KPMG

Illustrative financial statements

International Financial Reporting Standards
July 2009

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About this publication

These illustrative financial statements have been produced by the KPMG International Financial Reporting Group (part of KPMG IFRG Limited), and the views expressed herein are those of the KPMG International Financial Reporting Group.

Content

The purpose of this publication is to assist you in preparing financial statements in accordance with International Financial Reporting Standards (IFRSs). It illustrates one possible format for financial statements, based on a fictitious multinational corporation; the corporation is not a first-time adopter of IFRSs (see *Technical guide*).

This publication reflects IFRSs in issue at 1 June 2009 that are required to be applied by an entity with an annual period beginning *on* 1 January 2009 ("currently effective" requirements). IFRSs that are effective for annual periods beginning *after* 1 January 2009 ("forthcoming" requirements) have not been adopted early in preparing these illustrative financial statements, with the exception of revised IFRS 3 *Business Combinations* (2008) and amended IAS 27 *Consolidated and Separate Financial Statements* (2008).

When preparing financial statements in accordance with IFRSs, an entity should have regard to its local legal and regulatory requirements. This publication does not consider any requirements of a particular jurisdiction. For example, IFRSs do not require the presentation of separate financial statements for the parent entity, and this publication includes only consolidated financial statements. However, in some jurisdictions parent entity financial information also may be required.

This publication does not illustrate IFRS 4 *Insurance Contracts*, IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IAS 26 *Accounting and Reporting by Retirement Benefit Plans* or IAS 34 *Interim Financial Reporting*.

This publication illustrates only the financial statements component of a financial report. However, typically a financial report will include at least some additional commentary by management, either in accordance with local laws and regulations or at the election of the entity (see *Technical guide*).

IFRSs and their interpretation change over time. Accordingly, these illustrative financial statements should not be used as a substitute for referring to the standards and interpretations themselves.

References

The illustrative financial statements are contained on the odd-numbered pages of this publication. The even-numbered pages contain explanatory comments and notes on the disclosure requirements of IFRSs. The illustrative examples, together with the explanatory notes, however, are not intended to be seen as a complete and exhaustive summary of all disclosure requirements that are applicable under IFRSs. For an overview of all disclosure requirements that are applicable under IFRSs, see our publication *IFRS Disclosure Checklist*.

To the left of each item disclosed, a reference to the relevant standard is provided; generally the references relate only to disclosure requirements. The illustrative financial statements also include references to our publication *Insights into IFRS.*

What's new in the 2009 illustrative financial statements

The illustrative financial statements is an annual publication of KPMG IFRG. This publication has been updated to incorporate the following:

- early adoption of IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008)
- adoption of revised IAS 1 *Presentation of Financial Statements* (2007)
- adoption of IFRS 8 *Operating Segments* (Appendix III in previous year's illustrative financial statements)
- examples of disclosures resulting from amendments to IFRS 7 *Financial Instruments: Disclosures*
- adoption of revised IAS 23 *Borrowing Costs*
- an example of a share-based payment transaction with a non-vesting condition in accordance with IFRS 2 *Share-based Payment*
- an example of a customer loyalty programme in accordance with IFRIC 13 *Customer Loyalty Programmes*
- an example of an employee benefit asset disclosure in accordance with IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

Other ways KPMG member firm professionals can help

We have a range of publications that can assist you further, including *Insights into IFRS*, *IFRS: An overview*, *Illustrative financial statements: banks, Disclosure checklist* and *Illustrative condensed interim financial statements*. Technical information is available at www.kpmgifrg.com.

KPMG's *IFRS Briefing Sheet – Issue 138* provides an overview of newly effective IFRSs and other considerations, which are intended to be a reminder of recently issued accounting guidance that may affect financial statements during the interim and annual periods ending 30 June 2009. This Briefing Sheet may serve as a useful reminder for entities with an annual period ending 31 December 2009 as well.

For access to an extensive range of accounting, auditing and financial reporting guidance and literature, visit KPMG's Accounting Research Online. This Web-based subscription service can be a valuable tool for anyone who wants to stay informed in today's dynamic environment. For a free 15-day trial, go to www.aro.kpmg.com and register today.

Technical guide

Form and content of financial statements

IAS 1 *Presentation of Financial Statements* sets out the overall requirements for the presentation of financial statements, including their content and structure. Other standards and interpretations deal with the recognition, measurement and disclosure requirements related to specific transactions and events. IFRSs are not limited to a particular legal framework. Therefore financial statements prepared under IFRSs often contain supplementary information required by local statute or listing requirements, such as directors' reports (see below).

Choice of accounting policies

The accounting policies disclosed in these illustrative financial statements reflect the facts and circumstances of the fictitious corporation on which these financial statements are based. They should not be relied upon for a complete understanding of the requirements of IFRSs and should not be used as a substitute for referring to the standards and interpretations themselves. The accounting policy disclosures appropriate for an entity depend on the facts and circumstances of that entity and may differ from the disclosures presented in these illustrative financial statements. The recognition and measurement requirements of IFRSs are discussed in our publication *Insights into IFRS*.

Reporting by directors

Generally local laws and regulations determine the extent of reporting by directors in addition to the presentation of financial statements. IAS 1 encourages, but does not require, entities to present, outside the financial statements, a financial review by management. The review describes and explains the main features of the entity's financial performance and financial position, and the principal uncertainties it faces. Such a report may include a review of:

- the main factors and influences determining financial performance, including changes in the environment in which the entity operates, the entity's response to those changes and their effect, and the entity's policy for investment to maintain and enhance financial performance, including its dividend policy
- the entity's sources of funding and its targeted ratio of liabilities to equity
- the entity's resources not recognised in the statement of financial position in accordance with IFRSs.

In June 2009 the International Accounting Standards Board (IASB) published Exposure Draft (ED) *Management Commentary*, which proposes a framework for the preparation of management commentary that accompanies financial statements prepared in accordance with IFRSs. The proposals in the ED will not result in an IFRS, and therefore once finalised an entity will not be required to comply with the framework for the preparation and presentation of management commentary in order to assert compliance with IFRSs.

First-time adopters of IFRSs

These illustrative financial statements assume that the entity is not a first-time adopter of IFRSs. IFRS 1 *First-time Adoption of International Financial Reporting Standards* applies to an entity's first financial statements prepared in accordance with IFRSs. IFRS 1 requires extensive disclosures explaining how the transition from previous GAAP to IFRSs affects the reported financial position, financial performance and cash flows of an entity. These disclosures include reconciliations of equity and reported profit or loss at the date of transition to IFRSs and at the end of the comparative period presented in the entity's first IFRS financial statements, explaining material adjustments to the statements of financial position, changes in equity and comprehensive income, and identifying separately the correction of any errors made under previous GAAP. An entity that presented a statement of cash flows under previous GAAP also explains any material adjustments to its statement of cash flows.

Note	*Reference*	**Explanatory note**
1.	*IAS 1.10*	In these illustrative financial statements, the titles of the statements are consistent with the titles used in IAS 1 *Presentation of Financial Statements* (2007). However, these terms are not mandatory and different titles are permitted.
2.		The difference between the single-statement approach and the two-statement approach with respect to the statement of comprehensive income is further explained in explanatory note 1 on page 8 that accompanies the consolidated statement of comprehensive income.

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Note	*Reference*	**Explanatory note**
1.	*IAS 1.45*	The presentation and classification of items in the financial statements is retained from one period to the next unless the changes are required by a new standard or interpretation, or it is apparent, following a significant change to an entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate. The entity also considers the criteria for the selection and application of accounting policies in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
		In our view, if an entity changes the classification or presentation of items in the financial statements, and the change in presentation or classification is limited and does not result in a change to either the results or total equity of the comparative period, then it is not necessary to head up the comparative financial statements as "restated". This issue is discussed in our publication *Insights into IFRS* (2.8.70).
2.	*IAS 1.55, 58*	Additional line items, headings and subtotals are presented separately in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position. The judgement used is based on an assessment of the nature and liquidity of the assets, the function of assets within the entity, as well as the amounts, nature and timing of liabilities. Additional line items may include, for example, "other assets" for the inclusion of prepayments.
	IAS 1.57	IAS 1 *Presentation of Financial Statements* (2007) does not prescribe the order or format in which an entity presents items. Additional line items are included when size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position and the descriptions used, and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions to provide information that is relevant to an understanding of an entity's financial position.
3.	*IAS 1.60, 61*	In these illustrative financial statements we have presented current and non-current assets, and current and non-current liabilities as separate classifications in the statement of financial position. An entity may present its assets and liabilities broadly in order of liquidity if such presentation provides reliable and more relevant information. Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled within (1) no more than 12 months after the reporting date, and (2) more than 12 months after the reporting date, an entity discloses in the notes the amount expected to be recovered or settled after more than 12 months.
4.	*IAS 1.54(n), 12.71*	An entity offsets current tax assets and current tax liabilities only if it has a legally enforceable right to set off the recognised amounts, and intends to realise the asset and settle the liability on a net basis or simultaneously. Current tax assets and liabilities are presented as separate line items in the statement of financial position.
5.	*IFRS 5.40*	Comparatives are not restated to reflect classification as held for sale at the current reporting date.
		In our view, non-current assets (disposal groups) classified as held for sale are classified as current in the statement of financial position as they are expected to be realised within 12 months of the date of classification as held for sale. Consequently, the presentation of a "three column statement of financial position" with the headings of "Assets / Liabilities not for sale", "Assets / Liabilities held for sale" and "Total" generally would not be appropriate if the assets and liabilities held for sale continue to be included in non-current line items. This issue is discussed in our publication *Insights into IFRS* (5.4.110.30).

Reference

Consolidated statement of financial position[1, 2]

IAS 1.10(a), 113

As at 31 December

Reference	*In thousands of euro*	*Note*	2009	2008[1]
	Assets			
IAS 1.54(a)	Property, plant and equipment	16	26,686	31,049
IAS 1.54(c)	Intangible assets	17	5,922	4,661
IAS 1.54(f)	Biological assets	18	7,014	8,716
IAS 1.54(h)	Trade and other receivables	24	213	-
IAS 1.54(b)	Investment property	19	2,070	1,050
IAS 1.54(e), 28.38	Investments in equity accounted investees	20	2,025	1,558
IAS 1.54(d)	Other investments, including derivatives	21	3,631	3,525
IAS 1.54(o), 56	Deferred tax assets	22	138	1,376
IAS 1.55	Employee benefits	29	300	451
IAS 1.60	**Total non-current assets**[3]		47,999	52,386
IAS 1.54(g)	Inventories	23	12,867	12,119
IAS 1.54(f)	Biological assets	18	245	140
IAS 1.54(d)	Other investments, including derivatives	21	662	1,032
IAS 1.54(n)	Current tax assets[4]		81	228
IAS 1.54(h)	Trade and other receivables	24	23,694	17,999
IAS 1.55	Prepayments		330	1,200
IAS 1.54(i)	Cash and cash equivalents	25	1,505	1,850
IFRS 5.38-40	Assets classified as held for sale[5]	8	14,410	-
IAS 1.54(j)				
IAS 1.60	**Total current assets**[3]		53,794	34,568
	Total assets	6	101,793	86,954
	Equity			
IAS 1.54(r), 78(e)	Share capital		14,979	14,550
IAS 1.55, 78(e)	Share premium		4,875	3,500
IAS 1.54(r), 78(e)	Reserves		1,104	449
IAS 1.55, 78(e)	Retained earnings		19,329	14,006
	Total equity attributable to equity holders of the Company		40,287	32,505
IAS 1.54(q), 27.27	**Non-controlling interest**		1,130	842
	Total equity	26	41,417	33,347
	Liabilities			
IAS 1.54(m)	Loans and borrowings	28	20,942	19,206
	Derivatives	34	20	5
IAS 1.55	Employee benefits	29	647	561
IAS 1.55, 20.24	Deferred income	31	1,424	1,462
IAS 1.54(l)	Provisions	32	1,010	400
IAS 1.54(o), 56	Deferred tax liabilities	22	2,602	1,567
IAS 1.60	**Total non-current liabilities**[3]		26,645	23,201
IAS 1.55	Bank overdraft	25	334	282
IAS 1.54(m)	Loans and borrowings	28	4,390	4,386
IAS 1.54(k)	Trade and other payables, including derivatives	33	23,759	24,370
IAS 1.55, 11.42(b)	Deferred income	31	178	168
IAS 1.54(l)	Provisions	32	660	1,200
IFRS 5.38-40	Liabilities classified as held for sale[5]	8	4,410	-
IAS 1.54(p)				
IAS 1.60	**Total current liabilities**[3]		33,731	30,406
	Total liabilities	6	60,376	53,607
	Total equity and liabilities		101,793	86,954

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.	*IAS 1.10(b)*	A complete set of financial statements comprises, as one of its statements, a statement of comprehensive income for the period.
	IAS 1.81	Total comprehensive income is the changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners, which is presented either in: • one statement (i.e., a statement of comprehensive income) • two statements (i.e., a separate income statement and a statement beginning with profit or loss and displaying components of other comprehensive income).
	IAS 1.81(a)	This analysis is based on a single statement of comprehensive income. The two-statement approach is displayed in Appendix I.
2.	*IAS 1.87*	No items of income and expense may be presented as "extraordinary". The nature and amounts of material items are disclosed as a separate line item in the statement of comprehensive income or in the notes. In our view, it is preferable for separate presentation to be made in the statement of comprehensive income only when necessary for an understanding of the entity's financial performance. This issue is discussed in our publication *Insights into IFRS* (4.1.82).
	IAS 1.85	An entity presents additional line items, headings and subtotals when this is relevant to an understanding of its financial performance.
3.		IFRSs do not specify whether revenue can be presented only as a single line item in the statement of comprehensive income, or whether an entity also may include the individual components of revenue in the statement of comprehensive income, with a subtotal for revenue from continuing operations.
4.	*IAS 1.99*	This analysis is based on functions within the entity. The analysis of expenses also may be presented based on the nature of expenses. Individual material items are classified in accordance with their nature or function, consistent with the classification of items that are not material individually. This issue is discussed in our publication *Insights into IFRS* (4.1.30).
5.	*IAS 28.38*	An entity presents separately its share of any discontinued operations of its associates.
6.	*IFRS 5.33(a)*	An entity presents a single amount in the statement of comprehensive income comprising the post-tax profit or loss from discontinued operations plus the post-tax gain or loss arising from disposal or measurement to fair value less cost to sell.
	IFRS 5.33(b)	An entity also discloses revenue, expenses, and the pre-tax profit or loss from discontinued operations; income tax on the profit or loss from discontinued operations; the gain or loss on the disposal or measurement to fair value less cost to sell; and income tax on that gain or loss. In this publication we have illustrated this analysis in the notes. An entity also may present this analysis in the statement of comprehensive income, in a section identified as relating to discontinued operations. For example, a columnar format presenting the results from continuing and discontinued operations in separate columns is acceptable.
7.	*IAS 1.82(g),(h)*	An entity presents each component of other comprehensive income by nature. The only exception to this principle relates to investments in associates and joint ventures accounted for using the equity method. An entity's share of the other comprehensive income of an equity accounted investee is presented as a separate line item.
8.	*IAS 1.94*	An entity may present reclassification adjustments directly in the statement of comprehensive income or in the notes. This analysis is based on presentation directly in the statement of comprehensive income.
9.	*IAS 1.91*	Individual components of other comprehensive income may be presented either net of related tax effects, or before related tax effects, with an aggregate amount presented for income tax.

