and legislative references. Entities should monitor KPMG *Reporting Updates* for progress on this matter.

- 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 24.9(b)(viii)

- c. A reporting entity discloses as a related party any entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

IAS 24.24

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

Notes to the consolidated financial statements (continued)

40. Related parties (continued)**B. Transactions with key management personnel (continued)****iii. 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 23\(A\)](#)).

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

IAS 24.18(b)(i)

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

IAS 24.18(a)

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

Transaction	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2015	2014	2015	2014
Legal fees*	12	13	-	-
Repairs and maintenance**	410	520	137	351
Inventory purchases – paper***	66	-	-	-

IAS 24.18(b)(i)

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

** In 2014, the Group entered into a two-year contract with On-Track Limited, a company controlled by another director, to buy repairs and maintenance services on production equipment. The total contract value is €986 thousand. The contract terms are based on market rates for these types of services and amounts are payable on a quarterly basis for the duration of the contract.

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

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

Notes to the consolidated financial statements (continued)

40. Related parties (continued)

IAS 24.18

C. Other related party transactions^a

IAS 24.18(a)–(b), 19

<i>In thousands of euro</i>	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2015	2014	2015	2014
Sale of goods and services				
Parent of the Group – Cameron Paper Co (2014: Brown Products Corporation)	350	320	253	283
Joint venture	745	250	651	126
Associates	400	150	332	233
Purchase of goods				
Joint venture	1,053	875	-	-
Others				
Joint venture				
– Dividends received (see Note 23)	21	-	-	-
Associates				
– Loan and related interest (see Note 27)	5	6	-	1,000

 IAS 24.18(b)(i)–(iii),
 (c)–(d), 23

All outstanding balances with these related parties are priced on an arm's-length basis and are to be settled in cash within two months of the reporting date. None of the balances is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. During 2015, there were no transactions or outstanding balances with Brown Products Corporation, the previous parent of the Group. No guarantees have been given or received.

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

IAS 1.114(d)(i), 24.21

Purchase obligations in relation to recycled paper products arise from supply and service contracts signed by the Group. During 2015, the Group entered into an €89 thousand supply financing agreement with Cameron Paper Co. At 31 December 2015, the Group has used €25 thousand of its commitment under the agreement.

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. Subsequent events

IAS 10.21–22

A. Restructuring

At the end of January 2016, 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 2016, by means of non-replacement whenever possible. The Group expects the restructuring associated with the reduction in positions to cost between €600 thousand and €850 thousand in 2016 and 2017.

IAS 10.21–22

B. Others

Subsequent to 31 December 2015, one of the Group's major trade customers went into liquidation following a natural disaster in February 2016 that damaged its operating plant. Of the €100 thousand owed by the customer, the Group expects to recover less than €10 thousand. No allowance for impairment has been made in these consolidated financial statements.

On 10 January 2016, one of the premises of Oy Kossu AG, having a carrying amount of €220 thousand, was seriously damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company. The Group is unable to estimate the incremental costs relating to refurbishment and temporary shift of production to other locations (in excess of the reimbursement expected).

As reported in the interim financial statements, on 22 July 2015 the Group announced its intention to acquire all of the shares of ABC Company for €6,500 thousand. On 4 January 2016, 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 2016.

Subsequent to 31 December 2015, the loan covenant ratio related to a bank loan was revised (see [Note 36](#)).

Notes to the consolidated financial statements (continued)

42. Basis of measurement

IAS 1.112(a), 117(a)

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

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

Notes to the consolidated financial statements (continued)

43. Correction of errors^a

IAS 8.49

During 2015, the Group discovered that maintenance expenses had been erroneously duplicated in its financial statements since 2013. As a consequence, maintenance expenses and its related liabilities have been overstated. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

