KPMG

Illustrative disclosures

Guide to annual financial statements

IFRS®

October 2016

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About this guide

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

It is intended to help preparers in the preparation and presentation of financial statements in accordance with IFRS by illustrating one possible format for financial statements for a fictitious multinational corporation involved in general business. This hypothetical corporation (the 'Group') 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 13th edition 2016/17 of our publication Insights into IFRS.

Standards covered

This guide reflects standards and interpretations that have been issued by the IASB as at 15 August 2016 and that are required to be applied by an entity with an annual period beginning on 1 January 2016 ('currently effective requirements'). With the exception of Appendices IV and V, the early adoption of standards or amendments to standards that are effective for annual periods beginning after 1 January 2016 ('forthcoming requirements') is not illustrated.

This guide does not illustrate the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 4 *Insurance Contracts*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IFRS 14 *Regulatory Deferral Accounts*, IAS 26 *Accounting and Reporting by Retirement Benefit Plans*, IAS 27 *Separate Financial Statements*, IAS 29 *Financial Reporting in Hyperinflationary Economies* or IAS 34 *Interim Financial Reporting*. IAS 34 requirements are illustrated in our Guide to condensed interim financial statements – Illustrative disclosures.

IFRS and its interpretation change over time. Accordingly, this guide should not be used as a substitute for referring to the standards and other relevant interpretative guidance.

Preparers should also consider applicable legal and regulatory requirements. This guide does not consider the requirements of any particular jurisdiction – e.g. IFRS does not require the presentation of separate financial statements for the parent entity. Consequently, this guide includes only consolidated financial statements.

What's new in 2016?

This guide includes an updated illustrative auditors' report, as a result of the adoption of the following revised and new International Standards on Auditing (ISAs), which are effective for audits of financial statements for periods ending on or after 15 December 2016:

- ISA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*;
- ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*; and
- ISA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information*.

Appendix I provides a comprehensive list of new requirements under IFRS, distinguishing between those that are effective for an entity with an annual period beginning on 1 January 2016, and those with a later effective date.

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The Group has no transactions that would be affected by the newly effective standard or amendments to standards; therefore, these new requirements are not illustrated in this guide. Note 14 includes a new illustration of an alternative earnings measure (Adjusted EBITDA) presented by the Group, which may be considered an additional subtotal under IAS 1 when certain criteria have been met. The Group has included a reconciliation of this measure with subtotals or totals required by IAS 1 *Presentation of Financial Statements*. Note 45 has been significantly expanded to describe management's current assessment of the possible impacts that the application of IFRSs 9, 15 and 16 will have on the Group's consolidated financial statements in the period of initial application.

Appendices IV and V provide illustrative disclosures for the early adoption of *Disclosure Initiative (Amendments to IAS 7)* and IFRS 9 *Financial Instruments,* respectively. The amended standard and new standard are effective for periods beginning on or after 1 January 2017 and 1 January 2018, respectively.

Need for judgement

This guide is part of our suite of publications – Guides to financial statements – and specifically focuses on compliance with IFRS. Although it is not exhaustive, this guide illustrates the disclosures required by IFRS for one hypothetical corporation, largely without regard to materiality.

The preparation and presentation of financial statements require the preparer to exercise judgement, in terms of the choice of accounting policies, the ordering of notes to the financial statements, how the disclosures should be tailored to reflect the entity's specific circumstances, and the relevance of disclosures considering the needs of the users.

Materiality

Specific guidance on materiality and its application to the financial statements is included in paragraphs 29–31 of IAS 1.

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

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

Step-up in the quality of financial statements

Investors continue to ask for a step-up in the quality of business reporting, so entities should be careful not to become buried in compliance to the exclusion of relevance. In preparing its financial statements, an entity needs to keep in mind its wider responsibilities for reporting this information in the most meaningful way. For more information, see our Better Business Reporting website.

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References and abbreviations

References are included in the left-hand margin of this guide. 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 13th edition 2016/17 of our publication Insights into IFRS.
IFRS 7R	IFRS 7 as amended by IFRS 9.
IFRS 7	IFRS 7 before amendment by IFRS 9.

The following markings in the left-hand margins indicate the following.

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

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

|| Major changes related to requirements that are new in 2016.

The following abbreviations are used often in this guide.

CGU	Cash-generating unit
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
IU	IFRS Interpretations Committee publication *IFRIC Update*
NCI	Non-controlling interests
Notes	Notes to the financial statements
OCI	Other comprehensive income

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[*Name of the Company*]

Independent auditors' report

Independent auditors' report[a]

To the Shareholders of [*Name of the Company*]

Opinion

We have audited the consolidated financial statements of [*Name of the Company*] and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in [*jurisdiction*], and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill

See Note 21 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group has recognised goodwill in the amount of €3,832 thousand (2015: €3,407 thousand). The majority of goodwill has been allocated to the European paper manufacturing and distribution cash-generating unit (CGU) and the Timber Products CGU.	Our audit procedures in this area included, among others: – involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied, which included comparing the weighted average cost of capital with sector averages for the relevant markets in which the CGUs operate; – evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry;

a. This example report has been prepared based on the following International Standards on Auditing (ISAs), effective for audits of financial statements for periods ending on or after 15 December 2016:
– ISA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*;
– ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*; and
– ISA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information and Related Conforming Amendments*.
The format of the example report does not reflect the legal or regulatory requirements of any particular jurisdiction.

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The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate).	– performing our own sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the European paper manufacturing and distribution CGU; and – evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Acquisition of Papyrus

See Note 33 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit

On 31 March 2016, the Group acquired 65% of the outstanding shares in Papyrus (in addition to the 25% previously held) for consideration of €2,631 thousand.
 	
The accounting for this transaction is complex due to the significant judgements and estimates that are required to determine the values of the consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed.
 	
Due to the size and complexity of the acquisition, we considered this to be a key audit matter.
	Our audit procedures in this area included, among others:
	– involving our own valuation specialists to support us in challenging the valuations produced by the Group and the methodology used to identify the assets and liabilities acquired; in particular:
	  - the methodologies adopted and key assumptions utilised in valuing the tangible fixed assets by comparing with market information and quoted prices for similar assets; and
	  - the key assumptions used to determine the fair value of the customer relationship intangible asset, which included recalculating historical customer retention rates and growth trends, and reconciling underlying data to customer contracts and relationship databases;
	– challenging the fair value of the contingent consideration, which included assessing future forecast business performance by agreeing amounts to approved forecasts, underlying contracts and comparing forecasts against historical performance and results since the acquisition date; and
	– evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

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Valuation of standing timber

See Note 15 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's biological assets include standing timber, which is measured at fair value less costs to sell. Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs. Due to the nature of the asset, the valuation technique includes a discounted cash flow model that uses a number of inputs from internal sources due to a lack of relevant and reliable observable inputs. Consequently, we have determined the valuation of standing timber to be a key audit matter.	Our audit procedures in this area included, among others: – evaluating the Group's inputs used in calculating the estimated cash flows by comparing with historical performance and the Group's plans, as well as our understanding of the industry and the economic environment the Group operates in; – evaluating the historical accuracy of the Group's assessment of the fair value of standing timber by comparing previous forecasts for yields per hectare, timber prices and harvesting/transportation costs with actual outcomes and industry forecasts; – involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates used, which included comparing the discount rate with sector averages for the relevant markets in which the Group operates; – evaluating the Group's estimated costs of replicating younger standing timber by comparing them with market information and quoted prices for similar assets; and – evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Valuation of disposal group held for sale

See Note 19 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
In June 2016, the Group committed to a plan to sell part of a manufacturing facility included within the Standard Papers segment. This part of the manufacturing facility has been classified as a disposal group and written down to its fair value less costs to sell, based on a weighted estimate of the discounted future cash flow forecasts and costs associated with replicating the manufacturing facility. Due to the high level of judgement involved in estimating the fair value of the disposal group, and the significant carrying amounts of the assets and liabilities associated with the disposal group, we considered this to be a key audit matter.	Our audit procedures in this area included, among others: – challenging the Group's judgement on the classification of the disposal group as held-for-sale through understanding the status of the sales process and reviewing correspondence from purchasers and prospective purchasers; – challenging the Group's assumptions used as the basis for allocating the assets and liabilities in the manufacturing facility between continuing and discontinued operations and reconciling them to the underlying accounting records; – assessing the inputs in the discounted cash flow calculation by comparing inputs with internally and externally derived data such as the Group's budgets and forecasts, and information for similar facilities operating within the industry;

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	– evaluating the Group's estimated costs of replicating the manufacturing facility by comparing them with market information and quoted prices for similar assets; – involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied; and – evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Recognition of deferred tax assets

See Note 13 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group has recognised deferred tax assets for deductible temporary differences and unused tax losses that it believes are recoverable. The recoverability of recognised deferred tax assets is in part dependent on the Group's ability to generate future taxable profits sufficient to utilise deductible temporary differences and tax losses (before the latter expire). We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	Our audit procedures in this area included, among others: – using our own tax specialists to evaluate the tax strategies the Group expects will enable the successful recovery of the recognised deferred tax assets; – reconciling tax losses and expiry dates to tax statements; – assessing the accuracy of forecast future taxable profits by evaluating historical forecasting accuracy and comparing the assumptions, such as projected growth rates, with our own expectations of those assumptions derived from our knowledge of the industry and our understanding obtained during our audit, including where applicable their consistency with business plans and forecasts used for impairment testing purposes; and – evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other Information

Management is responsible for the other information. The other information comprises the [*information included in the X report, but does not include the financial statements and our auditors' report thereon*].

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is [*name*].

[*Signature as appropriate for the particular jurisdiction*]
[*Auditors' address*]
[*Date*]

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[*Name of the Company*]

Consolidated financial statements

31 December 2016

Financial highlights

REVENUE

(Thousand euro)

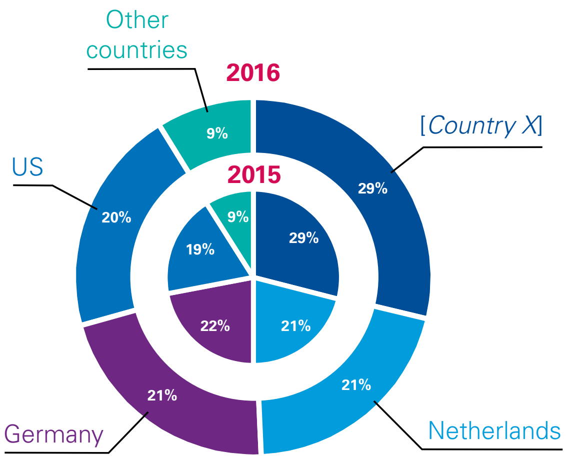
OPERATING PROFIT

(Thousand euro)

ADJUSTED EBITDA

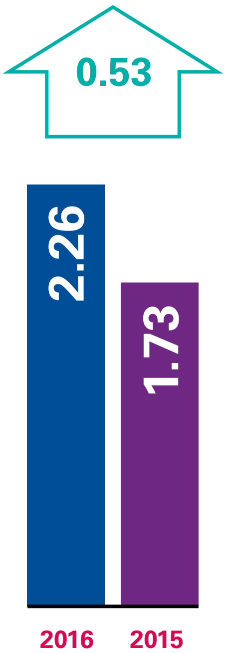
(Thousand euro)

REVENUE BY REGION*



BASIC EARNINGS PER SHARE

(Euro)



DIVIDENDS PER ORDINARY SHARE

(Cent)

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

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Consolidated statement of financial position[a]

	In thousands of euro	Note	31 December 2016	31 December 2015 Restated*[b]	1 January 2015 Restated*[b, c]
IAS 1.10(a), (ea)–(f), 38–38A, 40A–40B, 113					
	Assets				
IAS 1.54(a)	Property, plant and equipment	20	**26,586**	31,049	34,937
IAS 1.54(c)	Intangible assets and goodwill	21	**6,226**	4,661	5,429
IAS 1.54(f)	Biological assets	15	**4,698**	4,025	3,407
IAS 1.54(h)	Trade and other receivables	17	**213**	-	-
IAS 1.54(b), 17.49	Investment property	22	**1,370**	250	150
IAS 1.54(e)	Equity-accounted investees	23	**2,489**	1,948	1,530
IAS 1.54(d)	Other investments, including derivatives[d]	24	**3,631**	3,525	3,221
IAS 1.54(o), 56	Deferred tax assets	13	**2,116**	2,050	984
IAS 1.55	Employee benefits	12	**671**	731	716
IAS 1.60	**Non-current assets[e]**		**48,000**	48,239	50,374
IAS 1.54(f)	Biological assets	15	**32**	31	29
IAS 1.54(g)	Inventories	16	**11,603**	12,119	11,587
IAS 1.54(d)	Other investments, including derivatives[d]	24	**662**	1,032	947
IAS 1.54(n)	Current tax assets		**34**	60	-
IAS 1.54(h)	Trade and other receivables	17	**32,402**	22,765	17,651
IAS 1.55	Prepayments		**330**	1,200	895
IAS 1.54(i)	Cash and cash equivalents	18	**1,505**	1,850	2,529
			46,568	39,057	33,638
IFRS 5.38, 40, IAS 1.54(j)	Assets held for sale	19	**14,400**	-	-
IAS 1.60	**Current assets[e]**		**60,968**	39,057	33,638
	Total assets		**108,968**	87,296	84,012

* See Note 43.

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Consolidated statement of financial position (continued)

Reference	In thousands of euro	Note	31 December 2016	31 December 2015 Restated*[b]	1 January 2015 Restated*[b, c]
IAS 1.10(a), (ea)–(f), 38–38A, 40A–40B, 113					
	Equity				
IAS 1.54(r), 78(e)	Share capital		**14,979**	14,550	14,550
IAS 1.55, 78(e)	Share premium		**4,777**	3,500	3,500
IAS 1.54(r), 78(e)	Reserves		**1,210**	462	332
IAS 1.55, 78(e)	Retained earnings		**20,886**	13,873	8,471
	Equity attributable to owners of the Company	25	**41,852**	32,385	26,853
IAS 1.54(q)	**Non-controlling interests**	34	**3,849**	3,109	2,720
	Total equity		**45,701**	35,494	29,573
	Liabilities				
IAS 1.54(m)	Loans and borrowings	27	**21,920**	19,031	20,358
IAS 1.55, 78(d)	Employee benefits	12	**912**	453	1,136
IAS 1.54(k)	Trade and other payables	28	**290**	5	4
IAS 1.55, 20.24	Deferred income/revenue	29	**1,424**	1,462	-
IAS 1.54(l)	Provisions	30	**1,010**	-	740
IAS 1.54(o), 56	Deferred tax liabilities	13	**549**	406	323
IAS 1.60	**Non-current liabilities**[e]		**26,105**	21,357	22,561
IAS 1.55	Bank overdraft	18	**334**	282	303
IAS 1.54(n)	Current tax liabilities		**4,853**	1,693	25
IAS 1.54(m)	Loans and borrowings	27	**4,988**	5,546	3,003
IAS 1.55, 78(d)	Employee benefits	12	**20**	388	13
IAS 1.54(k)	Trade and other payables	28	**21,720**	20,828	28,254
IAS 1.55, 11.42(b), 20.24	Deferred income/revenue	29	**177**	168	140
IAS 1.54(l)	Provisions	30	**660**	1,540	140
			32,752	30,445	31,878
IFRS 5.38, 40, IAS 1.54(p)	Liabilities directly associated with the assets held for sale	19	**4,410**	-	-
IAS 1.60	**Current liabilities**[e]		**37,162**	30,445	31,878
	Total liabilities		**63,267**	51,802	54,439
	Total equity and liabilities		**108,968**	87,296	84,012

* See Note 43.

The notes on pages 22 to 149 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 statements are not the same as the financial statements previously published.

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 7.8.50.50 — **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.

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

For the year ended 31 December

	In thousands of euro	Note	2016	2015 Restated*
IAS 1.10(b), 10A, 38–38A, 81A, 113				
	Continuing operations			
IAS 1.82(a)	Revenue	7	**102,716**	96,636
IAS 1.99, 103	Cost of sales[b]	8(C)	**(55,432)**	(56,186)
IAS 1.103	Gross profit		**47,284**	40,450
IAS 1.85	Other income	8(A)	**1,021**	194
IAS 1.99, 103	Selling and distribution expenses[b]	8(C)	**(17,984)**	(15,865)
IAS 1.99, 103	Administrative expenses[b]	8(C)	**(17,732)**	(14,428)
IAS 1.99, 103, 38.126	Research and development expenses[b]	8(C)	**(1,109)**	(697)
IAS 1.99, 103	Other expenses	8(B)	**(1,146)**	(30)
IAS 1.85, BC55–BC56	**Operating profit[c]**		**10,334**	9,624
IAS 1.85	Finance income		**1,161**	458
IAS 1.82(b)	Finance costs		**(1,707)**	(1,624)
IAS 1.85	**Net finance costs**	9	**(546)**	(1,166)
IAS 1.82(c)	Share of profit of equity-accounted investees, net of tax	23	**1,141**	587
IAS 1.85	**Profit before tax**		**10,929**	9,045
IAS 1.82(d), 12.77	Income tax expense	13	**(3,371)**	(2,520)
IAS 1.85	**Profit from continuing operations**		**7,558**	6,525
	Discontinued operation			
IFRS 5.33(a), IAS 1.82(ea)	Profit (loss) from discontinued operation, net of tax[d]	6	**379**	(422)
IAS 1.81A(a)	**Profit**		**7,937**	6,103
	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
IAS 1.82A(a)(i), 85	Revaluation of property, plant and equipment	20(F)	**200**	-
IAS 1.82A(a)(i), 85	Remeasurements of defined benefit liability (asset)	12(B)	**72**	(15)
IAS 1.82A(b)(i)	Equity-accounted investees – share of OCI	23, 25(D)	**13**	(3)
IAS 1.82A(a)(i), 91(b)	Related tax[e]	13(B)	**(90)**	5
			195	(13)
	Items that are or may be reclassified subsequently to profit or loss			
IAS 1.82A(a)(ii), 21.52(b)	Foreign operations – foreign currency translation differences		**680**	471
IAS 1.82A(a)(ii), 85	Net investment hedge – net loss		**(3)**	(8)
IAS 1.82A(b)(ii)	Equity-accounted investees – share of OCI	23, 25(D)	**(172)**	(166)
IAS 1.82A(a)(ii), 85, 92	Reclassification of foreign currency differences on loss of significant influence	33(D)	**(20)**	-
IFRS 7.23(c), IAS 1.82A(a)(ii)	Cash flow hedges – effective portion of changes in fair value		**(62)**	95
IFRS 7.23(d), IAS 1.82A(a)(ii), 92	Cash flow hedges – reclassified to profit or loss[f]		**(31)**	(11)
IFRS 7.20(a)(ii), IAS 1.82A(a)(ii)	Available-for-sale financial assets – net change in fair value		**199**	118
IFRS 7.20(a)(ii), IAS 1.82A(a)(ii), 92	Available-for-sale financial assets – reclassified to profit or loss[f]		**(64)**	-
IAS 1.82A(a)(ii), 91(b)	Related tax[e]	13(B)	**(14)**	(67)
			513	432
IAS 1.81A(b)	**Other comprehensive income, net of tax**		**708**	419
IAS 1.81A(c)	**Total comprehensive income**		**8,645**	6,522

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

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

For the year ended 31 December

IAS 1.10(b), 10A, 38–38A, 81A, 113

In thousands of euro		*Note*	2016	2015 Restated*
	Profit attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		**7,413**	5,736
IAS 1.81B(a)(i)	Non-controlling interests	*34*	**524**	367
			7,937	6,103
	Total comprehensive income attributable to:			
IAS 1.81B(b)(ii)	Owners of the Company		**8,094**	6,133
IAS 1.81B(b)(i)	Non-controlling interests	*34*	**551**	389
			8,645	6,522
IAS 33.4	**Earnings per share**			
IAS 33.66	Basic earnings per share (euro)	*10*	**2.26**	1.73
IAS 33.66	Diluted earnings per share (euro)	*10*	**2.15**	1.72
	Earnings per share – Continuing operations			
IAS 33.66	Basic earnings per share (euro)	*10*	**2.14**	1.87
IAS 33.66	Diluted earnings per share (euro)	*10*	**2.03**	1.86
	Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	*14*	**15,778**	16,949

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

The notes on pages 22 to 149 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 13(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.

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			Attributable to owners of the Company		
IAS 1.10(c), 108, 113	*In thousands of euro*	***Note***	**Share capital**	**Share premium**	**Translation reserve**
	Balance at 1 January 2015, as previously reported		14,550	3,500	(119)
IAS 1.106(b)	Impact of correction of errors	*43*	-	-	-
	Restated balance at 1 January 2015		14,550	3,500	(119)
	Total comprehensive income (restated)				
IAS 1.106(d)(i)	Profit		-	-	-
IAS 1.106(d)(ii), 106A	Other comprehensive income	*13(B), 25(D)*	-	-	275
IAS 1.106(a)	**Total comprehensive income (restated)**		-	-	275
IAS 1.106(d)(iii)	**Transactions with owners of the Company**				
	Contributions and distributions				
	Treasury shares acquired[a]	*25(B)*	-	-	-
	Dividends	*25(C)*	-	-	-
	Equity-settled share-based payment[b]	*12(E), 13(C)*	-	-	-
	Total transactions with owners of the Company		-	-	-
	Restated balance at 31 December 2015		14,550	3,500	156
	At 1 January 2016		**14,550**	**3,500**	**156**
	Total comprehensive income				
IAS 1.106(d)(i)	Profit		-	-	-
IAS 1.106(d)(ii), 106A	Other comprehensive income	*13(B), 25(D)*	-	-	**458**
IAS 1.106(a)	**Total comprehensive income**		-	-	**458**
	Transactions with owners of the Company				
IAS 1.106(d)(iii)	**Contributions and distributions**				
	Issue of ordinary shares	*25(A)*	**390**	**1,160**	-
	Business combination	*33(A)*	**24**	**63**	-
	Issue of convertible notes	*13(C), 27(C)*	-	-	-
	Treasury shares sold[a]	*25(B)*	-	**19**	-
	Dividends	*25(C)*	-	-	-
	Equity-settled share-based payment[b]	*12(E), 13(C)*	-	-	-
	Share options exercised	*25(A)*	**15**	**35**	-
	Total contributions and distributions		**429**	**1,277**	-
IAS 1.106(d)(iii)	**Changes in ownership interests**				
	Acquisition of NCI without a change in control	*35*	-	-	**8**
	Acquisition of subsidiary with NCI	*33*	-	-	-
	Total changes in ownership interests		-	-	**8**
	Total transactions with owners of the Company		**429**	**1,277**	**8**
	Balance at 31 December 2016		**14,979**	**4,777**	**622**

The notes on pages 22 to 149 are an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity

For the year ended 31 December 2016

Attributable to owners of the Company								
Hedging reserve	Fair value reserve	Revaluation reserve	Treasury share reserve	Equity component of convertible notes	Retained earnings	Total	Non-controlling interests	Total equity
434	17	-	-	-	8,414	26,796	2,720	29,516
-	-	-	-	-	57	57	-	57
434	17	-	-	-	8,471	26,853	2,720	29,573
-	-	-	-	-	5,736	5,736	367	6,103
56	79	-	-	-	(13)	397	22	419
56	79	-	-	-	5,723	6,133	389	6,522
-	-	-	(280)	-	-	(280)	-	(280)
-	-	-	-	-	(571)	(571)	-	(571)
-	-	-	-	-	250	250	-	250
-	-	-	(280)	-	(321)	(601)	-	(601)
490	96	-	(280)	-	13,873	32,385	3,109	35,494
490	**96**	**-**	**(280)**	**-**	**13,873**	**32,385**	**3,109**	**35,494**
-	**-**	**-**	**-**	**-**	**7,413**	**7,413**	**524**	**7,937**
(62)	**90**	**134**	**-**	**-**	**61**	**681**	**27**	**708**
(62)	**90**	**134**	**-**	**-**	**7,474**	**8,094**	**551**	**8,645**
-	**-**	**-**	**-**	**-**	**-**	**1,550**	**-**	**1,550**
-	**-**	**-**	**-**	**-**	**120**	**207**	**-**	**207**
-	**-**	**-**	**-**	**109**	**-**	**109**	**-**	**109**
-	**-**	**-**	**11**	**-**	**-**	**30**	**-**	**30**
-	**-**	**-**	**-**	**-**	**(1,243)**	**(1,243)**	**-**	**(1,243)**
-	**-**	**-**	**-**	**-**	**755**	**755**	**-**	**755**
-	**-**	**-**	**-**	**-**	**-**	**50**	**-**	**50**
-	**-**	**-**	**11**	**109**	**(368)**	**1,458**	**-**	**1,458**
-	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**(115)**	**(200)**
-	**-**	**-**	**-**	**-**	**-**	**-**	**304**	**304**
-	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**189**	**104**
-	**-**	**-**	**11**	**109**	**(461)**	**1,373**	**189**	**1,562**
428	**186**	**134**	**(269)**	**109**	**20,886**	**41,852**	**3,849**	**45,701**

IAS 32.33, Insights 7.3.480

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

Insights 4.5.900.30

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

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Consolidated statement of cash flows

IAS 1.10(d), 38–38A, 113

In thousands of euro		Note	For the year ended 31 December 2016	2015
	Cash flows from operating activities[a]			
IAS 7.18(b)	Profit[b]		**7,937**	6,103
	Adjustments for:			
	– Depreciation	20(A)	**5,001**	5,122
	– Amortisation	21(A)	**785**	795
	– (Reversal of) impairment losses on property, plant and equipment	20(B)	**(393)**	1,123
	– Impairment losses on intangible assets and goodwill	21(C)	**16**	285
	– Impairment loss on remeasurement of disposal group	19(A)	**35**	-
	– Change in fair value of biological assets	15(A)	**(587)**	(28)
	– Increase in fair value of investment property	22(A)	**(20)**	(60)
	– Impairment loss on trade receivables	8(B), 31(C)	**150**	30
	– Net finance costs	9	**546**	1,166
	– Share of profit of equity-accounted investees, net of tax	23	**(1,141)**	(587)
	– Gain on sale of property, plant and equipment	8(A)	**(26)**	(16)
	– Gain on sale of discontinued operation, net of tax	6	**(516)**	-
	– Equity-settled share-based payment transactions	12(E)	**755**	248
	– Tax expense	13	**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
	Cash flows from investing activities			
IAS 7.31	Interest received[c]		**6**	19
IAS 7.31	Dividends received[c]		**26**	32
IAS 7.16(b)	Proceeds from sale of property, plant and equipment		**1,177**	397
IAS 7.21	Proceeds from sale of investments		**1,476**	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of[e]	6	**10,890**	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired	33	**(1,799)**	-
IAS 7.16(a)	Acquisition of property, plant and equipment	20(A)	**(15,657)**	(2,228)
IAS 7.16(a)	Acquisition of investment property	22(A)	**(300)**	(40)
IAS 7.21	Purchase of non-current biological assets	15(A)	**(305)**	(814)
IAS 7.16(a)	Acquisition of other investments		**(359)**	(363)
IAS 24.18	Dividends from equity-accounted investees	23(A)	**21**	-
IAS 7.21	Development expenditure	21(A), (D)	**(1,235)**	(503)
IAS 7.10	**Net cash used in investing activities**		**(6,059)**	(2,966)

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Consolidated statement of cash flows (continued)

IAS 1.10(d), 38–38A, 113

For the year ended 31 December

Reference	*In thousands of euro*	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, 34	Dividends paid[c]	*25(C)*	**(1,243)**	(571)
IAS 7.10	**Net cash from financing activities**		**1,963**	564
	Net decrease in cash and cash equivalents		**(385)**	(633)
	Cash and cash equivalents at 1 January*		**1,568**	2,226
IAS 7.28	Effect of movements in exchange rates on cash held		**(12)**	(25)
	Cash and cash equivalents at 31 December*	*18*	**1,171**	1,568

IAS 7.45

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

The notes on pages 22 to 149 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 5.4.220.50

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.

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IAS 1.10(e)

Notes to the consolidated financial statements[a]

1. Reporting entity

IAS 1.51(a)–(b), 138(a)–(b)

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

2. Basis of accounting

IAS 1.16, 112(a), 116, 10.17

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

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

- Note 7 – commission revenue: whether the Group acts as an agent in the transaction rather than as a principal;
- Note 27(E) – leases: whether an arrangement contains a lease;
- Note 32(A) – consolidation: whether the Group has de facto control over an investee; and
- Note 37(A) – 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 2017 is included in the following notes:

- Note 12(D)(i) – measurement of defined benefit obligations: key actuarial assumptions;
- Note 13(H) – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 15(B) – determining the fair value of biological assets on the basis of significant unobservable inputs;
- Note 19(D) – determining the fair value of less costs to sell of the disposal group on the basis of significant unobservable inputs;
- Note 21(C) – impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;

IAS 1.113–114

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.

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Notes to the consolidated financial statements (continued)

4. Use of judgements and estimates (continued)

B. Assumptions and estimation uncertainties (continued)

- Notes 30 and 39 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Notes 33(A) and (C) – acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.

i. Measurement of fair values

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

IFRS 13.93(g) The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

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

Significant valuation issues are reported to the Group's audit committee.

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

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

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

IFRS 13.95 The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

- Note 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.

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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.

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 February 2016; 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

IAS 41.46(a)

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

IFRS 8.16, IAS 41.46(a)

Other operations include the cultivation and sale of farm animals (sheep and cattle), the construction of storage units and warehouses, the rental of investment property and the manufacture of furniture and related parts (see Notes 7 and 15). None of these segments met the quantitative thresholds for reportable segments in 2016 or 2015.

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 5(B).