Consolidated statement of comprehensive income[1, 2]

Reference	For the year ended 31 December *In thousands of euro*	Note	2009	2008 Re-presented*
IAS 1.10(b), 81(a)	**For the year ended 31 December**			
	Continuing operations			
IAS 1.82(a)	Revenue[3]	*10*	100,160	96,636
IAS 1.99, 103, 2.36(d)	Cost of sales[4]		(55,805)	(56,186)
IAS 1.103	**Gross profit**		44,355	40,450
	Other income	*11*	1,345	315
IAS 1.99, 103	Distribution expenses[4]		(17,984)	(18,012)
IAS 1.99, 103	Administrative expenses[4]		(17,142)	(15,269)
IAS 1.99, 103, 38.126	Research and development expenses[4]		(1,109)	(697)
IAS 1.99, 103	Other expenses[4]	*12*	(710)	-
IAS 1.85	**Results from operating activities**		8,755	6,787
	Finance income		911	480
IAS 1.82(b)	Finance costs		(1,760)	(1,676)
	Net finance costs	*14*	(849)	(1,196)
IAS 1.82(c), 28.38	Share of profit of equity accounted investees (net of income tax)[5]	*20*	467	587
IAS 1.85	**Profit before income tax**		8,373	6,178
IAS 1.82(d), 12.77	Income tax expense	*15*	(2,528)	(1,800)
IAS 1.85	**Profit from continuing operations**		5,845	4,378
	Discontinued operation			
IFRS 5.33(a), 1.82(e)	Profit (loss) from discontinued operation (net of income tax)[6]	*7*	379	(422)
IAS 1.82(f)	**Profit for the period**		6,224	3,956
	Other comprehensive income[7]			
IAS 1.82(g), 21.52(b)	Foreign currency translation differences for foreign operations	*14*	501	330
IAS 1.82(g)	Net loss on hedge of net investment in foreign operation	*14*	(3)	(8)
IAS 1.82(g)	Revaluation of property, plant and equipment	*16*	200	-
IFRS 7.23(c)	Effective portion of changes in fair value of cash flow hedges	*14*	(93)	77
IFRS 7.23(d), IAS 1.92	Net change in fair value of cash flow hedges transferred to profit or loss[8]	*14*	-	(11)
IFRS 7.20(a)(ii)	Net change in fair value of available-for-sale financial assets	*14*	199	94
IFRS 7.20(a)(ii), IAS 1.92	Net change in fair value of available-for-sale financial assets transferred to profit or loss[8]	*14*	(64)	-
IAS 1.82(g), 19.93B	Defined benefit plan actuarial gains (losses)	*29*	72	(15)
IAS 1.91(b)	Income tax on other comprehensive income[9]	*15*	(104)	(48)
IAS 1.85	**Other comprehensive income for the period, net of income tax**		708	419
IAS 1.82(i)	**Total comprehensive income for the period**		6,932	4,375

* See discontinued operation – note 7.

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.	*IAS 33.73*	Earnings per share based on alternative measures of earnings also may be given if considered necessary, but should be presented in the notes to the financial statements only and not in the statement of comprehensive income. This issue is discussed in our publication *Insights into IFRS* (5.3.370.55).
2.	*IAS 33.2*	An entity is required to present earnings per share if its ordinary shares or potential ordinary shares are publicly traded, or if it is in the process of issuing ordinary shares or potential ordinary shares in public securities markets.
	IAS 33.67, 69	Basic and diluted earnings per share are presented even if the amounts are negative (a loss per share). Diluted earnings per share also are presented even if it equals basic earnings per share and this may be accomplished by the presentation of basic and diluted earnings per share in one line item.

Reference

Consolidated statement of comprehensive income (continued)

For the year ended 31 December

Reference	*In thousands of euro*	*Note*	2009	2008 Re-presented*
	Profit attributable to:			
IAS 1.83(a)(ii)	Owners of the Company		5,848	3,737
IAS 1.83(a)(i)	Non-controlling interest		376	219
	Profit for the period		6,224	3,956
	Total comprehensive income attributable to:			
IAS 1.83(b)(ii)	Owners of the Company		6,529	4,134
IAS 1.83(b)(i)	Non-controlling interest		403	241
	Total comprehensive income for the period		6,932	4,375
	Earnings per share[1]			
IAS 33.66	Basic earnings per share (euro)[2]	*27*	1.75	1.08
IAS 33.66	Diluted earnings per share (euro)[2]	*27*	1.68	1.07
	Continuing operations			
IAS 33.66	Basic earnings per share (euro)[2]	*27*	1.63	1.22
IAS 33.66	Diluted earnings per share (euro)[2]	*27*	1.57	1.21

* See discontinued operation – note 7.

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.	*IAS 1.106*	In these illustrative financial statements, IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) have been adopted early. The amendments to IAS 27 (2008) resulted in an amendment to paragraph 106 of IAS 1 *Presentation of Financial Statements* (2007) that requires an entity, among other things, to disclose in the statement of changes in equity a reconciliation, for each component of equity, between the carrying amount at the beginning and at the end of the period, separately disclosing changes resulting from: • profit or loss • each item of other comprehensive income • transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control.
	IAS 1.139A	The transitional requirements of IAS 1 (2007) require an entity to apply the amendment to paragraph 106, effective for annual periods beginning on or after 1 July 2009, for an earlier period if IAS 27 (2008) also is applied for an earlier period. Entities that do not early adopt IFRS 3 (2008) and IAS 27 (2008) are not required to early adopt the amendment to paragraph 106 of IAS 1 (2007). IAS 1 (2007), absent the amendments made by IAS 27 (2008), requires an entity to present a statement of changes in equity showing in the statement: • total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to minority interest • for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* • the amounts of transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners • for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change.
	IAS 1.IG6	The statement of changes in equity included in these illustrative financial statements separately presents changes in other comprehensive income attributable to each item of other comprehensive income. The example of a statement of changes in equity provided in the Implementation Guidance of IAS 1 (2007), which was not revised by the amendments to IAS 1 (2007), presents changes in other comprehensive income in one line item in the statement of changes in equity with a corresponding footnote explaining the changes in each item of other comprehensive income. The IASB has acknowledged in its February 2009 meeting that it intends to clarify, as part of the 2009 / 2010 Annual Improvements cycle, that changes in each item of other comprehensive income may be presented either in the statement of changes in equity, or in the notes.

Reference
IAS 1.108, 109

Consolidated statement of changes in equity[1]

Reference	*In thousands of euro*	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Company										
	Balance at 1 January 2008	14,550	3,500	(129)	434	17	-	-	10,553	28,925	601	29,526
	Total comprehensive income for the period											
IAS 1.106(d)(i)	Profit or loss	-	-	-	-	-	-	-	3,737	3,737	219	3,956
IAS 1.106(d)(ii)	**Other comprehensive income**											
IAS 1.82(g), 21.52(b)	Foreign currency translation differences	-	-	308	-	-	-	-	-	308	22	330
IAS 1.82(g)	Net loss on hedge of net investment in foreign operation	-	-	(8)	-	-	-	-	-	(8)	-	(8)
IAS 1.82(g) IFRS 7.23(c)	Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	52	-	-	-	-	52	-	52
IAS 1.82(g), IFRS 7.23(d)	Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	-	-	(8)	-	-	-	-	(8)	-	(8)
IAS 1.82(g), IFRS 7.20(a)(ii)	Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	63	-	-	-	63	-	63
IAS 19.93(b)	Defined benefit plan actuarial gains and losses, net of tax	-	-	-	-	-	-	-	(10)	(10)	-	(10)
	Total other comprehensive income	-	-	300	44	63	-	-	(10)	397	22	419
IAS 1.106(a)	Total comprehensive income for the period	-	-	300	44	63	-	-	3,727	4,134	241	4,375

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.	*IAS 1.80*	An entity without share capital (e.g., a partnership) discloses information equivalent to that required for other entities, disclosing movements during the period in each category of equity interest, and the rights, preferences, and restrictions attaching to each category of equity interest.
2.		IFRSs do not mandate a specific method of presenting treasury shares within equity. Laws may prescribe the allocation method. This issue is discussed, and certain possible presentation alternatives are explained, in our publication *Insights into IFRS* (3.11.310.10 - .340.10).
	IAS 32.33	An entity presents own shares purchased as a deduction from equity, either as a separate line item in the statement of financial position or in the notes. Consideration received when own shares held are reissued is presented as a change in equity, and no gain or loss is recognised. In these illustrative financial statements the surplus arising on the reissue of own shares is presented as share premium. However, before following this approach, an entity should check local legal requirements. This issue is discussed in our publication *Insights into IFRS* (3.11.310).
3.		IFRS 2 *Share-based Payment* does not address specifically how share-based payment transactions are presented within equity, e.g., whether an increase in equity in connection with a share-based payment transaction is presented in a separate line item within equity or within retained earnings. In our view, either approach would be allowed under IFRSs. In these illustrative financial statements the increase in equity recognised in connection with a share-based payment transaction is presented within retained earnings. This issue is discussed our publication *Insights into IFRS* (4.5.280.10 - .20).

Consolidated statement of changes in equity (continued)

Reference
IAS 1.108, 109

Reference	*In thousands of euro*	*Note*	Share capital[1]	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interest	Total equity
			Attributable to equity holders of the Company										
	Transactions with owners, recorded directly in equity												
	Contributions by and distributions to owners												
IAS 32.33	Own shares acquired[2]	*26*	-	-	-	-	-	-	(280)	-	(280)	-	(280)
IAS 1.106(d)(iii)	Dividends to equity holders	*26*	-	-	-	-	-	-	-	(524)	(524)	-	(524)
	Share-based payment transactions[3]	*30*	-	-	-	-	-	-	-	250	250	-	250
	Share options exercised	*30*	-	-	-	-	-	-	-	-	-	-	-
IAS 1.106(d)(iii)	Total contributions by and distributions to owners		-	-	-	-	-	-	(280)	(274)	(554)	-	(554)
	Changes in ownership interests in subsidiaries that do not result in a loss of control												
IAS 1.106(d)(iii)	Acquisition of non-controlling interest	*9*	-	-	-	-	-	-	-	-	-	-	-
IAS 1.106(d)(iii)	Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-
IAS 1.106(d)(iii)	Total transactions with owners		-	-	-	-	-	-	(280)	(274)	(554)	-	(554)
	Balance at 31 December 2008		14,550	3,500	171	478	80	-	(280)	14,006	32,505	842	33,347

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

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Reference

IAS 1.108, 109

Consolidated statement of changes in equity (continued)

Reference	*In thousands of euro*	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Company										
	Balance at 1 January 2009	14,550	3,500	171	478	80	-	(280)	14,006	32,505	842	33,347
	Total comprehensive income for the period											
IAS 1.106(d)(i)	Profit or loss	-	-	-	-	-	-	-	5,848	5,848	376	6,224
IAS 1.106(d)(ii)	**Other comprehensive income**											
IAS 1.82(g), 21.52(b)	Foreign currency translation differences	-	-	474	-	-	-	-	-	474	27	501
IAS 1.82(g)	Net loss on hedge of net investment in foreign operation	-	-	(3)	-	-	-	-	-	(3)	-	(3)
IAS 1.82(g)	Revaluation of property, plant and equipment, net of tax	-	-	-	-	-	134	-	-	134	-	134
IFRS 7.23(c), IAS 1.82(g)	Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(62)	-	-	-	-	(62)	-	(62)
IFRS 7.20(a)(ii), IAS 1.82(g)	Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	133	-	-	-	133	-	133
IFRS 7.20(a)(ii), IAS 1.82(g)	Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	-	-	-	-	(43)	-	-	-	(43)	-	(43)
IAS 19.93(b)	Defined benefit plan actuarial gains and losses, net of tax	-	-	-	-	-	-	-	48	48	-	48
	Total other comprehensive income	-	-	471	(62)	90	134	-	48	681	27	708
IAS 1.106(a)	Total comprehensive income for the period	-	-	471	(62)	90	134	-	5,896	6,529	403	6,932

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

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Reference

IAS 1.108, 109

Consolidated statement of changes in equity (continued)

Reference	*In thousands of euro*	*Note*	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interest	Total equity
			Attributable to equity holders of the Company										
	Transactions with owners, recorded directly in equity												
	Contributions by and distributions to owners												
IAS 1.106(d)(iii)	Issue of ordinary shares related to business combination	*9*	24	63	-	-	-	-	-	-	87	-	87
IAS 1.106(d)(iii)	Issue of ordinary shares	*26*	390	1,160	-	-	-	-	-	-	1,550	-	1,550
	Issue of convertible notes, net of tax	*28*	-	109	-	-	-	-	-	-	109	-	109
IAS 1.106(d)(iii)	Own shares sold	*26*	-	8	-	-	-	-	22	-	30	-	30
IAS 1.106(d)(iii)	Dividends to equity holders	*26*	-	-	-	-	-	-	-	(1,243)	(1,243)	-	(1,243)
	Share-based payment transactions	*30*	-	-	-	-	-	-	-	755	755	-	755
	Share options exercised	*26*	15	35	-	-	-	-	-	-	50	-	50
IAS 1.106(d)(iii)	Total contributions by and distributions to owners		429	1,375	-	-	-	-	22	(488)	1,338	-	1,338
	Changes in ownership interests in subsidiaries that do not result in a loss of control												
IAS 1.106(d)(iii)	Acquisition of non-controlling interest	*9*	-	-	-	-	-	-	-	(85)	(85)	(115)	(200)
IAS 1.106(d)(iii)	Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	(85)	(85)	(115)	(200)
IAS 1.106(d)(iii)	Total transactions with owners		429	1,375	-	-	-	-	22	(573)	1,253	(115)	1,138
	Balance at 31 December 2009		14,979	4,875	642	416	170	134	(258)	19,329	40,287	1,130	41,417