IAS 8.49

i. Consolidated statement of financial position

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

1 January 2014 <i>In thousands of euro</i>	Impact of correction of error		
	As previously reported	Adjustments	As restated
Total assets	84,012	-	84,012
Trade and other payables (current)	(28,339)	85	(28,254)
Deferred tax liabilities	(295)	(28)	(323)
Others	(25,862)	-	(25,862)
Total liabilities	(54,496)	57	(54,439)
Retained earnings	(8,414)	(57)	(8,471)
Others	(21,102)	-	(21,102)
Total equity	(29,516)	(57)	(29,573)
31 December 2014 <i>In thousands of euro</i>	As previously reported	Adjustments	As restated
Total assets	87,296	-	87,296
Trade and other payables (current)	(20,924)	96	(20,828)
Deferred tax liabilities	(374)	(32)	(406)
Others	(30,568)	-	(30,568)
Total liabilities	(51,866)	64	(51,802)
Retained earnings	(13,809)	(64)	(13,873)
Others	(21,621)	-	(21,621)
Total equity	(35,430)	(64)	(35,494)

ii. Consolidated statement of profit or loss and OCI

IAS 8.49

For the year ended 31 December 2014 <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	(2,516)	(4)	(2,520)
Others	23,051	-	23,051
Profit	6,096	7	6,103
Total comprehensive income	6,515	7	6,522

There is no material impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for the years ended 31 December 2015 and 2014.

IAS 8.49

- a. The Group has disclosed the nature of the prior-period error and the amount of the correction for each financial line item affected as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies^a

IAS 1.112(a), 117(b),
119–121

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

IFRS 5.34, IAS 1.41

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

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

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

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

A. Basis of consolidation

i. Business combinations

[IFRS 3.4, 32, 34, 53]

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

[IFRS 3.B52]

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

[IFRS 3.40, 58]

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

NCl are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.^a

[IFRS 10.23, B96]

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

iv. Loss of control

[IFRS 10.25, B98–B99]

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

v. Interests in equity-accounted investees^b

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

[IFRS 11.15–16,
IAS 28.3]

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

[IFRS 3.19]

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

[Insights 5.10.140.150]

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

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

A. Basis of consolidation (continued)

v. Interests in equity-accounted investees (continued)

[IAS 28.38–39]

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

vi. Transactions eliminated on consolidation

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

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

B. Foreign currency

i. Foreign currency transactions

[IAS 21.21]

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

[IAS 21.23]

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. 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.

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

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

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

ii. Foreign operations

[IAS 21.39]

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

[IFRS 10.B94,
IAS 21.41]

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

[IAS 21.48–48D]

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

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

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

B. Foreign currency (continued)

iii. Hedge of a net investment in foreign operation

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

[IAS 39.102]

To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in OCI and accumulated in the translation reserve. Any remaining differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

C. Discontinued operation

[IFRS 5.32]

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

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

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

[IFRS 5.34]

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

D. Revenue

i. Sale of goods

[IAS 18.14], [IAS 18.35(a)]

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

[IAS 18.15–16]

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

Loyalty programme

[IAS 18.13,
IFRIC 13.6–7]

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

ii. Rendering of services

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

[IAS 18.20], [IAS 18.35(a)]

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

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

D. Revenue (continued)

iii. Commissions

[IAS 18.8]

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

iv. Construction contracts

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

[IAS 11.11], [IAS 11.39(b)]

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

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

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

[IAS 11.27, 36]

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

v. Investment property rental income

[IAS 17.50]

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

Rental income from other property is recognised as other income.

E. Employee benefits

i. Short-term employee benefits

[IAS 19.11]

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

ii. Share-based payment arrangements

[IFRS 2.14–15,
19–21, 21A]

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

[IFRS 2.30, 32]

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

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

E. Employee benefits (continued)

iii. Defined contribution plans

[IAS 19.28, 51]

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

iv. Defined benefit plans

[IAS 19.57, 83]

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

[IAS 19.63–64,
IFRIC 14.23–24]

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

[IAS 19.122, 127–130]

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

[IAS 19.103, 109–110]

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

v. Other long-term employee benefits

[IAS 19.155–156]