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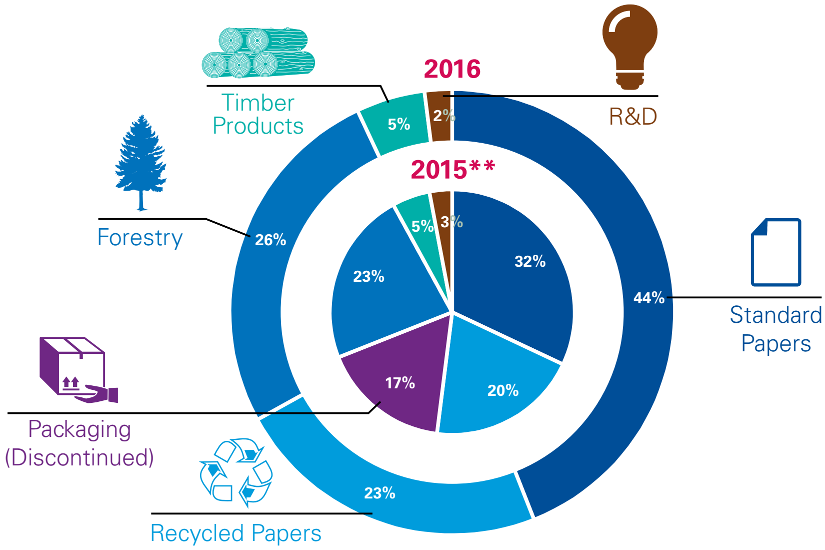
Notes to the consolidated financial statements (continued)

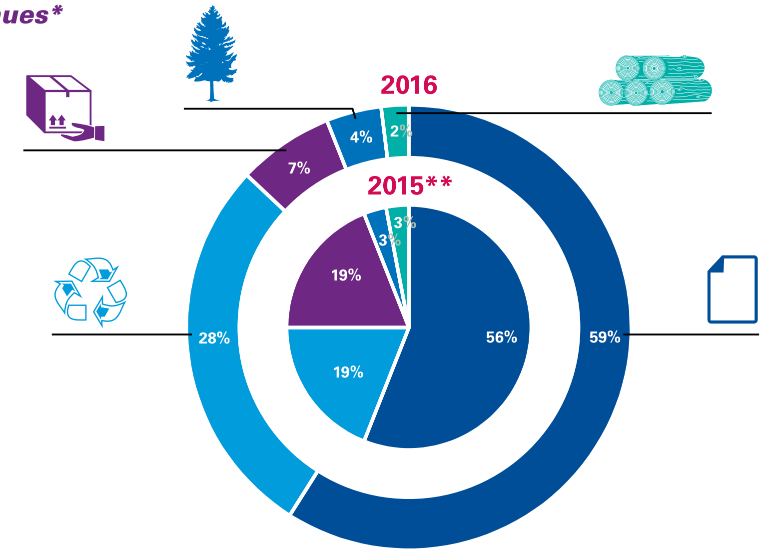
5. Operating segments (continued)

B. Information about reportable segments

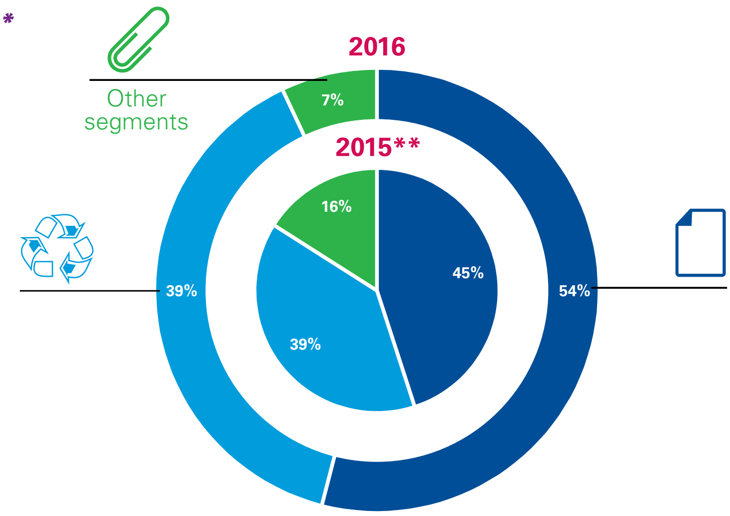
*i. Assets**



*ii. External revenues**



*iii. Profit before tax**



* As a percentage of the total for all reportable segments. Excludes other segments.
** The Group has changed its internal organisation and the composition of its reportable segments. See page 26 for details.

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5. Operating segments (continued)

B. Information about reportable segments (continued)

IFRS 8.27

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

Reference	**2016** *In thousands of euro*	**Reportable segments** Standard Papers	Recycled Papers
IFRS 8.16			
IFRS 8.23(a), 32	External revenues[a]	**64,118**	**30,367**
IFRS 8.23(b)	Inter-segment revenue[a]	**-**	**317**
	Segment revenue	**64,118**	**30,684**
IFRS 8.21(b), 23	Segment profit (loss) before tax	**7,736**	**5,595**
IFRS 8.23(c)	Interest income[a]	**109**	**42**
IFRS 8.23(d)	Interest expense[a]	**(589)**	**(397)**
IFRS 8.23(e)	Depreciation and amortisation[a]	**(1,999)**	**(1,487)**
IFRS 8.23(g)	Share of profit (loss) of equity-accounted investees[a]	**1,109**	**-**
IFRS 8.23(i)	Other material non-cash items:[a]		
IAS 36.129(a), 130(d)(ii)	– Impairment losses on non-financial assets	**-**	**-**
IAS 36.129(b), 130(d)(ii)	– Reversal of impairment losses on non-financial assets	**493**	**-**
IFRS 8.21(b)	**Segment assets[a]**	**43,263**	**23,025**
IFRS 8.24(a)	Equity-accounted investees	**2,209**	**-**
IFRS 8.24(b)	Capital expenditure	**8,697**	**5,765**
IFRS 8.21(b)	**Segment liabilities[a]**	**39,399**	**12,180**

Reference	**2015** *In thousands of euro*	**Reportable segments (Restated)*** Standard Papers	Recycled Papers
IFRS 8.16			
IFRS 8.23(a), 32	External revenues[a]	67,092	22,060
IFRS 8.23(b)	Inter-segment revenue[a]	-	323
	Segment revenue	67,092	22,383
IFRS 8.21(b), 23	Segment profit (loss) before tax	4,667	3,811
IFRS 8.23(c)	Interest income[a]	91	24
IFRS 8.23(d)	Interest expense[a]	(577)	(355)
IFRS 8.23(e)	Depreciation and amortisation[a]	(2,180)	(1,276)
IFRS 8.23(g)	Share of profit (loss) of equity-accounted investees[a]	561	-
IFRS 8.23(i)	Other material non-cash items:[a]		
IAS 36.129(a), 130(d)(ii)	– Impairment losses on non-financial assets	(1,408)	-
IAS 36.129(b), 130(d)(ii)	– Reversal of impairment losses on non-financial assets	-	-
IFRS 8.21(b)	**Segment assets[a]**	26,967	16,003
IFRS 8.24(a)	Equity-accounted investees	1,700	-
IFRS 8.24(b)	Capital expenditure	1,136	296
IFRS 8.21(b)	**Segment liabilities[a]**	26,907	14,316

IFRS 8.29

* As a result of the acquisition of Papyrus Pty Limited (Papyrus) during 2016 (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 2015.

** See Note 6.

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Notes to the consolidated financial statements (continued)

Reportable segments						
Packaging (discontinued)**	Forestry	Timber Products	Research and Development	Total reportable segments	All other segments	Total
7,543	**3,967**	**2,700**	**-**	**108,695**	**1,564**	**110,259**
940	**2,681**	**1,845**	**875**	**6,658**	**891**	**7,549**
8,483	**6,648**	**4,545**	**875**	**115,353**	**2,455**	**117,808**
(158)	**1,240**	**(263)**	**101**	**14,251**	**771**	**15,022**
-	**45**	**10**	**-**	**206**	**4**	**210**
-	**(349)**	**(76)**	**-**	**(1,411)**	**(5)**	**(1,416)**
(623)	**(1,069)**	**(233)**	**(189)**	**(5,600)**	**(231)**	**(5,831)**
-	**32**	**-**	**-**	**1,141**	**-**	**1,141**
-	**-**	**(116)**	**-**	**(116)**	**-**	**(116)**
-	**-**	**-**	**-**	**493**	**-**	**493**
-	**25,209**	**4,521**	**2,323**	**98,341**	**7,398**	**105,739**
-	**280**	**-**	**-**	**2,489**	**-**	**2,489**
-	**1,158**	**545**	**1,203**	**17,368**	**560**	**17,928**
-	**6,390**	**1,236**	**169**	**59,374**	**237**	**59,611**

Reportable segments (Restated)*						
Packaging (discontinued)**	Forestry	Timber Products	Research and Development	Total reportable segments	All other segments	Total
23,193	3,483	2,985	-	118,813	1,016	119,829
2,835	2,676	1,923	994	8,751	765	9,516
26,028	6,159	4,908	994	127,564	1,781	129,345
(458)	997	1,280	67	10,364	195	10,559
	27	7	-	149	3	152
	(301)	(63)	-	(1,296)	(4)	(1,300)
(1,250)	(696)	(201)	(165)	(5,768)	(199)	(5,967)
-	26	-	-	587	-	587
-	-	-	-	(1,408)	-	(1,408)
-	-	-	-	-	-	-
13,250	18,470	3,664	1,946	80,300	3,683	83,983
-	248	-	-	1,948	-	1,948
127	722	369	123	2,773	150	2,923
2,959	4,540	1,456	158	50,336	454	50,790

IFRS 8.23 **a.** The Group has disclosed these amounts for each reportable segment because they are regularly 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.

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5. Operating segments (continued)

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

In thousands of euro		*Note*	2016	2015
IFRS 8.28(a)	***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
IFRS 8.28(b)	***ii. Profit before tax***			
	Total profit before tax for reportable segments		**14,251**	10,364
	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)
	Consolidated profit before tax from continuing operations (restated)*		**10,929**	9,045
IFRS 8.28(c)	***iii. Assets***			
	Total assets for reportable segments		**98,341**	80,300
	Assets for other segments		**7,398**	3,683
	Other unallocated amounts		**3,229**	3,313
	Consolidated total assets		**108,968**	87,296
IFRS 8.28(d)	***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.

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.

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Notes to the consolidated financial statements (continued)

5. Operating segments (continued)

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

IFRS 8.28(e)

v. Other material items

2016 *In thousands of euro*	**Reportable segment totals**	**Adjustments**	**Consolidated totals**
Interest income	**206**	**2**	**208**
Interest expense	**(1,411)**	**(2)**	**(1,413)**
Capital expenditure	**17,368**	**560**	**17,928**
Depreciation and amortisation	**(5,600)**	**(186)**	**(5,786)**
Impairment losses on non-financial assets	**(116)**	**-**	**(116)**
Reversal of impairment losses on non-financial assets	**493**	**-**	**493**

2015 *In thousands of euro*	**Reportable segment totals**	**Adjustments**	**Consolidated totals**
Interest income	149	2	151
Interest expense	(1,296)	(3)	(1,299)
Capital expenditure	2,773	150	2,923
Depreciation and amortisation	(5,768)	(149)	(5,917)
Impairment losses on non-financial assets	(1,408)	-	(1,408)

IFRS 8.33(a)–(b)

D. Geographic information[a, b]

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

The geographic information 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.

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5. Operating segments (continued)

D. Geographic information (continued)

i. Revenue

In thousands of euro	2016	2015
[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

In thousands of euro	2016	2015
[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

IFRS 8.34 Revenues from one customer of the Group's Standard Papers and Recycled Papers segments represented approximately €20,000 thousand (2015: €17,500 thousand) of the Group's total revenues.

IFRS 8.24(a), 33(b) a. The Group has disclosed the equity-accounted investees as the geographic information of non-current assets because they are regularly provided to the CODM. IFRS 8 does not 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.

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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 February 2016, the Group sold its entire Packaging segment (see Note 5). Management committed to a plan to sell this segment early in 2016, 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.

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

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

IAS 1.98(e)

A. Results of discontinued operation[a]

	In thousands of euro	**Note**	**2016**	**2015**
IFRS 5.33(b)(i)	Revenue		**8,483**	26,028
	Elimination of inter-segment revenue		**(940)**	(2,835)
	External revenue		**7,543**	23,193
IFRS 5.33(b)(i)	Expenses		**(8,641)**	(26,486)
	Elimination of expenses related to inter-segment sales		**936**	2,827
	External expenses		**(7,705)**	(23,659)
IFRS 5.33(b)(i)	**Results from operating activities**		**(162)**	(466)
IFRS 5.33(b)(ii), IAS 12.81(h)(ii)	Income tax	*13(A)*	**25**	44
	Results from operating activities, net of tax		**(137)**	(422)
IFRS 5.33(b)(iii)	Gain on sale of discontinued operation		**846**	-
IFRS 5.33(b)(ii), IAS 12.81(h)(i)	Income tax on gain on sale of discontinued operation	*13(A)*	**(330)**	-
IFRS 5.33(a)	**Profit (loss) from discontinued operations, net of tax**		**379**	(422)
IAS 33.68	Basic earnings (loss) per share (euro)[b]	*10*	**0.12**	(0.14)
IAS 33.68	Diluted earnings (loss) per share (euro)[b]	*10*	**0.12**	(0.14)

IFRS 5.33(d)

The profit from the discontinued operation of €379 thousand (2015: loss of €422 thousand) is attributable entirely to the owners of the Company. Of the profit from continuing operations of €7,558 thousand (2015: €6,525 thousand), an amount of €7,034 thousand is attributable to the owners of the Company (2015: €6,158 thousand).

Insights 5.4.230.40

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

IAS 33.68

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

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Notes to the consolidated financial statements (continued)

6. Discontinued operation (continued)

IFRS 5.33(c)

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

In thousands of euro	*Note*	2016	2015
Net cash used in operating activities		**(225)**	(910)
Net cash from investing activities	*(C)*	**10,890**	-
Net cash flows for the year		**10,665**	(910)

IAS 7.40(d)

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

IAS 7.40(c)

IAS 7.40(a)–(b)

In thousands of euro	*Note*	2016
Property, plant and equipment		**(7,986)**
Inventories		**(134)**
Trade and other receivables		**(3,955)**
Cash and cash equivalents		**(110)**
Deferred tax liabilities		**110**
Trade and other payables		**1,921**
Net assets and liabilities		**(10,154)**
Consideration received, satisfied in cash		**11,000**
Cash and cash equivalents disposed of		**(110)**
Net cash inflows	*(B)*	**10,890**

IFRS 5.33(c) a. 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.

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Notes to the consolidated financial statements (continued)

7. Revenue[a]

See accounting policy in Note 44(D).

			Continuing operations		Discontinued operation (see Note 6)		Total	
	In thousands of euro	*Note*	2016	2015	2016	2015	2016	2015
IAS 18.35(b)(i)	Sales of goods		**98,176**	92,690	**7,543**	23,193	**105,719**	115,883
IAS 18.35(b)(ii)	Rendering of services		**3,120**	2,786	**-**	-	**3,120**	2,786
IAS 18.35(b)(ii)	Commissions		**451**	307	**-**	-	**451**	307
IAS 40.75(f)(i)	Investment property rentals	*37(B)*	**310**	212	**-**	-	**310**	212
IAS 11.39(a)	Construction contract revenue		**659**	641	**-**	-	**659**	641
			102,716	96,636	**7,543**	23,193	**110,259**	119,829

IAS 1.122 In respect of commissions, management considers that the following factors indicate that the Group acts as an agent.

– The Group neither takes title to nor is exposed to inventory risk related to the goods, and has no significant responsibility in respect of the goods sold.

– Although the Group collects the revenue from the final customer, all credit risk is borne by the supplier of the goods.

– The Group cannot vary the selling prices set by the supplier by more than 1%.

For the year ended 31 December 2016, the Group has deferred revenue of €50 thousand (2015: €38 thousand) relating to its customer loyalty programme (see Note 29).

IAS 18.35(b)(iii), (v), 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.

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8. Income and expenses

IAS 1.97

A. Other income

In thousands of euro		*Note*	2016	2015
IAS 41.40	Change in fair value of biological assets	*15(A)*	**587**	28
IAS 40.76(d)	Increase in fair value of investment property	*22(A)*	**20**	60
IAS 20.29	Government grants	*29(A)*	**238**	-
IAS 1.98(c)	Gain on sale of property, plant and equipment		**26**	16
	Rental income from property sub-leases	*37(A)(ii)*	**150**	90
			1,021	194

IAS 1.97

B. Other expenses[a]

In thousands of euro		*Note*	2016	2015
	Impairment loss on goodwill[b]	*21(C)*	**116**	-
IFRS 5.41(c)	Impairment loss on remeasurement of disposal group	*19(A)*	**35**	-
IFRS 7.20(e)	Impairment loss on trade receivables[c]	*31(C)(ii)*	**150**	30
	Settlement of pre-existing relationship with acquiree	*33(A)*	**326**	-
	Onerous contract charge on property sub-leases	*30(D)*	**160**	-
IAS 1.87	Earthquake-related expenses		**359**	-
			1,146	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'.

IAS 36.126, Insights 3.10.430.20

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

c. 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.

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Notes to the consolidated financial statements (continued)

8. Income and expenses (continued)

IAS 1.104

C. Expenses by nature

In thousands of euro	*Note*	2016	2015 Restated*
Changes in inventories of finished goods and work in progress		**(1,641)**	(343)
Raw materials and consumables		**43,716**	43,208
Employee benefits (IAS 1.104)	*12(E)*	**22,154**	19,439
Depreciation and amortisation (IAS 1.104)	*20(A), 21(A)*	**5,786**	5,917
(Reversal of) impairment of property, plant and equipment[a]	*20(B), 21(C)*	**(493)**	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		**92,257**	87,176

* See Note 43.

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.

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9. Net finance costs

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

	In thousands of euro	*Note*	2016	2015
IAS 1.97	Interest income on:			
IFRS 7.20(b)	– Unimpaired held-to-maturity investments		**191**	117
IFRS 7.20(d)	– Impaired held-to-maturity investments		**7**	6
IFRS 7.20(b)	– Loans and receivables		**2**	1
IFRS 7.20(b)	– Available-for-sale financial assets		**8**	27
IFRS 7.20(b), IAS 18.35(b)(iii)	Total interest income arising from financial assets not measured at fair value through profit or loss[a]		**208**	151
IFRS 3.B64(p)(ii)	Remeasurement to fair value of pre-existing interest in acquiree	33(D)	**250**	-
	Available-for-sale financial assets:			
IAS 18.35(b)(v)	– Dividend income		**26**	32
IFRS 7.20(a)(ii)	– Reclassified from OCI		**64**	-
IFRS 7.20(a)(i)	Financial assets at fair value through profit or loss – net change in fair value:			
	– Held-for-trading		**74**	-
	– Designated on initial recognition		**508**	264
IFRS 7.23(d)	Cash flow hedges – reclassified from OCI		**31**	11
	Finance income		**1,161**	458
IFRS 7.20(b)	Financial liabilities measured at amortised cost – interest expense[b]		**(1,413)**	(1,299)
IAS 21.52(a)	Net foreign exchange loss		**(138)**	(243)
IAS 37.84(e)	Unwind of discount on site restoration provision	30	**(60)**	(50)
IFRS 7.20(e)	Held-to-maturity investments – impairment loss	31(C)(ii)	**(60)**	-
IFRS 7.20(a)(i)	Change in fair value of contingent consideration	31(B)(iii)	**(20)**	-
IFRS 7.24(b)	Cash flow hedges – ineffective portion of changes in fair value		**(15)**	(13)
IFRS 7.24(c)	Net investment hedge – ineffective portion of changes in fair value		**(1)**	-
IFRS 7.20(a)(i)	Financial assets at fair value through profit or loss – net change in fair value:			
	– Held-for-trading		**-**	(19)
	Finance costs		**(1,707)**	(1,624)
	Net finance costs recognised in profit or loss		**(546)**	(1,166)

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

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

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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 (loss) attributable to ordinary shareholders (basic)

	2016			2015		
In thousands of euro	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*	2016	2015
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 2016	*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 (loss) attributable to ordinary shareholders (diluted)

	2016			2015		
In thousands of euro	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.

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10. Earnings per share (continued)

B. Diluted earnings per share (continued)

IAS 33.70(b)

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

In thousands of shares	*Note*	2016	2015
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 2016, 135,000 options (2015: 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.

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Notes to the consolidated financial statements (continued)

11. Share-based payment arrangements

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

IFRS 2.44–45(a), 50

A. Description of share-based payment arrangements

At 31 December 2016, the Group had the following share-based payment arrangements.

i. Share option programmes (equity-settled)

On 1 January 2012 and 1 January 2015, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 January 2016, 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 2012	**400**	3 years' service from grant date and 5% increase in operating income in each of the 3 years	7 years
On 1 January 2015	**200**	Same as above	10 years
On 1 January 2016	**225**	Same as above	10 years
Options granted to senior employees			
On 1 January 2016	**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 2016, 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 2016, 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.

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Notes to the consolidated financial statements (continued)

11. Share-based payment arrangements (continued)

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

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

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

	In thousands of euro	Note	2016	2015
IFRS 2.51(b)(i)	Total carrying amount of liabilities for SARs	*12*	**440**	380
IFRS 2.51(b)(ii)	Total intrinsic value of liabilities for vested benefits		**-**	380

The liabilities at 31 December 2015 were settled during 2016.

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

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

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

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

		Share option programmes				
		Key management personnel (see (A)(i))		Senior employees (see (A)(i))	Replacement awards (see (A)(ii))	Share purchase plan (see (A)(iii))
		2016	2015	2016	2016	2016
IFRS 2.47(a)(i)	Fair value at grant date	**€3.54**	€3.75	**€3.14**	**€3.81**	**€4.02**
	Share price at grant date	**€10.10**	€10.50	**€10.10**	**€10.30**	**€10.10**
	Exercise price	**€10.10**	€10.50	**€10.10**	**€10.30**	**€8.08**
	Expected volatility (weighted-average)	**40.1%**	40.9%	**40.1%**	**42.4%**	**43.3%**
	Expected life (weighted-average)	**8.6 years**	8.8 years	**5.4 years**	**5.9 years**	**4.0 years**
	Expected dividends	**3.2%**	3.2%	**3.2%**	**3.2%**	**3.2%**
	Risk-free interest rate (based on government bonds)	**3.9%**	3.8%	**3.8%**	**3.9%**	**3.9%**

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

At 31 December 2016, 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).

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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 2016	Measurement date 31 December 2016
IFRS 2.52	Fair value	**€2.82**	**€4.40**
	Share price	**€10.10**	**€12.70**
	Exercise price	**€10.10**	**€10.10**
	Expected volatility (weighted-average)	**43.3%**	**43.1%**
	Expected life (weighted-average)	**4.0 years**	**2.8 years**
	Expected dividends	**3.2%**	**3.3%**
	Risk-free interest rate (based on government bonds)	**4.4%**	**4.5%**

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

C. Reconciliation of outstanding share options

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

	In thousands of options	Number of options 2016	Weighted-average exercise price 2016	Number of options 2015	Weighted-average exercise price 2015
IFRS 2.45(b)(i)	Outstanding at 1 January	**550**	**€10.18**	400	€10.00
IFRS 2.45(b)(iii)	Forfeited during the year	**(50)**	**€10.00**	(50)	€10.00
IFRS 2.45(b)(iv)	Exercised during the year	**(5)**	**€10.00**	-	-
IFRS 2.45(b)(ii)	Granted during the year	**475**	**€10.16**	200	€10.50
IFRS 2.45(b)(vi)	**Outstanding at 31 December**	**970**	**€10.18**	550	€10.18
IFRS 2.45(b)(vii)	Exercisable at 31 December	**295**	**€10.00**	350	€10.00

IFRS 2.45(d) The options outstanding at 31 December 2016 had an exercise price in the range of €8.08 to €10.50 (2015: €10.00 to €10.50) and a weighted-average contractual life of 6.4 years (2015: 5.2 years).

IFRS 2.45(c) The weighted-average share price at the date of exercise for share options exercised in 2016 was €10.00 (2015: no options exercised).

D. Expense recognised in profit or loss

For details of the related employee benefit expenses, see Note 12(E).

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

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Notes to the consolidated financial statements (continued)

12. Employee benefits

See accounting policies in Note 44(E).

In thousands of euro	*Note*	2016	2015
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 (*IFRS 2.51(b)(i)*)	*11*	**440**	380
Total employee benefit liabilities		**932**	841
Non-current		**912**	453
Current[a]		**20**	388
		932	841

For details on the related employee benefit expenses, see (E).

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

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

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

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

A. Funding

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

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements for Plan A) for the plans of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2016 or 31 December 2015.

IAS 19.147(b) The Group expects to pay €350 thousand in contributions to its defined benefit plans in 2017.

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.

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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 the net defined benefit (asset) liability and its components.[a]

		Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) liability	
	In thousands of euro	2016	2015	2016	2015	2016	2015
IAS 19.140	Balance at 1 January	**7,057**	6,718	**(7,508)**	(7,162)	**(451)**	(444)
	Included in profit or loss[b]						
IAS 19.141(a)	Current service cost	**497**	456	**-**	-	**497**	456
IAS 19.141(d)	Past service credit	**(100)**	-	**-**	-	**(100)**	-
IAS 19.141(b)	Interest cost (income)	**360**	322	**(383)**	(344)	**(23)**	(22)
		757	778	**(383)**	(344)	**374**	434
	Included in OCI[b]						
IAS 19.141(c)	Remeasurement loss (gain):						
	– Actuarial loss (gain) arising from:						
IAS 19.141(c)(ii)	- demographic assumptions	**(31)**	4	**-**	-	**(31)**	4
IAS 19.141(c)(iii)	- financial assumptions	**(21)**	8	**-**	-	**(21)**	8
	- experience adjustment	**(30)**	6	**-**	-	**(30)**	6
IAS 19.141(c)(i)	– Return on plan assets excluding interest income	**-**	-	**10**	(3)	**10**	(3)
IAS 19.141(e)	Effect of movements in exchange rates[c]	**21**	(1)	**76**	(1)	**97**	(2)
		(61)	17	**86**	(4)	**25**	13
	Other						
IAS 19.141(f)	Contributions paid by the employer	**-**	-	**(325)**	(403)	**(325)**	(403)
IAS 19.141(g)	Benefits paid	**(433)**	(456)	**424**	405	**(9)**	(51)
		(433)	(456)	**99**	2	**(334)**	(454)
IAS 19.140	**Balance at 31 December**	**7,320**	7,057	**(7,706)**	(7,508)	**(386)**	(451)

Represented by:

In thousands of euro	2016	2015
Net defined benefit asset (Plan A)	**(671)**	(731)
Net defined benefit liability (Plan B)	**285**	280
	(386)	(451)

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.

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12. Employee benefits (continued)

B. Movement in net defined benefit (asset) liability (continued)

IAS 19.139(c)

During 2016, 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 (2015: nil). A corresponding past service credit was recognised in profit or loss during 2016.

C. Plan assets

IAS 19.140(a)(i), 142

Plan assets comprise the following.

	In thousands of euro	**2016**	**2015**
IAS 19.142(b)	Equity securities:		
	– Consumer markets	**1,725**	1,842
	– Pharmaceuticals	**602**	555
	– Oil and gas	**218**	239
	– Telecoms	**343**	260
	– Financial institutions	**213**	561
		3,101	3,457
IAS 19.142(c)	Government bonds	**3,587**	3,254
IAS 19.142(e)	Derivatives:		
	– Interest rate swaps	**29**	37
	– Forward foreign currency contracts	**185**	70
	– Longevity swaps	**97**	39
		311	146
IAS 19.143	Property occupied by the Group	**525**	497
IAS 19.143	Company's own ordinary shares	**182**	154
		7,706	7,508

IAS 19.142

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

IAS 19.146

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

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

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Notes to the consolidated financial statements (continued)

12. Employee benefits (continued)

D. Defined benefit obligation

IAS 1.125

i. Actuarial assumptions

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

	2016	2015
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%

IAS 19.144

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

	2016		2015	
	Plan A	Plan B	Plan A	Plan B
Longevity at age 65 for current pensioners				
Males	**18.5**	**18.2**	18.3	18.0
Females	**21.0**	**19.0**	21.0	18.8
Longevity at age 65 for current members aged 45				
Males	**19.2**	**19.0**	19.0	18.7
Females	**22.9**	**20.5**	22.9	20.0

IAS 19.147(c)

At 31 December 2016, the weighted-average duration of the defined benefit obligation was 17.1 years (2015: 17.5 years).

ii. Sensitivity analysis

IAS 1.125, 129, 19.145

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

	31 December 2016		31 December 2015	
Effect in thousands of euro	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(338)**	**354**	(335)	350
Future salary growth (1% movement)	**187**	**(176)**	180	(172)
Future pension growth (1% movement)	**181**	**(173)**	175	(168)
Medical cost trend rate (1% movement)	**389**	**(257)**	380	(250)
Future mortality (1% movement)	**(73)**	**69**	(70)	67

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

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IAS 1.104

12. Employee benefits (continued)

E. Employee benefit expenses

In thousands of euro	*Note*	2016	2015
Wages and salaries		**18,286**	16,259
Social security contributions		**1,468**	1,267
IAS 19.53 Contributions to defined contribution plans		**455**	419
Termination benefits	*30(B)*	**350**	450
Expenses related to post-employment defined benefit plans	*12(B)*	**374**	434
Expenses related to long-service leave		**26**	12
IFRS 2.51(a) Equity-settled share-based payments	*11*	**755**	248
IFRS 2.51(a) Cash-settled share-based payments[a]	*11*	**440**	350
	8(C)	**22,154**	19,439

IFRS 2.IG19, BC252–BC255, Insights 4.5.970.20

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

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Notes to the consolidated financial statements (continued)

13. Income taxes[a]

See accounting policy in Note 44(H).

A. Amounts recognised in profit or loss[b]

In thousands of euro		2016	2015 Restated*
	Current tax expense		
IAS 12.80(a)	Current year	**3,165**	3,597
IAS 12.80(b)	Changes in estimates related to prior years	**116**	(34)
		3,281	3,563
	Deferred tax expense		
IAS 12.80(c)	Origination and reversal of temporary differences	**168**	(808)
IAS 12.80(d)	Reduction in tax rate	**(15)**	-
IAS 12.80(f)	Recognition of previously unrecognised tax losses (see Note 13(H))	**(50)**	(240)
IAS 12.80(f)–(g)	Recognition of previously unrecognised (derecognition of previously 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[c] of €492 thousand (2015: €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 (2015: €44 thousand) and the tax expense on the gain on sale of the discontinued operation of €330 thousand (2015: nil); both of these have been included in 'profit (loss) from discontinued operation, net of tax' (see Note 6).

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

In December 2016, a new corporate tax law was enacted in France. Consequently, as of 1 July 2017, the corporate tax rate in France will be reduced from 30 to 29%. This change resulted in a gain of €15 thousand related to the re-measurement of deferred tax assets and liabilities of the Group's French subsidiary, Baguette S.A., being recognised during the year ended 31 December 2016. In addition, on 23 March 2017, an increase in the Netherlands corporate tax rate from 25 to 30% was substantively enacted, effective from 1 January 2018. This increase does not affect the amounts of current or deferred income taxes recognised at 31 December 2016. However, this change will increase the Group's future current tax charge accordingly. If the new tax rate was applied to calculate taxable temporary differences and tax losses recognised as at 31 December 2016, the effect would be that net deferred tax assets would increase by €27 thousand.

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

Insights 3.13.580.20–80

b. 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.

c. 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.

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13. Income taxes (continued)

B. Amounts recognised in OCI

IAS 1.90–91, 12.81(ab)

In thousands of euro	2016 Before tax	2016 Tax (expense) benefit	2016 Net of tax	2015 Before tax	2015 Tax (expense) benefit	2015 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

C. Amounts recognised directly in equity

	In thousands of euro	2016 Before tax	2016 Tax	2016 Net of tax	2015 Before tax	2015 Tax	2015 Net of tax
IAS 12.81(a)	Convertible notes	**163**	**(54)**	**109**	-	-	-
IAS 12.81(a)	Share-based payments	**-**	**-**	**-**	-	2	2

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Notes to the consolidated financial statements (continued)

13. Income taxes (continued)

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

In thousands of euro		2016	2016	2015 Restated*	2015 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 previously unrecognised tax losses (see Note 13(H))	**(0.46%)**	**(50)**	(2.65%)	(240)
	Recognition of previously unrecognised (derecognition of previously 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.