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.	*IAS 7.18*	In these illustrative financial statements we have presented cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, accruals and deferrals, and items of income or expense associated with investing or financing cash flows. An entity also may present operating cash flows using the direct method, disclosing major classes of gross cash receipts and payments related to operating activities. An example statement of cash flows presenting operating cash flows using the direct method is included in Appendix II.
	IAS 7.43	An entity discloses investing and financing transactions that are excluded from the statement of cash flows because they do not require the use of cash or cash equivalents in a way that provides all relevant information about these activities.
	IAS 7.50(b), (c)	An entity is encouraged, but not required, to disclose: • the aggregate amounts of the cash flows from each of operating, investing and financing activities related to interests in joint ventures reported using proportionate consolidation • the aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity.
2.	*IAS 7.22*	Cash flows from operating, investing or financing activities may be reported on a net basis if the cash receipts and payments are on behalf of customers and the cash flows reflect the activities of the customer, or when the cash receipts and payments for items concerned turn over quickly, the amounts are large and the maturities are short.
3.	*IAS 7.18, 20, App A*	For an entity that elects to present operating cash flows using the indirect method, often there is confusion about the correct starting point: would it be profit or loss, as presented in the statement of comprehensive income, or can a different figure, such as profit before income tax, be used? The standard itself refers to profit or loss, but the example provided in the appendix to the standard starts with profit before taxation. Our preference is to follow the standard since the appendix is illustrative only and therefore does not have the same status. This issue is discussed in our publication *Insights into IFRS* (2.3.30.20).
4.		The change in intangible assets, presented under cash flows from operating activities, relates to the intangible asset that results from a service concession arrangement (see note 40).
5.	*IAS 7.31*	IFRSs do not specify the classification of cash flows from interest and dividends received and paid, and an entity elects an accounting policy for classifying interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities. The presentation selected is applied consistently. This issue is discussed in our publication *Insights into IFRS* (2.3.50).
6.		In our view, to the extent that borrowing costs are capitalised in respect of qualifying assets, the cost of acquiring those assets should be presented in the statement of cash flows in accordance with the entity's accounting policy for presenting interest paid in the statement of cash flows. This is consistent with the requirement to classify separately the different components of a single transaction. This issue is discussed in our publication *Insights into IFRS* (2.3.50.40).
7.	*IAS 7.35*	Taxes paid are classified as operating activities unless it is practicable to identify them with, and therefore classify them as, financing or investing activities. This issue is discussed in our publication *Insights into IFRS* (2.3.50.20).

Reference	# Consolidated statement of cash flows[1, 2]			
IAS 1.10(d), 113	**For the year ended 31 December**			
	In thousands of euro	***Note***	**2009**	**2008**
	Cash flows from operating activities			
	Profit for the period[3]		6,224	3,956
	Adjustments for:			
	Depreciation		5,010	5,102
	Amortisation of intangible assets	*17*	785	795
	(Reversal of) impairment losses on property, plant and equipment	*16*	(393)	1,123
	Impairment losses on intangible assets	*17*	116	285
	Reversal of impairment losses on intangible assets	*17*	(100)	-
	Impairment losses on assets classified as held for sale	*8*	25	-
	Change in fair value of biological assets	*18*	(650)	(50)
	Net change in biological assets due to (births) deaths	*18*	(11)	(15)
	Change in fair value of investment property	*19*	(120)	(100)
	Net finance costs	*14*	849	1,196
	Share of profit of equity accounted investees	*20*	(467)	(587)
	Gain on sale of property, plant and equipment	*11*	(26)	(100)
	Gain on sale of discontinued operation, net of income tax	*7*	(516)	-
	Employee benefit curtailment gain	*29*	(100)	-
	Equity-settled share-based payment transactions	*30*	755	250
	Income tax expense	*15*	2,503	1,756
			13,884	13,611
	Change in inventories		(686)	2,305
	Change in current biological assets due to sales	*18*	127	63
	Change in intangible assets[4]	*17*	(95)	-
	Change in trade and other receivables		(12,993)	(1,318)
	Change in prepayments		870	(800)
	Change in trade and other payables		5,153	(2,450)
	Change in provisions and employee benefits		299	320
	Change in deferred income, including government grant	*31*	(28)	-
	Cash generated from operating activities		6,531	11,731
IAS 7.31, 32	Interest paid[5, 6]		(1,367)	(1,509)
IAS 7.35	Income tax paid[7]		(400)	(1,400)
IAS 7.10	**Net cash from operating activities**		4,764	8,822
	Cash flows from investing activities			
IAS 7.31	Interest received[5]		211	155
IAS 7.31	Dividends received[5]		369	330
IAS 7.16(a)	Proceeds from sale of property, plant and equipment		1,177	481
IAS 7.21	Proceeds from sale of investments		987	849
IAS 7.39	Disposal of discontinued operation, net of cash disposed of	*7*	10,890	-
IAS 7.39	Acquisition of subsidiary, net of cash acquired	*9*	(2,125)	-
IAS 7.16(a)	Acquisition of property, plant and equipment	*16*	(16,051)	(2,408)
IAS 7.16(a)	Acquisition of investment property	*19*	(200)	-
IAS 7.21	Plantations and acquisitions of non-current biological assets	*18*	(305)	(437)
IAS 7.16(a)	Acquisition of other investments		(325)	(2,411)
IAS 7.21	Development expenditure	*17*	(1,272)	(515)
IAS 7.10	**Net cash used in investing activities**		(6,644)	(3,956)

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.		When a hedging instrument is accounted for as a hedge of an identifiable position, the cash flows of the hedging instrument are classified in the same manner as the cash flows of the position being hedged. This issue is discussed in our publication *Insights into IFRS* (2.3.60.10). If hedge accounting is not applied to a derivative instrument, then it is preferable that the gains or losses on the derivative instrument are not presented as an adjustment to revenues, cost of sales or other line items related to the hedged item, even if the derivative instrument is intended to be an economic hedge of these items. However, in our view derivative gains and losses may be shown in the statement of comprehensive income as either operating or financing items depending on the nature of the item being economically hedged. This issue is discussed in our publication *Insights into IFRS* (5.6.670.70). In our view, the possibilities for the presentation in the statement of comprehensive income also apply to the presentation in the consolidated statement of cash flows. This issue is discussed in our publication *Insights into IFRS* (5.6.670.80).
2.		See explanatory note 5 on page 20 under cash flows from investing activities in the consolidated statement of cash flows.

Reference	Consolidated statement of cash flows (continued)			
IAS 1.10(d), 113	**For the year ended 31 December**			
	In thousands of euro	***Note***	**2009**	**2008**
	Cash flows from financing activities			
IAS 7.17(a)	Proceeds from issue of share capital	*26*	1,550	-
IAS 7.17(c)	Proceeds from issue of convertible notes	*28*	5,000	-
IAS 7.17(c)	Proceeds from issue of redeemable preference shares	*28*	2,000	-
IAS 7.21	Proceeds from sale of own shares	*26*	30	-
IAS 7.21	Proceeds from exercise of share options	*26*	50	-
IAS 7.16(h)	Proceeds from settlement of derivatives[1]		5	11
IAS 7.21	Payment of transaction costs related to loans and borrowings	*28*	(311)	-
IAS 7.42A	Acquisition of non-controlling interests	*9*	(200)	-
IAS 7.17(b)	Repurchase of own shares	*26*	-	(280)
IAS 7.17(d)	Repayment of borrowings		(5,132)	(4,492)
IAS 7.17(e)	Payment of finance lease liabilities	*28*	(254)	(214)
IAS 7.31	Dividends paid[2]	*26*	(1,243)	(524)
IAS 7.10	**Net cash from (used in) financing activities**		1,495	(5,499)
	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 exchange rate fluctuations on cash held		(12)	(25)
	Cash and cash equivalents at 31 December	*25*	1,171	1,568

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.	*IAS 1.7*	The notes to the financial statements include narrative descriptions or break-downs of amounts disclosed in the primary statements. They also include information about items that do not qualify for recognition in the financial statements.

Notes to the consolidated financial statements[1]

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Note	*Reference*	**Explanatory note**
1.	*IAS 1.36*	When the entity's reporting date changes and annual consolidated financial statements are presented for a period longer or shorter than one year, an entity discloses the reason for the change and the fact that comparative amounts presented are not entirely comparable. In this and other cases an entity may wish to present *pro forma* information that is not required by IFRSs, for example *pro forma* comparative consolidated financial statements prepared as if the change in reporting date were effective for all periods presented. The presentation of *pro forma* information is discussed in our publication *Insights into IFRS* (2.1.80).
2.		If financial statements are prepared on the basis of national accounting standards that are modified or adapted from IFRSs, and made publicly available by publicly traded companies, then the International Organization of Securities Commissions (IOSCO) has recommended including the following minimum disclosures: • a clear and unambiguous statement of the reporting framework on which the accounting policies are based • a clear statement of the entity's accounting policies in all material accounting areas • an explanation of where the respective accounting standards can be found • a statement explaining that the financial statements are in compliance with IFRSs as issued by the International Accounting Standards Board (IASB), if this is the case • a statement explaining in what regard the standards and the reporting framework used differ from IFRSs as issued by the IASB, if this is the case.
3.	*IAS 1.19, 20, 23*	In extremely rare circumstances in which management concludes that compliance with a requirement of a standard or an interpretation would be so misleading that it would conflict with the objective of financial statements set out in the *Framework for the Preparation and Presentation of Financial Statements*, an entity may depart from the requirement if the relevant regulatory framework requires or otherwise does not prohibit such a departure. Extensive disclosures are required in these circumstances.
4.	*IAS 10.17*	An entity discloses the date that the financial report was authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after their issue, then an entity discloses that fact.
5.	*IAS 1.25, 10.16(b)*	Taking account of specific requirements in its jurisdiction, an entity discloses any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, whether they arise during the period or after the reporting date. An entity may wish to explain other uncertainties, as illustrated.
6.	*IAS 21.53*	If the consolidated financial statements are presented in a currency different from the parent entity's functional currency, then an entity discloses that fact, its functional currency, and the reason for using a different presentation currency.
	IAS 29.39	If the consolidated financial statements are presented in a hyperinflationary functional currency, then an entity discloses: • the fact that the consolidated financial statements have been restated for changes in the general purchasing power of the functional currency, and as a result are stated in terms of the measuring unit current at the reporting date • whether the consolidated financial statements are based on a historical cost approach or a current cost approach • the identity and level of the price index at the reporting date, and the movement in the index during the current and the previous reporting period.
	IAS 21.54	If there is a change in the functional currency of either the entity or a significant foreign operation, then the entity discloses that fact together with the reason for the change.

Reference

Notes to the consolidated financial statements[1]

IAS 1.10(e)

1. Reporting entity

IAS 1.138(a), (b)
IAS 1.51(a)-(c)

[Name] (the "Company") is a company domiciled in [country]. The address of the Company's registered office is [address]. The consolidated financial statements of the Company as at and for the year ended 31 December 2009[1] comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in the manufacture of paper and paper-related products, the cultivation of trees and the sale of wood (see note 6).

IAS 1.112(a)

2. Basis of preparation[2]

(a) Statement of compliance

IAS 1.16

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).[3]

IAS 10.17

The consolidated financial statements were authorised for issue by the Board of Directors on [date].[4]

(b) Basis of measurement[5]

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

IAS 1.117(a)

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- biological assets are measured at fair value less costs to sell
- investment property is measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value
- the defined benefit asset is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

As explained in note 28, management has been in a process of continuous negotiations with a bank since the Group exceeded its maximum leverage threshold in the third quarter of 2009 resulting in the waiver of the breach of covenant being issued in October 2009. Subsequent to year-end, the bank revised the debt covenant ratio to 3.5. On the basis of the new covenant and management forecasts, management believes that the risk of the new covenant being breached is low and therefore that the Company will continue as a going concern for the foreseeable future.

(c) Functional and presentation currency[6]

IAS 1.51(d), (e)

These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

Note	*Reference*	**Explanatory note**
1.	*IAS 1.122*	An entity discloses the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The examples that are provided in paragraphs 123 and 124 of IAS 1 *Presentation of Financial Statements* (2007) indicate that such disclosure is based on qualitative data.
	IAS 1.125	An entity discloses the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The examples that are provided in paragraph 129 of IAS 1 (2007) indicate that such disclosure is based on quantitative data (e.g., appropriate discount rates).
2.		When a change in accounting policy is the result of the adoption of a new, revised or amended IFRS an entity applies the specific transitional requirements in that IFRS. However, in our view an entity nonetheless should comply with the disclosure requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to the extent that the transitional requirements do not include disclosure requirements. Even though it could be argued that the disclosures are not required because they are set out in the IAS 8 requirements for *voluntary* changes in accounting policy, we believe that they are necessary in order to give a fair presentation. This issue is discussed in our publication *Insights into IFRS* (2.8.20.10 - .30).
3.	*IAS 1.10(f)* *8.28, 29*	When a change in accounting policy, either voluntarily or as a result of the initial application of a standard, has an effect on the current period or any prior period, an entity discloses, among other things, the amount of the adjustment for each financial statement line item affected. An entity presents a statement of financial position as at the beginning of the earliest comparative period when it applies an accounting policy retrospectively. An example of such a statement of financial position is presented in Appendix III.
	IAS 8.49	If any prior period errors are corrected in the current year's financial statements, then an entity discloses: • the nature of the prior period error • to the extent practicable, the amount of the correction for each financial statement line item affected, and basic and diluted earnings per share for each prior period presented • the amount of the correction at the beginning of the earliest prior period presented • if retrospective restatement is impracticable for a particular prior period, then the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.
4.	*IAS 8.16*	Neither the application of an accounting policy for transactions or events that did not occur previously, nor the application of an accounting policy to previously immaterial items is a change in accounting policy. In these illustrative financial statements, the service concession arrangement, the adoption of the amendments to IFRS 2 *Share-based Payment* in respect of the treatment of non-vesting conditions and accounting for cancellations, and accounting for a customer loyalty programme in accordance with IFRIC 13 *Customer Loyalty Programmes* all are examples of new transactions or events for the purpose of this publication, and consequently such events have not been disclosed as a change in accounting policy.

Reference

Notes to the consolidated financial statements

2. Basis of preparation (continued)

(d) Use of estimates and judgements[1]

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of 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 accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

IAS 1.122, 125, 129, 130

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

- Note 10 – commission revenue
- Note 19 – classification of investment property
- Note 28 – accounting for an arrangement containing a lease
- Note 35 – lease classification.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 17 – recoverability of development costs
- Note 22 – utilisation of tax losses
- Note 29 – measurement of defined benefit obligations
- Notes 33 and 37 – provisions and contingencies.