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

vi. Termination benefits

[IAS 19.165]

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

F. Government grants

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

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

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

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

G. Finance income and finance costs^a

The Group's finance income and finance costs include:

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

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

H. Income tax

[IAS 12.58]

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

i. Current tax

[IAS 1.117, [IAS 12.2, 12, 46]

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

[IAS 12.71]

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

ii. Deferred tax

[IAS 12.15, 24, 39, 44]

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

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

Insights 78.80.20 a. There is no guidance in IFRS on what is included in finance income and finance costs and the Group has disclosed as part of its accounting policy which items constitute finance income and finance costs.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

H. Income tax (continued)

ii. Deferred tax (continued)

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

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

[IAS 12.47] Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

[IAS 12.51, 51C] The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

[IAS 12.74] Deferred tax assets and liabilities are offset only if certain criteria are met.

I. Biological assets

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

J. Inventories

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

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

K. Property, plant and equipment

i. Recognition and measurement

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

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

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

ii. Subsequent expenditure

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

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

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

K. Property, plant and equipment (continued)

iii. Depreciation

[IAS 16.53, 58, 60],
IAS 16.73(b)

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

IAS 16.73(c)

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

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

[IAS 16.51]

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

iv. Reclassification to investment property

[IAS 40.62]

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

L. Intangible assets and goodwill

i. Recognition and measurement

[IAS 38.107–108]

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
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[IAS 38.54–55]

Research and development	Expenditure on research activities is recognised in profit or loss as incurred.
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[IAS 38.57, 66, 71, 74]

Research and development	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.
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[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.
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ii. Subsequent expenditure

[IAS 38.18]

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

iii. Amortisation

[IAS 38.97],
IAS 38.118(a)–(b)

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

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

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

[IAS 38.104]

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

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

M. Investment property

[IAS 40.7, 33, 35]

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

[IAS 16.41, 71]

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

N. Construction contracts in progress

[IAS 11.44]

Construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date (see (D)(iv)) less progress billings and recognised losses.

In the statement of financial position, construction contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as trade and other receivables. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred income/revenue. Advances received from customers are presented as deferred income/revenue.^a

O. Assets held for sale

[IFRS 5.6]

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

[IFRS 5.15–15A, 18–23]

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution, and subsequent gains and losses on remeasurement are recognised in profit or loss.

[IFRS 5.25, IAS 28.20]

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

[IFRS 7.21]

P. Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

i. Non-derivative financial assets and financial liabilities – Recognition and derecognition

[IAS 39.14, AG53–AG56]

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

[IAS 39.17, 25]

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Insights
4.2.260.40

^a Although assets or liabilities related to construction contracts in progress are required to be disclosed separately, there is no guidance on their characterisation. The Group has presented assets as trade and other receivables or, in the case of liabilities, as deferred revenue. Alternative approaches may be followed.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments (continued)

i. Non-derivative financial assets and financial liabilities – recognition and derecognition (continued)

[IAS 39.39]

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

[IAS 32.42]

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii. Non-derivative financial assets – Measurement

IFRS 7B5(e),
[IAS 39.43, 46, 55(a)]

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

[IAS 39.43, 46(b)]

Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

[IAS 39.43, 46(a)]

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

IFRS 7B5(b),
[IAS 39.43, 46]

Available-for-sale financial assets

These assets are initially measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments (see (B) (i)), are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

iii. Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

iv. Derivative financial instruments and hedge accounting

[IAS 39.11]

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

[IAS 39.46]

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

[IAS 39.95]

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments (continued)

iv. Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

[IAS 39.97–100]

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods, during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.^a

[IAS 39.101]

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Q. Share capital

i. Ordinary shares

[IAS 32.35–35A]

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 are accounted for in accordance with IAS 12.

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.

[IAS 32.38, AG31, 39.43]

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

[IAS 39.47]

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

[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.