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IAS 12.81(g)(i)–(ii)

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

2016 *In thousands of euro*	Net balance at 1 January	Recognised in profit or loss (see (A))
Property, plant and equipment	**579**	**(130)**
Intangible assets	**56**	**4**
Biological assets	**(22)**	**(182)**
Investment property	**(30)**	**(7)**
Available-for-sale financial assets	**(60)**	**(22)**
Derivatives	**(39)**	**(5)**
Inventories	**64**	**96**
Loans and borrowings	**-**	**-**
Employee benefits	**(91)**	**21**
Equity-settled share-based payments	**225**	**88**
Provisions	**508**	**(13)**
Deferred income	**54**	**(15)**
Other items	**14**	**25**
Tax losses carried forward	**386**	**50**
Tax assets (liabilities) before set-off	**1,644**	**(90)**
Set-off of tax		
Net tax assets (liabilities)		

2015 *In thousands of euro*	Net balance at 1 January	Recognised in profit or loss (see (A)) Restated*
Property, plant and equipment	213	366
Intangible assets	(38)	94
Biological assets	(25)	3
Investment property	(10)	(20)
Available-for-sale financial assets	(18)	(3)
Derivatives	(12)	1
Inventories	8	56
Employee benefits	(90)	(6)
Equity-settled share-based payments[d]	141	82
Provisions	290	218
Deferred income	46	8
Other items	10	4
Tax losses carried forward	146	240
Tax assets (liabilities) before set-off	661	1,043
Set-off of tax		
Net tax assets (liabilities)		

* See Note 43.

IAS 12.81(g), Insights 3.13.640.60

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

Insights 3.13.640.70

b. In our view, it is not appropriate to disclose the tax effects of gross deferred tax assets if there are unrecognised amounts because, under IFRS, it is *recognised* deferred tax assets that are required to be disclosed.

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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
(66)	**-**	**(35)**	**210**	**558**	**679**	**(121)**
-	**-**	**(38)**	**-**	**22**	**98**	**(76)**
-	**-**	**-**	**-**	**(204)**	**-**	**(204)**
-	**-**	**-**	**-**	**(37)**	**-**	**(37)**
(45)	**-**	**-**	**-**	**(127)**	**27**	**(154)**
31	**-**	**-**	**-**	**(13)**	**3**	**(16)**
-	**-**	**(3)**	**40**	**197**	**197**	**-**
-	**(54)**	**(9)**	**-**	**(63)**	**-**	**(63)**
(24)	**-**	**-**	**-**	**(94)**	**160**	**(254)**
-	**-**	**-**	**-**	**313**	**313**	**-**
-	**-**	**6**	**-**	**501**	**501**	**-**
-	**-**	**-**	**-**	**39**	**39**	**-**
-	**-**	**-**	**-**	**39**	**50**	**(11)**
-	**-**	**-**	**-**	**436**	**436**	**-**
(104)	**(54)**	**(79)**	**250**	**1,567**	**2,503**	**(936)**
				-	**(387)**	**387**
				1,567	**2,116**	**(549)**

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
-	-	-	-	579	662	(83)
-	-	-	-	56	94	(38)
-	-	-	-	(22)	-	(22)
-	-	-	-	(30)	-	(30)
(39)	-	-	-	(60)	12	(72)
(28)	-	-	-	(39)	3	(42)
-	-	-	-	64	64	-
5	-	-	-	(91)	150	(241)
-	2	-	-	225	225	-
-	-	-	-	508	508	-
-	-	-	-	54	54	-
-	-	-	-	14	18	(4)
-	-	-	-	386	386	-
(62)	2	-	-	1,644	2,176	(532)
				-	(126)	126
				1,644	2,050	(406)

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

IAS 12.68C **d.** When the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative share-based payment expense, the excess of the associated income tax is recognised directly in equity. Any subsequent reduction in the excess is also recorded in equity.

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Notes to the consolidated financial statements (continued)

13. Income taxes (continued)

F. Unrecognised deferred tax liabilities[a]

IAS 12.81(f), 87

At 31 December 2016, there was a deferred tax liability of €1,523 thousand (2015: €1,146 thousand) for temporary differences of €5,000 thousand (2015: €3,800 thousand) related to investments in subsidiaries and the joint venture. However, this liability was not recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its joint venture – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.[b]

IAS 12.82A

In some of the countries in which the Group operates, local tax laws provide that gains on the disposal of certain assets are tax-exempt, provided that the gains are not distributed. At 31 December 2016, total tax-exempt reserves amounted to €613 thousand (2015: €540 thousand), which would result in a tax liability of €202 thousand (2015: €178 thousand) if the subsidiaries paid dividends from these reserves.

G. Unrecognised deferred tax assets

IAS 12.81(e)

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

	2016		2015	
In thousands of euro	Gross amount	Tax effect	Gross amount	Tax effect
Deductible temporary differences	**161**	**53**	200	66
Tax losses	**644**	**213**	672	222
	805	**266**	872	288

H. Tax losses carried forward

IAS 12.81(e)

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

In thousands of euro	2016	Expiry date	2015	Expiry date
Expire	**644**	**2021–2023**	520	2021–2022
Never expire	**-**	**-**	152	-

IAS 1.125, 129, 12.82

In 2016, one of the Group's UK subsidiaries, Paper Pabus Co, successfully launched a new type of paper and entered into a number of long-term supply contracts. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of €152 thousand of previously unrecognised tax losses (tax impact: €50 thousand) because management considered it probable that future taxable profits would be available against which such losses can be used.

In 2015, the Group's Danish subsidiary, Mermaid A/S, launched a new production line that would allow it to reduce costs significantly going forward and improve profitability. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of €727 thousand of previously unrecognised tax losses (tax impact: €240 thousand) because management considered it probable that future taxable profits would be available against which such losses can be used. In 2016, Mermaid A/S achieved its planned profitability; therefore, management continues to consider it probable that future taxable profits would be available against which the tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

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

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

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

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13. Income taxes (continued)

H. Tax losses carried forward (continued)

In 2016, the Group's Romanian subsidiary, Lei Sure Limited, incurred a tax loss of €124 thousand, increasing cumulative tax losses to €644 thousand (2015: €520 thousand). Management has determined that the recoverability of cumulative tax losses, which expire in 2021–2023, is uncertain due to surplus capacity/supply depressing paper prices in Romania. Based on the five-year business plan and taking into account the reversal of existing taxable temporary differences, Lei Sure Limited is not expected to generate taxable profits until 2021. However, if paper prices improve more quickly than forecast or new taxable temporary differences arise in the next financial year, then additional deferred tax assets and a related income tax benefit of up to €212 thousand could be recognised.

I. Uncertainty over income tax treatments

IAS 1.122, 12.88

From 2012 until 2015, the Group's Canadian subsidiary Maple-leaf Inc benefited from a tax ruling of the Canadian tax authorities allowing it to qualify for a reduced corporate tax rate. In 2016, there was a change in the Canadian government. The new government is currently investigating certain tax rulings granted in the past, which include the tax ruling applied by the Group. If the tax ruling applied in the past is retroactively revoked, then additional tax expenses for the period 2012–2015 of up to €53 thousand may be incurred. This amount has not been recognised in the consolidated financial statements because the Group believes that the tax ruling granted in the past was in compliance with the applicable law and, if revoked, the Group believes it could successfully defend the Group's tax treatment in court.

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

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Notes to the consolidated financial statements (continued)

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

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

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

Reconciliation of adjusted EBITDA to profit from continuing operations

In thousands of euro	*Note*	2016	2015 Restated*
Profit from continuing operations		**7,558**	6,525
Income tax expense	*13*	**3,371**	2,520
Profit before tax		**10,929**	9,045
Adjustments for:			
– Net finance costs	*9*	**546**	1,166
– Depreciation	*20(A)*	**5,001**	5,122
– Amortisation	*21(A)*	**785**	795
– (Reversal of) impairment losses on property, plant and equipment	*20(B)*	**(393)**	1,123
– Impairment losses on goodwill	*21(C)*	**116**	-
– (Reversal of) impairment losses on intangible assets	*21(C)*	**(100)**	285
– Impairment loss on remeasurement of disposal group	*19(A)*	**35**	-
– Share of profit of equity-accounted investees, net of tax	*23*	**(1,141)**	(587)
Adjusted EBITDA		**15,778**	16,949

* See Note 43.

IAS 1.55A, 85A–85B, BC38G, Insights 4.1.150

a. Although it is not a required disclosure, the Group has disclosed adjusted EBITDA because management believes that this measure is relevant to an understanding of the entity's financial performance. This disclosure is provided for illustrative purposes only.

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

- comprise line items made up of amounts recognised and measured in accordance with IFRS;
- are presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
- are consistent from period to period;
- are displayed with no more prominence than other subtotals and totals presented in the statement of financial position or statement of profit or loss and OCI; and
- for the additional subtotals presented in the statement of profit or loss and OCI, they are reconciled with the subtotals and totals required by IAS 1.

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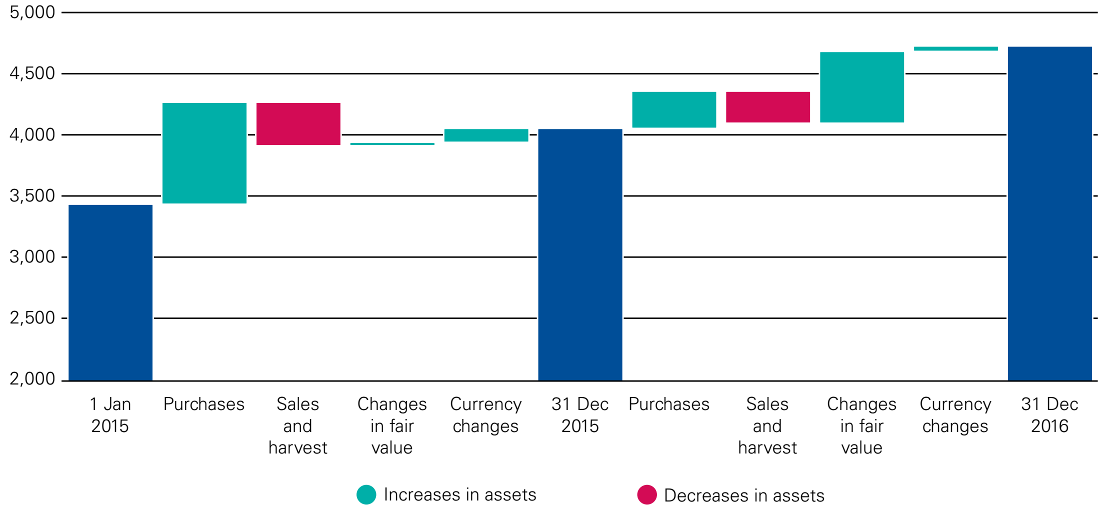
Notes to the consolidated financial statements (continued)

15. Biological assets

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



A. Reconciliation of carrying amount

	In thousands of euro	***Note***	**Standing timber**	**Livestock**	**Total**
IAS 41.50, IFRS 13.93(e)	Balance at 1 January 2015		3,240	196	3,436
IAS 41.50(b), IFRS 13.93(e)(iii)	Purchases		743	92	835
IAS 41.50(c), IFRS 13.93(e)(iii)	Sales of livestock		-	(63)	(63)
IAS 41.50(d), IFRS 13.93(e)(iii)	Harvested timber transferred to inventories		(293)	-	(293)
IAS 41.40, 50(a)	Change in fair value less costs to sell:				
IAS 41.51	– Due to price changes	*8(A)*	(17)	22	5
IAS 41.51	– Due to physical changes	*8(A)*	15	8	23
IAS 41.50(f)	Effect of movements in exchange rates		68	45	113
IAS 41.50	**Balance at 31 December 2015**		3,756	300	4,056
	Non-current		3,756	269	4,025
	Current		-	31	31
			3,756	300	4,056
IAS 41.50, IFRS 13.93(e)	Balance at 1 January 2016		**3,756**	**300**	**4,056**
IAS 41.50(b), IFRS 13.93(e)(iii)	Purchases		**294**	**11**	**305**
IAS 41.50(c), IFRS 13.93(e)(iii)	Sales of livestock		**-**	**(127)**	**(127)**
IAS 41.50(d), IFRS 13.93(e)(iii)	Harvested timber transferred to inventories		**(135)**	**-**	**(135)**
IAS 41.40, 50(a)	Change in fair value less costs to sell:				
IAS 41.51	– Due to price changes	*8(A)*	**92**	**59**	**151**
IAS 41.51	– Due to physical changes	*8(A)*	**315**	**121**	**436**
IAS 41.50(f)	Effect of movements in exchange rates		**30**	**14**	**44**
IAS 41.50	**Balance at 31 December 2016**		**4,352**	**378**	**4,730**
	Non-current		**4,352**	**346**	**4,698**
	Current		**-**	**32**	**32**
			4,352	**378**	**4,730**

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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 2016, standing timber comprised approximately 3,310 hectares of pine tree plantations (2015: 3,230 hectares), which ranged from newly established plantations to plantations that were 30 years old. €282 thousand (2015: €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 2016, livestock comprised 1,875 cattle and 3,781 sheep (2015: 1,260 cattle and 3,314 sheep). During 2016, the Group sold 289 cattle and 286 sheep (2015: 150 cattle and 175 sheep).[a]

B. Measurement of fair values

i. Fair value hierarchy

IFRS 13.93(b)

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

ii. Level 3 fair values

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

	In thousands of euro	2016	2015
IFRS 13.93(e)(i)	**Gain included in 'other income'**		
	Change in fair value (realised)	**60**	3
IFRS 13.93(f)	Change in fair value (unrealised)	**347**	(5)
IFRS 13.93(e)(ii)	**Gain included in OCI**		
IFRS 13.93(e)(ii)	Effect of movements in exchange rates	**30**	68

IAS 41.43

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

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).

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Notes to the consolidated financial statements (continued)

15. Biological assets (continued)

B. Measurement of fair values (continued)

iii. Valuation techniques and significant unobservable inputs

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

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber			
Standing timber older than 25 years (the age at which it becomes marketable)	*Discounted cash flows:* The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for [*x*] years. The expected net cash flows are discounted using a risk-adjusted discount rate.	– Estimated future timber market prices per tonne (2016: €12.8–17.9, weighted average €16.25; 2015: €11.6–16.3, weighted average €15.15). – Estimated yields per hectare (2016: 6–10, weighted average 8; 2015: 5–10, weighted average 7.5). – Estimated harvest and transportation costs (2016: 6.4–8.3%, weighted average 7.5%; 2015: 6.3–7.8%, weighted average 6.7%). – Risk-adjusted discount rate (2016: 7.9–9.0%, weighted average 8.6%; 2015: 7.1–8.3%, weighted average 7.8%).	The estimated fair value would increase (decrease) if: – the estimated timber prices per tonne were higher (lower); – the estimated yields per hectare were higher (lower); – the estimated harvest and transportation costs were lower (higher); or – the risk-adjusted discount rates were lower (higher).
Younger standing timber	*Cost approach and discounted cash flows:* The Group considers both approaches, and reconciles and weighs the estimates under each approach based on its assessment of the judgement that market participants would apply. The cost approach considers the costs of creating a comparable plantation, taking into account the costs of infrastructure, cultivation and preparation, buying and planting young trees with an estimate of the profit that would apply to this activity. Discounted cash flows consider the present value of the net cash flows expected to be generated by the plantation at maturity, the expected additional biological transformation and the risks associated with the asset; the expected net cash flows are discounted using risk-adjusted discount rates.	– Estimated costs of infrastructure per hectare (2016: €0.8–1.1, weighted average €0.95; 2015: €0.8–1.2, weighted average €0.97). – Estimated costs of cultivation and preparation per hectare (2016: €0.2–0.4, weighted average €0.3; 2015: €0.3–0.4, weighted average €0.35). – Estimated costs of buying and planting young trees (2016: €1.0–1.3, weighted average €1.25; 2015: €1.1–1.3, weighted average €1.2). – Estimated future timber market prices per tonne (2016: €13.8–19.8, weighted average €17.05; 2015: €13.7–19.5, weighted average €16.6). – Estimated yields per hectare (2016: 6–11, weighted average 8.6; 2015: 7–11, weighted average 8.9). – Risk-adjusted discount rate (2016: 8.9–9.9%, weighted average 9.4%; 2015: 9.3–9.9%, weighted average 9.6%).	The estimated fair value would increase (decrease) if: – the estimated costs of infrastructure, cultivation and preparation and buying and planting trees were higher (lower); – the estimated timber prices per tonne were higher (lower); – the estimated yields per hectare were higher (lower); or – the risk-adjusted discount rates were lower (higher).
Livestock			
Livestock comprises cattle and sheep, characterised as commercial or breeders	*Market comparison technique:* The fair values are based on the market price of livestock of similar age, weight and market values.	Not applicable.	Not applicable.

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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.

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Notes to the consolidated financial statements (continued)

16. Inventories

See accounting policy in Note 44(J).

	In thousands of euro	2016	2015
IAS 1.78(c), 2.36(b)	Raw materials and consumables	**4,860**	5,753
IAS 1.78(c), 2.36(b)	Work in progress	**2,543**	1,661
IAS 1.78(c), 2.36(b)	Finished goods	**4,200**	4,705
	Inventories	**11,603**	12,119
IAS 2.36(h)	Carrying amount of inventories subject to retention of title clauses	**1,650**	2,090

IAS 1.98(a), 2.36(d) In 2016, inventories of €54,019 thousand (2015: €53,258 thousand) were recognised as an expense during the year and included in 'cost of sales'.

IAS 2.36(e)–(g) During 2015, 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 2016, following a change in estimates, €10 thousand of the write-down was reversed.

In addition, inventories have been reduced by €345 thousand (2015: €125 thousand) as a result of the write-down to net realisable value. Such write-down were recognised as an expense during 2016.

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'.

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17. Trade and other receivables

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

	In thousands of euro	*Note*	2016	2015
IAS 1.78(b)	Trade receivables due from related parties	40(C)	**1,236**	642
	Loans to directors	40(B)(i)	**78**	32
IAS 1.78(b)	Other trade receivables		**30,953**	21,811
			32,267	22,485
IAS 1.78(b), 11.42(a)	Construction contracts in progress		**348**	280
			32,615	22,765
	Non-current		**213**	-
	Current		**32,402**	22,765
			32,615	22,765

A. Transfer of trade receivables

IFRS 7.14(a), 42D

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

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

	In thousands of euro	2016	2015
IFRS 7.42D(e)	Carrying amount of trade receivables transferred to a bank	**600**	1,000
	Carrying amount of associated liabilities	**598**	985

B. Construction contracts in progress

IAS 11.40(a)

At 31 December 2016, the aggregate amount of costs incurred and recognised profits (less recognised losses) to date under open construction contracts amounted to €570 thousand (2015: €530 thousand).

IAS 11.40(c)

At 31 December 2016, trade receivables included retentions of €200 thousand (2015: €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).

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18. Cash and cash equivalents

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

IAS 7.45

In thousands of euro	2016	2015
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)).

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19. Disposal group held for sale[a]

See accounting policy in Note 44(O).

IFRS 5.41(a)–(b), (d)

In June 2016, 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 2017.

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 2016, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

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

In thousands of euro	***Note***	
Trade and other payables		**4,270**
Deferred tax liabilities	*13(E)*	**140**
Liabilities held for sale		**4,410**

IFRS 5.38

C. Cumulative income or expenses included in OCI

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

D. Measurement of fair values

i. Fair value hierarchy

IFRS 13.93(a)–(b)

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

a. The part of the Group's manufacturing facility that has been presented as a disposal group held for sale does not meet the definition of a discontinued operation in IFRS 5 *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 (Section N20).

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Notes to the consolidated financial statements (continued)

19. Disposal group held for sale (continued)

D. Measurement of fair values (continued)

ii. Valuation technique and significant unobservable inputs

IFRS 13.93(d), 99

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

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

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20. Property, plant and equipment

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

A. Reconciliation of carrying amount[a]

	In thousands of euro	*Note*	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
	Cost						
IAS 16.73(d)	Balance at 1 January 2015		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 2015**		7,521	30,284	6,135	-	43,940
IAS 16.73(d)	Balance at 1 January 2016		**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 2016**		**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.

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Notes to the consolidated financial statements (continued)

20. Property, plant and equipment (continued)

A. Reconciliation of carrying amount (continued)

	In thousands of euro	*Note*	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
	Accumulated depreciation and impairment losses						
IAS 16.73(d)	Balance at 1 January 2015		693	5,557	939	-	7,189
IAS 16.73(e)(vii)	Depreciation	*8(C)*	123	4,240	759	-	5,122
IAS 16.73(e)(v)	Impairment loss	*8(C), 21(C)*	-	1,123	-	-	1,123
IAS 16.73(e)(ii)	Disposals		-	(700)	-	-	(700)
IAS 16.73(e)(viii)	Effect of movements in exchange rates		-	98	59	-	157
IAS 16.73(d)	**Balance at 31 December 2015**		816	10,318	1,757	-	12,891
IAS 16.73(d)	Balance at 1 January 2016		**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 2016**		**636**	**9,262**	**1,409**	**-**	**11,307**
IAS 1.78(a), 16.73(e)	**Carrying amounts**						
	At 1 January 2015		6,635	23,952	4,350	-	34,937
	At 31 December 2015		6,705	19,966	4,378	-	31,049
	At 31 December 2016		**7,920**	**11,043**	**3,523**	**4,100**	**26,586**

B. Impairment loss and subsequent reversal

IAS 36.126(a)–(b)

During 2015, 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 2016, €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 2016, the net carrying amount of leased equipment was €1,646 thousand (2015: €1,972 thousand).

IAS 7.43

During 2016, the Group acquired equipment with a carrying amount of €200 thousand (2015: €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 2016, properties with a carrying amount of €5,000 thousand (2015: €4,700 thousand) were subject to a registered debenture that forms security for bank loans (see Note 27(A)).

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20. Property, plant and equipment (continued)

E. Property, plant and equipment under construction

IAS 16.74(b)

During 2016, 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 2016 totalled €1,000 thousand (2015: 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 2016, 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 the transfer, the Group remeasured the property to fair value and recognised a gain of €200 thousand in OCI. The valuation techniques and significant unobservable inputs used in measuring the fair value of the building at the date of transfer were the same as those applied to investment property at the reporting date (see Note 22(B)(ii)).

G. Change in estimates

IAS 8.39, 16.76

During 2016, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain dyeing equipment. The dyeing equipment, which management had previously intended to sell after 5 years of use, is now expected to remain in production for 12 years from the date of purchase. As a result, the expected useful life of the equipment increased and its estimated residual value decreased. The effect of these changes on actual and expected depreciation expense, included in 'cost of sales', was as follows.

In thousands of euro	**2016**	**2017**	**2018**	**2019**	**2020**	**Later**
(Decrease) increase in depreciation expense	**(256)**	(113)	150	150	130	170

H. Change in classification

IAS 1.41(a)–(c)

During 2016, 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'.

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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]

Reference	*In thousands of euro*	*Note*	Goodwill	Patents and trademarks	Development costs	Customer relationships	Total
	Cost						
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2015		3,545	1,264	4,111	-	8,920
IAS 38.118(e)(i)	Acquisitions – internally developed		-	-	515	-	515
IAS 38.118(e)(vii)	Effect of movements in exchange rates		-	(171)	(75)	-	(246)
IFRS 3.B67(d)(viii), IAS 38.118(c)	**Balance at 31 December 2015**		3,545	1,093	4,551	-	9,189
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2016		**3,545**	**1,093**	**4,551**	**-**	**9,189**
IFRS 3.B67(d)(ii), IAS 38.118(e)(i)	Acquisitions through business combinations	*33(C)–(D)*	**541**	**170**	**-**	**80**	**791**
IAS 38.118(e)(i)	Acquisitions – internally developed		**-**	**-**	**1,272**	**-**	**1,272**
IAS 38.118(e)(vii)	Effect of movements in exchange rates		**-**	**186**	**195**	**-**	**381**
IFRS 3.B67(d)(viii), IAS 38.118(c)	**Balance at 31 December 2016**		**4,086**	**1,449**	**6,018**	**80**	**11,633**
	Accumulated amortisation and impairment losses						
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2015		138	552	2,801	-	3,491
IAS 38.118(e)(vi)	Amortisation	*8(C)*	-	118	677	-	795
IAS 38.118(e)(iv)	Impairment loss	*8(C)*	-	-	285	-	285
IAS 38.118(e)(vii)	Effect of movements in exchange rates		-	(31)	(12)	-	(43)
IFRS 3.B67(d)(viii), IAS 38.118(c)	**Balance at 31 December 2015**		138	639	3,751	-	4,528
IFRS 3.B67(d)(i), IAS 38.118(c)	Balance at 1 January 2016		**138**	**639**	**3,751**	**-**	**4,528**
IAS 38.118(e)(vi)	Amortisation	*8(C)*	**-**	**129**	**646**	**10**	**785**
IFRS 3.B67(d)(v), IAS 38.118(e)(iv)	Impairment loss	*8(C)*	**116**	**-**	**-**	**-**	**116**
IAS 38.118(e)(v)	Reversal of impairment loss	*8(C)*	**-**	**-**	**(100)**	**-**	**(100)**
IAS 38.118(e)(vii)	Effect of movements in exchange rates		**-**	**61**	**17**	**-**	**78**
IFRS 3.B67(d)(viii), IAS 38.118(c)	**Balance at 31 December 2016**		**254**	**829**	**4,314**	**10**	**5,407**
	Carrying amounts						
IAS 38.118(c)	At 1 January 2015		3,407	712	1,310	-	5,429
IAS 38.118(c)	**At 31 December 2015**		3,407	454	800	-	4,661
IAS 38.118(c)	**At 31 December 2016**		**3,832**	**620**	**1,704**	**70**	**6,226**

IAS 38.118(c), (e) a. Although IAS 38 *Intangible Assets* only requires the reconciliation of the carrying amount at the beginning and at the end of the reporting period, the Group has also provided separate reconciliations of the gross carrying amount and accumulated amortisation. These additional reconciliations are not required and a different format may be used.

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21. Intangible assets and goodwill (continued)

IAS 38.118(d)

B. Amortisation

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

C. Impairment test

IAS 36.131(b)

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

In thousands of euro	*Note*	2016	2015
Standard Papers			
Plant and equipment and development costs (IAS 36.130(d)(ii))	*(ii)*	**(493)**	1,408

IAS 36.126(a)–(b)

The impairment loss and subsequent reversal in relation to the Standard Papers segment were included in 'cost of sales'.[a]

In thousands of euro	*Note*	2016	2015
Timber Products			
Goodwill (IAS 36.130(d)(ii))	*(iii)*	**116**	-

IAS 36.126(a)–(b)

The impairment loss on goodwill in the Timber Products CGU was included in 'other expenses'.[a]

i. Recoverability of development costs[b]

IAS 36.132

Included in the carrying amount of development costs at 31 December 2016 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 2017 and using a pre-tax discount rate of 12% and a terminal value growth rate of 2% from 2021. 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 2018. 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.

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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 2015, 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 2016; 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 2015. The recoverable amount was estimated based on its value in use, assuming that the production line would go live in August 2017.

In 2016, 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% (2015: 9.8%) and a terminal value growth rate of 3% from 2022 (2015: 3% from 2020).[a]

In thousands of euro	*Note*	2016	2015
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 2016, the recoverable amount of the CGU was as follows.

In thousands of euro	2016	2015
Recoverable amount	**1,576**	1,083

iii. Impairment testing for CGUs containing goodwill[b]

IAS 36.134(a)

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

In thousands of euro	2016	2015
European Paper manufacturing and distribution	**2,676**	2,135
Timber Products	**960**	1,076
	3,636	3,211
Multiple units without significant goodwill (*IAS 36.135*)	**196**	196
	3,832	3,407

IAS 36.132, 134

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

IAS 36.134

b. 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.

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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.

	In percent	**2016**	2015
IAS 36.134(f)(ii)			
IAS 36.134(e)(v)	Discount rate	**8.7**	8.5
IAS 36.134(e)(iv)	Terminal value growth rate	**1.0**	0.9
IAS 36.134(e)(i)	Budgeted EBITDA growth rate (average of next five years)	**5.2**	4.8

IAS 36.134(e)(ii)

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

IAS 36.134(e)(ii)–(iii)

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

IAS 36.134(e)(ii)

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

- Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years.
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments in a number of European countries in which the CGU operates. Other environmental costs are assumed to grow with inflation in other years.
- Estimated cash flows related to a restructuring that is expected to be carried out in 2017 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 (2015: €250 thousand). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

		Change required for carrying amount to equal recoverable amount	
	In percent	**2016**	2015
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.

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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 2016 (2015: nil) was recognised. The impairment loss was fully allocated to goodwill and included in 'other expenses'.

IAS 36.134(d)(i)

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

	In percent	2016	2015
IAS 36.134(d)(v)	Discount rate	**9.6**	10.0
IAS 36.134(d)(iv)	Terminal value growth rate	**1.8**	2.0
IAS 36.134(d)(i)	Budgeted EBITDA growth rate (average of next five years)	**8.0**	9.0

IAS 36.134(d)(ii)

The discount rate was a pre-tax measure[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 (2015: €12 thousand) that represents borrowing costs capitalised during the year using a capitalisation rate of 5.1% (2015: 5.4%).

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.

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22. Investment property[a]

See accounting policy in Note 44(M).

A. Reconciliation of carrying amount

Reference	*In thousands of euro*	*Note*	2016	2015
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
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	– Expected market rental growth (2016: 2–3%, weighted average 2.6%; 2015: 2–3%, weighted average 2.5%). – Void periods (2016 and 2015: average 6 months after the end of each lease). – Occupancy rate (2016: 90–95%, weighted average 92.5%; 2015: 91–95%, weighted average 92.8%). – Rent-free periods (2016 and 2015: 1-year period on new leases). – Risk-adjusted discount rates (2016: 5–6.3%, weighted average 5.8%; 2015: 5.7–6.8%, weighted average 6.1%).	The estimated fair value would increase (decrease) if: – expected market rental growth were higher (lower); – void periods were shorter (longer); – the occupancy rate were higher (lower); – rent-free periods were shorter (longer); or – the risk-adjusted discount rate were lower (higher).

Insights 3.4.260.40

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

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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).

In thousands of euro	*Note*	2016	2015
Interest in joint venture	*(A)*	**2,217**	1,048
Interests in associates	*(B)*	**272**	900
Balance at 31 December		**2,489**	1,948

A. Joint venture[c]

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

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

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

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

IFRS 12.21(b), B12–B14

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

	In thousands of euro	2016	2015
IFRS 12.21(a)(iv)	**Percentage ownership interest**	**40%**	40%
IFRS 12.B12(b)(ii)	Non-current assets	**5,953**	3,259
IFRS 12.B12(b)(i), B13(a)	Current assets (including cash and cash equivalents – 2016: €200 thousand, 2015: €150 thousand)	**1,089**	821
IFRS 12.B12(b)(iv), B13(c)	Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions – 2016: €1,211 thousand, 2015: €986 thousand)	**(1,716)**	(1,320)
IFRS 12.B12(b)(iii), B13(b)	Current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2016: €422 thousand, 2015: €930 thousand)	**(543)**	(1,130)
	Net assets (100%)	**4,783**	1,630
	Group's share of net assets (40%)	**1,913**	652
	Elimination of unrealised profit on downstream sales	**(96)**	(4)
	Goodwill	**400**	400
	Carrying amount of interest in joint venture	**2,217**	1,048
IFRS 12.B12(b)(v)	Revenue	**25,796**	21,405
IFRS 12.B13(d)	Depreciation and amortisation	**(445)**	(350)
IFRS 12.B13(f)	Interest expense	**(396)**	(218)
IFRS 12.B13(g)	Income tax expense	**(1,275)**	(290)
IFRS 12.B12(b)(vi), (ix)	Profit and total comprehensive income (100%)	**3,205**	690
	Profit and total comprehensive income (40%)	**1,282**	276
	Elimination of unrealised profit on downstream sales	**(92)**	(4)
	Group's share of total comprehensive income	**1,190**	272
IFRS 12.B12(a)	**Dividends received by the Group**	**21**	-

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

IFRS 12.21

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

IFRS 12.21–23, B12–B13

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

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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 2016, the Group's equity interest in its material associate, Papyrus, increased from 25 to 90% and Papyrus became a subsidiary from that date (see Note 33). Papyrus is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp in Kentucky, United States. Papyrus is not publicly listed.