(e) Changes in accounting policies[2, 3]

(i) Overview

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:[4]

- Accounting for business combinations
- Accounting for acquisitions of non-controlling interests
- Accounting for borrowing costs
- Determination and presentation of operating segments
- Presentation of financial statements.

Note	*Reference*	**Explanatory note**
1.		The *Improvements to IFRSs 2009* generally are effective for annual periods beginning on or after 1 January 2010; however, a number of amendments are required to be adopted early if an entity has adopted early IFRS 3 *Business Combinations* (2008), including amendments to IAS 38 *Intangible Assets* and IFRIC 9 *Reassessment of Embedded Derivatives*.
2.	*IAS 1.10(f)*	If a change in accounting policy is applied retrospectively, or the financial statements contain a retrospective restatement or reclassification, then a statement of financial position as at the beginning of the earliest comparative period is presented. An example of such a statement of financial position is presented in Appendix III.
3.		In practice this change in accounting policy may result in certain transitional presentation issues. For example, an issue may arise when an entity, in a period prior to the adoption of IFRS 3 (2008), had capitalised transaction costs with respect to a future business combination that will be accounted for under IFRS 3 (2008). In these Illustrative financial statements it is assumed that no transaction costs had been incurred in a period prior to the adoption of IFRS 3 (2008).
4.		An entity also may consider a *de facto* control model for the basis of consolidating a subsidiary, in which the ability in practice to control another entity exists and no other party has the power to govern. In our view, whether an entity includes or excludes *de facto* control aspects in its analysis of control is an accounting policy choice that should be disclosed in its significant accounting policies. This issue is discussed in our publication *Insights into IFRS* (2.5.30.40).

Reference

Notes to the consolidated financial statements

2. Basis of preparation (continued)

(e) Changes in accounting policies (continued)

(ii) Accounting for business combinations[1]

IAS 8.28(f)

The Group has adopted early IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) for all business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.[2]

The Group has applied the acquisition method for the business combination disclosed in note 9.[3]

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.[4]

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Note	*Reference*	**Explanatory note**
1.		In these illustrative financial statements IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) have been adopted early. As such, the acquisition of a non-controlling interest is an equity transaction. If IFRS 3 (2008) and IAS 27 (2008) had not been adopted early, then there would have been different possibilities as to how to account for the acquisition of non-controlling interests. The accounting for the acquisition of non-controlling interests under IFRS 3 (2004) and IAS 27 (2003) is discussed in our publication *Insights into IFRS* (2.5.350 and .390).
2.	*IAS 8.5*	Accounting policies are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.
3.	*IAS 36.80(b)*	IFRS 8 *Operating Segments* amended IAS 36 *Impairment of Assets* such that each unit or group of units to which goodwill is allocated may not be larger than an operating segment determined in accordance with IFRS 8. As such, in certain circumstances the adoption of IFRS 8 may impact the calculation of an impairment loss and earnings per share.

Reference

Notes to the consolidated financial statements

2. Basis of preparation (continued)

(e) Changes in accounting policies (continued)

(iii) Accounting for acquisitions of non-controlling interests[1]

IAS 8.28(f)

The Group has adopted early IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 January 2009. The Group has applied IAS 27 (2008) for the acquisition of non-controlling interests as explained in note 9.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

(iv) Accounting for borrowing costs

IAS 8.28(f)

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23 *Borrowing Costs* (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

The Group has capitalised borrowing costs with respect to property, plant and equipment under construction (see note 3(d)(i)), development costs (see note 3(e)(ii)) and the intangible asset arising from a service concession arrangement (see note 3(e)(iii)).

(v) Determination and presentation of operating segments

IAS 8.28(f)

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

IFRS 8.36

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects,[2] there is no impact on earnings per share.[3]

Note	*Reference*	**Explanatory note**
1.	*IAS 1.IN7*	Another change as a result of IAS 1 *Presentation of Financial Statements* (2007) is the requirement to present a statement of financial position as at the beginning of the earliest comparative period if a change in accounting policy is applied retrospectively, or the financial statements contain a retrospective restatement or reclassification. An example of such a statement of financial position is presented in Appendix III.
2.	*IAS 1.139A* *IAS 1.106*	IAS 27 *Consolidated and Separate Financial Statements* (2008) resulted in an amendment to IAS 1 (2007) with respect to the presentation of the statement of changes in equity. The amendment requires that for each component of equity a reconciliation be presented between the carrying amount at the beginning and at the end of the period, and discloses separately changes resulting from: • profit or loss • *each item* of comprehensive income • transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control.
	IAS 1.139A	Since in these Illustrative financial statements IAS 27 (2008) was adopted in a period prior to the effective date, the amendment to IAS 1 (2007) also is applied. See also explanatory note 1 on page 12.
3.	*IAS 8.5*	Accounting policies are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.

Reference

Notes to the consolidated financial statements

2. Basis of preparation (continued)

(e) Changes in accounting policies (continued)

(v) Determination and presentation of operating segments (continued)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(vi) Presentation of financial statements

IAS 8.28(f)

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.[1, 2]

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects,[3] there is no impact on earnings per share.

Note	*Reference*	**Explanatory note**
1.	*IAS 1.117(b)*	The accounting policies describe each specific accounting policy that is relevant to an understanding of the financial statements.
2.		Accounting policies in these illustrative financial statements reflect facts and circumstances of the fictitious corporation on which these financial statements are based. They should not be relied upon for a complete understanding of IFRS requirements and should not be used as a substitute for referring to the standards and interpretations themselves. Accounting policy disclosures appropriate for an entity depend on the facts and circumstances of that entity and may differ from the disclosures illustrated in this publication. The recognition and measurement requirements of IFRSs are discussed in our publication *Insights into IFRS*.
3.	*IAS 27.41(c)*	If the reporting date of the financial statements of a subsidiary used to prepare consolidated financial statements is different from that of the parent, then an entity discloses that reporting date and the reason for using it.
4.		The accounting for common control transactions in the absence of specific guidance in IFRSs is discussed in our publication *Insights into IFRS* (2.6.900). This publication illustrates one possible method to account for common control transactions.

Reference

Notes to the consolidated financial statements

IAS 1.112(a), 117(a)

3. Significant accounting policies[1, 2]

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

IAS 1.41

Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 16). In addition, the comparative statement of comprehensive income has been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period (see note 7).

(a) Basis of consolidation

(i) Business combinations

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2(e)(ii) for further details.

(ii) Subsidiaries[3]

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Special purpose entities

The Group has established a number of special purpose entities (SPEs) for trading and investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(iv) Acquisitions from entities under common control[4]

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

Note	*Reference*	**Explanatory note**
1.		In our view, it would be misleading for the investor's accounting policy notes to include additional notes in respect of the accounting policies of equity accounted investees. If disclosure of the accounting policies of an investee is considered necessary for an understanding of income from, or the carrying amount of, equity accounted investees, then in our view this information should be included in the accounting policy for investments in equity accounted investees. This issue is discussed in our publication *Insights into IFRS* (3.5.760).
2.		IFRSs do not specify the line item against which unrealised gains and losses resulting from transactions with equity accounted investees is eliminated (e.g., against the investment). In our view, an entity should disclose the accounting policy adopted. This issue is discussed in our publication *Insights into IFRS* (3.5.360.60).

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Investments in associates and jointly controlled entities (equity accounted investees)[1]

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

IAS 31.57

Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. 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.[2] 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

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation (see (iii) below), or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

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

The income and expenses of foreign operations in hyperinflationary economies are translated to euro at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised in other comprehensive income. Since 1 January 2004, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

(iii) Hedge of 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 parent entity's functional currency (euro), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the FCTR. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

Note	*Reference*	**Explanatory note**
1.	*IFRIC 12.24*	A financial asset recognised in a service concession arrangement is accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* as a loan or receivable, an available-for-sale financial asset or, if so designated upon initial recognition, a financial asset at fair value through profit or loss, if the conditions for that classification are met.

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

IFRS 7.21, B5(a)

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition 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 are recognised in profit or loss.

IFRS 7.21

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

IFRS 7.21

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, including service concession receivables[1] (see note 24).

IAS 7.46

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Note	*Reference*	**Explanatory note**
1.		Issues related to the classification of preference share capital as debt or equity are discussed in our publication *Insights into IFRS* (3.11.170). The disclosures illustrated here are not intended to be a complete description of accounting policies that may be applicable to preference share capital.

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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 upon initial recognition. 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 received or receivable is accounted for separately and is recognised initially at the fair value of the consideration received or receivable (see also note 3(e)(iii)).

IFRS 7.21, B5(b)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(k)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

IFRS 7.21

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

IFRS 7.21

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference share capital[1]

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Note	*Reference*	**Explanatory note**
1.		In this publication we illustrate hedge accounting applied to cash flow hedges and hedges of net investments in foreign operations. If fair value hedging also is used by an entity, then the accounting policies and disclosures are amended accordingly. Below is an example of an accounting policy for fair value hedging: **Fair value hedges** Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)
(c) Financial instruments (continued)
(iii) Share capital (continued)

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. 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 transferred to / from retained earnings.

(iv) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially 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.

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 subsequent to initial recognition.

IAS 32.35 Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised in equity, net of any tax benefit.

(v) Derivative financial instruments, including hedge accounting[1]

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 economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; 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 accounted for as described below.

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Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)
(c) Financial instruments (continued)
(v) Derivative financial instruments, including hedge accounting (continued)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

Note	*Reference*	**Explanatory note**
1.		If the determination of cost of property, plant and equipment at 1 January 2004, the Group's date of transition to IFRSs, is relevant to an understanding of the financial statements, then an entity may include in its accounting policies that "Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at 1 January 2004 was determined by reference to its fair value at that date."

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(d) Property, plant and equipment

IAS 16.73(a)

(i) Recognition and measurement[1]

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 2(e)(iv)). Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) 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 as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

Note	*Reference*	**Explanatory note**
1.	*IFRS 6.24*	An entity discloses its accounting policies related to the exploration for and evaluation of mineral resources, and the amounts of assets and liabilities, income and expense, and operating and investing cash flows arising from these activities.
	IFRS 6.25	An entity also provides all of the disclosures required by IAS 16 *Property, Plant and Equipment* with respect to tangible exploration and evaluation assets, and all of the disclosures required by IAS 38 *Intangible Assets* with respect to intangible exploration and evaluation assets.
2.		Certain jurisdictions operate a "cap and trade" scheme in which an entity must deliver emission certificates to a government agency to be able to emit legally pollutants. In our view, emission allowances received by an entity in a "cap and trade" scheme, whether purchased from or issued by the government, are intangible assets, if not inventory. Non-monetary government grants can be recognised either at fair value or at a nominal amount. The liability arising from producing pollutants may be measured based on the carrying amount of the allowances held to the extent that the entity holds sufficient allowances to satisfy its current obligations. In our view, determining the carrying amount of an allowance for the purposes of calculating a gain or loss on disposal should be made by analogy to determining the cost of inventories and a reasonable cost allocation method should be applied (e.g., specific identification, average cost, first-in first-out). An entity should disclose the method applied in its significant accounting policies. This issue is discussed in our publication *Insights into IFRS* (3.3.170.60).
3.		In these illustrative financial statements IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) have been adopted early. As such, the acquisition of non-controlling interests is an equity transaction. If IFRS 3 (2008) and IAS 27 (2008) had not been adopted early, then there would have been different possibilities as to how to account for the acquisition of non-controlling interests. The accounting for the acquisition of non-controlling interests under IFRS 3 (2004) and IAS 27 (2003) is discussed in our publication *Insights into IFRS* (2.5.350 and .390).

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

IAS 16.6 Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

IAS 16.73(b) Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. 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 for the current and comparative periods are as follows:

- buildings 40 years
- plant and equipment 5-12 years
- fixtures and fittings 5-10 years
- major components 3-5 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Estimates in respect of certain items of plant and equipment were revised in 2009 (see note 16).

(e) Intangible assets[1, 2]

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see note 3(a)(i).

Acquisitions of non-controlling interests[3]

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

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Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs 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. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs (see note 2(e)(iv). Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Service concession arrangements

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage 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 upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, which includes capitalised borrowing costs (see note 2(e)(iv)), less accumulated amortisation and accumulated impairment losses.

(iv) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(v) Subsequent expenditure

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.

(vi) Amortisation

IAS 38.8 Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

IAS 38.118(a), (b) Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- patents and trademarks 10-20 years
- capitalised development costs 5-7 years
- service concession arrangement 5 years.

IAS 38.104 Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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.

Note	*Reference*	**Explanatory note**
1.	*IAS 41.54(a), (b)*	If biological assets are measured at cost less any accumulated depreciation and accumulated impairment losses because their fair value cannot be estimated reliably, then an entity discloses a description of such biological assets and an explanation of why their fair value cannot be measured reliably.
2.	*IAS 40.75(c)*	If the classification of property is difficult, then an entity discloses the criteria developed to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.
3.	*IAS 40.56, 79(a), (b), (e)*	If an entity accounts for investment property using the cost model, then it discloses the depreciation method and the useful lives or the depreciation rates used, as well as the fair value of such investment property.
4.	*SIC 27.10(b)*	An entity discloses the accounting treatment applied to any fee received in an arrangement in the legal form of a lease to which lease accounting is not applied because the arrangement does not, in substance, involve a lease.

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(f) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.[1] Costs to sell include all costs that would be necessary to sell the assets. Standing timber is transferred to inventory at its fair value less estimated costs to sell at the date of harvest.

(g) Investment property

IAS 40.75(a) Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.[2] Investment property is measured at fair value with any change therein recognised in profit or loss.[3]

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Leased assets[4]

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

IAS 40.75(b) Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's statement of financial position. Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value.

(i) Inventories

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, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

(j) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 3(o)(iii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

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Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(k) Impairment

(i) Financial assets (including receivables)

IFRS 7.B5(f)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include 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, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its 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 against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss 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. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Note	*Reference*	**Explanatory note**
1.		IFRSs do not specify the line item in the statement of comprehensive income in which an impairment loss is presented. If an entity classifies expenses based on their function, then any impairment loss is allocated to the appropriate function. In our view, if an impairment loss cannot be allocated to a function, then it should be included in other expenses, with additional information provided in the notes. This issue is discussed in our publication *Insights into IFRS* (3.10.400.20).

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. For the purpose of impairment testing, assets that cannot be tested individually 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 groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.[1] Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

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Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Non-financial assets (continued)

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(l) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(m) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating 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. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Note	*Reference*	**Explanatory note**
1.	*IAS 19.93A*	If an entity elects to recognise actuarial gains and losses in other comprehensive income, then it applies this policy consistently to all of its defined benefit plans and all of its actuarial gains and losses.
2.	*IFRS 2.IG19*	IFRSs do not specify whether the remeasurement of the liability in a cash-settled share-based payment arrangement is presented as an employee cost or as finance income or finance cost. In our view, both presentations are permitted and an entity should elect an accounting policy that is applied consistently. This issue is discussed in our publication *Insights into IFRS* (4.5.290.30).