IAS 39.98–99,
Insights 7.780.40

- a. For a hedge of a forecast transaction that subsequently results in the recognition of a non-financial item, an entity chooses an accounting policy, to be applied consistently, to either remove the associated gains or losses that were recognised in OCI and include them in the initial cost or other carrying amount of the non-financial item; or to retain the associated gains or losses in OCI and reclassify them to profit or loss in the periods during which the non-financial item affects profit or loss. The Group has elected to apply the second approach.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

S. Impairment

i. Non-derivative financial assets

[IAS 39.58–59, 28.40]

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

IFRS 7.B5(f)

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

[IAS 39.61]

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.^a

[IAS 39.63–64]

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

IFRS 7.B5(d),
[IAS 39.63–65]

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

[IAS 39.67–70]

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss.^b Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

[IAS 28.40–42]

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Insights 76.430.40

a. IFRS does not contain specific quantitative thresholds for 'significant' or 'prolonged'. The Group has established and disclosed the criteria that it applies to determine whether a decline in a quoted market price is 'significant' or 'prolonged'.

Insights
3.10.586.20

b. Although IAS 28 *Investments in Associates and Joint Ventures* requires an entity to apply IAS 39 in determining if there is an indication of impairment, the standard is silent in respect of reversals of impairment. In our view, an entity applies IAS 36 to determine if there is an indication that an impairment should be reversed, because there is no exception that provides for a different treatment.

Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

S. Impairment (continued)

ii. Non-financial assets

[IAS 36.9, 10, 59]

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

[IAS 36.22, 80]

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

[IAS 36.6, 30]

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

[IAS 36.59]

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

[IAS 36.104]

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

[IAS 36.117, 122, 124]

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

T. Provisions

[IAS 37.14, 45, 47, IFRIC 1.8]

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

[IAS 37.39]

Warranties	A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.
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[IAS 37.72]

Restructuring	A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.
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[IAS 37.21]

Site restoration	In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.
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[IAS 37.66, 68]

Onerous contracts	A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see (S)(iii)).
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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

U. Leases

i. Determining whether an arrangement contains a lease

[IFRIC 4.6, 10]

At inception of an arrangement, the Group determines whether the arrangement is, or contains, a lease.

[IFRIC 4.12–15]

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

ii. Leased assets

[IAS 17.8, 20, 27]

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

[IAS 17.8]

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

iii. Lease payments

[IAS 17.33, SIC-15.3]

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

[IAS 17.25]

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the consolidated financial statements (continued)

45. Standards issued but not yet effective^a

IAS 8.30–31

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 9 <i>Financial Instruments</i>	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
IFRS 15 <i>Revenue from Contracts with Customers</i>	IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i> , IAS 11 <i>Construction contracts</i> , and IFRIC 13 <i>Customer Loyalty Programmes</i> . IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.
<i>Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)</i>	These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 <i>Property, Plant and Equipment</i> , instead of IAS 41 <i>Agriculture</i> . The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.	None. The Group does not have any bearer plants.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Equity Method in Separate Financial Statements (Amendments to IAS 27);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards;
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28); and
- Disclosure Initiative (Amendments to IAS 1).

IAS 1.31

- ^a Although new or amended IFRSs that will have no or no material effect on the financial statements need not be provided, the Group has included all new or amended IFRSs for illustrative purposes only. For a list of forthcoming requirements that are not yet mandatory for 2015 but are available for early adoption, see [appendix I](#).

Appendix I

New standards or amendments for 2015/16 and forthcoming requirements

Since the last edition of this guide, a number of standards, amendments to, or interpretations of standards have been issued. This Appendix lists these new requirements that have been issued as at 1 August 2015, and it contains two tables, as follows.

- **New currently effective requirements:** this table lists the recent changes to IFRS that are required to be adopted in annual periods beginning on 1 January 2015, and annual periods beginning on 1 July 2015.
- **Forthcoming requirements:** this table lists the recent changes to IFRS that are required to be applied for annual periods beginning after 1 January 2015, and that are available for early adoption in annual periods beginning on 1 January 2015.