IFRS 12.21(b), B12–B14

The following table summarises the financial information of Papyrus as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Papyrus. The information for 2015 presented in the table includes the results of Papyrus for the period from 1 January to 31 December 2015. The information for 2016 includes the results of Papyrus only for the period from 1 January to 31 March 2016, because Papyrus became a subsidiary on 31 March 2016.

	In thousands of euro	2016	2015
IFRS 12.21(a)(iv)	**Percentage ownership interest**	**25%**	25%
IFRS 12.B12(b)(ii)	Non-current assets	**-**	1,280
IFRS 12.B12(b)(i)	Current assets	**-**	1,975
IFRS 12.B12(b)(iv)	Non-current liabilities	**-**	(1,087)
IFRS 12.B12(b)(iii)	Current liabilities	**-**	(324)
	Net assets (100%)	**-**	1,844
	Group's share of net assets (25%)	**-**	461
	Elimination of unrealised profit on downstream sales	**-**	(8)
	Carrying amount of interest in associate	**-**	453
IFRS 12.B12(b)(v)	Revenue	**7,863**	19,814
IFRS 12.B12(b)(vi)	Profit from continuing operations (100%)	**271**	857
IFRS 12.B12(b)(viii)	Other comprehensive income (100%)	**(408)**	(552)
IFRS 12.B12(b)(ix)	Total comprehensive income (100%)	**(137)**	305
	Total comprehensive income (25%)	**(34)**	76
	Elimination of unrealised profit on downstream sales	**1**	(1)
	Group's share of total comprehensive income	**(33)**	75

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

The Group also has interests in a number of individually immaterial associates. For one of these associates, the Group owns 20% of the equity interests but has less than 20% of the voting rights; however, the Group has determined that it has significant influence because it has 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	2016	2015
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 (2015: nil) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

During 2016, the Group repaid a loan of €1,000 thousand received from one of its associates (see Notes 27 and 40(C)).

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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	2016	2015
	Non-current investments		
IFRS 7.8(b)	Corporate debt securities – held-to-maturity	**2,436**	2,256
IFRS 7.8(d)	Corporate debt securities – available-for-sale	**118**	373
IFRS 7.8(d)	Equity securities – available-for-sale	**710**	511
IFRS 7.8(a)	Equity securities – designated as at fair value through profit or loss	**251**	254
IFRS 7.22(b)	Interest rate swaps used for hedging	**116**	131
		3,631	3,525
	Current investments		
IFRS 7.8(a)	Sovereign debt securities – held-for-trading	**243**	591
IFRS 7.22(b)	Forward exchange contracts used for hedging	**297**	352
	Other forward exchange contracts	**122**	89
		662	1,032

IFRS 7.7 Corporate debt securities classified as available-for-sale have stated interest rates of 5.2 to 7.0% (2015: 6.5 to 8.0%) and mature in one to two years. Corporate debt securities classified as held-to-maturity investments have interest rates of 6.3 to 7.8% (2015: 7.5 to 8.3%) and mature in two to five years.

Sovereign debt securities classified as held-for-trading have stated interest rates of 3.5 to 4.0% (2015: 3.2 to 3.8%) 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).

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Notes to the consolidated financial statements (continued)

25. Capital and reserves

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

A. Share capital and share premium

IAS 1.79(a)(iv)

	Ordinary shares		Non-redeemable preference shares	
In thousands of shares	**2016**	2015	**2016**	2015
In issue at 1 January	**3,100**	3,100	**1,750**	1,750
Issued for cash	**130**	-	**-**	-
Exercise of share options	**5**	-	**-**	-
Issued in business combination	**8**	-	**-**	-
In issue at 31 December – fully paid	**3,243**	3,100	**1,750**	1,750
Authorised – par value €3	**10,000**	10,000	**2,000**	2,000

IAS 1.79(a)(ii)

IAS 1.79(a)(i), (iii)

IAS 1.79(a)(v)

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

i. Ordinary shares

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

Issue of ordinary shares

IAS 1.79(a) In October 2016, the general meeting of shareholders approved the issue of 130,000 ordinary shares at an exercise price of €11.92 per share (2015: nil).

Additionally, 5,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2012 share option programme granted to key management personnel (2015: nil) (see Note 11). Options were exercised at an average price of €10 per share.

IAS 7.43 During the year ended 31 December 2016, 8,000 ordinary shares were also issued as a result of the acquisition of Papyrus (see Note 33(A)) (2015: 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)).

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Notes to the consolidated financial statements (continued)

25. Capital and reserves (continued)

B. Nature and purpose of reserves (continued)

ii. Hedging reserve

IAS 1.79(b)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows 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 2016 (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 2016, the Group held 48,000 of the Company's shares (2015: 50,000).[a]

C. Dividends

IAS 1.107

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

In thousands of euro	**2016**	**2015**
25.97 cents per qualifying ordinary share (2015: 4.28 cents)	**805**	133
25.03 cents per non-redeemable preference share (2015: 25.03 cents)	**438**	438
	1,243	571

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

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

In thousands of euro	**2016**	**2015**
27.92 cents per qualifying ordinary share (2015: 25.97 cents)	**892**	805
25.03 cents per non-redeemable preference share (2015: 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.

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25. Capital and reserves (continued)

IAS 1.106(d)(ii), 106A

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

	In thousands of euro
	2016
IAS 16.77(f)	Revaluation of property, plant and equipment
	Remeasurements of defined benefit liability/asset
IAS 21.52(b)	Foreign operations – foreign currency translation differences
IAS 21.52(b)	Reclassification of foreign currency differences on loss of significant influence
IAS 21.52(b)	Net investment hedge – net loss
IFRS 7.23(c)	Cash flow hedges – effective portion of changes in fair value
IFRS 7.23(d)	Cash flow hedges – reclassified to profit or loss
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value
IFRS 7.20(a)(ii)	Available-for-sale financial assets – reclassified to profit or loss
	Equity-accounted investees – share of OCI
	Total
	2015
	Remeasurements of defined benefit liability/asset
IAS 21.52(b)	Foreign operations – foreign currency translation differences
IAS 21.52(b)	Net investment hedge – net loss
IFRS 7.23(c)	Cash flow hedges – effective portion of changes in fair value
IFRS 7.23(d)	Cash flow hedges – reclassified to profit or loss
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value
	Equity-accounted investees – share of OCI
	Total

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Attributable to owners of the Company							
Translation reserve (see (B)(i))	Hedging reserve (see (B)(ii))	Fair value reserve (see (B)(iii))	Revaluation reserve (see (B)(iv))	Retained earnings	Total	NCI (see Note 34)	Total OCI
-	**-**	**-**	**134**	**-**	**134**	**-**	**134**
-	**-**	**-**	**-**	**48**	**48**	**-**	**48**
653	**-**	**-**	**-**	**-**	**653**	**27**	**680**
(20)	**-**	**-**	**-**	**-**	**(20)**	**-**	**(20)**
(3)	**-**	**-**	**-**	**-**	**(3)**	**-**	**(3)**
-	**(41)**	**-**	**-**	**-**	**(41)**	**-**	**(41)**
-	**(21)**	**-**	**-**	**-**	**(21)**	**-**	**(21)**
-	**-**	**133**	**-**	**-**	**133**	**-**	**133**
-	**-**	**(43)**	**-**	**-**	**(43)**	**-**	**(43)**
(172)	**-**	**-**	**-**	**13**	**(159)**	**-**	**(159)**
458	**(62)**	**90**	**134**	**61**	**681**	**27**	**708**
-	-	-	-	(10)	(10)	-	(10)
449	-	-	-	-	449	22	471
(8)	-	-	-	-	(8)	-	(8)
-	64	-	-	-	64	-	64
-	(8)	-	-	-	(8)	-	(8)
-	-	79	-	-	79	-	79
(166)	-	-	-	(3)	(169)	-	(169)
275	56	79	-	(13)	397	22	419

IAS 1.106A

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

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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 borrowing and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 23%; in 2016 the return was 29.9% (2015: 24.3%). The weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.8% (2015: 5.5%).

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

IAS 1.135(a)

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

The Group's policy is to keep the ratio below 2.00. The Group's adjusted net debt to equity ratio at 31 December 2016 was as follows.

In thousands of euro	**2016**	**2015 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.

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Notes to the consolidated financial statements (continued)

27. Loans and borrowings

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

IAS 1.77

In thousands of euro	*Note*	2016	2015
Non-current liabilities			
Secured bank loans		**7,554**	8,093
Unsecured bond issues		**6,136**	9,200
Convertible notes		**4,678**	-
Redeemable preference shares		**1,939**	-
Finance lease liabilities		**1,613**	1,738
		21,920	19,031
Current liabilities			
Current portion of secured bank loans		**1,055**	3,985
Unsecured bank loans		**503**	117
Unsecured bond issues		**3,064**	-
Dividends on redeemable preference shares		**51**	-
Current portion of finance lease liabilities		**315**	444
Loan from associate	*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).

IFRS 7.7

A. Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.

IFRS 7.42D(e)

In thousands of euro	Currency	Nominal interest rate	Year of maturity	31 December 2016 Face value	31 December 2016 Carrying amount	31 December 2015 Face value	31 December 2015 Carrying amount
Secured bank loan (See Note 17(A))	EUR	3.60–3.90%	2016–17	**600**	**598**	1,000	985
Secured bank loan	CHF	3.90%	2020	**1,240**	**1,240**	1,257	1,257
Secured bank loan	USD	4.70%	2018–21	**1,447**	**1,447**	1,521	1,521
Secured bank loan	EUR	4.50%	2018–21	**3,460**	**3,460**	3,460	3,460
Secured bank loan	GBP	LIBOR+1%	2016–18	**1,864**	**1,864**	4,855	4,855
Unsecured bank loan	EUR	3.80%	2017	**510**	**503**	-	-
Unsecured bank loan	EUR	5.50%	2016	**-**	**-**	117	117
Unsecured bond issues	EUR	LIBOR+0.5%	2020	**1,023**	**1,023**	1,023	1,023
Unsecured bond issues	EUR	LIBOR+1%	2021	**5,113**	**5,113**	5,113	5,113
Unsecured bond issues	EUR	LIBOR	2017	**3,064**	**3,064**	3,064	3,064
Loan from associate	EUR	4.80%	2016	**-**	**-**	1,000	1,000
Convertible notes	EUR	3.00%	2019	**5,000**	**4,678**	-	-
Redeemable preference shares	EUR	4.40%	2022	**2,000**	**1,939**	-	-
Dividends on redeemable preference shares	EUR	-	2017	**51**	**51**	-	-
Finance lease liabilities	EUR	6.5–7.0%	2016–30	**2,663**	**1,928**	3,186	2,182
Total interest-bearing liabilities				**28,035**	**26,908**	25,596	24,577

IFRS 7.7, 14, IAS 16.74(a)

The secured bank loans are secured over land and buildings and trade receivables with a carrying amount of €5,000 thousand (2015: €4,700 thousand) (see Note 20(D)) and €600 thousand (2015: €1,000 thousand) (see Note 17(A)) respectively. Additionally, call deposits with a carrying amount of €600 thousand (2015: €600 thousand) (see Note 18) are pledged against certain secured bank loans.

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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 2016 (2015: €3,460 thousand). This loan is repayable in tranches within five years. However, the loan contains a covenant stating that at the end of each quarter the Group's debt (defined in the covenant as the Group's loans and borrowings and trade and other payables) cannot exceed 2.5 times the Group's quarterly revenue from continuing operations, otherwise the loan will be repayable on demand.

The Group exceeded its maximum leverage threshold in the third quarter of 2016 and the threshold was still exceeded as at 31 December 2016. However, management obtained a waiver from the bank in October 2016. Accordingly, the loan was not payable on demand at 31 December 2016, which extended until March 2017 (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)	*13(C)*	**(163)**
Accreted interest		**91**
Carrying amount of liability at 31 December 2016		**4,678**

These notes were issued on 29 May 2016. They are convertible into 250,000 ordinary shares in May 2019 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 2016	**1,939**

During 2016, 1,000,000 redeemable preference shares were issued as fully paid with a par value of €2 per share (2015: nil). The redeemable preference shares are mandatorily redeemable at par on 31 May 2022 and the Group is obliged to pay holders of these shares annual dividends of 4.4% of the par amount on 31 May each year until and including on maturity. Redeemable preference shares do not carry the right to vote.

E. Finance lease liabilities

IAS 17.31(b)

Finance lease liabilities are payable as follows.

	Future minimum lease payments		Interest		Present value of minimum lease payments	
In thousands of euro	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
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 (2015: €15 thousand).

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Notes to the consolidated financial statements (continued)

27. Loans and borrowings (continued)

E. Finance lease liabilities (continued)

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

IAS 1.122, 17.31(e)

During 2015, the Group entered into an arrangement whereby a supplier built equipment that the supplier will use to produce a specific chemical used in manufacturing a new product in the American Paper manufacturing and distribution division for a minimum period of 16 years. The Group pays a fixed annual fee over the term of the arrangement, plus a variable charge based on the quantity of chemical delivered.

SIC-27.10(b)

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

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28. Trade and other payables

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

IFRS 7.8(f)

In thousands of euro	*Note*	2016	2015 Restated*
Trade payables due to related parties	*40*	**174**	351
Other trade payables		**21,226**	19,983
Accrued expenses		**312**	487
Trade payables		**21,712**	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
		22,010	20,833
Non-current		**290**	5
Current		**21,720**	20,828
		22,010	20,833

* See Note 43.

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

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Notes to the consolidated financial statements (continued)

29. Deferred income/revenue

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

In thousands of euro	*Note*	2016	2015
Government grants[a]	*(A)*	**1,424**	1,462
IAS 11.40(b) Customer advances		**110**	117
IAS 11.42(b) Billing in advance of work completed		**17**	13
Customer loyalty claims	*(B), 7*	**50**	38
		1,601	1,630
Non-current		**1,424**	1,462
Current		**177**	168
		1,601	1,630

A. Government grants

IAS 20.39(b)–(c)

The Group has been awarded two government grants. One of the grants, received in 2015, 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 2016 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 2016, 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 (2015: €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.

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30. Provisions

See accounting policy in Note 44(T).

	In thousands of euro	Note	Warranties	Restructuring	Site restoration	Onerous contracts	Legal	Total
IAS 37.84(a)	Balance at 1 January 2016		200	600	740	-	-	1,540
	Assumed in a business combination	33	-	-	150	-	20	170
IAS 37.84(b)	Provisions made during the year		280	400	660	160	-	1,500
IAS 37.84(c)	Provisions used during the year		(200)	(500)	(800)	-	-	(1,500)
IAS 37.84(d)	Provisions reversed during the year[a]		-	(100)	-	-	-	(100)
IAS 37.84(e)	Unwind of discount	9	-	-	60	-	-	60
IAS 37.84(a)	**Balance at 31 December 2016**		280	400	810	160	20	1,670
	Non-current		100	-	810	100	-	1,010
	Current		180	400	-	60	20	660
			280	400	810	160	20	1,670

A. Warranties

IAS 37.85(a)–(c)

The provision for warranties relates mainly to paper sold during 2015 and 2016. The provision has been estimated based on historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year. An expected reimbursement of warranty expense incurred of €25 thousand has been included in 'other trade receivables' (see Note 17) following a supplier accepting responsibility for the defective products.

B. Restructuring

IAS 1.98(b), 125, 37.85(a)–(b)

During 2015, the Group committed to a plan to restructure a product line in the American Paper manufacturing and distribution division due to a decrease in demand as a result of a deterioration in economic conditions. Following the announcement of the plan, the Group recognised a provision of €600 thousand for expected restructuring costs, including contract termination costs, consulting fees and employee termination benefits (see Note 12(E)). Estimated costs were based on the terms of the relevant contracts. The restructuring was completed in 2016, 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 2016, 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 12(E)) and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be completed by June 2017.

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.

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Notes to the consolidated financial statements (continued)

30. Provisions (continued)

C. Site restoration

i. France

IAS 37.85(a)

A provision of €740 thousand was made during 2014 and an unwind of the discount of €60 thousand was recognised in 2015 in respect of the Group's obligation to rectify environmental damage in France. The required work was completed during 2016 at a cost of €800 thousand.

ii. Romania

IAS 1.125,129, 37.85(a)–(b)

In accordance with Romanian law, the Group's subsidiary in Romania is required to restore contaminated land to its original condition before the end of 2019. During 2016, the Group provided €660 thousand for this purpose.

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

IAS 34.26

The provision has increased compared with the amount of €500 thousand reported in the Company's interim financial statements as at 30 June 2016 due to a change in estimated costs. At the time of preparing the interim financial statements, the extent of restoration work required was uncertain, because the inspection report by the Romanian authorities had not yet been finalised. The estimates were subsequently revised based on the final report.

iii. Acquisition of Papyrus

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

D. Onerous contracts

IAS 37.85(a)–(b)

In 2015, 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 2016, resulting in surplus lease space (see Note 37(A)). The lease will expire in 2019. The facilities have been sub-let for the remaining lease term, but changes in market conditions have meant that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided for.

E. Legal

IAS 1.125, 37.86(a)–(b)

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

F. Levies

IAS 37.85(a)

The Group operates in a number of countries in which it is subject to government levies. It assesses the timing of when to accrue environmental taxes imposed by legislation at the end of the tax year (31 March) on entities that manufacture pulp products. The Group recognised a liability to pay environmental taxes on 31 March, when the obligating event as stated in the legislation occurred. It paid that liability in full at a later date.

Therefore, at 31 December 2016, 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 2016.

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IFRS 7.8, 25, 13.93(a)–(b), 97, 99

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.

		Carrying amount		
31 December 2016 *In thousands of euro*	***Note***	**Held-for-trading**	**Designated at fair value**	**Fair value – hedging instruments**
Financial assets measured at fair value				
Interest rate swaps used for hedging	*24*	-	-	**116**
Forward exchange contracts used for hedging	*24*	-	-	**297**
Other forward exchange contracts	*24*	**122**	-	-
Sovereign debt securities	*24*	**243**	-	-
Corporate debt securities	*24*	-	-	-
Equity securities	*24*	-	**251**	-
		365	**251**	**413**
Financial assets not measured at fair value[c]				
Trade and other receivables	*17*	-	-	-
Cash and cash equivalents	*18*	-	-	-
Corporate debt securities	*24*	-	-	-
		-	-	-
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	*28*	-	-	**(20)**
Forward exchange contracts used for hedging	*28*	-	-	**(8)**
Contingent consideration	*28*	-	**(270)**	-
		-	**(270)**	**(28)**
Financial liabilities not measured at fair value[c]				
Bank overdrafts	*18*	-	-	-
Secured bank loans	*27*	-	-	-
Unsecured bank loans	*27*	-	-	-
Unsecured bond issues	*27*	-	-	-
Convertible notes – liability component	*27*	-	-	-
Redeemable preference shares	*27*	-	-	-
Dividends payable on redeemable shares	*27*	-	-	-
Finance lease liabilities	*27*	-	-	-
Trade payables*	*28*	-	-	-
		-	-	-

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

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Notes to the consolidated financial statements (continued)

Carrying amount					Fair value			
Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
-	-	-	-	116	-	116	-	116
-	-	-	-	297	-	297	-	297
-	-	-	-	122	-	122	-	122
-	-	-	-	243	243	-	-	243
-	-	118	-	118	78	40	-	118
-	-	710	-	961	961	-	-	961
-	-	828	-	1,857				
-	32,267	-	-	32,267				
-	1,505	-	-	1,505				
2,436	-	-	-	2,436	2,461	-	-	2,461
2,436	33,772	-	-	36,208				
-	-	-	-	(20)	-	(20)	-	(20)
-	-	-	-	(8)	-	(8)	-	(8)
-	-	-	-	(270)	-	-	(270)	(270)
-	-	-	-	(298)				
-	-	-	(334)	(334)				
-	-	-	(8,609)	(8,609)	-	(8,979)	-	(8,979)
-	-	-	(503)	(503)	-	(505)	-	(505)
-	-	-	(9,200)	(9,200)	-	(9,675)	-	(9,675)
-	-	-	(4,678)	(4,678)	-	(4,671)	-	(4,671)
-	-	-	(1,939)	(1,939)	-	(1,936)	-	(1,936)
-	-	-	(51)	(51)	-	(51)	-	(51)
-	-	-	(1,928)	(1,928)	-	(1,856)	-	(1,856)
-	-	-	(21,684)	(21,684)				
-	-	-	(48,926)	(48,926)				

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 7.B1–B3 **b.** The Group has grouped its financial instruments into 'classes'. Although IFRS 7 does not define 'classes', as a minimum instruments measured at amortised cost should be distinguished from instruments measured at fair value.

IFRS 7.29, 13.97 **c.** The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

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

A. Accounting classifications and fair values (continued)

31 December 2015 *In thousands of euro*	*Note*	Carrying amount Held-for-trading	 Designated at fair value	 Fair value – hedging instruments
Financial assets measured at fair value				
Interest rate swaps used for hedging	*24*	-	-	131
Forward exchange contracts used for hedging	*24*	-	-	352
Other forward exchange contracts	*24*	89	-	-
Sovereign debt securities	*24*	591	-	-
Corporate debt securities	*24*	-	-	-
Equity securities	*24*	-	254	-
		680	254	483
Financial assets not measured at fair value[a]				
Trade and other receivables	*17*	-	-	-
Cash and cash equivalents	*18*	-	-	-
Corporate debt securities	*24*	-	-	-
		-	-	-
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	*28*	-	-	(5)
Forward exchange contracts used for hedging	*28*	-	-	(7)
		-	-	(12)
Financial liabilities not measured at fair value[a]				
Bank overdrafts	*18*	-	-	-
Secured bank loans	*27*	-	-	-
Unsecured bank loans	*27*	-	-	-
Unsecured bond issues	*27*	-	-	-
Loan from associate	*27*	-	-	-
Finance lease liabilities	*27*	-	-	-
Trade payables*	*28*	-	-	-
		-	-	-

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

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Notes to the consolidated financial statements (continued)

Carrying amount					Fair value			
Held-to-maturity	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
-	-	-	-	131	-	131	-	131
-	-	-	-	352	-	352	-	352
-	-	-	-	89	-	89	-	89
-	-	-	-	591	591	-	-	591
-	-	373	-	373	373	-	-	373
-	-	511	-	765	540	-	225	765
-	-	884	-	2,301				
-	22,485	-	-	22,485				
-	1,850	-	-	1,850				
2,256	-	-	-	2,256	2,259	-	-	2,259
2,256	24,335	-	-	26,591				
-	-	-	-	(5)	-	(5)	-	(5)
-	-	-	-	(7)	-	(7)	-	(7)
-	-	-	-	(12)				
-	-	-	(282)	(282)				
-	-	-	(12,078)	(12,078)	-	(12,861)	-	(12,861)
-	-	-	(117)	(117)	-	(115)	-	(115)
-	-	-	(9,200)	(9,200)	-	(9,381)	-	(9,381)
-	-	-	(1,000)	(1,000)	-	(997)	-	(997)
-	-	-	(2,182)	(2,182)	-	(2,163)	-	(2,163)
-	-	-	(20,789)	(20,789)				
-	-	-	(45,648)	(45,648)				

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.

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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 for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in Note 4.

IFRS 13.93(d), (h)

Financial instruments measured at fair value

IFRS 3.B67(b)(iii), 13.99

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast revenue and EBITDA, the amount to be paid under each scenario and the probability of each scenario.	– Forecast annual revenue growth rate (2016: 3–8%). – Forecast EBITDA margin (2016: 8%). – Risk-adjusted discount rate (2016: 5.5%).	The estimated fair value would increase (decrease) if: – the annual revenue growth rate were higher (lower); – the EBITDA margin were higher (lower); or – the risk-adjusted discount rate were lower (higher). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.
Equity securities	*Market comparison technique:* The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected revenue and EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities.	– Forecast annual revenue growth rate (2016: 2–6%; 2015: 3–7%). – Forecast EBITDA margin (2016: 4%; 2015: 4%). – Adjusted market multiple (2016: 4–6; 2015: 4–7).	The estimated fair value would increase (decrease) if: – the annual revenue growth rate were higher (lower); – the EBITDA margin were higher (lower); or – the adjusted market multiple were higher (lower). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.
Corporate debt securities	*Market comparison/ discounted cash flow:* The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable.	Not applicable.

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Notes to the consolidated financial statements (continued)

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

B. Measurement of fair values (continued)

i. Valuation techniques and significant unobservable inputs (continued)

IFRS 13.93(d), (h)

Financial instruments measured at fair value (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts	*Forward pricing:* The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.
Interest rate swaps	*Swap models:* The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable.	Not applicable.

IFRS 13.93(d), 97

Financial instruments not measured at fair value

Type	Valuation technique
Other financial liabilities*	*Discounted cash flows:* The valuation model considers the present value of expected 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.

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B. Measurement of fair values (continued)

ii. Transfers between Levels 1 and 2

IFRS 13.93(c)

At 31 December 2016, 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 2016 and no transfers in either direction in 2015.

iii. Level 3 fair values

Reconciliation of Level 3 fair values

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

	In thousands of euro	***Note***	**Equity securities available-for-sale**	**Contingent consideration**
	Balance at 1 January 2015		-	-
IFRS 13.91(b), 93(e)(ii)	**Gain included in OCI**			
	– Net change in fair value (unrealised)		13	-
IFRS 13.93(e)(iii)	Purchases		212	-
	Balance at 31 December 2015		225	-
	Balance at 1 January 2016		**225**	**-**
IFRS 13.93(e)(iii)	Assumed in a business combination	*33(A)*	**-**	**(250)**
IFRS 13.91(b), 93(e)(i), (f)	**Loss included in 'finance costs'**			
	– Net change in fair value (unrealised)	*9*	**-**	**(20)**
IFRS 13.91(b), 93(e)(ii)	**Gain included in OCI**			
	– Net change in fair value (unrealised)		**18**	**-**
IFRS 13.93(e)(iv)	Transfers out of Level 3		**(243)**	**-**
	Balance at 31 December 2016		**-**	**(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 2016 (31 December 2015: €225 thousand). The fair value of this investment was categorised as Level 3 at 31 December 2015 (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 2016, 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 2016.

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

B. Measurement of fair values (continued)

iii. Level 3 fair values (continued)

IFRS 13.93(h)(ii)

Sensitivity analysis

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

Contingent consideration	Profit or loss	
Effect in thousands of euro	**Increase**	**Decrease**
31 December 2016		
Annual revenue growth rate (0.5% movement)	**(80)**	**78**
EBITDA margin (0.3% movement)	**(60)**	**59**
Risk-adjusted discount rate (1% movement)	**90**	**(85)**

Equity securities – Available-for-sale	OCI, net of tax	
Effect in thousands of euro	**Increase**	**Decrease**
31 December 2015		
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.

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C. Financial risk management (continued)

IFRS 7.31, 33

ii. Credit risk

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

IFRS 7.36(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 associated with the industry and country in which customers operate. Details of concentration of revenue are included in Notes 5(D)–(E).

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

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

More than 85% of the Group's customers have been transacting with the Group for over four years, and 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, trade history with the Group 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 2016, 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)).

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C. Financial risk management (continued)

ii. Credit risk (continued)

Trade and other receivables (continued)

IFRS 7.34(a), 36(a)

At 31 December 2016, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.[a]

	Carrying amount	
In thousands of euro	**2016**	**2015**
[*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 2016, the maximum exposure to credit risk for trade and other receivables by type of counterparty was as follows.[a]

	Carrying amount	
In thousands of euro	**2016**	**2015**
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 2016, the Group's most significant customer, a European wholesaler, accounted for €8,034 thousand of the trade and other receivables carrying amount (2015: €4,986 thousand).

IFRS 7.37(a)

At 31 December 2016, the ageing of trade and other receivables that were not impaired was as follows.[b]

In thousands of euro	**2016**	**2015**
Neither past due nor impaired	**28,943**	19,120
Past due 1–30 days	**2,685**	3,032
Past due 31–90 days	**375**	112
Past due 91–120 days	**37**	26
	32,040	22,290

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

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

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

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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.

In thousands of euro	2016	2015
External credit ratings at least Baa3 from [*Rating Agency X*] or BBB- from [*Rating Agency Y*]	**15,664**	10,139
Other customers:		
– Four or more years' trading history with the Group*	**11,258**	7,633
– Less than four years' trading history with the Group*	**1,930**	1,290
– Higher risk	**91**	58
	28,943	19,120

* Excluding 'higher risk'.

IFRS 7.16

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

In thousands of euro	Individual impairments	Collective impairments
Balance at 1 January 2015	6	20
Impairment loss recognised	6	24
Amounts written off	(2)	-
Balance at 31 December 2015	10	44
Impairment loss recognised	**144**	**6**
Amounts written off	**(94)**	**-**
Balance at 31 December 2016	**60**	**50**

IFRS 7.37(b)

At 31 December 2016, 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 2016 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*].

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Debt securities (continued)

IFRS 7.34(a), 36(a)

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

	Carrying amount	
In thousands of euro	**2016**	**2015**
[*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	**2016**	**2015**
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 2016 or 2015.

IFRS 7.37(b)

An impairment loss of €60 thousand in respect of held-to-maturity investments was recognised in 2016 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 2016 (2015: €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 2016, the Company has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see Note 32(B)).

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

C. Financial risk management (continued)

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.

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 2016 (2015: 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 2016, the expected cash flows from trade and other receivables maturing within two months were €12,331 thousand (2015: €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 (2015: Euribor plus 160 basis points).
– €15 million facility that is unsecured and can be drawn down to meet short-term financing needs. The facility has a 30-day maturity that renews automatically at the option of the Group. Interest would be payable at a rate of Euribor plus 100 basis points (2015: Euribor plus 110 basis points).

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

C. Financial risk management (continued)

IFRS 7.31, 33

iii. Liquidity risk (continued)

Exposure to liquidity risk

IFRS 7.39(a)

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

		Contractual cash flows					
31 December 2016 *In thousands of euro*	**Carrying amount**	**Total**	**2 months or less**	**2–12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
IFRS 7.39(a), B11A–B11D **Non-derivative financial liabilities**							
Contingent consideration	270	(330)	-	-	-	(330)	-
Bank overdrafts	334	(334)	(334)	-	-	-	-
Secured bank loans	8,609	(9,409)	(1,667)	(420)	(1,810)	(5,512)	-
Unsecured bank loan	503	(520)	(194)	(326)	-	-	-
Unsecured bond issues	9,200	(10,272)	(59)	(3,195)	(709)	(6,309)	-
Convertible notes	4,678	(5,375)	-	(150)	(150)	(5,075)	-
Redeemable preference shares	1,939	(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	21,684	(21,684)	(21,684)	-	-	-	-
	49,196	(53,166)	(24,131)	(4,572)	(3,207)	(18,168)	(3,088)
IFRS 7.39(b), B11A–B11D **Derivative financial liabilities**[c]							
Interest rate swaps used for hedging	20	(21)	(1)	(6)	(6)	(8)	-
Forward exchange contracts used for hedging:							
– Outflow	8	(152)	(91)	(61)	-	-	-
– Inflow	-	142	85	57	-	-	-
	28	(31)	(7)	(10)	(6)	(8)	-

IFRS 7.39, B11, Insights 7.8.370.80

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

Insights 7.8.370.70

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

Insights 7.8.370.30

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.