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Defined benefit plans (continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

IAS 19.120A(a) The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.[1]

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans 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, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(v) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(vi) Share-based payment transactions

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

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.[2]

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

Note	*Reference*	**Explanatory note**
1.		The accounting for site restoration provisions is a complex issue that involves analysing specific facts and circumstances. Depending on the circumstances a site restoration provision may be recognised as part of the cost of the related asset, or as an expense in profit or loss. Site restoration provisions are discussed in our publication *Insights into IFRS* (3.2.70.30).
2.		IFRSs do not provide guidance on the specific types of costs that would be considered unavoidable in respect of onerous contracts. This issue is discussed in our publication *Insights into IFRS* (3.12.660.30).
3.		Revenue recognition can be complex and appropriate disclosures will depend on the circumstances of the individual entity. Revenue recognition issues, such as combining and segmenting construction contracts, software revenue recognition, real estate sales and barter transactions, are discussed in our publication *Insights into IFRS* (4.2).
4.		The accounting for multiple-deliverable contracts is discussed in our publication *Insights into IFRS* (4.2.90.20).

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) 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.

(iii) Site restoration[1]

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.

(iv) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost[2] of meeting its obligations under the contract. The provision 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.

(o) Revenue[3, 4]

IAS 18.35(a)

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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

The Group is involved in managing forest resources, as well as performing related services. When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

Note	*Reference*	**Explanatory note**
1.		In an agency relationship, amounts collected on behalf of and passed on to the principal are not revenue of the agent. The revenue of the agent is the amount of commission, plus any other amounts charged by the agent to the principal or other parties. In our view, determining whether an entity is acting as an agent or principal is based on an evaluation of the risks and responsibilities taken by the entity, including inventory risk and responsibility for the delivery of goods or services. This issue is further discussed in our publication *Insights into IFRS* (4.2.30).

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(o) Revenue (continued)

(i) Goods sold (continued)

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits ("P-points") and the other components of the sale. The Group supplies all of the awards, being discounted paper products, itself. The amount allocated to the P-points is estimated by reference to the fair value of the discounted paper products for which they could be redeemed, since the fair value of the P-points themselves is not directly observable. The fair value of the discounted paper products is estimated taking into account the expected redemption rate and the timing of such expected redemptions. Such amount is deferred and revenue is recognised only when the P-points are redeemed and the Group has fulfilled its obligations to supply the discounted paper products. The amount of revenue recognised in those circumstances is based on the number of P-points that have been redeemed in exchange for discounted paper products, relative to the total number of P-points that is expected to be redeemed.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Construction contracts

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. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iv) Commissions[1]

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

(v) Rental income

Rental income from investment property is recognised in profit or loss 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 subleased property is recognised as other income.

(vi) Service concession arrangements

Revenue relating 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 contacts (see (iii) above). Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

Note	*Reference*	**Explanatory note**
1.	*IAS 20.24*	An entity also may present government grants related to assets as a deduction in arriving at the carrying amount of the asset.
2.		IFRSs do not contain specific guidance on how to account for rent that was considered contingent at inception of the lease but is confirmed subsequently. The treatment of contingent rent is discussed in our publication *Insights into IFRS* (5.1.390.30).
3.	*IAS 1.35*	Gains and losses arising from a group of similar transactions are reported on a net basis, e.g., foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. However, such gains and losses are reported separately if they are material.

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

IAS 20.39

(p) Government grants

An unconditional government grant related to a biological asset is recognised in profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.[1] Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(q) Lease payments

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.

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.

Contingent lease payments[2] are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an 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, 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 charge on the liability is recognised using the Group's incremental borrowing rate.

IFRS 7.20, 24

(r) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.[3]

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Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(s) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

(t) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Note	*Reference*	**Explanatory note**
1.		In April 2009 the IASB issued *Improvements to IFRSs 2009*, which comprises 15 amendments to 12 standards. Effective dates, early application and transitional requirements are addressed on a standard-by-standard basis. The majority of the amendments will be effective 1 January 2010. Some of these amendments are required to be adopted if IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) are adopted, and they have been reflected in these illustrative financial statements, as appropriate. The other amendments have not been included in this publication under the new standards and interpretations not yet adopted, as the appropriate level of disclosures will depend on the circumstances of a particular entity. In November 2008 the IASB issued the revised IFRS 1 *First-time Adoption of International Financial Reporting Standards*, which was effective from 1 July 2009. In November 2008 the IASB also issued IFRIC 17 *Distributions of Non-cash Assets to Owners*, with and effective date of 1 July 2009. In March 2009 the IASB amended IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*, with an effective date of 1 July 2009.
2.	*IAS 1.31*	When new standards, amendments to standards and interpretations will have no effect on the consolidated financial statements of the Group, we believe that it is not necessary to list them as such a disclosure would not be material.

Reference

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(v) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 2(e)(v)).

IAS 8.30, 31

(w) New standards and interpretations not yet adopted[1, 2]

Other than those adopted early as explained in note 2(e), a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group, except for *Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement*, which clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment, which becomes mandatory for the Group's 2010 consolidated financial statements, is not expected to have a significant impact on the consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.	*IAS 40.32, 75(e)*	An entity is encouraged, but not required, to determine fair value by reference to a valuation by an independent valuer who holds a recognised and relevant professional qualification, and who has recent experience in the location and category of the investment property being valued. An entity discloses the extent to which the fair value is based on a valuation by an appropriate independent valuer. If there has been no such valuation, then that fact is disclosed.
	IAS 40.77	When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, an entity discloses a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back and any other significant adjustments.

Reference

Notes to the consolidated financial statements

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of intangible assets received as consideration for providing construction services in a service concession arrangement is estimated by reference to the fair value of the construction services provided. The fair value of the construction services provided is calculated as the estimated total cost plus a profit margin of 5 percent, which the Group considers a reasonable margin. When the Group receives an intangible asset and a financial asset as consideration for providing construction services in a service concession arrangement, the Group estimates the fair value of intangible assets as the difference between the fair value of the construction services provided and the fair value of the financial asset received (see (vii) below).

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

IAS 41.47

(iii) Biological assets

The fair value of standing timber older than 25 years, being the age at which it becomes marketable, is based on the market price of the estimated recoverable wood volumes, net of harvesting costs. The fair value of younger standing timber is based on the present value of the net cash flows expected to be generated by the plantation at maturity. The fair value of livestock held for sale is based on the market price of livestock of similar age, breed and genetic make-up.

IAS 40.75(d),(e)

(iv) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every six months.[1] The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.27*	An entity discloses for each class of financial instruments the methods and, when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and financial liabilities. If there has been a change in valuation technique, then the entity discloses both the change and the reasons for the change. In October 2008 the International Accounting Standards Board (IASB) posted to its Web site the final report of its Expert Advisory Panel (the Panel) *Measuring and disclosing the fair value of financial instruments in markets that are no longer active* (the Panel Report), together with an IASB Staff Summary *Using judgement to measure the fair value of financial instruments when markets are no longer active* (the Staff Summary). The Panel Report summarises the Panel's discussions at its seven meetings in 2008 and identifies practices that experts use for measuring the fair value of financial instruments when markets become inactive, and practices for fair value disclosures in such situations. The Panel Report and the accompanying Staff Summary are intended to respond to uncertainty about how to measure fair values when markets are inactive and about what disclosures may be appropriate in such circumstances. The Panel Report addresses issues such as determining whether a market is inactive and using transaction prices and internal models in measuring fair values. The Panel Report and the accompanying Staff Summary do not have the same authority as standards and interpretations; however, they do provide useful educational guidance on fair value measurement.
2.	*IFRS 7.29(a)*	For financial instruments such as short-term trade receivables and payables, no disclosure of fair value is required when the carrying amount is a reasonable approximation of fair value.

Reference

Notes to the consolidated financial statements

4. Determination of fair values (continued)

(iv) Investment property (continued)

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(v) Inventories

IAS 1.125

The fair value of inventories acquired in a business combination 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 7.27

(vi) Investments in equity and debt securities[1]

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

IFRS 7.27

(vii) Trade and other receivables[1, 2]

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

IFRS 7.27

(viii) Derivatives[1]

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

IFRS 7.27

(ix) Non-derivative financial liabilities[1, 2]

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Note	*Reference*	**Explanatory note**
1.	*IFRS 2.47(b)*	In transactions in which the fair value of goods and services received was determined based on the fair value of the equity instruments, for other equity instruments granted during the period (i.e., other than share options), an entity discloses how it determined the fair value of such equity instruments. Such disclosure includes: • if fair value was not measured on the basis of an observable market price, how it was determined • whether and how expected dividends were incorporated into the measurement of fair value • whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.
	IFRS 2.47(c)	An entity discloses how it determined the incremental fair value of any share-based payment arrangements that were modified during the period.
2.	*IFRS 7.31, 32*	An entity is required to disclose 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. Those risks typically include, but are not limited to, credit risk, liquidity risk and market risk.
	IFRS 7.33	For each type of risk, an entity discloses: (1) the exposures to risk and how they arise (2) its objectives, policies and processes for managing the risk and the methods used to measure the risk (3) any changes in (1) or (2) from the previous period.
	IAS 1.134	An entity discloses information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
3.	*IFRS 7.3, 5*	The disclosure requirements of IFRS 7 *Financial Instruments: Disclosures* are limited to financial instruments that fall within the scope of that standard; therefore operational risks that do not arise from the entity's financial instruments are excluded from the requirements, as are commodity contracts that meet the "own use" exemption detailed in paragraphs 5-7 of IAS 39 *Financial Instruments: Recognition and Measurement*.
4.		In these illustrative financial statements the qualitative disclosures in respect of financial instruments have been separated from the related quantitative disclosures. Alternatively, all financial instrument disclosures could be grouped together in the financial statements.
5.		In these illustrative financial statements the disclosures in respect of financial risk management have been presented to illustrate different potential scenarios and situations that an entity may encounter in practice. An entity tailors its respective disclosures for the specific facts and circumstances relative to its business and risk management practices, and also takes into account the significance of its exposure to risks from the use of financial instruments.

Reference

Notes to the consolidated financial statements

4. Determination of fair values (continued)

(x) Deferred income

The amount allocated to the P-points is estimated by reference to the fair value of the discounted paper products for which they could be redeemed, since the fair value of the P-points themselves is not directly observable. The fair value of the discounted paper products for which the P-points, granted through a customer loyalty programme, can be redeemed takes into account the expected redemption rate and the timing of such expected redemptions. Such amount is recognised as deferred income.

(xi) Share-based payment transactions

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

The fair value of the employee share purchase plan is measured using Monte Carlo Sampling. The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula.[1] Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Financial risk management

Overview[2, 3, 4]

IFRS 7.31

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

IFRS 7.33

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.[5]

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board 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 develop 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.

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Reference

Notes to the consolidated financial statements

5. Financial risk management (continued)

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 investment securities.

Trade and other receivables

IFRS 7.34(c) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Approximately 20 percent (2008: 19 percent) of the Group's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

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, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

More than 85 percent of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Risk Management Committee, and future sales are made on a prepayment basis.

IFRS 7.33 As a result of the deteriorating economic circumstances in 2008 and 2009, certain purchase limits have been redefined, particularly for customers operating in the Standard and Recycled Papers segments, since the Group's experience is that the economic downturn has had a greater impact in these business segments than in the Group's other business segments.

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 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 and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.B11F*	The IFRS 7 *Financial Instruments: Disclosures* application guidance provides guidance on an entity's description of how it manages the liquidity risk inherent in the maturity analysis of financial liabilities. In particular it lists factors that an entity might consider when providing this disclosure.

Reference

Notes to the consolidated financial statements

5. Financial risk management (continued)

Credit risk (continued)

Investments

The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have a credit rating of at least A1 from Standard & Poor's and A from Moody's. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except as disclosed in note 34.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2009 no guarantees were outstanding (2008: none).

IFRS 7.33

Liquidity risk[1]

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 always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

IFRS 7.39(c)

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. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

IAS 7.50(a)

- €5 million overdraft facility that is unsecured. Interest would be payable at the rate of EURIBOR plus 160 basis points (2008: EURIBOR plus 150 basis points).
- €10 million that 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 110 basis points (2008: EURIBOR plus 100 basis points).

IFRS 7.33

Market risk

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 buys and sells derivatives, and also incurs financial liabilities, in order 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 in order to manage volatility in profit or loss.

Note	*Reference*	**Explanatory note**
1.		Disclosure of operational risk is not required specifically by IFRS 7 *Financial Instruments: Disclosures*, but may be useful to an understanding of an entity's risk policies depending on the circumstances.
2.	*IAS 1.135*	The disclosures in respect of capital management are based on the information provided internally to key management personnel of the entity, e.g., the entity's board of directors or CEO.
	IAS 1.135 (c)-(e)	When applicable, an entity describes changes in quantitative and qualitative data about its objectives, policies and processes for managing capital as compared to the prior period, a statement of whether it has complied with externally imposed capital requirements and any instances of non-compliance therewith.
	IAS 1.136	When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity discloses separate information for each capital requirement to which the entity is subject.

Reference

Notes to the consolidated financial statements

5. Financial risk management (continued)

Operational risk[1]

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

IAS 1.134, 1.135(a), (b)

Capital management[2]

The Board'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. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-redeemable preference shares and non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

IAS 1.135(a)

The Board's target is for employees of the Group to hold five percent of the Company's ordinary shares by 2012. At present employees hold one percent of ordinary shares, or three percent assuming that all outstanding share options vest and / or are exercised. Currently management is discussing alternatives for extending the Group's share option programme beyond key management and other senior employees; at present other employees are awarded share appreciation rights and participate in an employee share purchase programme. The Group is in discussions with employee representatives, but no decisions have been made.

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Reference

Notes to the consolidated financial statements

5. Financial risk management (continued)

Capital management (continued)

IAS 1.135(a)

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital of between 23 and 28 percent; in 2009 the return was 25.0 percent (2008: 24.9 percent). In comparison the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.1 percent (2008: 5.3 percent).

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

IAS 1.135(b)

In thousands of euro	**2009**	**2008**
Total liabilities	60,376	53,607
Less: cash and cash equivalents	1,505	1,850
Net debt	58,871	51,757
Total equity	41,417	33,347
Less: amounts accumulated in equity relating to cash flow hedges	416	478
Adjusted capital	41,001	32,869
Debt to adjusted capital ratio at 31 December	1.44	1.57

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. Primarily the shares are 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.