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

For annual periods beginning 1 January 2015

Effective date	New standards or amendments	KPMG guidance
1 July 2014	<i>Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)</i>	In the Headlines – Issue 2013/20
	<i>Annual Improvements to IFRSs 2010–2012 Cycle – various standards</i>	IFRS Newsletter: The Balancing Items – Issue 6
	<i>Annual Improvements to IFRSs 2011–2013 Cycle – various standards</i>	IFRS Newsletter: The Balancing Items – Issue 6

For annual periods beginning 1 July 2015

1 July 2015	<i>Financial Reporting Requirements for Australian Groups with a Foreign Parent (amendments to AASB 127 and AASB 128)</i>	Not applicable
	<i>Withdrawal of AASB 1031 Materiality</i>	Not applicable

In this guide, the Group has no transactions that would be affected by these new amendments.

Forthcoming requirements

Effective date	New standards or amendments	KPMG guidance
1 January 2016	<i>IFRS 14 Regulatory Deferral Accounts</i>	In the Headlines – Issue 2014/01
	<i>Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)</i>	In the Headlines – Issue 2014/07
	<i>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)</i>	In the Headlines – Issue 2014/08
	<i>Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)</i>	In the Headlines – Issue 2014/12
	<i>Equity Method in Separate Financial Statements (Amendments to IAS 27)</i>	IFRS Breaking News
	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*</i>	IFRS Breaking News
	<i>Annual Improvements to IFRSs 2012–2014 Cycle – various standards</i>	IFRS Newsletter: The Balancing Items – Issue 7
	<i>Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)</i>	IFRS Breaking News
	<i>Disclosure Initiative (Amendments to IAS 1)</i>	IFRS Breaking News

* In August 2015, the IASB published an exposure draft proposing an indefinite deferral of the effective date for these amendments, with comments due to the IASB by 9 October 2015. Early adoption would continue to be permitted.

Forthcoming requirements

Effective date	New standards or amendments	KPMG guidance
1 January 2018	IFRS 15 <i>Revenue from Contracts with Customers</i>	In the Headlines – Issue 2014/09
	IFRS 9 <i>Financial Instruments</i> <ul style="list-style-type: none"> • IFRS 9 (2014) • IFRS 9 (2013) • IFRS 9 (2010) • IFRS 9 (2009) 	<i>Insights into IFRS</i> (sections 7A and 7B), In the Headlines – Issue 2014/13 , In the Headlines – Issue 2013/19

Appendix II

Presentation of comprehensive income – two-statement approach

		Consolidated income statement ^a		
		For the year ended 31 December		
		Note	2015	2014 Restated*
<i>In thousands of euro</i>				
	Continuing operations			
IAS 1.10(b), 10A, 38–38A, 81A, 113	Revenue	7	102,716	96,636
IAS 1.82(a)	Cost of sales	8(C)	(55,548)	(56,186)
IAS 1.103	Gross profit		47,168	40,450
IAS 1.85	Other income	8(A)	1,021	194
IAS 1.99, 103	Selling and distribution expenses	8(C)	(17,984)	(15,865)
IAS 1.99, 103	Administrative expenses	8(C)	(17,732)	(14,428)
IAS 1.99, 103, 38.126	Research and development expenses	8(C)	(1,109)	(697)
IAS 1.99, 103	Other expenses	8(B)	(1,030)	(30)
IAS 1.85, BC55–BC56	Operating profit		10,334	9,624
IAS 1.85	Finance income		1,161	458
IAS 1.82(b)	Finance costs		(1,707)	(1,624)
IAS 1.85	Net finance costs	9	(546)	(1,166)
IAS 1.82(c)	Share of profit of equity-accounted investees, net of tax	23, 25(D)	1,141	587
IAS 1.85	Profit before tax		10,929	9,045
IAS 1.82(d), 12.77	Income tax expense	14	(3,371)	(2,520)
IAS 1.85	Profit from continuing operations		7,558	6,525
IFRS 5.33(a), IAS 1.82(ea)	Discontinued operation			
IAS 1.81A(a)	Profit (loss) from discontinued operation, net of tax	6	379	(422)
	Profit		7,937	6,103
	Profit attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		7,413	5,736
IAS 1.81B(a)(i)	Non-controlling interests	34	524	367
			7,937	6,103
	Earnings per share			
IAS 33.4	Basic earnings per share (euro)	10	2.26	1.73
IAS 33.66, 67A	Diluted earnings per share (euro)	10	2.15	1.72
	Earnings per share – Continuing operations			
IAS 33.66, 67A	Basic earnings per share (euro)	10	2.14	1.87
IAS 33.66, 67A	Diluted earnings per share (euro)	10	2.03	1.86