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iii. Liquidity risk (continued)

Exposure to liquidity risk (continued)

IFRS 7.39(a), B11A–B11D

IFRS 7.39(b), B11A–B11D

		Contractual cash flows					
31 December 2015 *In thousands of euro*	**Carrying amount**	**Total**	**2 months or less**	**2–12 months**	**1–2 years**	**2–5 years**	**More than 5 years**
Non-derivative financial liabilities							
Bank overdrafts	282	(282)	(282)	-	-	-	-
Secured bank loans	12,078	(13,112)	(1,720)	(3,605)	(518)	(6,357)	(912)
Unsecured bank loan	117	(125)	(63)	(62)	-	-	-
Unsecured bond issues	9,200	(10,613)	(61)	(184)	(3,306)	(1,703)	(5,359)
Finance lease liabilities	2,182	(3,186)	(177)	(354)	(458)	(666)	(1,531)
Loan from associate	1,000	(1,048)	(8)	(1,040)	-	-	-
Trade payables	20,789	(20,789)	(20,789)	-	-	-	-
	45,648	(49,155)	(23,100)	(5,245)	(4,282)	(8,726)	(7,802)
Derivative financial liabilities							
Interest rate swaps used for hedging	5	(5)	-	(2)	(1)	(2)	-
Forward exchange contracts used for hedging:							
– Outflow	7	(41)	(25)	(16)	-	-	-
– Inflow	-	32	19	13	-	-	-
	12	(14)	(6)	(5)	(1)	(2)	-

IFRS 7.39(b)–(c), B11D

The 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, convertible notes will become repayable on demand if the Group's net debt to adjusted equity ratio exceeds 1.95. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreement.

The interest payments on variable interest rate loans and bond issues in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on contingent consideration (see Note 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 7.8.370.110

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.

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

C. Financial risk management (continued)

iv. Market risk

IFRS 7.33

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

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

Currency risk

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

IFRS 7.22

At any point in time, the Group hedges 75 to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than 1 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 (2015: €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 2016 was €1,090 thousand (2015: €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.

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iv. Market risk (continued)

Currency risk (continued)

IFRS 7.34(a)

Exposure to currency risk

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

	31 December 2016				31 December 2015			
In thousands of	EUR	USD	GBP	CHF	EUR	USD	GBP	CHF
Trade receivables	**1,977**	**8,365**	**2,367**	**-**	3,099	6,250	1,780	-
Secured bank loans	**-**	**(1,447)**	**(886)**	**(1,240)**	-	(1,521)	(4,855)	(1,257)
Trade payables	**(876)**	**(7,956)**	**(4,347)**	**-**	(5,411)	(10,245)	(2,680)	-
Net statement of financial position exposure	**1,101**	**(1,038)**	**(2,866)**	**(1,240)**	(2,312)	(5,516)	(5,755)	(1,257)
Next six months' forecast sales[a]	**9,000**	**23,000**	**12,000**	**-**	18,700	17,000	24,000	-
Next six months' forecast purchases[a]	**(10,000)**	**(20,000)**	**(8,000)**	**-**	(9,800)	(10,000)	(17,000)	-
Net forecast transaction exposure	**(1,000)**	**3,000**	**4,000**	**-**	8,900	7,000	7,000	-
Forward exchange contracts	**-**	**(950)**	**(946)**	**-**	-	(1,042)	(870)	-
Net exposure	**101**	**1,012**	**188**	**(1,240)**	6,588	442	375	(1,257)

IFRS 7.31

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

	Average rate		Year-end spot rate	
Euro	2016	2015	2016	2015
USD 1	**0.758**	0.765	**0.750**	0.758
GBP 1	**1.193**	1.214	**1.172**	1.230
CHF 1	**0.818**	0.825	**0.810**	0.828

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

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

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Notes to the consolidated financial statements (continued)

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

C. Financial risk management (continued)

iv. Market risk (continued)

Currency risk (continued)

IFRS 7.40

Sensitivity analysis

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

	Profit or loss		Equity, net of tax	
Effect in thousands of euro	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
31 December 2016				
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 2015				
EUR (10% movement)	(37)	37	28	(28)
USD (12% movement)	85	(85)	(8)	8
GBP (10% movement)	92	(92)	(7)	7
CHF (5% movement)	6	(6)	(50)	50

Interest rate risk

IFRS 7.22

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

IFRS 7.34(a)

Exposure to interest rate risk

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

	Nominal amount	
In thousands of euro	**2016**	**2015**
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.

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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 (2015: €66 thousand). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

IFRS 7.40

Cash flow sensitivity analysis for variable-rate instruments

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

	Profit or loss		Equity, net of tax	
Effect in thousands of euro	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2016				
Variable-rate instruments	**(66)**	**66**	**-**	**-**
Interest rate swaps	**61**	**(61)**	**310**	**(302)**
Cash flow sensitivity (net)	**(5)**	**5**	**310**	**(302)**
31 December 2015				
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.

IFRS 7.B5(a)(iii)

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

IFRS 7.40

Sensitivity analysis – Equity price risk

All of the Group's listed equity investments are listed on either the London Stock Exchange or the New York Stock Exchange. For such investments classified as available-for-sale, a 2% increase in the FTSE 100 plus a 3% increase in the Dow Jones Industrial Average at the reporting date would have increased equity by €28 thousand after tax (2015: an increase of €18 thousand after tax); an equal change in the opposite direction would have decreased equity by €28 thousand after tax (2015: a decrease of €18 thousand after tax). For such investments classified as at fair value through profit or loss, the impact of a 2% increase in the FTSE 100 plus a 3% increase in the Dow Jones Industrial Average at the reporting date on profit or loss would have been an increase of €16 thousand after tax (2015: €18 thousand after tax). An equal change in the opposite direction would have decreased profit or loss by €16 thousand after tax (2015: €18 thousand after tax).

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

D. Derivative assets and liabilities designated as cash flow hedges

IFRS 7.23(a)

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

	2016					2015				
		Expected cash flows					Expected cash flows			
In thousands of euro	Carrying amount	Total	1–6 months	6–12 months	More than one year	Carrying amount	Total	1–6 months	6–12 months	More than one year
Interest rate swaps										
Assets	**116**	**140**	**-**	**48**	**92**	131	155	-	39	116
Liabilities	**(20)**	**(21)**	**-**	**(7)**	**(14)**	(5)	(5)	-	(2)	(3)
Forward exchange contracts										
Assets	**297**	**326**	**261**	**65**	**-**	352	375	300	75	-
Liabilities	**(8)**	**(10)**	**(8)**	**(2)**	**-**	(7)	(9)	(7)	(2)	-
	385	**435**	**253**	**104**	**78**	471	516	293	110	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.

	2016					2015				
		Expected impact					Expected impact			
In thousands of euro	Carrying amount	Total	1–6 months	6–12 months	More than one year	Carrying amount	Total	1–6 months	6–12 months	More than one year
Interest rate swaps										
Assets	**116**	**140**	**-**	**48**	**92**	131	155	-	39	116
Liabilities	**(20)**	**(21)**	**-**	**(7)**	**(14)**	(5)	(5)	-	(2)	(3)
Forward exchange contracts										
Assets	**297**	**326**	**261**	**65**	**-**	352	375	300	75	-
Liabilities	**(8)**	**(10)**	**(8)**	**(2)**	**-**	(7)	(9)	(7)	(2)	-
	385	**435**	**253**	**104**	**78**	471	516	293	110	113

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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

In thousands of euro	*Note*	Gross and net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
31 December 2016				
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 2015				
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 7.8.150.65

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 7.8.150.110

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 by counterparty, an entity considers qualitative disclosure about the type of counterparty.

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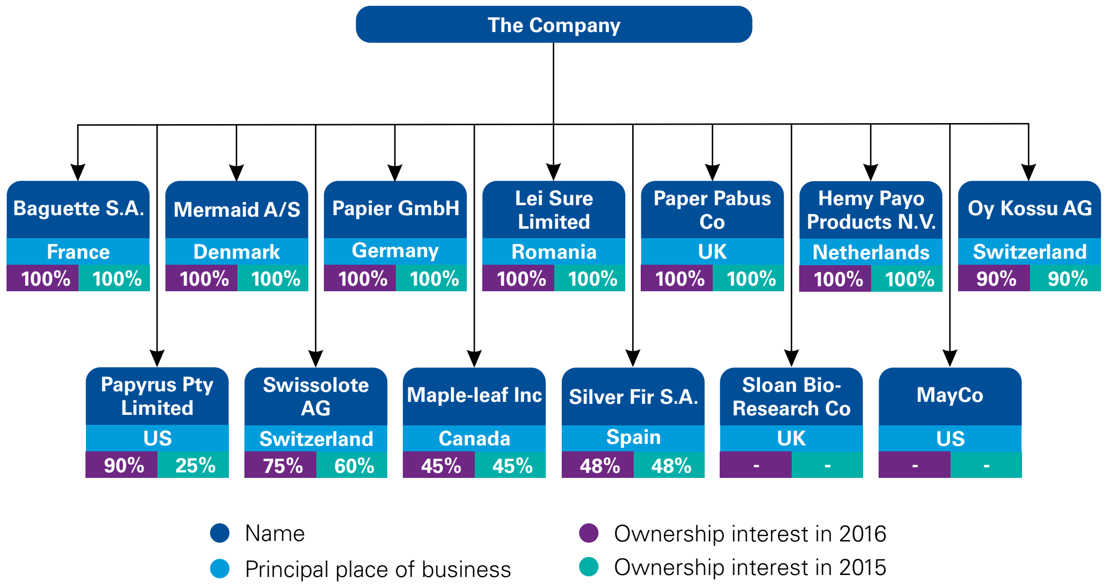
Notes to the consolidated financial statements (continued)

32. List of subsidiaries[a]

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

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

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



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

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

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

B. Sloan Bio-Research Co and MayCo

IFRS 12.10(b)(ii)

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

IFRS 12.14

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

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

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33. Acquisition of subsidiary

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

IFRS 3.B64(a)–(c)

On 31 March 2016, the Group acquired 65% of the shares and voting interests in Papyrus. As a result, the Group's equity interest in Papyrus increased from 25 to 90%, obtaining control of Papyrus (see Note 23(B)).

IFRS 3.B64(d)

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

IFRS 3.B64(q)

For the nine months ended 31 December 2016, 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 2016, 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 2016.

IFRS 3.B64(f)

A. Consideration transferred

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

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

i. Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2016 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 2015 Vesting date: 31 March 2019 Service condition	Vesting date: 31 March 2019 Service condition
Fair value at date of acquisition	€527 thousand	€571 thousand

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

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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 2016, 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.

In thousands of euro	**Note**	
Property, plant and equipment	*20(A)*	**1,955**
Intangible assets	*21(A)*	**250**
Inventories		**825**
Trade receivables (*IFRS 3.B64(h)(i)*)		**848**
Cash and cash equivalents (*IAS 7.40(c)*)		**375**
Loans and borrowings		**(500)**
Deferred tax liabilities	*13(E)*	**(79)**
Contingent liabilities	*30*	**(20)**
Site restoration provision	*30*	**(150)**
Trade and other payables		**(460)**
Total identifiable net assets acquired		**3,044**

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Notes to the consolidated financial statements (continued)

33. Acquisition of subsidiary (continued)

C. Identifiable assets acquired and liabilities assumed (continued)

IFRS 3.61

i. Measurement of fair values[a]

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

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

IFRS 3.B64(h)(ii)–(iii)

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

Fair values measured on a provisional basis

IFRS 3.B67(a), IAS 1.125

The following amounts have been measured on a provisional basis.

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

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

- Papyrus is the defendant in legal proceedings brought by a customer that alleges Papyrus supplied defective goods. Management's assessment, based on its interpretation of the underlying sales contract and independent legal advice, is that the basis for the customer's claim has little merit and it is not probable that an outflow will be required to settle the claim. Management's assessment of the fair value of this contingent liability, taking into account the range of possible outcomes of the judicial process, is €20 thousand (see Note 39).
- Papyrus's operations are subject to specific environmental regulations. The Group had conducted a preliminary assessment of site restoration provisions arising from these regulations and has recognised a provisional amount. The Group will continue to review these matters during the measurement period.

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

IFRS 13.BC184

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

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33. Acquisition of subsidiary (continued)

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

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

IFRS 3.B64(p)(ii)

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

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

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

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34. NCI[a]

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

IFRS 12.10(a)(ii), 12, B10–B11

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

31 December 2016 *In thousands of euro*	**Papyrus Pty Limited**
NCI percentage	**10%**
Non-current assets	**2,500**
Current assets	**1,780**
Non-current liabilities	**(715)**
Current liabilities	**(43)**
Net assets	**3,522**
Net assets attributable to NCI	**352**
Revenue	**20,409**
Profit	**450**
OCI	**25**
Total comprehensive income	**475**
Profit allocated to NCI	**45**
OCI allocated to NCI	**3**
Cash flows from operating activities	**430**
Cash flows from investment activities	**(120)**
Cash flows from financing activities (dividends to NCI: nil)	**12**
Net increase (decrease) in cash and cash equivalents	**322**

* See Note 43.

31 December 2015 *In thousands of euro*
NCI percentage
Non-current assets
Current assets
Non-current liabilities
Current liabilities
Net assets
Net assets attributable to NCI
Revenue
Profit
OCI
Total comprehensive income
Profit allocated to NCI
OCI allocated to NCI
Cash flows from operating activities
Cash flows from investment activities
Cash flows from financing activities (dividends to NCI: nil)
Net increase (decrease) in cash and cash equivalents

On 31 March 2016, 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 2016.

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Oy Kossu AG	**Swissolote AG**	**Maple-leaf Inc**	**Silver Fir S.A.**	**Other individually immaterial subsidiaries**	**Intra-group eliminations**	**Total**
10%	**25%**	**55%**	**52%**			
9,550	**7,438**	**1,550**	**4,948**			
5,120	**1,115**	**890**	**1,272**			
(5,230)	**(6,575)**	**(1,280)**	**(533)**			
(5,084)	**(915)**	**(442)**	**(1,018)**			
4,356	**1,063**	**718**	**4,669**			
436	**266**	**395**	**2,428**	**7**	**(35)**	**3,849**
10,930	**9,540**	**8,112**	**15,882**			
566	**410**	**245**	**309**			
-	**-**	**44**	**-**			
566	**410**	**289**	**309**			
57	**120**	**135**	**161**	**3**	**3**	**524**
-	**-**	**24**	**-**	**-**	**-**	**27**
210	**166**	**(268)**	**(135)**			
510	**75**	**-**	**(46)**			
(600)	**(320)**	**-**	**130**			
120	**(79)**	**(268)**	**(51)**			

Oy Kossu AG Restated*	**Swissolote AG Restated***	**Maple-leaf Inc**	**Silver Fir S.A.**	**Other individually immaterial subsidiaries**	**Intra-group eliminations**	**Total**
10%	40%	55%	52%			
9,120	7,322	1,394	4,874			
4,960	1,278	850	638			
(5,900)	(6,900)	(1,200)	-			
(4,390)	(1,047)	(615)	(1,152)			
3,790	653	429	4,360			
379	261	236	2,267	4	(38)	3,109
8,660	9,390	6,259	13,743			
150	252	236	285			
-	-	40	-			
150	252	276	285			
15	101	130	148	(5)	(22)	367
-	-	22	-	-	-	22
300	115	530	(100)			
(25)	(40)	(788)	(30)			
(200)	(50)	190	130			
75	25	(68)	-			

a. For additional disclosure examples and explanatory notes on IFRS 12, see our 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.

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35. Acquisition of NCI

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

IFRS 12.10(b)(iii), 18

In June 2016, the Group acquired an additional 15% interest in Swissolote for €200 thousand in cash, increasing its ownership from 60 to 75%. The carrying amount of Swissolote's net assets in the Group's consolidated financial statements on the date of the acquisition was €767 thousand. 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 Company of €85 thousand of changes in the Company's ownership interest in Swissolote.

In thousands of euro	
Carrying amount of NCI acquired (€767 x 15%)	**115**
Consideration paid to NCI	**200**
A decrease in equity attributable to owners of the Company	**(85)**

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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 2016. The Group obtained a waiver of the breach of covenant in October 2016 for a period of 18 months. Subsequent to 31 December 2016, the bank revised the loan covenant ratio from 2.5 to 3.5 times and the waiver was lifted. On the basis of the new covenant and its forecasts, management believes that the risk of the new covenant being breached is low and that the Group will continue as a going concern for the foreseeable future.

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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 2017. 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 payable as follows.

In thousands of euro	**2016**	**2015**
Less than one year	**417**	435
Between one and five years	**419**	486
More than five years	**1,764**	1,805
	2,600	2,726

ii. Amounts recognised in profit or loss

IAS 17.35(c)

In thousands of euro	***Note***	**2016**	**2015**
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 were receivable as follows.

In thousands of euro	**2016**	**2015**
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 2016, investment property rentals of €310 thousand (2015: €212 thousand) were included in 'revenue' (see Note 7). Maintenance expense, included in 'cost of sales' (see Note 8), was as follows.

In thousands of euro	**2016**	**2015**
Income-generating property	**45**	30
Vacant property	**20**	15
	65	45

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Notes to the consolidated financial statements (continued)

38. Commitments

IAS 16.74(c)

During 2016, the Group entered into a contract to purchase property, plant and equipment and patents and trademarks in 2016 for €1,465 thousand (2015: nil) and €455 thousand (2015: nil) respectively.

The Group is committed to incur other capital expenditure of €150 thousand (2015: €45 thousand). The Group's joint venture is committed to incur capital expenditure of €23 thousand (2015: €11 thousand), of which the Group's share is €9 thousand (2015: €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.

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)).

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40. Related parties[a]

A. Parent and ultimate controlling party

IAS 1.138(c), 24.13

During 2016, a majority of the Company's shares were acquired by Cameron Paper Co from Brown Products Corporation. As a result, the new ultimate controlling party of the Group is AJ Pennypacker. The previous ultimate controlling party was Sigma Global Investment Holdings.[b]

IAS 24.18

B. Transactions with key management personnel

i. Loans to directors[c]

During 2016, unsecured loans advanced to directors were €85 thousand (2015: €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 2016, the balance outstanding was €78 thousand (2015: €32 thousand) and is included in 'trade and other receivables' (see Note 17).

ii. Key management personnel compensation

Key management personnel compensation comprised the following.

	In thousands of euro	2016	2015
IAS 24.17(a)	Short-term employee benefits	**502**	420
IAS 19.151(b), 24.17(b)	Post-employment benefits	**82**	103
IAS 24.17(c)	Other long-term benefits	**3**	2
IAS 24.17(d)	Termination benefits	**25**	-
IAS 24.17(e)	Share-based payments	**516**	250
		1,128	775

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan (see Note 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 (2015: nil).

iii. Key management personnel transactions

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

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

IAS 24.18(b)(i)

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

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

IAS 24.13

b. The Company's parent produces consolidated financial statements that are available for public use. If neither the Company's parent nor its ultimate controlling party produced consolidated financial statements available for public use, the Company would disclose the name of the next most senior parent that does so. If neither the ultimate controlling party nor any intermediate controlling party produced consolidated financial statements that are available for public use, then this fact would be disclosed.

IAS 24.24

c. 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.

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Notes to the consolidated financial statements (continued)

40. Related parties (continued)

B. Transactions with key management personnel (continued)

iii. Key management personnel transactions (continued)

IAS 24.18(a)

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

In thousands of euro	*Note*	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
Transaction		**2016**	**2015**	**2016**	**2015**
Legal fees	*(a)*	**12**	13	**-**	-
Repairs and maintenance	*(b)*	**410**	520	**137**	351
Inventory purchases – paper	*(c)*	**66**	-	**-**	-

IAS 24.18(b)(i)

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

b. In 2015, the Group entered into a two-year contract with On-Track Limited, a company controlled by another director, to buy repairs and maintenance services on production equipment. The total contract value is €986 thousand. The contract terms are based on market rates for these types of services and amounts are payable on a quarterly basis for the duration of the contract.

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

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

IAS 24.18

C. Other related party transactions[a]

IAS 24.18(a)–(b), 19

In thousands of euro	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2016	**2015**	**2016**	**2015**
Sale of goods and services				
Parent of the Group – Cameron Paper Co (2015: Brown Products Corporation)	**350**	320	**253**	283
Joint venture	**745**	250	**651**	126
Associates	**400**	150	**332**	233
Purchase of goods				
Joint venture	**1,053**	875	**-**	-
Others				
Joint venture				
– Dividends received (see Note 23)	**21**	-	**-**	-
Associates				
– Loan and related interest (see Note 27)	**5**	6	**-**	1,000

Insights 5.5.120.30

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

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Notes to the consolidated financial statements (continued)

40. Related parties (continued)

C. Other related party transactions (continued)

IAS 24.18

IAS 24.18(b)(i)–(ii), (c)–(d), 23

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the reporting date. None of the balances is secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. During 2016, 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)(iv)(1), 24.21

Purchase obligations in relation to recycled paper products arise from supply and service contracts signed by the Group. During 2016, the Group entered into an €89 thousand supply financing agreement with Cameron Paper Co. At 31 December 2016, the Group has used €25 thousand of its commitment under the agreement.

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Notes to the consolidated financial statements (continued)

41. Subsequent events

IAS 10.21–22

A. Restructuring

At the end of January 2017, 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 2017, 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 2017 and 2018.

IAS 10.21–22

B. Others

Subsequent to 31 December 2016, 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 2017, one of the premises of Oy Kossu AG, having a carrying amount of €220 thousand, was seriously damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company. The Group is unable to estimate the incremental costs relating to refurbishment and temporary shift of production to other locations (in excess of the reimbursement expected).

As explained in Note 27(B), the Group breached a financial loan covenant associated with a bank loan in the third quarter of 2016. The Group obtained a waiver for the breach of covenant in October 2016 for a period of 18 months. Subsequent to 31 December 2016, the bank revised the loan covenant ratio and the waiver was lifted (see Note 36).

On 23 March 2017, an increase in the Netherlands corporate tax rate from 25 to 30% was substantively enacted, effective from 1 January 2018. This increase does not affect the amounts of current or deferred income taxes recognised at 31 December 2016. However, this change will increase the Group's future current tax charge accordingly. If the new tax rate was applied to calculate taxable temporary differences and tax losses recognised as at 31 December 2016, the effect would be that net deferred tax assets would increase by €27 thousand (see Note 13).

As reported in the interim financial statements, on 22 July 2016 the Group announced its intention to acquire all of the shares of ABC Company for €6,500 thousand. On 4 January 2017, 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 2017.

Subsequent to 31 December 2016, the loan covenant ratio related to a bank loan was revised (see Note 36).

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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)

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Notes to the consolidated financial statements (continued)

43. Correction of errors[a]

IAS 8.49

During 2016, the Group discovered that maintenance expenses had been erroneously duplicated in its financial statements since 2014. As a consequence, maintenance expenses and the related liabilities have been overstated. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

IAS 8.49

i. Consolidated statement of financial position

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

	Impact of correction of error		
1 January 2015 *In thousands of euro*	**As previously reported**	**Adjustments**	**As restated**
Total assets	84,012	-	84,012
Trade and other payables (current)	(28,339)	85	(28,254)
Deferred tax liabilities	(295)	(28)	(323)
Others	(25,862)	-	(25,862)
Total liabilities	(54,496)	57	(54,439)
Retained earnings	(8,414)	(57)	(8,471)
Others	(21,102)	-	(21,102)
Total equity	(29,516)	(57)	(29,573)
31 December 2015 *In thousands of euro*	**As previously reported**	**Adjustments**	**As restated**
Total assets	87,296	-	87,296
Trade and other payables (current)	(20,924)	96	(20,828)
Deferred tax liabilities	(374)	(32)	(406)
Others	(30,568)	-	(30,568)
Total liabilities	(51,866)	64	(51,802)
Retained earnings	(13,809)	(64)	(13,873)
Others	(21,621)	-	(21,621)
Total equity	(35,430)	(64)	(35,494)

IAS 8.49

ii. Consolidated statement of profit or loss and OCI

	Impact of correction of error		
For the year ended 31 December 2015 *In thousands of euro*	**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 2016 and 2015.

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*.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies[a]

IAS 1.112(a), 116, 117(b), 119–121

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

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 in profit or loss (see Note 43) or a change in the classification of certain depreciation expenses during the current year (see Note 20(H)), or as a result of an operation discontinued during the current year (see Note 6).

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

a. The example accounting policies illustrated reflect the circumstances of the Group on which these financial statements are based, by describing only the specific policies that are relevant to an understanding of the Group's consolidated 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]*.

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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]

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

[IFRS 10.23, B96]

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

iv. Loss of control

[IFRS 10.25, B98–B99]

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

v. Interests in equity-accounted investees[b]

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

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

Insights 5.10.140.150 — b. Although it is not illustrated, an entity's equity-accounted investee may have accounting policies for items that do not apply to the investor. In our view, this information should be included in the accounting policy note for equity-accounted investees if it is necessary for an understanding of income from or the carrying amount of equity-accounted investees.

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44. Significant accounting policies (continued)

A. Basis of consolidation (continued)

v. Interests in equity-accounted investees (continued)

[IFRS 11.15–16, IAS 28.3]

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

[IAS 28.38–39]

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

vi. Transactions eliminated on consolidation

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

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

B. Foreign currency

i. Foreign currency transactions

[IAS 21.21]

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

[IAS 21.23]

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

[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.

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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

B. Foreign currency (continued)

ii. Foreign operations (continued)

[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.

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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

D. Revenue (continued)

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.

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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

E. Employee benefits (continued)

ii. Share-based payment arrangements (continued)

[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.

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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

F. Government grants

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

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

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

G. Finance income and finance costs[a]

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- 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.

Insights 7.8.80.20

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

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

H. Income tax (continued)

ii. Deferred tax

[IAS 12.15, 24, 39, 44]

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

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

[IAS 12.56]

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. 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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

K. Property, plant and equipment

i. Recognition and measurement

[IFRS 1.D5, IAS 16.30], IAS 16.73(a)

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2005, the Group's date of transition to IFRS, was determined with reference to its fair value at that date.[a]

[IAS 16.45]

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

[IAS 16.41, 71]

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. Subsequent expenditure

[IAS 16.13]

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

iii. Depreciation

[IAS 16.53, 58, 60], IAS 16.73(b)

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

IAS 16.73(c)

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

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

[IAS 16.51]

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

iv. Reclassification to investment property

[IAS 40.62]

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

L. Intangible assets and goodwill

i. Recognition and measurement

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

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

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

L. Intangible assets and goodwill (continued)

ii. Subsequent expenditure

[IAS 38.18]

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

iii. Amortisation

[IAS 38.97], IAS 38.118(a)–(b)]

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

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

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

[IAS 38.104]

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

M. Investment property

[IAS 40.7, 33, 35]

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

[IAS 16.41, 71]

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

N. Construction contracts in progress

[IAS 11.44]

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. They are 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.

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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

O. Assets held for sale (continued)

[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.

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.

[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 7.B5(e), [IAS 39.43, 46, 55(a)]	**Financial assets at fair value through profit or loss**	A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.
[IAS 39.43, 46(b)]	**Held-to-maturity financial assets**	These assets are initially 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 7.B5(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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments (continued)

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.

[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 affect 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 is accounted for in accordance with IAS 12.

IAS 39.98–99, Insights 7.7.80.40

a. For a hedge of a forecast transaction that subsequently results in the recognition of a non-financial item, an entity chooses an accounting policy, to be applied consistently, to either remove the associated gains or losses that were recognised in OCI and include them in the initial cost or other carrying amount of the non-financial item; or to retain the associated gains or losses in OCI and reclassify them to profit or loss in the periods during which the non-financial item affects profit or loss. The Group has elected to apply the second approach.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

Q. Share capital (continued)

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.

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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

S. Impairment (continued)

i. Non-derivative financial assets (continued)

[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.

ii. Non-financial assets

[IAS 36.9, 10, 59] At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

[IAS 36.22, 80] For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

Insights 7.6.430.40 a. IFRS does not contain specific quantitative thresholds for 'significant' or 'prolonged'. The Group has established and disclosed the criteria that it applies to determine whether a decline in a quoted market price is 'significant' or 'prolonged'.

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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

S. Impairment (continued)

ii. Non-financial assets (continued)

[IAS 36.6, 30] The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

[IAS 36.59] An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

[IAS 36.104] Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

[IAS 36.117, 122, 124] An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

T. Provisions

[IAS 37.14, 45, 47, IFRIC 1.8] Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

[IAS 37.39]	**Warranties**	A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.
[IAS 37.72]	**Restructuring**	A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.
[IAS 37.21]	**Site restoration**	In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.
[IAS 37.66, 68]	**Onerous contracts**	A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see (S)(ii)).

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.

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Notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

U. Leases (continued)

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.

V. Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

W. Fair value measurement

[IFRS 13.9, 24, 42] 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

IFRS 13.93(g) A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see Note 4(B)(i)).

[IFRS 13.77, 79, Appendix A] When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

[IFRS 13.61–62] If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

[IFRS 13.70–71] If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

IFRS 7.28(a) The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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Notes to the consolidated financial statements (continued)

45. Standards issued but not yet effective[a, b]

IAS 8.30–31

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

Disclosure Initiative (Amendments to IAS 7)[c]

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

IFRS 15 *Revenue from Contracts with Customers*[d]

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

IAS 8.31

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 and their possible qualitative impact on the consolidated financial statements for illustrative purposes only.

   For a list of forthcoming requirements that are not yet mandatory for 2016 but are available for early adoption, see Appendix I.

b. The Group has disclosed known or reasonably estimable information relevant to assessing the possible impact that the application of new IFRS will have on its financial statements in the period of initial application that was available when the financial statements were prepared. As the mandatory effective date of a new IFRS approaches, some regulators have indicated they have an expectation that the extent of quantitative disclosures would increase.

c. The Group has not early adopted *Disclosure Initiative (Amendments to IAS 7)* in its consolidated financial statements for the year ended 31 December 2016. Appendix IV illustrates one possible way to meet the new disclosure requirement by providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

d. The Group has not early adopted IFRS 15 in its consolidated financial statements for the year ended 31 December 2016. Our publication Guide to annual financial statements – IFRS 15 supplement provides disclosure examples and explanations on early adoption of IFRS 15.

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Notes to the consolidated financial statements (continued)

45. Standards issued but not yet effective (continued)

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

i. Sales of goods

For the sale of paper products, revenue is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods. For some made-to-order paper product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue will be recognised as the products are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognised earlier than at present – i.e. before the goods are delivered to the customers' premises.

For certain contracts that permit the customer to return an item, revenue is currently recognised when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. If a reasonable estimate cannot be made, then revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made.

Under IFRS 15, revenue will be recognised for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset for recovery will be recognised for these contracts and presented separately in the statement of financial position.