IAS 1.135(c)

There were no changes in the Group's approach to capital management during the year.

IAS 1.135(a)

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note	*Reference*	**Explanatory note**
1.	*IFRS 8.2, 3*	An entity is required to present segment information if its securities are publicly traded, or if it is in the process of issuing equity or debt securities in public securities markets. Other entities may choose to present segment information, but such entities should not describe information as segment information unless this information complies fully with IFRS 8 *Operating Segments*.
2.	*IFRS 8.23*	Entities are required to disclose the following about each reportable segment if the specified amounts are included in the measure of profit or loss reviewed by the chief operating decision maker (CODM), or are otherwise provided regularly to the CODM, even if not included in that measure of segment profit or loss: • revenues from external customers • revenues from transactions with other operating segments of the same entity • interest revenue • interest expense • depreciation and amortisation • material items of income and expense disclosed in accordance with paragraph 97 of IAS 1 *Presentation of Financial Statements* (2007) • the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method • income tax expense or income • material non-cash items other than depreciation and amortisation.

Reference

Notes to the consolidated financial statements

6. Operating segments[1, 2]

IFRS 8.20-22, A

The Group has six reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Standard Papers*. Includes purchasing, manufacturing and distributing pulp and paper.
- *Recycled Papers*. Includes purchasing, recycling and distributing pulp and paper.
- *Packaging*. Includes designing and manufacturing packaging materials; this segment was sold in May 2009 (see note 7).
- IAS 41.46(a) *Forestry*. Includes cultivating and managing forest resources as well as related services.
- *Timber Products*. Includes manufacturing and distributing softwood lumber, plywood, veneer, composite panels, engineered lumber, raw materials and building materials.
- *Research and Development*. Includes research and development activities.

IAS 41.46(a)

Other operations include the cultivation and sale of farm animals (sheep and cattle), the construction of storage units and warehouses, rental of investment property, the manufacture of furniture and related parts, and the Group's service concession arrangement. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2009 or 2008.

IFRS 8.27(a)

There are varying levels of integration between the Forestry and Timber Products reportable segments, and the Standard Papers and Recycled Papers reportable segments. This integration includes transfers of raw materials and shared distribution services, respectively. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

IFRS 8.20, 27(a)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Note	*Reference*	**Explanatory note**
1.	*IFRS 8.16*	IFRS 8 *Operating Segments* requires that information about other business activities and operating segments that are not reportable be combined and disclosed in an "all other segments" category separate from other reconciling items in the reconciliations required by paragraph 28 of IFRS 8. The sources of the revenue included in the "all other segments" category are described. In our view, business activities which do not meet the definition of an operating segment (e.g., corporate activities) should not be included in the "all other segments" category; instead the amounts for these activities should be reported in the reconciliation of the total reportable segment amounts to the financial statements. This issue is discussed in our publication *Insights into IFRS* (5.2.160.40).
2.	*IFRS 8.IG5*	Because the Group's reportable segments are based on differences in products and services, no additional disclosures of revenue information about products and services are required, i.e., the disclosures required in paragraph 32 of IFRS 8 with regard to revenue from external customers for each product or service, or each group of similar products and services, are provided already in the overall table on information about reportable segments.
3.	*IFRS 8.23*	An entity reports interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest, and the CODM relies primarily on net interest revenue to assess the performance of the segment and to make decisions about resources to be allocated to the segment. In that situation, an entity may report that segment's interest revenue net of interest expense, and disclose that it has done so.

6. Operating segments (continued)
Information about reportable segments

Reference	*In thousands of euro*	Standard Papers 2009	Standard Papers 2008	Recycled Papers 2009	Recycled Papers 2008	Packaging (Discontinued) 2009	Packaging (Discontinued) 2008	Forestry 2009	Forestry 2008	Timber Products 2009	Timber Products 2008	Research and Development 2009	Research and Development 2008	Other[1] 2009	Other[1] 2008	Total 2009	Total 2008
IFRS 8.23(a), 32	External revenues[2]	64,118	67,092	27,311	22,060	7,543	23,193	3,967	3,646	2,700	2,985	-	-	2,064	853	107,703	119,829
IFRS 8.23(b)	Inter-segment revenue	-	-	317	323	940	2,835	2,681	2,676	1,845	1,923	875	994	891	765	7,549	9,516
IFRS 8.23(c)	Interest revenue[3]	116	103	46	29	-	-	48	32	10	7	-	-	28	7	248	178
IFRS 8.23(d)	Interest expense[3]	(594)	(586)	(462)	(362)	-	-	(353)	(308)	(76)	(63)	-	-	(15)	(19)	(1,500)	(1,338)
IFRS 8.23(e)	Depreciation and amortisation	(1,949)	(2,130)	(1,487)	(1,276)	(623)	(1,250)	(1,069)	(696)	(233)	(201)	(189)	(165)	(231)	(199)	(5,781)	(5,917)
IFRS 8.21(b)	Reportable segment profit before income tax	6,627	4,106	3,039	1,664	(162)	(466)	1,212	979	(263)	1,280	101	67	771	195	11,325	7,825
IFRS 8.23(g)	Share of profit of equity method investees	467	587	-	-	-	-	-	-	-	-	-	-	-	-	467	587
IFRS 8.23(i)	Other material non-cash items:																
	Impairment on property, plant and equipment and intangible assets	-	(1,408)	-	-	-	-	-	-	(116)	-	-	-	-	-	(116)	(1,408)
	Impairment losses on property, plant and equipment and intangible assets reversed	493	-	-	-	-	-	-	-	-	-	-	-	-	-	493	-
IFRS 8.21(b)	Reportable segment assets	41,054	25,267	20,384	16,003	-	13,250	21,046	16,942	4,521	3,664	2,323	1,946	7,398	3,683	96,726	80,755
IFRS 8.24(a)	Investment in associates	2,025	1,558	-	-	-	-	-	-	-	-	-	-	-	-	2,025	1,558
IFRS 8.24(b)	Capital expenditure	9,697	1,136	6,365	296	-	127	1,158	722	545	369	1,203	123	560	150	19,528	2,923
IFRS 8.21(b)	Reportable segment liabilities	39,399	26,907	11,556	11,316	-	2,959	5,769	7,097	1,236	1,456	169	158	237	454	58,366	50,347

Note	*Reference*	**Explanatory note**
1.	*IFRS 8.28(e)*	An entity identifies and describes separately all material reconciling items.

Reference

Notes to the consolidated financial statements

6. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Reference	*In thousands of euro*	2009	2008
IFRS 8.28(a)	**Revenues**		
	Total revenue for reportable segments	112,297	127,727
	Other revenue	2,955	1,618
	Elimination of inter-segment revenue	(7,549)	(9,516)
	Elimination of discontinued operations	(7,543)	(23,193)
	Consolidated revenue	100,160	96,636
IFRS 8.28(b)	**Profit or loss**		
	Total profit or loss for reportable segments	10,554	7,630
	Other profit or loss	771	195
		11,325	7,825
	Elimination of inter-segment profits	(1,695)	(1,175)
	Elimination of discontinued operations	162	466
	Unallocated amounts:		
	Other corporate expenses	(1,886)	(1,525)
	Share of profit of equity accounted investees	467	587
	Consolidated profit before income tax	8,373	6,178
IFRS 8.28(c)	**Assets**		
	Total assets for reportable segments	89,328	77,072
	Other assets	7,398	3,683
	Investments in equity accounted investees	2,025	1,558
	Other unallocated amounts	3,042	4,641
	Consolidated total assets	101,793	86,954
IFRS 8.28(d)	**Liabilities**		
	Total liabilities for reportable segments	58,129	49,893
	Other liabilities	237	454
	Other unallocated amounts	2,010	3,260
	Consolidated total liabilities	60,376	53,607

IFRS 8.28(e) **Other material items 2009**

In thousands of euro	Reportable segment totals	Adjustments[1]	Consolidated totals
Interest revenue	220	(12)	208
Interest expense	1,485	(12)	1,473
Capital expenditure	18,968	560	19,528
Depreciation and amortisation	5,550	236	5,786
Impairment on intangible assets	116	-	116
Impairment losses on property, plant and equipment and intangible assets reversed	493	-	493

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Reference

Notes to the consolidated financial statements

6. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items (continued)

IFRS 8.28(e)

Other material items 2008

In thousands of euro	Reportable segment totals	Adjust-ments	Consolid-ated totals
Interest revenue	171	(20)	151
Interest expense	1,319	(20)	1,299
Capital expenditure	2,773	150	2,923
Depreciation and amortisation	5,718	199	5,917
Impairment on property, plant and equipment and intangible assets	1,408	-	1,408

Geographical segments

IFRS 8.33(a), (b)

The Standard Papers, Recycled Papers and Forestry segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices in France, The Netherlands, Germany, and the United States of America.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical information

31 December 2009

In thousands of euro	Revenues	Non-current assets
France	29,140	9,184
The Netherlands	22,654	7,983
Germany	23,556	10,104
United States of America	22,643	7,691
United Kingdom	4,001	2,002
Other countries	5,709	2,703
Investments in equity accounted investees	-	2,025
Packaging (discontinued)	(7,543)	-
	100,160	41,692

Geographical information

31 December 2008

In thousands of euro	Revenues	Non-current assets
France	34,298	11,435
The Netherlands	25,641	8,986
Germany	25,877	9,877
United States of America	23,268	7,807
United Kingdom	5,300	1,998
Other countries	5,445	3,815
Investments in equity accounted investees	-	1,558
Packaging (discontinued)	(23,193)	-
	96,636	45,476

Major customer

IFRS 8.34

Revenues from one customer of the Group's Standard Papers and Recycled Papers segments represents approximately €20,000 thousand (2008: €17,500 thousand) of the Group's total revenues.

Note	*Reference*	**Explanatory note**
1.	*IFRS 5.35*	The nature and amount of any adjustments relating to the disposal of discontinued operations in prior periods are classified and disclosed separately.
2.	*IFRS 5.33(b)*	This information is not required to be presented for a newly acquired subsidiary that is classified as held for sale on acquisition. Issues related to the presentation of results of discontinued operations are discussed in our publication *Insights into IFRS* (5.4.220).
3.	*IAS 33.9, 68*	Basic and diluted earnings per share for discontinued operations may be shown either separately in the statement of comprehensive income or in the notes.
4.	*IFRS 5.33(c)*	The net cash flow attributable to the operating, investing and financing activities of discontinued operations instead may be disclosed separately in the statement of cash flows.
	IFRS 5.33(c)	This information need not be presented for a newly acquired subsidiary that is classified as held for sale on acquisition.

Reference

Notes to the consolidated financial statements

7. Discontinued operation[1]

IFRS 5.41(a), (b), (d) In May 2009 the Group sold its entire Packaging segment; the segment was not a discontinued operation or classified as held for sale as at 31 December 2008 and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this division early in 2009 following a strategic decision to place greater focus on the Group's key competencies, being the manufacture of paper used in the printing industry, and forestry.

Reference	*In thousands of euro*	*Note*	2009	2008
IAS 1.98(e)	**Results of discontinued operation[2]**			
IFRS 5.33(b)(i)	Revenue		7,543	23,193
IFRS 5.33(b)(i)	Expenses		(7,705)	(23,659)
IFRS 5.33(b)(i)	**Results from operating activities**		(162)	(466)
IAS 12.81(h)(ii)	Income tax	15	25	44
IFRS 5.33(b)(i)	**Results from operating activities, net of income tax**		(137)	(422)
IFRS 5.33(b)(iii)	Gain on sale of discontinued operation		846	-
IFRS 5.33(b)(iv), IAS 12.81(h)(i)	Income tax on gain on sale of discontinued operation	15	(330)	-
	Profit (loss) for the period		379	(422)
IAS 33.68	Basic earnings (loss) per share (euro)[3]	27	0.12	(0.14)
IAS 33.68	Diluted earnings (loss) per share (euro)[3]	27	0.11	(0.14)

IFRS 5.33(d) The profit from discontinued operation of €379 thousand (2008: loss of €422 thousand) is attributable entirely to the owners of the Group. Of the profit from continuing operations of €5,845 thousand (2008: €4,378 thousand), an amount of €5,469 thousand is attributable to the owners of the Group (2008: €4,159 thousand).

Reference	*In thousands of euro*	2009	2008
IFRS 5.33(c), 34	**Cash flows from (used in) discontinued operation[4]**		
	Net cash used in operating activities	(225)	(910)
	Net cash from investing activities	10,890	852
	Net cash from financing activities	-	-
	Net cash from (used in) discontinued operation	10,665	(58)

IAS 7.40(d) **Effect of disposal on the financial position of the Group**

Reference	*In thousands of euro*	*Note*	2009
	Property, plant and equipment		(7,986)
	Inventories		(134)
	Trade and other receivables		(3,955)
IAS 7.40(c)	Cash and cash equivalents		(110)
	Deferred tax liabilities	22	110
	Trade and other payables		1,921
	Net assets and liabilities		(10,154)
IAS 7.40(a), (b)	Consideration received, satisfied in cash		(11,000)
	Cash and cash equivalents disposed of		110
	Net cash inflow		(10,890)

Note	*Reference*	**Explanatory note**
1.	*IFRS 5.42*	If there are changes to a plan of sale and an asset or a disposal group no longer is classified as held for sale, then the entity discloses, in the period of change, a description of the facts and circumstances leading to the decision, and the effect of the decision on the results of operations for the period and any prior periods presented.
2.	*IFRS 5.38, 39*	The major classes of assets and liabilities classified as held for sale are disclosed as separate line items in the statement of financial position. This disclosure is not required if the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition.

Reference

Notes to the consolidated financial statements

8. Non-current assets held for sale[1]

IFRS 5.41(a), (b), (d)

Part of a manufacturing facility within the Standard Paper segment is presented as a disposal group held for sale following the commitment of the Group's management, on 15 June 2009, to a plan to sell facilities due to a significant decrease in the demand of Standard Paper products. Efforts to sell the disposal group have commenced, and a sale is expected by June 2010. At 31 December 2009 the disposal group comprised assets of €14,410 thousand less liabilities of €4,410 thousand.

IFRS 5.41(c)

An impairment loss of €25 thousand on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognised in other expenses (see note 12).