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

The notes on pages 66 to 176 are an integral part of these consolidated financial statements.

Appendix III

Statement of cash flows – Direct method

IAS 1.10(d), 38–38A, 113

Consolidated statement of cash flows

For the year ended 31 December

<i>In thousands of euro</i>		<i>Note</i>	2015	2014
	Cash flows from operating activities			
IAS 7.18(a)	Cash receipts from customers		96,049	97,996
	Cash paid to suppliers and employees		(90,439)	(93,025)
	Cash generated from operating activities		5,610	4,971
IAS 7.31–32	Interest paid		(1,499)	(1,289)
IAS 7.35	Income taxes paid		(400)	(1,913)
IAS 7.10	Net cash from operating activities		3,711	1,769
	Cash flows from investing activities			
IAS 7.31	Interest received		6	19
IAS 7.31	Dividends received		26	32
IAS 7.16(b)	Proceeds from sale of property, plant and equipment		1,177	397
IAS 7.21	Proceeds from sale of investments		1,476	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of	6	10,890	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired	33	(1,799)	-
IAS 7.16(a)	Acquisition of property, plant and equipment	20(A)	(15,657)	(2,228)
IAS 7.16(a)	Acquisition of investment property	22(A)	(300)	(40)
IAS 7.21	Purchase of non-current biological assets	15(A)	(305)	(814)
IAS 7.16(a)	Acquisition of other investments		(359)	(363)
IAS 24.18	Dividends from equity-accounted investees	23(A)	21	-
IAS 7.21	Development expenditure	21(A), (D)	(1,235)	(503)
IAS 7.10	Net cash used in investing activities		(6,059)	(2,966)
	Cash flows from financing activities			
IAS 7.17(a)	Proceeds from issue of share capital	25(A)	1,550	-
IAS 7.17(c)	Proceeds from issue of convertible notes	27(C)	5,000	-
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	27(D)	2,000	-
IAS 7.17(c)	Proceeds from loans and borrowings		591	4,439
IAS 7.21	Proceeds from sale of treasury shares		30	-
IAS 7.21	Proceeds from exercise of share options	25(A)	50	-
IAS 7.16(h)	Proceeds from settlement of derivatives		5	11
IAS 7.21	Transaction costs related to loans and borrowings	27(C), (D)	(311)	-
IAS 7.42A	Acquisition of non-controlling interests	35	(200)	-
IAS 7.17(b)	Repurchase of treasury shares		-	(280)
IAS 7.17(d)	Repayment of borrowings		(5,055)	(2,445)
IAS 7.17(e)	Payment of finance lease liabilities		(454)	(590)
IAS 7.31	Dividends paid	25(C)	(1,243)	(571)
IAS 7.10	Net cash from financing activities		1,963	564
	Net decrease in cash and cash equivalents		(385)	(633)
	Cash and cash equivalents at 1 January*		1,568	2,226
IAS 7.28	Effect of movements in exchange rates on cash held		(12)	(25)
	Cash and cash equivalents at 31 December*	18	1,171	1,568

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

The notes on pages 66 to 176 are an integral part of these consolidated financial statements.