For the loyalty programme operated by the Group, revenue is currently allocated between the loyalty programme and the paper products using the residual value method. That is, consideration is allocated to the loyalty programme based on the fair value of the loyalty points and the remainder of the consideration is allocated to the paper products. The amount allocated to the loyalty programme is deferred, and is recognised as loyalty points are redeemed or expire.

Under IFRS 15, consideration will be allocated between the loyalty programme and the paper products based on their relative stand-alone selling prices. As a consequence, a lower proportion of the consideration will be allocated to the loyalty programme, and therefore less revenue is likely to be deferred.

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. Revenue is currently recognised using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

The Group has performed an initial comparison of the fair value and the stand-alone selling prices of the services. Since these amounts are broadly similar, the Group does not expect significant differences in the timing of revenue recognition for these services.

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Notes to the consolidated financial statements (continued)

45. Standards issued but not yet effective (continued)

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

iii. Commission

For commissions earned by the Group, the Group has determined that it acts in the capacity of an agent for certain transactions, as explained in Note 7.

Under IFRS 15, the assessment will be based on the whether the Group controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

The Group has performed an initial assessment on these transactions and does not expect that there will be a significant impact on its consolidated financial statements.

iv. Construction contracts

Contract revenue currently 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. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

The Group has performed an initial assessment on previous contract modifications and does not expect that there will be a significant impact on its consolidated financial statements.

v. Transition

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated.

The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

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Notes to the consolidated financial statements (continued)

45. Standards issued but not yet effective (continued)

IFRS 9 *Financial Instruments*[a]

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 *Financial Instruments*.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 December 2016 and hedging relationships designated during 2016 under IAS 39.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At 31 December 2016, the Group had equity investments classified as available-for-sale with a fair value of €710 thousand that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognised in profit or loss as they arise, increasing volatility in the Group's profits.

a. The Group has not early adopted IFRS 9 in its consolidated financial statements for the year ended 31 December 2016. Appendix V provides disclosure examples and explanations on early adoption of IFRS 9.

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Notes to the consolidated financial statements (continued)

45. Standards issued but not yet effective (continued)

IFRS 9 *Financial Instruments (continued)*

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group's preliminary assessment indicated that application of IFRS 9's impairment requirements at 31 December 2016 would probably have resulted in an increase of between €200 thousand and €250 thousand in loss allowances at that date compared with impairment losses recognised under IAS 39. However, the Group has not yet finalised the impairment methodologies that it will apply under IFRS 9.

iii. Classification – Financial liabilities

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

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

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Notes to the consolidated financial statements (continued)

45. Standards issued but not yet effective (continued)

IFRS 9 *Financial Instruments (continued)*

iv. Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group's current plan is that it will elect to apply the new requirements of IFRS 9.

IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The Group currently does not undertake hedges of such risk components.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases.

The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. Under IAS 39, the change in fair value of the forward element of the forward exchange contracts ('forward points') is recognised immediately in profit or loss.

On adoption of IFRS 9, the Group may elect for the forward points to be separately accounted for as a cost of hedging. In this case, they would be recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity and accounted for subsequently like gains and losses accumulated in the cash flow hedge reserve.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognised.

The Group's preliminary assessment indicated that the types of hedge accounting relationships that the Group currently designates should be capable of meeting the requirements of IFRS 9 if the Group completes certain planned changes to its internal documentation and monitoring processes. The Group's preliminary assessment also indicated that the expected changes in accounting policies for costs of hedging and hedges of inventory purchases would have had an immaterial impact if applied to the Group's hedge accounting during 2016.

v. Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

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Notes to the consolidated financial statements (continued)

45. Standards issued but not yet effective (continued)

IFRS 9 *Financial Instruments (continued)*

vi. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

– The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

– New hedge accounting requirements should generally be applied prospectively. However the Group may elect to apply the expected change in accounting for forward points retrospectively. The Group has not made a decision in relation to this election.

– The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

  - The determination of the business model within which a financial asset is held.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

IFRS 16 *Leases*

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of warehouse and factory facilities. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions. No significant impact is expected for the Group's finance leases.

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Notes to the consolidated financial statements (continued)

45. Standards issued but not yet effective (continued)

IFRS 16 *Leases (continued)*

i. Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4, as explained in Note 27.

On transition to IFRS 16, the Group can choose whether to:

– Apply the IFRS 16 definition of a lease to all its contracts; or

– Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group is assessing whether to apply the practical expedient and the potential impact on its consolidated financial statements, and whether this will affect the number of contracts identified as leases on transition.

ii. Transition

As a lessee, the Group can either apply the standard using a:

– Retrospective approach; or

– Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

The Group has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Group expects to disclose its transition approach and quantitative information before adoption.

The Group expects that adoption of IFRS 16 will not impact its ability to comply with the revised maximum leverage threshold loan covenant described in Note 36.

Other amendments

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

– *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).*

– *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*

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Appendix I

New standards or amendments for 2016 and forthcoming requirements

Since the September 2015 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 by the IASB as at 15 August 2016, 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 2016.

– **Forthcoming requirements:** This table lists the recent changes to IFRS that are required to be applied for annual periods beginning after 1 January 2016 and that are available for early adoption in annual periods beginning on 1 January 2016.

The tables also include a cross-reference to further KPMG guidance, as appropriate. All of the effective dates in the tables refer to the beginning of an annual accounting period.

New currently effective requirements

Effective date	New standards or amendments	KPMG guidance
1 January 2016	IFRS 14 *Regulatory Deferral Accounts*	In the Headlines – Issue 2014/01
	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	Web article
	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	In the Headlines – Issue 2014/08
	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	In the Headlines – Issue 2014/12
	Equity Method in Separate Financial Statements (Amendments to IAS 27)	Web article
	Annual Improvements to IFRSs 2012–2014 Cycle – various standards	IFRS Newsletter: The Balancing Items – Issue 7
	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	Web article
	Disclosure Initiative (Amendments to IAS 1)	Web article

In this guide, the Group has no transactions that would be affected by these new amendments.

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Forthcoming requirements

Effective date	New standards or amendments	KPMG guidance
1 January 2017	*Disclosure Initiative (Amendments to IAS 7)*	Web article
	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	Web article
1 January 2018	IFRS 15 *Revenue from Contracts with Customers*	*Insights into IFRS* (Chapter 4.2A), Web article (with links to in-depth analysis)
	IFRS 9 *Financial Instruments*	*Insights into IFRS* (Chapters 7A and 7B), Web article (with links to in-depth analysis)
	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Web article
1 January 2019	IFRS 16 *Leases*[a]	*Insights into IFRS* (Chapter 5.1A), Web article (with links to in-depth analysis)
To be determined[b]	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*	Web article

a. Early application of IFRS 16 is permitted only for companies that also apply IFRS 15.

b. The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

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Appendix II

Presentation of comprehensive income – Two-statement approach

Consolidated income statement[a]

Reference	In thousands of euro	Note	2016	2015 Restated*
			For the year ended 31 December	
IAS 1.10(b), 10A, 38–38A, 81A, 113	*In thousands of euro*	***Note***	**2016**	**2015 Restated***
	Continuing operations			
IAS 1.82(a)	Revenue	7	**102,716**	96,636
IAS 1.99, 103	Cost of sales	8(C)	**(55,432)**	(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)	**(1,146)**	(30)
IAS 1.85, BC55–BC56	**Operating profit**		**10,334**	9,624
IAS 1.85	Finance income		**1,161**	458
IAS 1.82(b)	Finance costs		**(1,707)**	(1,624)
IAS 1.85	**Net finance costs**	9	**(546)**	(1,166)
IAS 1.82(c)	Share of profit of equity-accounted investees, net of tax	23	**1,141**	587
IAS 1.85	**Profit before tax**		**10,929**	9,045
IAS 1.82(d), 12.77	Income tax expense	13	**(3,371)**	(2,520)
IAS 1.85	**Profit from continuing operations**		**7,558**	6,525
IFRS 5.33A, IAS 1.82(ea)	**Discontinued operation**			
	Profit (loss) from discontinued operation, net of tax	6	**379**	(422)
IAS 1.81A(a)	**Profit**		**7,937**	6,103
	Profit attributable to:			
IAS 1.81B(a)(ii)	Owners of the Company		**7,413**	5,736
IAS 1.81B(a)(i)	Non-controlling interests	34	**524**	367
			7,937	6,103
IAS 33.4A	**Earnings per share**			
IAS 33.66, 67A	Basic earnings per share (euro)	10	**2.26**	1.73
IAS 33.66, 67A	Diluted earnings per share (euro)	10	**2.15**	1.72
	Earnings per share – Continuing operations			
IAS 33.66, 67A	Basic earnings per share (euro)	10	**2.14**	1.87
IAS 33.66, 67A	Diluted earnings per share (euro)	10	**2.03**	1.86
	Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	14	**15,778**	16,949

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

The notes on pages 22 to 149 are an integral part of these consolidated financial statements.

IAS 1.10A — a. This appendix illustrates the two-statement approach to the presentation of comprehensive income, consisting of an income statement displaying profit or loss, and a separate statement displaying the components of OCI.

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Consolidated statement of profit or loss and other comprehensive income

Reference	*In thousands of euro*	*Note*	For the year ended 31 December 2016	2015 Restated*
IAS 1.10A	**Profit**		**7,937**	6,103
	Other comprehensive income			
IAS 1.82A(a)	**Items that will not be reclassified to profit or loss**			
IAS 1.85	Revaluation of property, plant and equipment	20(F)	**200**	-
IAS 1.85	Remeasurements of the defined benefit liability (asset)	12(B)	**72**	(15)
IAS 1.85	Equity-accounted investees – share of OCI	23, 25(D)	**13**	(3)
IAS 1.91(b)	Related tax	13(B)	**(90)**	5
			195	(13)
IAS 1.82A(b)	**Items that are or may be reclassified subsequently to profit or loss**			
IAS 21.52(b)	Foreign operations – foreign currency translation differences		**680**	471
IAS 1.85	Net investment hedge – net loss		**(3)**	(8)
IAS 1.85	Equity-accounted investees – share of OCI	23, 25(D)	**(172)**	(166)
IAS 1.85, 92	Reclassification of foreign currency differences on loss of significant influence	33(D)	**(20)**	-
IFRS 7.23(c),	Cash flow hedges – effective portion of changes in fair value		**(62)**	95
IFRS 7.23(d), IAS 1.92	Cash flow hedges – reclassified to profit or loss		**(31)**	(11)
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value		**199**	118
IFRS 7.20(a)(ii), IAS 1.92	Available-for-sale financial assets – reclassified to profit or loss		**(64)**	-
IAS 1.91(b)	Related tax	13(B)	**(14)**	(67)
			513	432
IAS 1.81A(b)	**Other comprehensive income, net of tax**		**708**	419
IAS 1.81A(c)	**Total comprehensive income**		**8,645**	6,522
	Total comprehensive income attributable to:			
IAS 1.81B(b)(ii)	Owners of the Company		**8,094**	6,133
IAS 1.81B(b)(i)	Non-controlling interests	34	**551**	389
			8,645	6,522

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

The notes on pages 22 to 149 are an integral part of these consolidated financial statements.

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Appendix III

Statement of cash flows - Direct method

IAS 1.10(d), 38–38A, 113

Consolidated statement of cash flows

For the year ended 31 December

Reference	*In thousands of euro*	Note	2016	2015
IAS 7.18(a)	**Cash flows from operating activities**			
	Cash receipts from customers		**96,049**	97,996
	Cash paid to suppliers and employees		**(90,439)**	(93,025)
	Cash generated from operating activities		**5,610**	4,971
IAS 7.31–32	Interest paid		**(1,499)**	(1,289)
IAS 7.35	Income taxes paid		**(400)**	(1,913)
IAS 7.10	**Net cash from operating activities**		**3,711**	1,769
	Cash flows from investing activities			
IAS 7.31	Interest received		**6**	19
IAS 7.31	Dividends received		**26**	32
IAS 7.16(b)	Proceeds from sale of property, plant and equipment		**1,177**	397
IAS 7.21	Proceeds from sale of investments		**1,476**	534
IAS 7.39	Disposal of discontinued operation, net of cash disposed of	*6*	**10,890**	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired	*33*	**(1,799)**	-
IAS 7.16(a)	Acquisition of property, plant and equipment	*20(A)*	**(15,657)**	(2,228)
IAS 7.16(a)	Acquisition of investment property	*22(A)*	**(300)**	(40)
IAS 7.21	Purchase of non-current biological assets	*15(A)*	**(305)**	(814)
IAS 7.16(a)	Acquisition of other investments		**(359)**	(363)
IAS 24.18	Dividends from equity-accounted investees	*23(A)*	**21**	-
IAS 7.21	Development expenditure	*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

IAS 7.45

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

The notes on pages 22 to 149 are an integral part of these consolidated financial statements.

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Example disclosures for entities that early adopt *Disclosure Initiative (Amendments to IAS 7)*

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Extracts of notes to the consolidated financial statements

44. Significant accounting policies

IAS 7.60, 8.28

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

The Group has early adopted the disclosure requirements in *Disclosure Initiative (Amendments to IAS 7)*, on 1 January 2016, before the mandatory effective date of 1 January 2017. Consequently, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2016. Comparative information has not been presented (see Note 27(F)).

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27. Loans and borrowings

IAS 7.44A, 44C–44E

F. Reconciliation of movements of liabilities to cash flows arising from financing activities[a]

			Liabilities		
	In thousands of euro	***Note***	**Bank overdrafts used for cash management purposes**	**Other loans and borrowings**	**Convertible notes**
	Restated balance at 1 January 2016		**282**	**22,395**	**-**
IAS 7.44B(a)	**Changes from financing cash flows**				
	Proceeds from issue of share capital	*25(A)*	-	-	-
	Proceeds from issue of convertible notes	*27(C)*	-	-	**4,837**
	Proceeds from issue of redeemable preference shares	*27(D)*	-	-	-
	Proceeds from loans and borrowings		-	**591**	-
	Proceeds from sale of treasury shares		-	-	-
	Proceeds from exercise of share options	*25(A)*	-	-	-
	Proceeds from settlement of derivatives		-	-	-
	Transaction costs related to loans and borrowings	*27(C)–(D)*	-	-	**(250)**
	Acquisition of non-controlling interests	*35*	-	-	-
	Repayment of borrowings		-	**(5,055)**	-
	Payment of finance lease liabilities	*25(C)*	-	-	-
	Dividend paid		-	-	-
	Total changes from financing cash flows		**-**	**(4,464)**	**4,587**
IAS 7.44B(b)	**Changes arising from obtaining or losing control of subsidiaries or other businesses**		**-**	**500**	**-**
IAS 7.44B(c)	**The effect of changes in foreign exchange rates**		**-**	**(122)**	**-**
IAS 7.44B(d)	**Changes in fair value**		**-**	**-**	**-**
IAS 7.44B(e)	**Other changes**				
	Liability-related				
	Change in bank overdraft	*18*	**52**	-	-
	New finance leases		-	-	-
	Capitalised borrowing costs	*20(E), 21(D)*	-	**231**	-
	Interest expense	*9*	-	**1,061**	**91**
	Interest paid		-	**(1,289)**	-
	Total liability-related other changes		**52**	**3**	**91**
	Total equity-related other changes		**-**	**-**	**-**
	Balance at 31 December 2016		**334**	**18,312**	**4,678**

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Extracts of notes to the consolidated financial statements (continued)

Liabilities		Derivatives (assets)/liabilities held to hedge long-term borrowings		Equity				
Redeemable preference shares	Finance lease liabilities	Interest rate swap and forward exchange contracts used for hedging – assets	Interest rate swap and forward exchange contracts used for hedging – liabilities	Share capital/ premium	Reserves	Retained earnings	Non-controlling interests	Total
-	2,182	(205)	12	18,050	462	13,873	3,109	60,160
-	-	-	-	1,550	-	-	-	1,550
-	-	-	-	-	163	-	-	5,000
2,000	-	-	-	-	-	-	-	2,000
-	-	-	-	-	-	-	-	591
-	-	-	-	19	11	-	-	30
-	-	-	-	50	-	-	-	50
-	-	5	-	-	-	-	-	5
(61)	-	-	-	-	-	-	-	(311)
-	-	-	-	-	8	(93)	(115)	(200)
-	-	-	-	-	-	-	-	(5,055)
-	(454)	-	-	-	-	-	-	(454)
-	-	-	-	-	-	(1,243)	-	(1,243)
1,939	(454)	5	-	1,619	182	(1,336)	(115)	1,963
-	-	-	-	87	-	120	-	707
-	-	-	-	-	-	-	-	(122)
-	-	20	16	-	-	-	-	36
-	-	-	-	-	-	-	-	52
-	200	-	-	-	-	-	-	200
-	-	-	-	-	-	-	-	231
51	210	-	-	-	-	-	-	1,413
-	(210)	-	-	-	-	-	-	(1,499)
51	200	-	-	-	-	-	-	397
-	-	4	-	-	566	8,229	855	9,654
1,990	1,928	(176)	28	19,756	1,210	20,886	3,849	72,795

IAS 7.44D

a. This appendix illustrates one possible format to meet the new disclosure requirement in *Disclosure Initiative (Amendments to IAS 7)* by providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. Other presentation formats are possible. Although the amendment only requires disclosure of a reconciliation of changes in liabilities arising from financing activities, management has voluntarily elected to expand the disclosure to cover changes in equity balances arising from financing activities as well.

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Appendix V

Example disclosures for entities that early adopt IFRS 9 *Financial Instruments* (2014)

This appendix does not illustrate the effect that the adoption of IFRS 9 could have on the accounting for investments in equity-accounted investees and disposal groups as a consequence of adjustments to the accounting for financial instruments included within these financial statement captions. The appendix also does not illustrate examples of notes for non-financial assets and liabilities that may also require restatement as a consequence of the adoption of IFRS 9, such as notes related to current and deferred income taxes.

The following financial statements, related note disclosures and significant accounting policies have been included within this appendix to illustrate the effects of the adoption of IFRS 9.

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Consolidated statement of financial position[a, b]

IAS 1.10(a), (ea)–(f), 38–38A, 40A–40B, 113

	In thousands of euro	*Note*	31 December 2016	31 December 2015 Restated[c]
	Assets			
	Property, plant and equipment		**XXX**	XXX
	Intangible assets and goodwill		**XXX**	XXX
	Biological assets		**XXX**	XXX
IAS 1.54(h)	Trade and other receivables	*17*	**205**	-
	Investment property		**XXX**	XXX
	Equity-accounted investees		**XXX**	XXX
IAS 1.54(d)	Other investments, including derivatives	*24*	**3,616**	XXX
IAS 1.54(o), 56	Deferred tax assets		**2,195**	XXX
	Employee benefits		**XXX**	XXX
	Non-current assets		**XXX**	XXX
	Inventories		**11,591**	XXX
	Biological assets		**XXX**	XXX
IAS 1.54(d)	Other investments, including derivatives	*24*	**662**	XXX
	Current tax assets		**XXX**	XXX
IAS 1.54(h)	Trade and other receivables	*17*	**32,200**	XXX
	Prepayments		**XXX**	XXX
IAS 1.54(i)	Cash and cash equivalents	*18*	**1,504**	XXX
			XXX	XXX
	Assets held for sale		**XXX**	XXX
IAS 1.60	**Current assets**		**XXX**	XXX
	Total assets		**XXX**	XXX

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Consolidated statement of financial position (continued)

IAS 1.10(a), (ea)–(f), 38–38A, 40A–40B, 113

		In thousands of euro	**Note**	**31 December 2016**	**31 December 2015 Restated***
		Equity			
		Share capital		**XXX**	XXX
		Share premium		**XXX**	XXX
IAS 1.54(r), 78(e)		Reserves		**1,206**	488
IAS 1.55, 78(e)		Retained earnings		**20,752**	13,847
		Equity attributable to owners of the Company		**XXX**	XXX
IAS 1.54(q)		**Non-controlling interests**		**3,827**	XXX
		Total equity		**XXX**	XXX
		Liabilities			
IAS 1.54(m)		Loans and borrowings	*27*	**21,920**	XXX
		Employee benefits		**XXX**	XXX
IAS 1.54(k)		Trade and other payables	*28*	**290**	XXX
		Deferred income/revenue		**XXX**	XXX
		Provisions		**XXX**	XXX
		Deferred tax liabilities		**XXX**	XXX
		Non-current liabilities		**XXX**	XXX
IAS 1.55		Bank overdraft	*18*	**334**	XXX
		Current tax liabilities		**XXX**	XXX
IAS 1.54(m)		Loans and borrowings	*27*	**4,988**	XXX
		Employee benefits		**XXX**	XXX
IAS 1.54(k)		Trade and other payables	*28*	**21,720**	XXX
		Deferred income/revenue		**XXX**	XXX
		Provisions		**XXX**	XXX
				XXX	XXX
		Liabilities directly associated with the assets held for sale		**XXX**	XXX
		Current liabilities		**XXX**	XXX
		Total liabilities		**XXX**	XXX
		Total equity and liabilities		**XXX**	XXX

a. This appendix illustrates one possible format for the potential disclosures required in financial statements for early adoption of IFRS 9 (2014). Only numbers for certain line items affected by early adoption of IFRS 9 (2014) are presented. All references to paragraphs of IFRS 9 in this appendix refer to IFRS 9 (2014). Unless otherwise indicated, references to other standards in the context of 2016 amounts and restated 2015 amounts reflect consequential amendments that are applicable when an entity applies IFRS 9 (2014) and references to other standards in the context of 2015 amounts that are not restated do not reflect those consequential amendments.

IFRS 7R.44Z

b. IFRS 9, as issued in July 2014, made the following changes to IFRS 7R (IFRS 7 as amended by IFRS 9):

- amended paragraphs 2–5, 8–11, 14, 20, 28–30, 36 and 42C–42E, Appendix A and paragraphs B1, B5, B9, B10, B22, and B27;
- deleted paragraphs 12, 12A, 16, 22–24, 37, 44E, 44F, 44H–44J, 44N, 44S–44W, 44Y, B4 and Appendix D; and
- added paragraphs 5A, 10A, 11A, 11B, 12B–12D, 16A, 20A, 21A–21D, 22A–22C, 23A–23F, 24A–24G, 35A–35N, 42I—2S, 44ZA and B8A–B8J.

An entity applies these amendments when it applies IFRS 9. These amendments need not be applied to comparative information provided for periods before the date of initial application of IFRS 9.

IFRS 9.7.2.15–16, IAS 1.40A

c. The Group has taken advantage of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of IFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative information has only been restated for the retrospective application of certain hedging requirements in accordance with paragraph 7.2.26 of IFRS 9 and the amendments to the presentation requirements of paragraph 82 of IAS 1. See Note X for further information. Paragraph 40A of IAS 1 requires an entity to present a third statement of financial position as at the beginning of the preceding period if it applies an accounting policy retrospectively and the retrospective application has a material effect on the information in the statement of financial position at the beginning of the preceding period. The entity has concluded that a third statement of financial position is not required in this case.

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

For the year ended 31 December

Reference	*In thousands of euro*	*Note*	2016	2015 Restated*
IAS 1.10(b), 38–38A, 81A, 113				
	Continuing operations			
IAS 1.82(a)	Revenue[b]	*7*	**102,710**	96,629
IAS 1.99, 103	Cost of sales	*8(C)*	**(55,432)**	(56,188)
	Gross profit		**XXX**	XXX
	Other income		**XXX**	XXX
	Selling and distribution expenses		**XXX**	XXX
	Administrative expenses		**XXX**	XXX
	Research and development expenses		**XXX**	XXX
IAS 1.82(ba)	Impairment loss on trade and other receivables[c]	*31(C)(ii)*	**(200)**	(30)
IAS 1.99, 103	Other expenses	*8(B)*	**(996)**	-
	Operating profit		**XXX**	XXX
IAS 1.82(a), 1.85, 18.35(b)(iii)	Finance income – interest revenue[b]		**208**	151
	Finance income – other		**953**	307
IAS 1.82(ba)	Impairment loss on debt securities[c]	*31(C)(ii)*	**(59)**	-
IAS 1.82(b)	Finance costs – other		**(1,683)**	(1,627)
	Net finance costs		**(581)**	(1,169)
	Share of profit of equity-accounted investees, net of tax		**XXX**	XXX
	Profit before tax		**XXX**	XXX
IAS 1.82(d), 12.77	Income tax expense	*13*	**(3,340)**	(2,517)
	Profit from continuing operations		**XXX**	XXX
	Discontinued operation			
	Profit (loss) from discontinued operation, net of tax		**XXX**	XXX
	Profit		**XXX**	XXX

IAS 1.82 (aa), (ba), (ca), (cb)

a. As well as impairment losses determined in accordance with IFRS 9, paragraph 82 of IAS 1 (as amended by IFRS 9) requires additional line items presenting the following amounts to be included in the statement of profit or loss, if applicable, following adoption of IFRS 9:

- gains or losses arising from the derecognition of financial assets measured at amortised cost;
- gains or losses arising on the reclassification of a financial asset from the amortised cost measurement category to FVTPL measurement; and
- gains or losses arising on the reclassification of a financial asset from the FVOCI measurement category to the FVTPL measurement category.

IAS 1.82(a)

b. Paragraph 82(a) of IAS 1 (as amended by IFRS 9) requires the statement of profit or loss to include line items that present revenue for the period, presenting separately interest revenue calculated using the effective interest method. The Group has presented interest from financial investments within 'finance income' (see Note 9). In our experience, this presentation is generally followed by entities other than financial institutions.

IAS 1.82(ba), 85

c. Paragraph 82(ba) of IFRS 1 (as amended by IFRS 9) requires the statement of profit or loss to include line items that present impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with section 5.5 of IFRS 9 for the period. The Group has disaggregated this line item into impairment related to trade receivables and contract assets and impairment related to investments in debt securities as the Group believes such presentation is relevant to an understanding of the Group's financial performance.

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

For the year ended 31 December

Reference	*In thousands of euro*	*Note*	2016	2015 Restated*
IAS 1.10(b), 38–38A, 81A, 113				
	Other comprehensive income			
IAS 1.82A(a)–(b)	**Items that will not be reclassified to profit or loss**			
	Revaluation of property, plant and equipment		**XXX**	XXX
	Remeasurements of defined benefit liability (asset)		**XXX**	XXX
	Equity-accounted investees – share of OCI		**XXX**	XXX
IFRS 7R.20(a)(vii)	Equity investments at FVOCI – net change in fair value		**141**	
IAS 1.91(b)	Related tax		**(137)**	XXX
			XXX	XXX
IAS 1.82A(b)	**Items that are or may be reclassified subsequently to profit or loss**			
	Foreign operations – foreign currency translation differences		**XXX**	XXX
IAS 1.85	Net investment hedge – net loss		**(3)**	(8)
	Equity-accounted investees – share of OCI		**XXX**	XXX
	Reclassification of foreign currency differences on loss of significant influence		**XXX**	XXX
IFRS 7R.24C(b) IFRS 7.23(c)	Cash flow hedges – effective portion of changes in fair value		**(62)**	95
IFRS 7R.24C(b) IFRS 7.23(d), IAS 1.92	Cash flow hedges – reclassified to profit or loss		**(31)**	(11)
IAS 1.85	Cost of hedging reserve – changes in fair value		**(34)**	(10)
IAS 1.92	Cost of hedging reserve – reclassified to profit or loss		**(8)**	(2)
IFRS 7.20(a)(ii)	Available-for-sale financial assets – net change in fair value			118
IFRS 7R.20(a)	Debt investments at FVOCI – net change in fair value		**55**	
IFRS 7R.20(a), IAS 1.92	Debt investments at FVOCI – reclassified to profit or loss		**(64)**	
IAS 1.91(b)	Related tax		**34**	(70)
			XXX	XXX
	Other comprehensive income, net of tax		**XXX**	XXX
	Total comprehensive income		**XXX**	XXX
	Profit attributable to:			
	Owners of the Company		**XXX**	XXX
	Non-controlling interests	*34*	**XXX**	XXX
			XXX	XXX
	Total comprehensive income attributable to:			
	Owners of the Company		**XXX**	XXX
	Non-controlling interests		**XXX**	XXX
			XXX	XXX
	Earnings per share			
	Basic earnings per share (euro)		**2.25**	XXX
	Diluted earnings per share (euro)		**2.14**	XXX
	Earnings per share – Continuing operations			
	Basic earnings per share (euro)		**2.13**	XXX
	Diluted earnings per share (euro)		**2.02**	XXX
	Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)		**XXX**	XXX

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Reference			Attributable to owners of the Company			
IAS 1.10(c), 108, 113	*In thousands of euro*	***Note***	**Share capital**	**Share premium**	**Translation reserve**	**Hedging reserve**
	Restated balance at 31 December 2015		**14,550**	**3,500**	**156**	**490**
IAS 8.28(f)–(g)	**Adjustment on initial application of IFRS 9 (net of tax)**		-	-	-	-
	Adjusted balance at 1 January 2016		**14,550**	**3,500**	**156**	**490**
	Total comprehensive income					
IAS 1.106(d)(i)	Profit		-	-	-	-
IAS 1.106(d)(ii), 106A	Other comprehensive income	*13(B), 25(D)*	-	-	**XXX**	**(62)**
IAS 1.106(a)	**Total comprehensive income**		-	-	**XXX**	**(62)**
IFRS 9.6.5.11(d)(i), 15(b)(i), 16	**Hedging gains and losses and costs of hedging transferred to the cost of inventory**					**(8)**
	Transactions with owners of the Company					
IAS 1.106(d)(iii)	**Contributions and distributions**					
	Issue of ordinary shares	*25(A)*	**XXX**	**XXX**	-	-
	Business combination	*33(A)*	**XXX**	**XXX**	-	-
	Issue of convertible notes	*13(C), 27(C)*	-	-	-	-
	Treasury shares sold	*25(B)*	-	**XXX**	-	-
	Dividends	*25(C)*	-	-	-	-
	Equity-settled share-based payment	*12(E), 13(C)*	-	-	-	-
	Share options exercised	*25(A)*	**XXX**	**XXX**	-	-
	Total contributions and distributions		**XXX**	**XXX**	-	-
IAS 1.106(d)(iii)	**Changes in ownership interests**					
	Acquisition of NCI without a change in control	*35*	-	-	**XXX**	-
	Acquisition of subsidiary with NCI	*33*	-	-	-	-
	Total changes in ownership interests		-	-	**XXX**	-
	Total transactions with owners of the Company		**XXX**	**XXX**	**XXX**	-
	Balance at 31 December 2016		**XXX**	**XXX**	**XXX**	**420**

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Consolidated statement of changes in equity

For the year ended 31 December 2016

Attributable to owners of the Company								
Cost of hedging reserve	Fair value reserve	Revaluation reserve	Treasury share reserve	Equity component of convertible notes	Retained earnings	Total	Non-controlling interests	Total equity
26	96	-	(280)	-	13,847	32,385	3,109	35,494
-	3	-	-	-	(104)	(101)	(16)	(117)
26	99	-	(280)	-	13,743	32,284	3,093	35,377
-	-	-	-	-	7,408	7,408	518	7,926
(27)	88	XXX	-	-	XXX	660	27	687
(27)	88	XXX	-	-	7,469	8,068	545	8,613
(4)						(12)		(12)
-	-	-	-	-	-	XXX	-	XXX
-	-	-	-	-	XXX	XXX	-	XXX
-	-	-	-	XXX	-	XXX	-	XXX
-	-	-	XXX	-	-	XXX	-	XXX
-	-	-	-	-	XXX	XXX	-	XXX
-	-	-	-	-	XXX	XXX	-	XXX
-	-	-	-	-	-	XXX	-	XXX
-	-	-	XXX	XXX	XXX	XXX	-	XXX
-	-	-	-	-	XXX	XXX	XXX	XXX
-	-	-	-	-	-	-	XXX	XXX
-	-	-	-	-	XXX	XXX	XXX	XXX
-	-	-	XXX	XXX	XXX	XXX	XXX	XXX
(5)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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			Attributable to owners of the Company			
IAS 1.10(c), 108, 113	*In thousands of euro*	***Note***	**Share capital**	**Share premium**	**Translation reserve**	**Hedging reserve**
	Balance at 1 January 2015, as previously reported		XXX	XXX	XXX	XXX
IAS 8.28(f)–(g), IAS 1.106(b)	**Adjustment from adoption of IFRS 9 (net of tax)**		-	-	-	-
	Restated balance at 1 January 2015		XXX	XXX	XXX	XXX
	Total comprehensive income (restated)					
IAS 1.106(d)(i)	Profit		-	-	-	-
IAS 1.106(d)(ii), 106A	Other comprehensive income	13(B), 25(D)	-	-	XXX	XXX
IAS 1.106(a)	**Total comprehensive income (restated)**		-	-	XXX	XXX
IAS 1.106(d)(iii)	**Transactions with owners of the Company**					
	Contributions and distributions					
	Treasury shares acquired	25(B)	-	-	-	-
	Dividends	25(C)	-	-	-	-
	Equity-settled share-based payment	12(E), 13(C)	-	-	-	-
	Total transactions with owners of the Company		-	-	-	-
	Restated balance at 31 December 2015		XXX	XXX	XXX	XXX

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Consolidated statement of changes in equity (continued)

For the year ended 31 December 2015

Attributable to owners of the Company								
Cost of hedging reserve	Fair value reserve	Revaluation reserve	Treasury share reserve	Equity component of convertible notes	Retained earnings	Total	Non-controlling interests	Total equity
-	17	-	-	-	XXX	XXX	XXX	XXX
35	-	-	-	-	(35)	-	-	-
35	XXX	-	-	-	8,436	XXX	XXX	XXX
-	-	-	-	-	5,745	5,745	XXX	XXX
(9)	XXX	-	-	-	XXX	XXX	XXX	XXX
26	XXX	-	-	-	5,697	6,142	XXX	XXX
-	-	-	XXX	-	-	XXX	-	XXX
-	-	-	-	-	XXX	XXX	-	XXX
-	-	-	-	-	XXX	XXX	-	XXX
-	-	-	XXX	-	XXX	XXX	-	XXX
26	XXX	XXX	XXX	XXX	13,847	32,385	3,109	35,494

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy[a, b]

A. IFRS 9 *Financial Instruments*[c, d]

IAS 8.28, IFRS 9.7.1.1

The Group has early adopted IFRS 9 *Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2016. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

IAS 1.41

As a result of the adoption of IFRS 9, the Group adopted consequential amendments to IAS 1 *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2016 but generally have not been applied to comparative information.