IFRS 5.38

Assets classified as held for sale[2]

In thousands of euro	***Note***	**2009**
Property, plant and equipment	*16*	8,164
Inventories		2,750
Trade and other receivables		3,496
		14,410

IFRS 5.38

Liabilities classified as held for sale[2]

In thousands of euro	***Note***	**2009**
Trade and other payables		4,270
Deferred tax liabilities	*22*	140
		4,410

Note	*Reference*	**Explanatory note**
1.		An example of the disclosures in accordance with IFRS 3 *Business Combinations* (2004) and IAS 27 *Consolidated and Separate Financial Statements* (2003) is included in KPMG's Illustrative financial statements issued in July 2008.
2.	*IFRS 3.B67(e)*	An entity discloses and explains any gain or loss recognised in the current reporting period that: • relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or the previous reporting period • is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance.
3.	*IFRS 3.63*	If the specific disclosures pursuant to the requirements of IFRS 3 (2008) and other IFRSs are not sufficient to enable users of the financial statements to evaluate the nature and financial effects of business combinations effected in the current period, or any adjustments recognised in the current period relating to business combinations effected in prior periods, then an entity discloses additional information.
4.	*IFRS 3.45*	If the initial accounting for an acquisition was based on provisional values, and those provisional values are adjusted within 12 months of the acquisition date, then comparative information is restated, including recognition of any additional depreciation, amortisation or other profit or loss effect resulting from finalising the provisional values. In these illustrative financial statements, there were no acquisitions in the comparative period; hence comparative information has not been illustrated. An entity discloses adjustments to amounts recognised for prior period business combinations that were determined provisionally.
5.	*IFRS 3.B64(g)*	For contingent consideration arrangements and indemnification assets, an entity discloses the amount recognised at the acquisition date, a description of the arrangement and basis for determining the amount, and an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, disclosure of this fact and the reasons why a range cannot be estimated. If the maximum payment amount is unlimited, then an entity discloses this fact.

Reference

Notes to the consolidated financial statements

9. Acquisitions of subsidiary and non-controlling interests[1, 2, 3]

Business combination[4]

IFRS 3.B64(a)-(c) On 31 March 2009 the Group obtained control of Papyrus Pty Limited, a manufacturer and distributor of standard pulp and paper by acquiring 75 percent of the shares and voting interests in the company. As a result, the Group's equity interest in Papyrus increased from 25 percent to 100 percent.

IFRS 3.B64(d) Taking control of Papyrus will enable the Group to modernise its production process through access to the Papyrus' patented technology. The acquisition is expected to provide the Group with an increased share of the standard paper market through access to the acquiree's customer base. The Group also expects to reduce costs through economies of scale.

IFRS 3.B64(q) In the nine months to 31 December 2009 Papyrus contributed revenue of €13,678 thousand and profit of €320 thousand. If the acquisition had occurred on 1 January 2009, management estimates that consolidated revenue would have been €104,535 thousand, and consolidated profit for the period would have been €6,325 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 2009.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

IFRS 3.B64(f), IAS 7.40(a)

Consideration transferred

In thousands of euro	***Note***	
Cash		2,500
Equity instruments (8,000 ordinary shares)	*26*	87
Replacement share-based payment awards – value of past service		120
Contingent consideration		250
Settlement of pre-existing relationship		(326)
		2,631

IFRS 3.B64(f) (Cash)

IFRS 3.B64(f)(iv) The fair value of the ordinary shares issued was based on the listed share price of the Group at 31 March 2009 of €10.88 per share.

Contingent consideration[5]

IFRS 3.B64(g), B67(b)(iii) The Group has agreed to pay the selling shareholders additional consideration of €600 thousand if the acquiree's cumulative EBITDA over the next three fiscal years exceeds €1,800 thousand. The Group has included €250 thousand as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. The fair value of the contingent consideration was calculated by applying the income approach using the probability-weighted expected contingent consideration and a discount rate of eight percent.

Note	*Reference*	**Explanatory note**
1.	*IFRS 3.23*	At the acquisition date an entity recognises a contingent liability assumed in a business combination only if it represents a present obligation arising from a past event and its fair value can be reasonably estimated. Contingent liabilities that are present obligations are recognised in the acquisition accounting because they meet the definition of a liability, even if it is not probable that an outflow of resources will be required to settle the obligation. A possible obligation is not recognised because it is not a liability.
2.	*IFRS 3.B64(n)*	If an acquirer in a business combination makes a bargain purchase, then the acquirer discloses the amount of the gain recognised, the line item in the statement of comprehensive income in which the gain is presented, and a description of the reasons why the transaction resulted in a gain.

Reference

Notes to the consolidated financial statements

9. Acquisitions of subsidiary and non-controlling interests (continued)

Business combination (continued)

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

Identifiable assets acquired and liabilities assumed

In thousands of euro	***Note***	
Property, plant and equipment	*16*	1,955
Intangible assets	*17*	250
Inventories		625
Trade and other receivables		848
Cash and cash equivalents (IAS 7.40(c))		375
Loans and borrowings		(500)
Deferred tax liabilities	*22*	(79)
Contingent liabilities[1]	*32*	(20)
Trade and other payables		(410)
Total net identifiable assets		3,044

IFRS 3.B67(a)(i), (ii) The following fair values have been determined on a provisional basis:

- The fair value of intangible assets (Papyrus' patented technology) has been determined provisionally pending completion of an independent valuation.
- IFRS 3.B64(j), B67(c), IAS 37.86 The contingent liability of €20 thousand that represents a present obligation in respect of a claim for contractual penalties made by one of Papyrus' customers. While the Group acknowledges contractual difficulties, it maintains that these were caused by the customer's actions under the contract, and therefore that payment is not probable. The claim is expected to go to arbitration in April 2010. The recognised fair value of €20 thousand is based on the expected outcome of the claim, taking into account the Group's interpretation of the underlying contract, supported by independent legal advice. There are no reimbursement rights related to the obligation.

IFRS 3.B64(j), B67(c) The trade receivables comprise gross contractual amounts due of €900 thousand, of which €40 thousand was expected to be uncollectible at the acquisition date.

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

In thousands of euro	
Total consideration transferred	2,631
Fair value of previous interest in the acquiree	650
Less value of identifiable assets	(3,044)
Goodwill[2]	237

IFRS 3.B64(p) The remeasurement to fair value of the Group's existing 25 percent interest in the acquiree resulted in a gain of €250 thousand, which has been recognised in other income (see note 11).

IFRS 3.B64(e), (k) The goodwill is attributable mainly to the skills and technical talent of Papyrus' work force, and the synergies expected to be achieved from integrating the company into the Group's existing recycled paper business (see note 17). None of the goodwill recognised is expected to be deductible for income tax purposes.

Note	*Reference*	**Explanatory note**
1.	*IFRS 3.B64(l)*	For transactions that are not part of what the acquirer and the acquiree exchanged in the business combination, an entity discloses for each transaction it entered into in connection with a business combination a description of the transaction and how it is accounted for, the amounts recognised and in which line item in the financial statements, and the valuation method used to determine the settlement amount if the transaction is the effective settlement of a pre-existing relationship.
2.	*IFRS 3.B52*	If a pre-existing relationship effectively is settled as part of a business combination, then the settlement amount is measured at the fair value of the pre-existing relationship if the pre-existing relationship was *non-contractual*. If the pre-existing relationship was *contractual*, then the settlement amount is measured at the lower of the favourable or unfavourable aspect of the contract relative to its market terms or prices, from the acquirer's perspective, and the stated settlement amount in the contract. The amount that is deemed to be the settlement amount is not part of the consideration transferred and is recognised as a gain or loss in the acquirer's profit or loss. If the stated settlement amount is less than the value of the favourable or unfavourable element of the contract, then the difference is included in the acquisition accounting.

Reference

Notes to the consolidated financial statements

9. Acquisitions of subsidiary and non-controlling interests (continued)

Business combination (continued)

Transactions separate from the acquisition[1]

IFRS 3.B64(l), (m) The Group incurred acquisition-related costs of €50 thousand relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

IFRS 3.B64(l) The terms of the acquisition agreement required the Group to exchange equity-settled share-based payment awards held by employees of Papyrus (the acquiree's awards) for equity-settled share-based payment awards of the Group (the replacement awards). Details of the acquiree's awards and replacement awards are as follows:

	Acquiree's award	Replacement awards
Terms and conditions	Granted on 1 April 2008; four years' service vesting condition	Additional three years' post-acquisition service vesting condition
Market-based measure at acquisition date	€527 thousand	€571 thousand

The Group has included €120 thousand as consideration transferred related to the fair value of the replacement awards. An amount of €400 thousand will be recognised as post-acquisition compensation cost. The determination of these amounts includes an estimated forfeiture rate of 9 percent. For further details on the replacement awards, see note 30.

IFRS 3.B64(l) The Group and Papyrus are parties to a supply contract under which Papyrus supplies the Group with timber at a fixed price under a long-term contractual agreement. The agreement contains a clause allowing the Group to terminate the agreement by paying Papyrus €326 thousand. At the acquisition date this pre-existing relationship was effectively terminated as part of the acquisition. The fair value of the agreement at the acquisition date was €600 thousand, of which €400 thousand related to the unfavourable aspect of the contract to the Group relative to market prices. The Group has attributed €326 thousand of the consideration transferred, being the lower of the termination amount and the value of the off-market element of the contract, to the extinguishment of the supply contract with Papyrus. This amount has been recognised in other expenses (see note 12).[2]

Note	*Reference*	**Explanatory note**
1.	*IAS 27.30, 31*	Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the controlling and non-controlling interest is adjusted to reflect the changes in their relative interests in the subsidiary, and any difference between the fair value of consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised directly in equity and attributed to the owners of the parent.

Reference

Notes to the consolidated financial statements

9. Acquisitions of subsidiary and non-controlling interests (continued)

Acquisition of non-controlling interest[1]

In June 2009 the Group acquired an additional 15 percent interest in Windmill N.V. for €200 thousand in cash, increasing its ownership from 60 to 75 percent. The carrying amount of Windmill's net assets in the consolidated financial statements on the date of the acquisition was €767 thousand. The Group recognised a decrease in non-controlling interest of €115 thousand and a decrease in retained earnings of €85 thousand.

IAS 27.41(e)

The following summarises the effect of changes in the Group's (parent) ownership interest in Windmill N.V.:

In thousands of euro	**2009**
Parent's ownership interest at beginning of period	654
Effect of increase in parent's ownership interest	115
Share of comprehensive income	290
Parent's ownership interest at end of period	1,059

Note	*Reference*	**Explanatory note**
1.	*IAS 18.35(c)*	An entity discloses the amount of revenue arising from exchanges of goods or services included in each significant category of revenue.
2.	*IAS 1.60*	In these illustrative financial statements it is assumed that there is no restriction on the ability to redeem points and as such deferred income in relation to this programme is presented as current. In practice, there may be customer loyalty programmes with restrictions on the ability to redeem points that could give rise to a non-current presentation of the related deferred income.
3.		Issues related to identifying and accounting for agency relationships are discussed in our publication *Insights into IFRS* (4.2.30).
4.		In our view, whether changes in the fair value of biological assets should be presented as a separate line item in the statement of comprehensive income, or as part of other income depends on the relative significance of agricultural activities. This issue is discussed in our publication *Insights into IFRS* (3.9.110).
5.	*IAS 20.39(c)*	An entity discloses any unfulfilled conditions and other contingencies with respect to government assistance that has been recognised.

Reference

Notes to the consolidated financial statements

10. Revenue[1]

Reference	In thousands of euro	Note	Continuing operations 2009	Continuing operations 2008	Discontinued operation (see note 7) 2009	Discontinued operation (see note 7) 2008	Consolidated 2009	Consolidated 2008
IAS 18.35(b)(i)	Sales of goods		84,770	80,690	7,543	23,193	92,313	103,883
IAS 18.35(b)(ii)	Rendering of services		13,120	14,786	-	-	13,120	14,786
IAS 18.35(b)(iv)	Commissions		451	307	-	-	451	307
IAS 40.75(f)(i)	Investment property rentals		810	212	-	-	810	212
IAS 11.39(a)	Construction contract revenue		659	641	-	-	659	641
SIC 29.6A	Service concession revenue	*40*	350	-	-	-	350	-
	Total revenues		100,160	96,636	7,543	23,193	107,703	119,829

In September 2009 the Group introduced a customer loyalty programme to stimulate the sale of certain paper products used in the printing industry. The Group grants P-points when customers buy certain designated paper products. These P-points can be redeemed for discounted paper products.

At 31 December 2009 the Group has deferred revenue of €50 thousand, which represents the fair value of that portion of the consideration received or receivable in respect of initial sales of paper products for which P-points have been granted, but not yet been redeemed.[2]

IAS 1.122 Commission relates to the sale of products in which the Group acts as an agent in the transaction rather than as the principal.[3] In the absence of specific guidance in IFRSs on distinguishing between an agent and a principal, management considered the following factors:

- The Group does not take title of the goods and has no 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 one percent.

Construction contract revenue has been determined based on the percentage of completion method. The amount of 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, in order to store certain softwood lumber products properly. These storage units and warehouses are constructed based on a specifically negotiated contract with customers.

IAS 1.97

11. Other income

Reference	In thousands of euro	Note	2009	2008
	Remeasurement to fair value of existing interest in acquiree	*9*	250	-
IAS 41.40	Change in fair value of biological assets[4]	*18*	650	50
	Net increase in value of biological assets due to births (deaths)	*18*	11	15
IAS 40.76(d)	Change in fair value of investment property	*19*	120	100
	Government grants[5]	*31*	238	-
IAS 1.98(c)	Net gain on sale of property, plant and equipment		26	100
	Rental income from property subleases	*35*	50	50
			1,345	315

Note	*Reference*	**Explanatory note**
1.	*IAS 1.87*	An entity shall not present any items of income and expense as extraordinary items, either in the statement of comprehensive income or in the notes. This issue is discussed in our publication *Insights into IFRS* (4.1.86).
2.	*IAS 1.104*	An entity classifying expenses by function discloses employee benefits expense. The level of disclosure presented in these illustrative financial statements is optional.

Reference

Notes to the consolidated financial statements

IAS 1.97

12. Other expenses[1]

In thousands of euro	*Note*	2009	2008
Impairment loss on remeasurement of disposal group	*8*	25	-
Termination of pre-existing relationship with acquiree	*9*	326	-
Earthquake related expenses		359	-
		710	-

A wholly-owned subsidiary incurred expenses amounting to €359 thousand due to an earthquake. The expenses relate to the survey of facilities and the removal of damaged items.