Appendix IV

Other disclosures not illustrated in the consolidated financial statements

Going concern matters

Extracts of notes to the consolidated financial statements

2. Basis of accounting

X. Going concern basis of accounting^{a, b}

IAS 1.25–26, 122

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in [Note 31\(C\)](#).

The Group has recognised a net profit after tax of €7,937 thousand for the year ended 31 December 2015 and, as at that date, current assets exceed current liabilities by €22,046 thousand. However, as described in Note X, significant one-off environmental costs are expected in 2016, reflecting various regulatory developments in a number of European countries.

In addition to the above, fully drawn banking facilities of €7,012 thousand are subject to review by 30 June 2016. The lenders are expected to undertake a review, which will include (but is not limited to) an assessment of:

- the financial performance of the Group against budget;
- the progress of compliance with new regulatory requirements; and
- the progress of planned divestments and/or capital raisings to meet repayment requirements.

Management believes that the repayment of the facilities will occur as required and is confident that asset sales as disclosed in [Note 19](#) will be finalised before 30 June 2016 and that the proceeds will be sufficient to meet the repayment requirements at that date. Management anticipates that any additional repayments required will be met out of operating cash flows or from alternative forms of capital raising such as further asset sales, a rights or note issue or private placement. Management has access to underwriters and a plan for equity raising if required.

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

IAS 1.25, 10.16(b)

- a.** This appendix illustrates one possible format for disclosures.

Taking account of specific requirements in its jurisdiction, an entity discloses any material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, whether they arise during the period or after the reporting date.

Insights 1.2.70.25

- b.** Even if management concludes that there were no material uncertainties but the conclusion involved significant judgements, an entity discloses these judgements under paragraph 122 of IAS 1.

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 2015, the board of directors of the Company announced that the Group would distribute all of its shares in Papier GmbH, a wholly owned subsidiary within the Recycled Papers segment, to the Company's shareholders. On authorisation of the distribution, the Group recognised a dividend payable of €12,500 thousand, being the fair value of the assets to be distributed.

On 3 June 2015, the shares were distributed. The net assets comprised assets of €17,408 thousand less liabilities of €7,464 thousand as follows.

<i>In thousands of euro</i>	2015
Property, plant and equipment	9,650
Investment property	100
Intangible assets	400
Deferred tax assets	225
Inventories	2,900
Trade and other receivables	4,133
Loans and borrowings	(3,064)
Provisions	(200)
Deferred tax liabilities	(450)
Trade and other payables	(3,750)
Carrying amount of net assets distributed	9,944
Dividend to shareholders	12,500
Carrying amount of net assets distributed	(9,944)
Gain on distribution to owners of the Company	2,556^c

IFRIC 17.16(b)

There was no change in the fair value of the assets to be distributed between the date on which the distribution was approved and the date on which the dividend was settled.

- a.** This appendix illustrates the disclosures that may be necessary to provide information about distributions of non-cash assets to owners and/or non-current assets (or disposal groups) that are held for distribution (or distributed) to owners.

Insights 5.4.130.30

- b.** It is not clear whether a business that will be disposed of by distribution to owners could be classified as a discontinued operation before its disposal. Although IFRS 5 was amended to extend the requirements in respect of non-current assets or disposal groups held for sale to such items held for distribution to owners, the cross-referencing in the amendments does not extend to discontinued operations. In our view, although the definition of a discontinued operation has not been explicitly extended, classification of non-current assets or disposal groups held for distribution to owners as a discontinued operation is appropriate if the remaining criteria of IFRS 5 are met.

IFRIC 17.14

- c.** The difference between the dividend paid/payable and the carrying amount of the assets distributed is presented as a separate line item in profit or loss.

Government-related entities under IAS 24

Extracts of notes to the consolidated financial statements

40. Related parties^a**Example 1: Individually significant transaction because of size of transaction**

In 2013, 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 2014 to 2016, with an agreed bulk discount of ten 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 2015 amounted to €3,500 thousand (2014: €2,800 thousand). As at 31 December 2015, the aggregate amounts due from the Department amounted to €10 thousand (2014: €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 2014, 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 2015 to 2019. 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 2015 amounted to €3,500 thousand. As at 31 December 2015, the aggregate amounts due from the Department amounted to €1,000 thousand and were payable under normal 30 days' credit terms.