IAS 8.28

i. Classification of financial assets and financial liabilities

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

For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 44(P)(ii).

IAS 8.28–29

a. The description of the nature and effects of the changes in accounting policies presented is only an example that reflects the business of the Group, and may not be representative of the nature and effects of the changes for other entities.

b. It is assumed that the Group has adopted IFRS 15 early. This appendix does not illustrate disclosure requirements related to the application of IFRS 15. For further information on the application of IFRS 15, see our Guide to annual financial statements – IFRS 15 supplement.

IFRS 9.7.1.1, IFRS 9.7.1.2

c. The effective date of IFRS 9 is 1 January 2018, with early application permitted. If an entity elects to apply the standard early, then it has to disclose that fact and apply all of the requirements in the standard at the same time. However, for annual periods beginning before 1 January 2018, an entity may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as at FVTPL without applying the other requirements in IFRS 9.

When an entity first applies IFRS 9, it may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9.

IFRS 9.7.1.1–2, 21

d. The transition requirements of IFRS 9 (2014) refer to the date of initial application, which is the beginning of the reporting period in which an entity first applies IFRS 9 (2014). The identification of the date of initial application is relevant to several assessments necessary to apply IFRS 9 (2014) and may have important implications.

An entity may have elected to apply earlier versions of IFRS 9 for annual periods beginning before 1 January 2018 if the date of initial application for the earlier version was before 1 February 2015. For the purposes of the disclosures in this guide, it has been assumed that the Group had not previously adopted an earlier version of IFRS 9. Consequently, the Group has a single date of initial application for IFRS 9 (2014) in its entirety.

IFRS 9.7.2.12–13

e. Other possible impacts include the removal of the exemption allowing the measurement of certain investments in equity instruments and related derivatives at cost rather than fair value. If an entity previously accounted for an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument (i.e. a Level 1 input) (or for a derivative that is linked to and must be settled by delivery of such an equity instrument) at cost (in accordance with IAS 39), then it measures that instrument at fair value at the date of initial application. Any difference between the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) of the reporting period that includes the date of initial application.

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy (continued)

IAS 8.28, IFRS 9.7.1.1

A. IFRS 9 *Financial Instruments* (continued)

IAS 8.28

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

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.[a]

IAS 8.28

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.[b] Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 44(S).

IAS 8.28

iii. Hedge accounting[c]

IFRS 9.7.2.26(b), IFRS 9.7.2.24

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

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

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

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

For an explanation of how the Group applies hedge accounting under IFRS 9, see Note 44(P)(v).

IFRS 9.5.7.7, 9.7.2.13-14

a. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, see Explanatory note (e) on page 168 regarding removal of the cost exemption that applies under IAS 39 to certain derivatives. Furthermore, under IAS 39 all fair value changes on liabilities designated under the fair value option are recognised in profit or loss; under IFRS 9, those fair value changes are generally presented as follows:
   - the amount that is attributable to changes in the credit risk of the liability is presented in OCI; and
   - the remaining amount of change in the fair value is presented in profit or loss.

IFRS 9.2.1, 9.5.5.1

b. The impairment model in IFRS 9 and associated disclosure requirements in IFRS 7R apply additionally to lease receivables, loan commitments and financial guarantee contracts. It is assumed that the Group has no such items.

IFRS 9.6

c. Other possible impacts include the ability to hedge an aggregated exposure or a component of a non-financial item and the application of the cost of hedging approach to the time value of options and to foreign currency basis spreads.

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy (continued)

IAS 8.28, IFRS 9.7.1.1

A. IFRS 9 *Financial Instruments* (continued)

IAS 8.28

iv. Transition

IFRS 9.7.2.1–26

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, except as described below.

– Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2016. Accordingly, the information presented for 2015 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2016 under IFRS 9.

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

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

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

– Changes to hedge accounting policies have been applied prospectively except for the cost of hedging approach for forward points, which has been applied retrospectively to hedging relationships that existed on or after 1 January 2015.

– All hedging relationships designated under IAS 39 at 31 December 2015 met the criteria for hedge accounting under IFRS 9 at 1 January 2016 and are therefore regarded as continuing hedging relationships.

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy (continued)

IAS 8.28, IFRS 9.7.1.1

A. IFRS 9 *Financial Instruments* (continued)

IAS 8.28

iv. Transition (continued)

The following table summarises the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings at 1 January 2016.

In millions of euro	**Impact of adopting IFRS 9 at 1 January 2016**
Cost of hedging reserve	
Closing balance under IAS 39 (31 December 2015)	-
Cumulative change in forward points	40
Related tax	(14)
Opening balance under IFRS 9 (1 January 2016)	26
Fair value reserve	
Closing balance under IAS 39 (31 December 2015)	96
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	4
Related tax	(1)
Opening balance under IFRS 9 (1 January 2016)	99
Retained earnings	
Closing balance under IAS 39 (31 December 2015)	13,873
Cost of hedging adjustment at 1 January 2016	(40)
Recognition of expected credit losses under IFRS 9	(154)
Related tax	64
Opening balance under IFRS 9 (1 January 2016)	13,743
Non-controlling interests	
Closing balance under IAS 39 (31 December 2015)	3,109
Recognition of expected credit losses under IFRS 9	(24)
Related tax	8
Opening balance under IFRS 9 (1 January 2016)	3,093

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy (continued)

v. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

IFRS 7R.6, 42I, 42J, 42L

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2016.

In millions of euro	***Note***	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial assets					
Interest rate swaps used for hedging	*24*	Fair value – hedging instrument	Fair value – hedging instrument	131	131
Forward exchange contracts used for hedging	*24*	Fair value – hedging instrument	Fair value – hedging instrument	352	352
Other forward exchange contracts	*24*	Held-for-trading	Mandatorily at FVTPL	89	89
Sovereign debt securities	*24*	Held-for-trading	Mandatorily at FVTPL	591	591
Corporate debt securities	*24, X(v)(a)*	Available-for-sale	FVOCI – debt instrument	373	373
Equity securities	*24, X(v)(b)*	Available-for-sale	FVOCI – equity instrument	511	511
Equity securities	*24, X(v)(c)*	Designated as at FVTPL	Mandatorily at FVTPL	254	254
Trade and other receivables	*17, 24, X(v)(d)*	Loans and receivables	Amortised cost	22,485	22,325
Cash and cash equivalents	*18*	Loans and receivables	Amortised cost	1,850	1,849
Corporate debt securities	*24, X(v)(e)*	Held to maturity	Amortised cost	2,256	2,243
Total financial assets				28,892	28,718

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy (continued)

v. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

In millions of euro	***Note***	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial liabilities					
Interest rate swaps used for hedging	*28*	Fair value – hedging instrument	Fair value – hedging instrument	(5)	(5)
Forward exchange contracts used for hedging	*28*	Fair value – hedging instrument	Fair value – hedging instrument	(7)	(7)
Bank overdrafts	*18*	Other financial liabilities	Other financial liabilities	(282)	(282)
Secured bank loans	*27*	Other financial liabilities	Other financial liabilities	(12,078)	(12,078)
Unsecured bank loans	*27*	Other financial liabilities	Other financial liabilities	(117)	(117)
Unsecured bond issues	*27*	Other financial liabilities	Other financial liabilities	(9,200)	(9,200)
Loan from associate	*27*	Other financial liabilities	Other financial liabilities	(1,000)	(1,000)
Finance lease liabilities	*27*	Other financial liabilities	Other financial liabilities	(2,182)	(2,182)
Trade payables	*28*	Other financial liabilities	Other financial liabilities	(20,789)	(20,789)
Total financial liabilities				(45,660)	(45,660)

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy (continued)

v. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

IFRS 7R.42I, 42J

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 44(P)(ii). The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. The corporate debt securities categorised as available-for-sale under IAS 39 are held by the Group's treasury unit in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature in one to two years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9. An allowance for impairment of €4 thousand was recognised in opening retaining earnings at 1 January 2016 on transition to IFRS 9.

b. These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI.

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

d. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of €160 thousand in the allowance for impairment was recognised in opening retaining earnings at 1 January 2016 on transition to IFRS 9.

e. Corporate debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An increase of €13 thousand in the allowance for impairment was recognised in opening retaining earnings at 1 January 2016 on transition to IFRS 9.

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy (continued)

v. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

IFRS 7R.42K–42O

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2016.

In millions of euro	IAS 39 carrying amount 31 December 2015	Reclassification	Remeasurement	IFRS 9 carrying amount 1 January 2016
Financial assets				
Amortised cost				
Cash and cash equivalents:				
Opening balance: *Loans and receivables*	1,850			
Remeasurement			(1)	
Closing balance				1,849
Trade and other receivables:				
Opening balance: *Loans and receivables*	22,485			
Remeasurement			(160)	
Closing balance				22,325
Corporate and debt securities:				
Opening balance: *Held-to-maturity*	2,256			
Remeasurement			(13)	
Closing balance				2,243
Total amortised cost	26,591		(174)	26,417

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X. Change in accounting policy (continued)

v. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

In millions of euro	IAS 39 carrying amount 31 December 2015	Reclassification	Remeasurement	IFRS 9 carrying amount 1 January 2016
Financial assets				
Available-for-sale				
Opening balance:	884			
To FVOCI – debt		(373)		
To FVOCI – equity		(511)		
Closing balance				
FVOCI – debt				
Investment securities:				
Opening balance				
From available-for-sale		373	-	
Closing balance				373
FVOCI – equity				
Investment securities:				
Opening balance				
From available-for-sale		511	-	
Closing balance				511
Total FVOCI	884	-	-	884

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy (continued)

vi. Effect of adjustments arising from application of IFRS 9 hedge accounting requirements

Hedge accounting

IAS 8.28(f)–(g)

Retrospective application of the costs of hedging approach has had the following effects on the amounts presented for 2015.

Consolidated statement of financial position – 31 December 2015

In thousands of euro	IAS 39 as previously reported	Adjustments	Restated at 31 December 2015
Equity			
Reserves	462	26	488
Retained earnings	13,873	(26)	13,847
Total equity	35,494	-	35,494

Consolidated statement of profit or loss and other comprehensive income – For the year ended 31 December 2015

In thousands of euro	IAS 39 as previously reported	Adjustments	Restated at 31 December 2015
Profit or loss			
Revenue	96,636	(7)	96,629
Cost of sales	(56,186)	(2)	(56,188)
Finance costs	(1,624)	(3)	(1,627)
Income tax expense	(2,520)	3	(2,517)
Profit	6,103	(7)	6,096
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Cost of hedging reserve – changes in fair value		10	10
Cost of hedging reserve – reclassified to profit or loss		2	2
Related tax	(67)	(3)	(70)
Other comprehensive income, net of tax	419	7	426
Total comprehensive income	6,522	-	6,522

At 31 December 2015, the Group held no inventory whose purchase had been subject to hedge accounting.

IAS 8.28(f)–(g)

The application of the costs of hedging approach and of the change in policy to include cash flow hedging gains or losses in the cost of inventory had the following effects on the amounts presented for 2016.

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Extracts of notes to the consolidated financial statements (continued)

X. Change in accounting policy (continued)

vi. Effect of adjustments arising from application of IFRS 9 hedge accounting requirements (continued)

Hedge accounting (continued)

Consolidated statement of financial position – 31 December 2016

In thousands of euro	**Adjustments**
Assets	
Inventories	**(12)**
Deferred tax assets	**4**
Equity	
Reserves	**(18)**
Retained earnings	**26**

Consolidated statement of profit or loss and other comprehensive income – For the year ended 31 December 2016

In thousands of euro	**Adjustments**
Profit or loss	
Revenue	**6**
Finance costs	**36**
Income tax expense	**(14)**
Other comprehensive income	
Items that are or may be reclassified subsequently to profit or loss	
Cost of hedging reserve – changes in fair value	**(34)**
Cost of hedging reserve – reclassified to profit or loss	**(8)**
Related tax	**14**

IAS 8.28(f)(ii)

There is no material impact on the Group's basic or diluted earnings per share for the years ended 31 December 2016 and 2015.

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Extracts of notes to the consolidated financial statements (continued)

9. Net finance costs

See accounting policies in Notes 44(B), (G) and (P) and Note X on changes in accounting policy.

	In thousands of euro	*Note*	2016	2015 Restated
IAS 1.97	Interest income under the effective interest method on:[a]			
IFRS 7.20(b)	– Corporate debt securities – available for sale			27
IFRS 7R.20(b)	– Corporate debt securities – at FVOCI		**8**	
IFRS 7R.20(b)	– Corporate debt securities – at amortised cost		**198**	
IFRS 7.20(b)	– Corporate debt securities – held to maturity – unimpaired			117
IFRS 7.20(b), (d)	– Corporate debt securities – held to maturity – impaired			6
IFRS 7R.20(b), IFRS 7.20(b)	– Cash and cash equivalents		**2**	1
IFRS 7R.20(b), IFRS 7.20(b)	**Total interest income arising from financial assets measured at amortised cost or FVOCI (2015: from financial assets not measured at FVTPL)**		**208**	151
IFRS 3.B64(p)(ii)	Remeasurement to fair value of pre-existing interest in acquiree	*33(D)*	**250**	-
	Dividend income:			
IAS 18.35(b)(v)	– Equity securities – available for sale			32
IFRS 7R.11A(d)	– Equity securities – at FVOCI – investments held at the reporting date	*24*	**26**	
IFRS 7R.20(a)(viii)	Corporate debt securities – FVOCI:			
	– Gain on derecognition reclassified from OCI		**64**	
IFRS 7R.20(a)(i), IFRS 7.20(a)(i)	Financial assets at FVTPL – net change in fair value:			
	– Mandatorily measured at FVTPL – held for trading		**74**	
	– Mandatorily measured at FVTPL – other		**508**	
	– Designated on initial recognition		**-**	264
IFRS 7R.24C(b), IFRS 7.23(d)	Cash flow hedges – gains reclassified from OCI		**31**	11
	Finance income – other		**953**	307
IAS 1.82(ba)	**Finance costs – impairment loss on debt securities**		**(59)**	
IFRS 7R.20(b), IFRS 7.20(b)	Financial liabilities measured at amortised cost – interest expense[b]		**(1,413)**	(1,299)
IAS 21.52(a)	Net foreign exchange loss		**(138)**	(243)
IAS 37.84(e)	Unwind of discount on site restoration provision	*30*	**(60)**	(50)
IFRS 7R.20(a)(i)	Change in fair value of contingent consideration	*31(B)(iii)*	**(20)**	-
IFRS 7R.24C(b)(ii), IFRS 7.24(b)	Cash flow hedges – ineffective portion of changes in fair value		**(51)**	(16)
IFRS 7R.24C(b)(ii), IFRS 7.24(c)	Net investment hedge – ineffective portion of changes in fair value		**(1)**	-
IFRS 7R.20(a)(i), IFRS 7.20(a)(i)	Financial assets at FVTPL – net change in fair value:			
	– Mandatorily measured at FVTPL – held for trading		**-**	(19)
	Finance costs – other		**(1,683)**	(1,627)
	Net finance costs recognised in profit or loss		**(581)**	(1,169)

IFRS 7.20(b) a. For 2015, the Group has disaggregated total interest income calculated under the effective interest method for each type of financial asset category. 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.

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Extracts of notes to the consolidated financial statements (continued)

17. Trade and other receivables

In thousands of euro		2016	2015
IAS 1.78(b)	Trade receivables due from related parties[a]	**1,304**	674
IAS 1.78(b)	Other trade receivables	**30,761**	21,811
		32,065	22,485
IAS 1.78(b)	Contract assets – construction contracts in progress[b]	**340**	280
		32,405	22,765
	Non-current	**205**	-
	Current	**32,200**	22,765
		32,405	22,765

A. Transfer of trade receivables

IFRS 7R.14(a)–(b), 42D(a)–(c), IFRS 7.14(a)–(b), 42D(a)–(c)

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

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

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

In thousands of euro		2016	2015
IFRS 7R.42D(e), IFRS 7.42D(e)	Carrying amount of trade receivables transferred to a bank	**587**	1,000
	Carrying amount of associated liabilities	**598**	985

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 is included in Note 31(C).

a. In this appendix, it is assumed that the Group does not have loans to directors.

b. The Group applies IFRS 15. This appendix does not illustrate disclosure requirements related to the application of IFRS 15. For further information on the application of IFRS 15, see our Guide to annual financial statements – IFRS 15 supplement.

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24. Other investments, including derivatives

	In thousands of euro	2016	2015
	Non-current investments		
IFRS 7.8(b)	Corporate debt securities – held-to-maturity		2,256
IFRS 7R.8(f)	Corporate debt securities – at amortised cost	**2,421**	
IFRS 7.8(d)	Corporate debt securities – available-for-sale		373
IFRS 7R.8(h)(i)	Corporate debt securities – at fair value through other comprehensive income	**118**	
IFRS 7.8(d)	Equity securities – available for sale		511
IFRS 7R.8(h)(ii)	Equity securities – at fair value through other comprehensive income	**710**	
IFRS 7R.8(a), IFRS 7.8(a)	Equity securities – at fair value through profit or loss	**251**	254
IFRS 7R.22B(a), IFRS 7.22(b)	Interest rate swaps used for hedging	**116**	131
		3,616	3,525
	Current investments		
IFRS 7R.8(a), IFRS 7.8(a)	Sovereign debt securities – at fair value through profit or loss	**243**	591
IFRS 7R.22B(a), IFRS 7.22(b)	Forward exchange contracts used for hedging	**297**	352
	Other forward exchange contracts	**122**	89
		662	1,032

IFRS 7R.7, IFRS 7.7

Corporate debt securities at FVOCI (2015: available-for-sale) have stated interest rates of 5.2 to 7.0% (2015: 6.5 to 8.0%) and mature in one to two years. Corporate debt securities classified as at amortised cost (2015: held-to-maturity) have interest rates of 6.3 to 7.8% (2015: 7.5 to 8.3%) and mature in two to five years.

Sovereign debt securities at FVTPL have stated interest rates of 3.5 to 4.0% (2015: 3.2 to 3.8%) and mature within one year.

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

Equity investment securities designated as at fair value through other comprehensive income

IFRS 7R.8(h)(ii), 11A

At 1 January 2016, the Group designated the investments shown below as equity securities as at FVOCI because these equity securities represent investments that the Group intends to hold for the long-term for strategic purposes. In 2015, these investments were classified as available-for-sale – see Note X(v)(b).

In thousands of euro	Fair value at 31 December 2016	Dividend income recognised during 2016
Investment in Company ABC	**250**	**10**
Investment in Company BRA	**460**	**16**
	710	**26**

IFRS 7R.11A(e)

No strategic investments were disposed of during 2016, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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31. Financial instruments – Fair values and risk management

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

IFRS 7R.6, 8, 25, IFRS 13.93(a)–(b), 97, 99

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

			Carrying amount		
	31 December 2016 *In thousands of euro*	***Note***	**Fair value – hedging instruments**	**Mandatorily at FVTPL – others**	**FVOCI – debt instruments**
	Financial assets measured at fair value				
IFRS 7R.8(a)(ii)	Interest rate swaps used for hedging	*24*	**116**	-	-
IFRS 7R.8(a)(ii)	Forward exchange contracts used for hedging	*24*	**297**	-	-
IFRS 7R.8(a)(ii)	Other forward exchange contracts	*24*	-	**122**	-
IFRS 7R.8(a)(ii)	Sovereign debt securities	*24*	-	**243**	-
IFRS 7R.8(h)(i)	Corporate debt securities	*24*	-	-	**118**
IFRS 7R.8(a)(ii)	Equity securities	*24*	-	**251**	-
			413	**616**	**118**
	Financial assets not measured at fair value[d]				
IFRS 7R.8(f)	Trade and other receivables	*17*	-	-	-
IFRS 7R.8(f)	Cash and cash equivalents	*18*	-	-	-
IFRS 7R.8(f)	Corporate debt securities	*24*	-	-	-
			-	-	-
	Financial liabilities measured at fair value				
IFRS 7R.8(e)	Interest rate swaps used for hedging	*28*	**(20)**	-	-
IFRS 7R.8(e)	Forward exchange contracts used for hedging	*28*	**(8)**	-	-
IFRS 7R.8(e)	Contingent consideration	*28*	-	**(270)**	-
			(28)	**(270)**	-
	Financial liabilities not measured at fair value[d]				
IFRS 7R.8(g)	Bank overdrafts	*18*	-	-	-
IFRS 7R.8(g)	Secured bank loans	*27*	-	-	-
IFRS 7R.8(g)	Unsecured bank loans	*27*	-	-	-
IFRS 7R.8(g)	Unsecured bond issues	*27*	-	-	-
IFRS 7R.8(g)	Convertible notes – liability component	*27*	-	-	-
IFRS 7R.8(g)	Redeemable preference shares	*27*	-	-	-
IFRS 7R.8(g)	Dividends payable on redeemable shares	*27*	-	-	-
	Finance lease liabilities	*27*	-	-	-
IFRS 7R.8(g)	Trade payables*	*28*	-	-	-
			-	-	-

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

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Extracts of notes to the consolidated financial statements (continued)

FVOCI – equity instruments	Amortised cost	Other financial liabilities	Total carrying amount	Fair value Level 1	Level 2	Level 3	Total
-	-	-	116	-	116	-	116
-	-	-	297	-	297	-	297
-	-	-	122	-	122	-	122
-	-	-	243	43	200	-	243
-	-	-	118	48	70	-	118
710	-	-	961	961	-	-	961
710	-	-	1,857				
-	32,065	-	32,065				
-	1,504	-	1,504				
-	2,421	-	2,421	2,461	-	-	2,461
-	35,990	-	35,990				
-	-	-	(20)	-	(20)	-	(20)
-	-	-	(8)	-	(8)	-	(8)
-	-	-	(270)	-	-	(270)	(270)
-	-	-	(298)				
-	-	(334)	(334)				
-	-	(8,609)	(8,609)	-	(8,979)	-	(8,979)
-	-	(503)	(503)	-	(505)	-	(505)
-	-	(9,200)	(9,200)	-	(9,675)	-	(9,675)
-	-	(4,678)	(4,678)	-	(4,671)	-	(4,671)
-	-	(1,939)	(1,939)	-	(1,936)	-	(1,936)
-	-	(51)	(51)	-	(51)	-	(51)
-	-	(1,928)	(1,928)	-	(1,856)	-	(1,856)
-	-	(21,684)	(21,684)				
-	-	(48,926)	(48,926)				

IFRS 7R.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 IFRS 9. This presentation method is optional and different presentation methods may be desirable, depending on circumstances.

IFRS 7R.B1–B3 — b. The Group has grouped its financial instruments into 'classes'. Although IFRS 7R does not define 'classes', as a minimum instruments measured at amortised cost should be distinguished from instruments measured at fair value.

IFRS 7R.6, B2 — c. An entity groups financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments.

IFRS 7R.29 — d. 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.

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IFRS 7.8, 25, 13.93(a)–(b), 97, 99

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

A. Accounting classifications and fair values (continued)

31 December 2015 *In thousands of euro*	*Note*	**Carrying amount** FVTPL – held-for-trading	FVTPL – designated at fair value	Fair value – hedging instruments
Financial assets measured at fair value				
Interest rate swaps used for hedging	*24*	-	-	131
Forward exchange contracts used for hedging	*24*	-	-	352
Other forward exchange contracts	*24*	89	-	-
Sovereign debt securities	*24*	591	-	-
Corporate debt securities	*24*	-	-	-
Equity securities	*24*	-	254	-
		680	254	483
Financial assets not measured at fair value[a]				
Trade and other receivables	*17*	-	-	-
Cash and cash equivalents	*18*	-	-	-
Corporate debt securities	*24*	-	-	-
		-	-	-
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	*28*	-	-	(5)
Forward exchange contracts used for hedging	*28*	-	-	(7)
		-	-	(12)
Financial liabilities not measured at fair value[a]				
Bank overdrafts	*18*	-	-	-
Secured bank loans	*27*	-	-	-
Unsecured bank loans	*27*	-	-	-
Unsecured bond issues	*27*	-	-	-
Loan from associate	*27*	-	-	-
Finance lease liabilities	*27*	-	-	-
Trade payables*	*28*	-	-	-
		-	-	-

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

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Extracts of notes to the consolidated financial statements (continued)

					Fair value			
Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
-	-	-	-	131	-	131	-	131
-	-	-	-	352	-	352	-	352
-	-	-	-	89	-	89	-	89
-	-	-	-	591	91	500	-	591
-	-	373	-	373	72	301	-	373
-	-	511	-	765	540	-	225	765
-	-	884	-	2,301				
-	22,485	-	-	22,485				
-	1,850	-	-	1,850				
2,256	-	-	-	2,256	2,259	-	-	2,259
2,256	24,335	-	-	26,591				
-	-	-	-	(5)	-	(5)	-	(5)
-	-	-	-	(7)	-	(7)	-	(7)
-	-	-	-	(12)				
-	-	-	(282)	(282)				
-	-	-	(12,078)	(12,078)	-	(12,861)	-	(12,861)
-	-	-	(117)	(117)	-	(115)	-	(115)
-	-	-	(9,200)	(9,200)	-	(9,381)	-	(9,381)
-	-	-	(1,000)	(1,000)	-	(997)	-	(997)
-	-	-	(2,182)	(2,182)	-	(2,163)	-	(2,163)
-	-	-	(20,789)	(20,789)				
-	-	-	(45,648)	(45,648)				

IFRS 7.29

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.

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

C. Financial risk management[a]

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

- credit risk (see (C)(ii));
- liquidity risk (not illustrated); and
- market risk (see (C)(iv)).

i. Risk management framework

IFRS 7R.31, 33(b), IFRS 7.31, 33(b)

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

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

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

ii. Credit risk

IFRS 7R.31, 33, 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 7R.35K(a), 36(a) IFRS 7.36(a)

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

IAS 1.97, IFRS 7.20(e)

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

In thousands of euro	2016	2015
Impairment loss on trade and other receivables	200	30
Impairment loss on debt securities at amortised cost	62	-
Impairment loss (reversal) on corporate debt securities at FVOCI	(3)	-
Impairment loss on cash and cash equivalents	-	-
	259	30

IFRS 7R.34(a)

a. The financial risk disclosures presented are only illustrative and reflect the facts and circumstances of the Group. In particular, IFRS 7R 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.

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

C. Financial risk management (continued)

ii. Credit risk (continued)

IFRS 7R.31, 33, IFRS 7.31, 33

Trade receivables and contract assets

IFRS 7R.33(a), 33(b), 35B(a), B8
IFRS 7.33(a), 33(b), B8

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

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

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

More than 85% of the Group's customers have been transacting with the Group for over four years, and none of these customers' balances are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

IFRS 7R.33(c), IFRS 7.33(c)

The Group is monitoring the economic environment in the eurozone and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. Reductions in certain customer purchase limits continue to apply, 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 7R.35K(b), D8G 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 does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

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C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and contract assets (continued)

IFRS 7R.34(a), (c), IFRS 7.34(a), (c)

At 31 December 2016, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows.[a]

In thousands of euro	Carrying amount 2016	2015
[*Countries A, B, C, D and E*]	**1,393**	1,583
Other eurozone countries	**18,314**	10,342
UK	**2,534**	2,685
US	**9,915**	7,687
Other regions	**249**	188
	32,405	22,485

IFRS 7R.34(a), (c), IFRS 7.34(a), (c), 36(a)

At 31 December 2016, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows. [a]

In thousands of euro	Carrying amount 2016	2015
Wholesale customers	**23,972**	14,429
Retail customers	**8,060**	7,145
End-user customers	**298**	820
Other	**75**	91
	32,405	22,485

IFRS 7R.34(a), (c), IFRS 7.34(a), (c)

At 31 December 2016, the carrying amount of the Group's most significant customer (a European wholesaler) was €8,034 thousand (2015: €4,986 thousand).

IFRS 7R.34(a), 35M, B8I, IFRS 7.34(a)

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

In thousands of euro	2016 Not credit-impaired	2016 Credit-impaired	2015
External credit ratings at least Baa3 from [*Rating Agency X*] or BBB- from [*Rating Agency Y*]	**15,664**	**-**	10,139
Other customers:			
– Four or more years' trading history with the Group*	**13,467**	**-**	9,448
– Less than four years' trading history with the Group*	**2,526**	**-**	2,290
– Higher risk	**911**	**157**	662
Total gross carrying amount	**32,568**	**157**	22,539
Loss allowance	**(303)**	**(17)**	(54)
	32,265	**140**	22,485

* Excluding 'higher risk'.