Example 3: Individually significant transaction outside normal day-to-day business operations

Pursuant to an agreement dated 1 January 2015, 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 2015, the capital invested in the venture amounted to €700 thousand and total lease payments of €100 thousand were received as rental income.

Example 4: Individually significant transaction subject to shareholder approval

Griffin Limited currently owns 40% of Galaxy Corp, with the remaining 60% owned by the Department of Commerce of the Government of [Country X] (25%) and Lex Corp (35%), a party indirectly controlled by the Department of Commerce.

On 1 December 2015, Griffin Limited entered into a sale-and-purchase agreement (the Agreement) with the Department of Commerce and Lex Corp, such that Griffin Limited will buy their shares in Galaxy Corp at €1 per share, at a total consideration of €6,000 thousand. The terms of the Agreement are subject to independent shareholders' approval at the extraordinary general meeting to be held on 1 February 2016. 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)

40. Related parties (continued)

IAS 24.26

Example 5: Collectively, but not individually, significant transactions

Griffin Limited operates in an economic regime dominated by entities directly or indirectly controlled by the Government of [*Country X*] through its government authorities, agencies, affiliations and other organisations, collectively referred to as government-related entities. Griffin Limited has transactions with other government-related entities, including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, lease of assets, and use of public utilities.

These transactions are conducted in the ordinary course of Griffin Limited's business on terms comparable to those with other entities that are not government-related. Griffin Limited has established procurement policies, a pricing strategy, and an approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities.

For the year ended 31 December 2015, management estimates that the aggregate amount of Griffin Limited's significant transactions with other government-related entities are at least 50% of its sales of recycled paper products and between 30 and 40% of its purchase of materials.

Entities with a service concession arrangement

Extracts of notes to the consolidated financial statements

X. Service concession arrangement^{a, b}

SIC-29.6

On 1 July 2015, 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 2015, and it was completed and available for use on 30 September 2015. 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 2015. 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 2015, the Group has recognised revenue of €350 thousand, consisting of €320 thousand on construction and €30 thousand on operation of the toll road, which is the amount of tolls collected. The Group has recognised profit of €20 thousand, consisting of a profit of €25 thousand on construction and a loss of €5 thousand on operation of the toll road. The revenue recognised in relation to construction in 2015 represents the fair value of the construction services provided in constructing the toll road. The Group has recognised a service concession receivable, initially measured at the fair value of the construction services, of €260 thousand representing the present value of the guaranteed annual minimum payments to be received from the grantor, discounted at a rate of five percent, of which €11 thousand represents accrued interest.

IAS 23.26(a)–(b),
[IFRIC 12.22]

The Group has recognised an intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement of €95 thousand, of which €5 thousand has been amortised in 2015. The intangible asset represents the right to charge users a fee for use of the toll road.^c

Capitalised borrowing costs included in this intangible asset amount to €6 thousand, which was determined based on an estimation of the average interest costs on borrowings of 5.7%.

SIC-29.7

- 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.

Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies

D. Revenue

x. *Service concession arrangements*

(IFRIC 12.13)

Revenue related to construction or upgrade services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by the Group. If the Group provides more than one service in a service concession arrangement, then the consideration received is allocated with reference to the relative fair values of the services delivered if the amounts are separately identifiable.

L. Intangible assets and goodwill

x. *Service concession arrangements*

(IFRIC 12.17)

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

P. Financial instruments

x. *Non-derivative financial assets – service concession arrangements*

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from, or at the direction of, the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value on initial recognition and classified as loans and receivables. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset, and partly by an intangible asset, then each component of the consideration is accounted for separately and is initially recognised at the fair value of the consideration (see also (L)(x)).

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