IFRS 7R.IG18

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

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

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and contract assets (continued)

Comparative information under IAS 39

IFRS 7.34(a), 36(c), 37(a)

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 31 December 2015 is as follows.

In thousands of euro	**2015**
Neither past due nor impaired	
External credit ratings at least Baa3 from [*Rating Agency X*] or BBB- from [*Rating Agency Y*]	10,139
Other customers:	
– Four or more years' trading history with the Group*	7,633
– Less than four years' trading history with the Group*	1,290
– Higher risk	58
	19,120
Past due but not impaired	
Past due 1–30 days	3,032
Past due 31–90 days	112
Past due 91–120 days	26
Total not impaired trade receivables	22,290

* Excluding 'higher risk'.

IFRS 7.37(b), IG 29

Impaired trade receivables at 31 December 2015 had a gross carrying amount of €249 thousand. At 31 December 2015, there was an impairment loss of €7 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. 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.

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2016

IFRS 7R.35B(a), 35F(c), 35(G)(a)–(b)

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of loss and are aligned to external credit rating definitions from agencies [*X*] and [*Y*].

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on GDP forecast and industry outlook and include the following: 1.3 for Country X, 0.9 for Country Y, 1.1 for Country Z and 1.8 for industry [*A*].

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Trade receivables and contract assets (continued)

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2016 (continued)

IFRS 7R.35M, B8I

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for corporate customers as at 31 December 2016.

31 December 2016 *In thousands of euro*	**Equivalent to external credit rating [*Agency Y*]**	**Weighted-average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
Grades 1–6: *Low risk*	BBB- to AAA	**0.2%**	**5,576**	**(11)**	**No**
Grades 7–9: *Fair risk*	BB- to BB+	**0.7%**	**17,823**	**(125)**	**No**
Grade 10: *Substandard*	B- to B+	**3.1%**	**1,289**	**(40)**	**No**
Grade 11: *Doubtful*	C to CCC+	**7.1%**	**144**	**(10)**	**Yes**
Grade 12: *Loss*	D	**52.0%**	**8**	**(4)**	**Yes**
			24,840	**(190)**	

Expected credit loss assessment for individual customers as at 1 January and 31 December 2016

IFRS 7R.35B(a), 35F(c), 35(G)(a)–(b)

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

IFRS 7R.35M, 35N

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2016.

31 December 2016 *In thousands of euro*	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance**	**Credit-impaired**
Current (not past due)	**6,242**	**0.3%**	**(19)**	**No**
1–30 days past due	**1,298**	**2.1%**	**(27)**	**No**
31–60 days past due	**244**	**18.4%**	**(45)**	**No**
61–90 days past due	**96**	**38.0%**	**(36)**	**No**
More than 90 days past due	**5**	**61.0%**	**(3)**	**Yes**
	7,885		**(130)**	

Loss rates are based on actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between current and historical economic conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast unemployment rates and are as follows: 1.3 for Country X, 0.95 for Country Y and 1.2 for Country Z.

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Trade receivables and contract assets (continued)

Movements in the allowance for impairment in respect of trade receivables and contract assets

IFRS 7R.35H, 42P, IFRS 7.16

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows. Comparative amounts for 2015 represent the allowance account for impairment losses under IAS 39.

In thousands of euro	2016	2015 Individual impairments	2015 Collective impairments
Balance at 1 January per IAS 39	**54**	6	20
Adjustment on initial application of IFRS 9	**160**		
Balance at 1 January per IFRS 9	**214**		
Amounts written off	**(94)**	(2)	-
Net remeasurement of loss allowance	**200**	6	24
Balance at 31 December	**320**	10	44

IFRS 7R.35L

Trade receivables with a contractual amount of €70 thousand written off during 2016 are still subject to enforcement activity.

IFRS 7R.35H–I, B8D

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the impairment loss allowance during 2016:

- the growth of the business in Countries X and Y resulted in increases in trade receivables of €4,984 thousand and €5,556 thousand respectively and increases in impairment allowances in 2016 of €30 thousand and €44 thousand respectively; and
- increases in credit-impaired balances in Country Z of €243 thousand resulted in increases in impairment allowances in 2016 of €78 thousand.

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Debt securities

IFRS 7R.33(a)–(b), 35B(a), 35F(a), 35G(a)–(b), B8
IFRS 7.33(a)–(b), B8

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*].

The Group monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and, where available, credit default swap (CDS) prices together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by [*Rating Agency X*] for each credit rating and are recalibrated based on current bond yields and CDS prices. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

IFRS 7R.34(a), (c), IFRS 7.34(a), (c)

The exposure to credit risk for debt securities at amortised cost, at FVOCI and at FVTPL (2015: held to maturity, available for sale and held for trading) at the reporting date by geographic region was as follows.

	Net carrying amount	
In thousands of euro	**2016**	**2015**
[*Country X*]	**1,615**	2,351
[*Countries A, B, C, D and E*]	**68**	115
Other eurozone countries	**366**	273
UK	**435**	430
US	**298**	51
	2,782	3,220

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Debt securities (continued)

IFRS 7R.34(a), 35M, B8I, IFRS 7.36(c)

The following table presents an analysis of the credit quality of debt securities at amortised cost, at FVOCI and FVTPL (2015: held-to-maturity, available-for-sale and held-for-trading). It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	2016					2015		
Credit rating	**FVTPL**	**FVOCI**	**At amortised cost**					
In thousands of euro		**12-month ECL**	**12-month ECL**	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Held-for-trading**	**Available-for-sale**	**Held-to-maturity**
BBB- to AAA	243	122	1,764	-	-	591	373	1,569
BB- to BB+	-	-	-	207	-	-	-	334
B- to B+	-	-	-	113	-	-	-	233
C to CCC+	-	-	-	247	-	-	-	73
D	-	-	-	-	185	-	-	67
Gross carrying amounts (2015: amortised cost before impairment)		122	1,764	567	185			2,276
Loss allowance		(1)	(15)	(25)	(55)			(20)
Amortised cost		121	1,749	542	130			2,256
Carrying amount	243	118	1,749	542	130	591	373	2,256

IFRS 7.36(c), 37(a)–(b), IFRS 7R.31

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

An impairment allowance of €55 thousand (2015: €20 thousand) in respect of debt securities at amortised cost (2015: held-to-maturity) with a credit rating of D was recognised because of significant financial difficulties being experienced by the issuers. The Group has no collateral in respect of these investments.

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ii. Credit risk (continued)

Debt securities (continued)

IFRS 7R.35H, 42P, IFRS 7.16

The movement in the allowance for impairment for corporate debt securities at amortised cost (2015: held to maturity) during the year was as follows. Comparative amounts for 2015 represent the allowance account for impairment losses under IAS 39.

	2016				2015
In thousands of euro	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total	Impaired
Balance at 1 January per IAS 39				**20**	20
Adjustment on initial application of IFRS 9				**13**	
Balance at 1 January per IFRS 9	**10**	**3**	**20**	**33**	
Net remeasurement of loss allowance	**5**	**46**	**27**	**78**	-
Transfer to lifetime ECL – not credit-impaired	**(1)**	**1**	**-**	**-**	-
Transfer to lifetime ECL – credit-impaired	**-**	**(8)**	**8**	**-**	-
Financial assets repaid	**(2)**	**(17)**	**-**	**(19)**	-
New financial assets acquired	**3**	**-**	**-**	**3**	-
Balance at 31 December	**15**	**25**	**55**	**95**	20

IFRS 7R.42P (Adjustment on initial application of IFRS 9)

IFRS 7R.35H–I, B8D

The following contributed to the increase in the loss allowance during 2016.

– An issuer of a debt security with a gross carrying amount of €109 thousand entered administration. The Group classified the debt security as credit-impaired and increased the loss allowance by €25 thousand.

– A recession in Country Y in the fourth quarter of 2016 resulted in credit rating downgrades and transfers to lifetime ECL measurement, with consequent increases in loss allowances of €33 thousand.

IFRS 7R.16A, 35H, 42P

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

In thousands of euro	2016 12-month ECL
Balance at 1 January per IAS 39	**-**
Adjustment on application of IFRS 9	**4**
Balance at 1 January per IFRS 9	**4**
Net remeasurement of loss allowance	**(1)**
Financial assets repaid	**(3)**
New financial assets acquired	**1**
Balance at 31 December	**1**

The investments held at 31 December 2015 were previously classified as available-for-sale and no impairment loss had been recognised at that date or during 2015.

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ii. Credit risk (continued)

Cash and cash equivalents

IFRS 7R.33(a)–(b), 34(a), 35B(a), 35F(a), 35G(a)–b), 35K(a), 35M, IFRS 7.33(a)–(b), 34(a), 36(c)

The Group held cash and cash equivalents of €1,504 thousand at 31 December 2016 (2015: €1,850 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on [*Rating Agency Y*] ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

IFRS 7R.35H, 42P

On initial application of IFRS 9, the Group recognised an impairment allowance as at 1 January 2016 in the amount of €1 thousand. The amount of the allowance did not change during 2016.

Derivatives

IFRS 7R.33(a)–(b), 34(a), IFRS 7.33(a)–(b), 34(a), 36(c)

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

Guarantees

The Group's policy is to provide financial guarantees only for subsidiaries' liabilities. At 31 December 2016, the Company has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see Note 32(B)).

iv. Market risk

Hedge accounting[a]

Currency risk – Transactions in foreign currency[b]

IFRS 7R.21C, 22A(a)

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

IFRS 7R.24B(a), (a)(ii)–a(v), 24C(a), (a)(i)–(a)(iii)

a. The Group has not designated any fair value hedging relationships. For an entity that has a fair value hedge, the required disclosures would include:
- the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);
- the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);
- the line item in the statement of financial position that includes the hedged item;
- the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period;
- the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses;
- hedge ineffectiveness – i.e. the difference between the hedging gains or losses of the hedging instrument and the hedged item recognised in profit or loss; and
- the line item in the statement of profit or loss and OCI that includes the recognised hedge ineffectiveness.

IFRS 7R.24C(b)(vi)

b. The Group did not designate any net positions in a hedging relationship. For an entity that did, the required disclosures would include the hedging gains or losses recognised in a separate line item in the statement of profit or loss and OCI.

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Hedge accounting (continued)

Currency risk – Transactions in foreign currency (continued)

IFRS 7R.21A, 7.22A(b)–(c), 22C

The Group's risk management policy is to hedge 75 to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months at any point in time. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

IFRS 7R.22B, 22B(a), 22B(c)

The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. Most of these contracts have a maturity of less than one year from the reporting date. The forward elements of forward exchange contracts are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

IFRS 7R.22B(b)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

IFRS 7R.23D

In these hedge relationships, the main sources of ineffectiveness are:[a]

- the effect of the counterparty and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

IFRS 7R.23E

a. The Group did not have any sources of hedge ineffectiveness emerging in designated hedging relationships. If it had, then it would be required to disclose those sources by risk category and explain the resulting hedge ineffectiveness.

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Hedge accounting (continued)

Interest rate risk

IFRS 7R.21C, 22A(b), (c), 22B, 22B(c), 22C

The Group adopts a policy of ensuring that between 80 and 90% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

IFRS 7R.22B(b)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

IFRS 7R.23D

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

IFRS 7R.23E

a. The Group did not have any new sources of hedge ineffectiveness emerging in designated hedging relationships. If it had, then it would be required to disclose those sources by risk category and explain the resulting hedge ineffectiveness.

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Hedge accounting (continued)

Cash flow hedges[a, b]

IFRS 7R.23B

At 31 December 2016, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

			Maturity	
		1–6 months	6–12 months	More than one year
	Foreign currency risk			
	Forward exchange contracts			
IFRS 7R.23B(a)	Net exposure (in thousands of euro)	**253**	**63**	**-**
IFRS 7R.23B(b)	Average EUR:USD forward contract rate	**0.91**	**0.87**	**0.83**
	Average EUR:GBP forward contract rate	**1.27**	**1.23**	**1.20**
	Average EUR:CHF forward contract rate	**0.92**	**0.91**	**0.90**
	Interest rate risk			
	Interest rate swaps			
	Net exposure (in thousands of euro)	**-**	**41**	**78**
	Average fixed interest rate	**2.2%**	**2.4%**	**2.8%**

IFRS 7.23(a)

At 31 December 2015, the Group held the following instruments to hedge exposures to changes in foreign currency rates.

		Maturity	
	1–6 months	6–12 months	More than one year
Foreign currency risk			
Forward exchange contracts			
Net exposure (in thousands of euro)	293	73	-
Average EUR:USD forward contract rate	0.93	0.89	0.85
Average EUR:GBP forward contract rate	1.35	1.32	1.28
Average EUR:CHF forward contract rate	0.95	0.93	0.91

IFRS 7R.23C, 24D

a. The Group does not frequently reset hedging relationships because both the hedging instrument and the hedged item frequently change (i.e. the entity does not use a dynamic process in which neither the exposure nor the hedging instruments used to manage that exposure remain the same for a long period). If it did, then it would be exempt from providing the disclosures required by paragraphs 23A and 23B of IFRS 7R, but would instead provide information about the ultimate risk management strategy, how it reflects its risk management strategy in its hedge accounting and designations, and how frequently hedging relationships are discontinued and restarted. If the volume of these hedges is unrepresentative of normal volumes during the year (i.e. the volume at the reporting date does not reflect the volumes during the year), then the entity would disclose that fact and the reason it believes the volumes are unrepresentative.

IFRS 7R.23F, 7.24C(b)(iv)

b. The Group did not have any forecast transaction for which cash flow hedge accounting had been used in the previous period, but which is no longer expected to occur. If an entity did, then it would be required to disclose a description of the forecast transaction as well as the amount reclassified from the cash flow hedge reserve to profit or loss.

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Hedge accounting (continued)

Cash flow hedges (continued)

IFRS 7R.24B(b)

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

In thousands of euro	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Costs of hedging hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
	31 December 2016			
Foreign currency risk				
Sales, receivables and borrowings	**23**	**154**	**(3)**	**-**
Inventory purchases	**15**	**101**	**(2)**	**-**
Interest rate risk				
Variable-rate instruments	**30**	**165**	**-**	**-**
	31 December 2015			
Foreign currency risk				
Sales, receivables and borrowings	(35)	181	26	-
Inventory purchases	(23)	119	-	-
Interest rate risk				
Variable-rate instruments	(42)	190	-	-

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Hedge accounting (continued)

Cash flow hedges (continued)

IFRS 7R.21B, 21D, 24A, 24B(b)(i)–(ii), 24C(b)(i)–(v)

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

	2016			
		Carrying amount		
In thousands of euro	Nominal amount	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is included
Foreign currency risk				
Forward exchange contracts – sales, receivables and borrowings	**1,138**	**178**	**(5)**	Other investments including derivatives (assets), trade and other payables (liabilities)
Forward exchange contracts – inventory purchases	**758**	**119**	**(3)**	
Interest rate risk				
Interest rate swaps	**8,000**	**116**	**(20)**	Other investments including derivatives (assets), trade and other payables (liabilities)

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During the period – 2016

Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Costs of hedging recognised in OCI	Amount from hedge reserve transferred to cost of inventory	Amount from costs of hedging reserve transferred to cost of inventory	Amount reclassified from hedge reserve to profit or loss	Amount reclassified from costs of hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
(23)	(45)	Finance costs – other	(20)			(12)	(6)	Revenue
						(6)	(2)	Finance costs – other
(15)	-		(14)	(8)	(4)	-	-	
(24)	(6)	Finance costs – other	-	-	-	(13)	-	Finance costs – other

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Hedge accounting (continued)

Cash flow hedges (continued)

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

	2015			
In thousands of euro	**Nominal amount**	**Carrying amount – Assets**	**Carrying amount – Liabilities**	**Line item in the statement of financial position where the hedging instrument is included**
Foreign currency risk				
Forward exchange contracts – sales, receivables and borrowings	1,147	211	(4)	Other investments including derivatives (assets), trade and other payables (liabilities)
Forward exchange contracts – inventory purchases	765	141	(3)	Other investments including derivatives (assets), trade and other payables (liabilities)
Interest rate risk				
Interest rate swaps	7,500	131	(5)	Other investments including derivatives (assets), trade and other payables (liabilities)

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During the period – 2015

Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Costs of hedging recognised in OCI	Amount from costs of hedging reserve transferred to cost of inventory	Amount reclassified from hedge reserve to profit or loss	Amount reclassified from costs of hedging reserve to profit or loss	Line item in profit or loss affected by the reclassification
35	(11)	Finance costs – other	(6)	-	(3)	(1)	Revenue
					(2)	(1)	Finance costs – other
23	-		(4)	(2)	(1)	-	Cost of sales
37	(5)	Finance costs – other	-	-	(5)	-	Finance costs – other

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Hedge accounting (continued)

Cash flow hedges (continued)

IFRS 7R.24E–24F

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	2016	
In thousands of euro	**Hedging reserve**	**Cost of hedging reserve**
Balance at 1 January 2016	**490**	**26**
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – inventory purchases	**(15)**	**(14)**
Foreign currency risk – other items	**(23)**	**(20)**
Interest rate risk	**(24)**	**-**
Amount reclassified to profit or loss:		
Foreign currency risk – other items	**(18)**	**(8)**
Interest rate risk	**(13)**	**-**
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	**(8)**	**(4)**
Tax on movements on reserves during the year	**31**	**15**
Balance at 31 December 2016	**420**	**(5)**

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iv. Market risk (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

In thousands of euro	2015 Hedging reserve	2015 Cost of hedging reserve
Balance at 1 January 2015	434	35
Cash flow hedges		
Effective portion of changes in fair value:		
Foreign currency risk – inventory purchases	23	(4)
Foreign currency risk – other items	35	(6)
Interest rate risk	37	
Amount reclassified to profit or loss:		
Foreign currency risk – inventory purchases	(1)	
Foreign currency risk – other items	(5)	(2)
Interest rate risk	(5)	
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases		(2)
Tax on movements on reserves during the year	(28)	5
Balance at 31 December 2015	490	26

Net investment hedges

IFRS 7R.22A A foreign currency exposure arises from the Group's net investment in its Swiss subsidiary that has a Swiss franc functional currency. The risk arises from the fluctuation in spot exchange rates between the Swiss franc and the euro, which causes the amount of the net investment to vary.

IFRS 7R.22A The hedged risk in the net investment hedge is the risk of a weakening Swiss franc against the euro that will result in a reduction in the carrying amount of the Group's net investment in the Swiss subsidiary.

IFRS 7R.22B, 23D Part of the Group's net investment in its Swiss subsidiary is hedged by a Swiss franc-denominated secured bank loan (carrying amount: €1,240 thousand (2015: €1,257 thousand)), which mitigates the foreign currency risk arising from the subsidiary's net assets. The loan is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the EUR/CHF spot rate.

IFRS 7R.23B The Group assesses effectiveness by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

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

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Net investment hedges (continued)

IFRS 7R.24A, 24B(b)(i), 24C(b)(i)–(iii)

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

	2016			
		Carrying amount		
In thousands of euro	**Nominal amount**	**Assets**	**Liabilities**	**Line item in the statement of financial position where the hedging instrument is included**
Foreign exchange-denominated debt (CHF)	**1,240**	**-**	**1,240**	Loans and borrowings

IFRS 7R.24B(b)(i)–(iii)

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

	2016
In thousands of euro	**Change in value used for calculating hedge ineffectiveness**
CHF net investment	**3**

IFRS 7.22(a)–(c)

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

	2015			
		Carrying amount		
In thousands of euro	**Nominal amount**	**Assets**	**Liabilities**	**Line item in the statement of financial position where the hedging instrument is included**
Foreign exchange-denominated debt (CHF)	1,257	-	1,257	Loans and borrowings

IFRS 7.22(a)–(c)

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

	2015
In thousands of euro	**Change in value used for calculating hedge ineffectiveness**
CHF net investment	8

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Extracts of notes to the consolidated financial statements (continued)

During the period – 2016

Change in value used for calculating hedge ineffectiveness for 2016	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
(4)	**(3)**	**(1)**	Finance costs – other	**-**	**N/A**

During the period – 2016

Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
125	**-**

During the period – 2015

Change in value used for calculating hedge ineffectiveness for 2015	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
(8)	(8)	-	Finance costs – other	-	N/A

During the period – 2015

Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
105	-

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Extracts of notes to the consolidated financial statements (continued)

IAS 1.112(a), 117(b), 119–121, IFRS 7.21, IFRS 7R.21, IFRS 7R.B5(e)

44. Significant accounting policies[a]

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

IAS 1.82(a)–(b)

G. Finance income and finance costs

The Group's finance income and finance costs include:

– interest income;

– interest expense;

– dividend income;

– dividend expense on preference shares issued classified as financial liabilities;

– the net gain or loss on the disposal of investments in debt securities measured at FVOCI;

– the net gain or loss on financial assets at FVTPL;

– the foreign currency gain or loss on financial assets and financial liabilities;

– impairment losses (and reversals) on investments in debt securities carried at amortised cost or FVOCI;

– the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;

– the fair value loss on contingent consideration classified as a financial liability;

– hedge ineffectiveness recognised in profit or loss; and

– the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings (see Note 31(c)(iv)).

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

[IFRS 9 Appendix A.B5.4.7, 5.4.1, 5.4.2]

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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a. The example accounting policies illustrated reflect the circumstances of the fictitious Group on which these illustrative financial statements are based, by describing only the specific policies that are relevant to an understanding of the Group's financial statements. The accounting policies for financial instruments are not intended to be a complete description of all types of policies available in general, but only of those that are relevant for the Group. These example accounting policies should not be relied on for a complete understanding of IFRS and should not be used as a substitute for referring to the standards and interpretations themselves. To help you identify the underlying requirements in IFRS, references to the recognition and measurement requirements in the standards that are relevant for a particular accounting policy have been included and indicated by square brackets – e.g. *[IFRS 9.4.1.1.]*

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Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments

i. Recognition and initial measurement

[IAS 39.14, IFRS 9.3.1.1]

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Recognition and initial measurement

[IAS 39.43, 44A, IFRS 9.5.1.1, 5.1.3, IFRS 15 Appendix D]

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2016

[IFRS 9.4.1.1]

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

[IFRS 9.4.4.1]

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

[IFRS 9.4.1.2]

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

[IFRS 9.4.1.2A]

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

[IFRS 9.4.1.4]

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

[IFRS 9.4.1.5]

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 31(A)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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44. Significant accounting policies (continued)

P. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

[IFRS 9.B4.1.2]

Financial assets: Business model assessment – Policy applicable from 1 January 2016

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

[IFRS 9.B4.1.2B, B4.1.2C, B4.1.4.A, B4.1.5]

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.[a]

[IFRS 9.B4.1.6]

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2016

[IFRS 9.4.1.3, B4.1.7A–B, B4.1.9A–B4.1.9E]

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Insights 7A.4.110.50–90

a. IFRS 9 does not provide specific guidance for business model assessment related to portfolios of financial assets for which the entity's objectives include transfers of financial assets to third parties in transactions that do not qualify for derecognition. In our view, whether such a portfolio is considered consistent with a held-to-collect business model depends on the circumstances.

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Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2016 (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2016

IFRS 7R.B5(e), [IFRS 9.5.7.2]	**Financial assets at FVTPL**	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 44(P)(v) for derivatives designated as hedging instruments.
	Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
[IFRS 9.5.7.1]	**Debt investments at FVOCI**	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
[IFRS 9.5.7.1, 6, B5.7.1]	**Equity investments at FVOCI**	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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44. Significant accounting policies (continued)

P. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

[IAS 39.9]

Financial assets – Policy applicable before 1 January 2016

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2016

IFRS 7.B5(e), [IAS 39.43, 46, 55(a)]	**Financial assets at FVTPL**	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. However, see Note 44(P)(v) for derivatives designated as hedging instruments.
[IAS 39.43, 46(b)]	**Held-to-maturity financial assets**	Measured at amortised cost using the effective interest method.
[IAS 39.43, 46(a)]	**Loans and receivables**	Measured at amortised cost using the effective interest method.
IFRS 7.B5(b), [IAS 39.43, 46]	**Available-for-sale financial assets**	Measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

[IAS 39.47]

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

See Note 44(P)(v) for financial liabilities designated as hedging instruments.

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Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments (continued)

iii. Derecognition

[IAS 39.9]

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

[IAS 39.20, IFRS 9.3.2.6]

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

Financial liabilities

[IFRS 9.3.3.1, IAS 39.39]

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

[IFRS 9.3.3.2, IAS 39.40]

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

[IAS 32.42]

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments (continued)

v. Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2016

[IFRS 9.4.3.3] The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

[IFRS 9.5.1.1, 5.2.1(c)] Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

[IFRS 9.6.4.1(a), (c)] At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

[IFRS 9.6.5.11] When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

[IFRS 9.6.5.11, 16] The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

[IFRS 9.6.5.11, 16] When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

[IFRS 9.6.5.6–7, 12] If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

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Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

P. Financial instruments (continued)

v. Derivative financial instruments and hedge accounting (continued)

Net investment hedges

[IFRS 9.6.5.13–14]

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2016

[IAS 39.11, 46, 95, 97–101, IFRS 9.7.2.26]

The policy applied in the comparative information presented for 2015 is similar to that applied for 2016. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss.[a] Furthermore, for cash flow hedges that were terminated before 2015, forward points were recognised immediately in profit or loss.

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]

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

[IFRS 9.4.2.1]

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

[IAS 32.AG32]

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

IFRS 9,6.5.11, IAS 39.98–99

a. Under IAS 39, for a hedge of a forecast transaction that subsequently results in the recognition of a non-financial item, an entity chooses an accounting policy, to be applied consistently, to either remove the associated gains or losses that were recognised in OCI and include them in the initial cost or other carrying amount of the non-financial item, or 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. Under IAS 39, the Group had elected to apply the second approach. Under IFRS 9, only the first approach is permitted.

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44. Significant accounting policies (continued)

S. Impairment of financial instruments and contract assets

Policy applicable from 1 January 2016

IFRS 7R.21, [IFRS 9.2, 5.5.1]

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

IFRS 7R.35F(a)(i), [IFRS 9.5.5.3, 5.5.5, 5.5.11, 5.5.15–5.5.16]

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.[a]

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

IFRS 7R.35F(b), B8A

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days or more past due.

IFRS 7R.35F(a)(i), [IFRS 9.5.5.10, B5.5.22–B5.5.24], [IFRS 9 Appendix A]

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per rating agency [*X*] or BBB- or higher per rating agency [*Y*].

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

a. For lease receivables, contract assets and trade receivables with a significant financing component, an entity can choose as an accounting policy either to apply the general model for measuring loss allowance or always to measure the loss allowance at an amount equal to the lifetime ECL. In this guide, we assume that the Group has chosen the latter policy.

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Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

S. Impairment of financial instruments and contract assets (continued)

Policy applicable from 1 January 2016 (continued)

[IFRS 9 Appendix A, B5.5.28–B5.5.33]

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

IFRS 7R.35F(d), [IFRS 9 Appendix A]

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

[IFRS 9.5.5.2]

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

IFRS 7R.35F(e), [IFRS 9.5.4.4]

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

S. Impairment of financial instruments and contract assets (continued)

Policy applicable before 1 January 2016

Non-derivative financial assets

[IAS 39.58–59, 28.40] Financial assets not classified as at FVTPL, were assessed at each reporting date to determine whether there was objective evidence of impairment.

IFRS 7R.B5(f) Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Group considered a decline of 20% to be significant and a period of nine months to be prolonged.

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Extracts of notes to the consolidated financial statements (continued)

44. Significant accounting policies (continued)

S. Impairment of financial instruments and contract assets (continued)

Policy applicable before 1 January 2016 (continued)

Non-derivative financial assets (continued)

[IAS 39.63–64]

Financial assets measured at amortised cost

The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

IFRS 7.B5(d), [IAS 39.63–65]

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

[IAS 39.67–70]

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

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Appendix VI

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 2016 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 2017, 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 2017. 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 2017 and that the proceeds will be sufficient to meet the repayment requirements at that date. Management anticipates that any additional repayments required will be met out of operating cash flows or from alternative forms of capital raising such as further asset sales, a rights or note issue or private placement. Management has access to underwriters and a plan for equity raising if required.

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

IAS 1.25, 10.16(b) a. This appendix illustrates one possible format for disclosures.

Taking account of specific requirements in its jurisdiction, an entity discloses any material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, whether they arise during the year or after the reporting date.

Insights 1.2.75.10 b. Even if management concludes that there were no material uncertainties but the conclusion involved significant judgements, an entity discloses these judgements under paragraph 122 of IAS 1.

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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 2016, 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 2016, the shares were distributed. The net assets comprised assets of €17,408 thousand less liabilities of €7,464 thousand as follows.

In thousands of euro	**2016**
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.

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APPENDICES

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 2014, 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 2015 to 2017, with an agreed bulk discount of 10% compared with the list prices that Griffin Limited would generally charge on individual orders.

The aggregate sales value under the agreement for the year ended 31 December 2016 amounted to €3,500 thousand (2015: €2,800 thousand). As at 31 December 2016, the aggregate amounts due from the Department amounted to €10 thousand (2015: €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 2015, 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 2016 to 2020. 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 2016 amounted to €3,500 thousand. As at 31 December 2016, 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 2016, 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 2016, 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 2016, 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 2017. 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*].

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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 2016, management estimates that the aggregate amount of Griffin Limited's significant transactions with other government-related entities is at least 50% of its sales of recycled paper products and between 30 and 40% of its purchase of materials.

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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 2016, 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 2016 and it was completed and available for use on 30 September 2016. 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 2016. 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 2016, 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 2016 represents the fair value of the construction services provided in constructing the toll road. The Group has recognised a service concession receivable, initially measured at the fair value of the construction services, of €260 thousand representing the present value of the guaranteed annual minimum payments to be received from the grantor, discounted at a rate of 5%, of which €11 thousand represents accrued interest.

IAS 23.26(a)–(b), [IFRIC 12.22]

The Group has recognised an intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement of €95 thousand, of which €5 thousand has been amortised in 2016. The intangible asset represents the right to charge users a fee for use of the toll road.[c]

Capitalised borrowing costs included in this intangible asset amount to €6 thousand, which was determined based on an estimation of the average interest costs on borrowings of 5.7%.

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a. This appendix illustrates one possible format for the disclosure of a service concession arrangement to help in the preparation of consolidated financial statements. Other presentation formats are possible.

SIC-29.7

b. Disclosures about the nature and extent of service concession arrangements are provided individually for each service concession arrangement or in aggregate for each class of service concession arrangement.

c. The disclosure requirements in IFRS 13 do not apply to assets and liabilities that are not measured at fair value after initial recognition.

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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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Acknowledgements

We would like to acknowledge the principal contributors to and reviewers of this guide, who include:

Rodrigo Bauce

Ewa Bialkowska

Matthew Cook

Hakob Harutyunyan

Irina Ipatova

Kiary Kwong

Shandhir Lachman

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Frank Richter

Chris Spall

Anisa Vallee

Anthony Voigt

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kpmg.com/ifrs

Publication name: *Guide to annual financial statements – Illustrative disclosures*

Publication number: 133902

Publication date: October 2016

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