IAS 1.104

13. Personnel expenses[2]

Reference	*In thousands of euro*	*Note*	2009	2008
	Wages and salaries		18,635	16,659
	Compulsory social security contributions		1,468	1,267
IAS 19.46	Contributions to defined contribution plans		455	419
	Expenses related to defined benefit plans	*29*	522	500
	Increase in liability for long-service leave		26	12
IFRS 2.51(a)	Equity-settled share-based payment transactions	*30*	755	250
IFRS 2.51(a)	Cash-settled share-based payment transactions	*30*	440	350
			22,301	19,457

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.20*	There is no guidance in IFRSs as to what is included in finance income and finance costs. This issue is discussed in our publication *Insights into IFRS* (4.6.540.20).
2.	*IFRS 7.20(b)*	An entity discloses total interest income for financial assets not at fair value through profit or loss. In this publication we illustrate interest income disaggregated by class of financial asset. While this level of disaggregation is optional, an entity is required to disclose separately any material items of income, expense and gains and losses resulting from financial assets and liabilities.
3.		The accounting for interest on available-for-sale debt securities is discussed in our publication *Insights into IFRS* (4.6.190).
4.		If applicable, an entity also discloses:
	IFRS 7.20 (a)(i), (ii)	• net gains or losses on financial assets or financial liabilities at fair value through profit or loss and available-for-sale financial assets
	IFRS 7.20 (a)(iii)-(v)	• net gains or losses on held-to-maturity investments, loans and receivables, and financial liabilities measured at amortised cost
	IFRS 7.20(c)	• fee income and expense, other than amounts included in determining the effective interest rate
	IFRS 7.24(a)	• for fair value hedges, gains or losses on the hedging instrument and on the hedged item attributable to the hedged risk
	IFRS 7.24(c)	• the ineffective portion of the change in fair value of a net investment hedge.
5.	*IAS 32.40*	Dividends classified as an expense may be presented in the statement of comprehensive income either with interest on other liabilities or 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 in the statement of comprehensive income.
6.		IFRSs are silent about how impairment losses on trade receivables are presented. In these illustrative financial statements impairment losses on trade receivables are presented as finance costs, which is one possible choice of presentation. Other presentations, e.g., as operating expenses, also are possible, as long as the disclosure requirements of IFRS 7 *Financial Instruments: Disclosures* are met.
7.	*IFRS 7.28*	An entity discloses the following in respect of any "day one" gain or loss: • an accounting policy • the aggregate difference still to be recognised in profit or loss, and a reconciliation between the opening and closing balance thereof.
8.	*IAS 1.93*	This amount is deducted from other comprehensive income in the period in which the realised gains are reclassified to profit or loss.

Reference

Notes to the consolidated financial statements

IAS 1.97

14. Finance income and finance costs[1]

Recognised in profit or loss

Reference	*In thousands of euro*	2009	2008
IFRS 7.20(b)	Interest income on unimpaired held-to-maturity investments[2]	131	89
IFRS 7.20(d)	Interest income on impaired held-to-maturity investments	7	6
IFRS 7.20(b)	Interest income on available-for-sale financial assets[2, 3]	34	27
IFRS 7.20(b)	Interest income on loans and receivables	11	-
IFRS 7.20(b)	Interest income on bank deposits[2]	25	29
IAS 18.35(b)(v)	Dividend income on available-for-sale financial assets	355	318
IFRS 7.20(a)(ii)	Net gain on disposal of available-for-sale financial assets transferred from equity	64	-
IFRS 7.23(d)	Net change in fair value of cash flow hedges transferred from equity	-	11
IFRS 7.20(a)(i)	Net change in fair value of financial assets at fair value through profit or loss:		
	Held for trading	74	-
	Designated as such upon initial recognition	210	-
	Finance income[4]	911	480
IFRS 7.20(b)	Interest expense on financial liabilities measured at amortised cost[5]	(1,413)	(1,299)
IAS 21.52(a)	Net foreign exchange loss	(61)	(293)
IFRS 7.20(a)(i)	Net change in fair value of financial assets at fair value through profit or loss	-	(41)
IAS 37.84(e)	Unwind of discount on site restoration provision	(60)	-
IFRS 7.20(e)	Impairment loss on trade receivables[6]	(150)	(30)
IFRS 7.20(e)	Impairment loss on held-to-maturity investments	(60)	-
IFRS 7.24(b)	Ineffective portion of changes in fair value of cash flow hedges	(16)	(13)
	Finance costs[4]	(1,760)	(1,676)
	Net finance costs recognised in profit or loss[7]	(849)	(1,196)
	The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:		
IFRS 7.20(b)	Total interest income on financial assets[2]	208	151
IFRS 7.20(b)	Total interest expense on financial liabilities	(1,413)	(1,299)

Recognised in other comprehensive income

Reference	*In thousands of euro*	2009	2008
IAS 1.7, 90, 21.52(b)	Foreign currency translation differences for foreign operations	501	330
IAS 1.7, 90	Net loss on hedge of net investment in foreign operation	(3)	(8)
IFRS 7.23(c)	Effective portion of changes in fair value of cash flow hedges	(93)	77
IFRS 7.23(d)	Net change in fair value of cash flow hedges transferred to profit or loss[8]	-	(11)
IFRS 7.20(a)(ii)	Net change in fair value of available-for-sale financial assets	199	94
IFRS 7.20(a)(ii), IAS 1.7, 90	Net change in fair value of available-for-sale financial assets transferred to profit or loss[8]	(64)	-
	Income tax on finance income and finance costs recognised in other comprehensive income	(14)	(53)
	Finance income recognised in other comprehensive income, net of tax	526	429

Note	*Reference*	**Explanatory note**
1.	*IAS 12.80(h)*	An entity discloses the amount of income tax expense (income) relating to those changes in accounting policies and errors that are included in the determination of profit or loss in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* because they cannot be accounted for retrospectively.
2.		In this publication total income tax expense includes income tax expense of the Group and income tax expense of equity accounted investees. A different presentation that excludes tax expense of equity accounted investees also is possible.

Reference

Notes to the consolidated financial statements

14. Finance income and finance costs (continued)

Reference	*In thousands of euro*	2009	2008
	Attributable to:		
IAS 1.106(a)	Equity holders of the Company	499	407
IAS 1.106(a)	Non-controlling interest	27	22
	Finance income recognised in other comprehensive income, net of tax	526	429

15. Income tax expense

Reference	*In thousands of euro*	*Note*	2009	2008
	Current tax expense[1]			
IAS 12.80(a)	Current period		120	1,181
IAS 12.80(b)	Adjustment for prior periods		97	(34)
			217	1,147
	Deferred tax expense[1]			
IAS 12.80(c)	Origination and reversal of temporary differences		2,338	844
IAS 12.80(d)	Reduction in tax rate		(15)	-
IAS 12.80(g)	Change in unrecognised deductible temporary differences		13	5
IAS 12.80(f)	Recognition of previously unrecognised tax losses		(50)	(240)
			2,286	609
	Income tax expense excluding tax on sale of discontinued operation and share of income tax of equity accounted investees		2,503	1,756
	Income tax expense from continuing operations		2,528	1,800
IAS 12.81(h)(ii)	Income tax from discontinued operation (excluding gain on sale)	7	(25)	(44)
			2,503	1,756
IAS 12.81(h)(i)	Income tax on gain on sale of discontinued operation	7	330	-
	Share of income tax of equity accounted investees[2]		251	316
	Total income tax expense		3,084	2,072

IAS 12.81(a)

Income tax recognised directly in equity

	2009			2008		
In thousands of euro	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Convertible notes	163	(54)	109	-	-	-
	163	(54)	109	-	-	-

Note	*Reference*	**Explanatory note**
1.	*IAS 1.90*	An entity discloses the amount of income tax relating to each component in other comprehensive income, either in the statement of comprehensive income, or in the notes. In these illustrative financial statements, income tax relating to each component in other comprehensive income is presented in the notes.
2.	*IAS 12.85*	The reconciliation of the effective tax rate is based on an applicable tax rate that provides the most meaningful information to users. In this example, the reconciliation is based on the entity's domestic tax rate, with a reconciling item in respect of tax rates applied by the Group entities in other jurisdictions. However, 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)	In these illustrative financial statements, both a numerical reconciliation between total income tax expense and the product of accounting profit multiplied by the applicable tax rates, and a numerical reconciliation between the average effective tax rate and the applicable tax rate is disclosed. An entity explains the relationship using either or both of such numerical reconciliations, and also discloses the basis on which the applicable tax rate is computed.
3.		In this publication total income tax expense for the purpose of reconciliation of the effective tax rate includes income tax expense of the Group and income tax expense of equity accounted investees. A different presentation of the reconciliation that excludes tax expense of equity accounted investees also is possible.

Reference Notes to the consolidated financial statements

15. Income tax expense (continued)

IAS 12.81(ab)

Income tax recognised in other comprehensive income[1]

For the year ended 31 December

Reference	*In thousands of euro*	2009 Before tax	2009 Tax (expense) benefit	2009 Net of tax	2008 Before tax	2008 Tax (expense) benefit	2008 Net of tax
IAS 1.90	Foreign currency translation differences for foreign operations	501	-	501	330	-	330
IAS 1.90	Net loss on hedge of net investment in foreign operation	(3)	-	(3)	(8)	-	(8)
IAS 1.90	Revaluation of property, plant and equipment	200	(66)	134	-	-	-
IAS 1.90	Cash flow hedges	(93)	31	(62)	66	(22)	44
IAS 1.90	Available-for-sale financial assets	135	(45)	90	94	(31)	63
IAS 1.90	Defined benefit plan actuarial gains (losses)	72	(24)	48	(15)	5	(10)
		812	(104)	708	467	(48)	419

IAS 12.81(c)

Reconciliation of effective tax rate[2]

In thousands of euro	2009	2009	2008	2008
Profit for the period		6,224		3,956
Total income tax expense[3]		3,084		2,072
Profit excluding income tax		9,308		6,028
Income tax using the Company's domestic tax rate	33.00%	3,072	33.00%	1,989
Effect of tax rates in foreign jurisdictions*	(0.42%)	(39)	2.19%	132
Difference in effective tax rate of equity accounted investees	0.15%	14	0.30%	18
Effect of higher tax rate on gain on sale of discontinued operation	0.55%	51	-	-
Reduction in tax rate	(0.16%)	(15)	-	-
Non-deductible expenses	1.60%	149	1.76%	106
Tax exempt income	(0.85%)	(79)	-	-
Tax incentives	(1.55%)	(144)	(0.51%)	(31)
Recognition of previously unrecognised tax losses	(0.54%)	(50)	(3.98%)	(240)
Current year losses for which no deferred tax asset was recognised	0.16%	15	2.11%	127
Change in unrecognised temporary differences	0.14%	13	0.08%	5
Under (over) provided in prior periods	1.04%	97	(0.56%)	(34)
	33.12%	3,084	34.39%	2,072

IAS 12.81(d) * The subsidiary acquired in 2009 (see note 9) operates in a tax jurisdiction with lower tax rates.

Note	*Reference*	**Explanatory note**
1.	*IAS 16.73(d), (e)*	An entity is required to present a reconciliation of the carrying amount of property, plant and equipment from the beginning to the end of the reporting period. The separate reconciliations of the gross carrying amount and accumulated depreciation illustrated here are not required and a different format may be used. However, an entity is required to disclose the gross carrying amount and accumulated depreciation at the beginning and at the end of the reporting period.
	IAS 16.74(d)	An entity discloses the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.
	IAS 16.77	If an entity uses the revaluation model to account for property, plant and equipment, then it discloses: • the effective date of the revaluation • whether an independent valuer was involved • the methods and significant assumptions applied in estimating the items' fair values • the extent to which the items' fair values were determined directly by reference to observable prices in an active market, or recent market transactions on arm's length terms, or were estimated using other valuation techniques • for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been measured under the cost model (i.e., not revalued) • the revaluation surplus, indicating the change for the period, and any restrictions on the distribution of the balance to shareholders.

Reference

Notes to the consolidated financial statements

16. Property, plant and equipment[1]

Reference	In thousands of euro	Note	Land and buildings	Plant and equip-ment	Fixtures and fittings	Under construc-tion	Total
	Cost or deemed cost						
IAS 16.73(d)	Balance at 1 January 2008		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 2008		7,521	30,284	6,135	-	43,940
IAS 16.73(d)	Balance at 1 January 2009		7,521	30,284	6,135	-	43,940
IAS 16.73(e)(iii)	Acquisitions through business combinations	9	185	1,580	190	-	1,955
IAS 16.73(e)(i), 74(b)	Other additions		1,750	9,544	657	4,100	16,051
IAS 16.73(e)(ix)	Offset of accumulated depreciation on building transferred to investment property		(300)	-	-	-	(300)
	Revaluation of building transferred to investment property		200	-	-	-	200
IAS 16.73(e)(ix)	Transfer to investment property	19	(700)	-	-	-	(700)
IAS 16.73(e)(ii)	Transfer to assets held for sale	8	-	(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 2009		8,656	20,305	4,932	4,100	37,993
	Depreciation and impairment losses						
IAS 16.73(d)	Balance at 1 January 2008		693	5,557	939	-	7,189
IAS 16.73(e)(vii)	Depreciation for the year		123	4,240	759	-	5,122
IAS 16.73(e)(vi)	Impairment loss		-	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 2008		816	10,318	1,757	-	12,891
IAS 16.73(d)	Balance at 1 January 2009		816	10,318	1,757	-	12,891
IAS 16.73(e)(vii)	Depreciation for the year		120	4,140	741	-	5,001
IAS 16.73(e)(vi)	Reversal of impairment loss		-	(393)	-	-	(393)
IAS 16.73(e)(ix)	Offset of accumulated depreciation on building transferred to investment property		(300)	-	-	-	(300)
IAS 16.73(e)(ii)	Transfer to assets held for sale	8	-	(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 2009		636	9,262	1,409	-	11,307
IAS 1.78(a)	**Carrying amounts**						
	At 1 January 2008		6,635	23,952	4,350	-	34,937
	At 31 December 2008		6,705	19,966	4,378	-	31,049
	At 1 January 2009		6,705	19,966	4,378	-	31,049
	At 31 December 2009		8,020	11,043	3,523	4,100	26,686

Note	*Reference*	**Explanatory note**
1.	*IAS 36.131*	In respect of the aggregate amount of impairment losses or reversals that are not disclosed because they are not considered material, an entity discloses: • the main classes of assets affected by impairment losses or reversals • the main events and circumstances that led to the losses or reversals.
2.	*IAS 23.26*	An entity discloses the amount of borrowing costs capitalised during the period, and the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.
3.	*IAS 8.40*	If the amount of the effect in subsequent periods is not disclosed because estimating it is impracticable, then the entity discloses that fact.
4.	*IAS 1.42*	If reclassifying comparative amounts is impracticable, then the entity discloses the reason for not reclassifying the amounts, and the nature of the adjustments that would have been made if the amounts had been reclassified.
5.		See explanatory note 1 on page 218 that accompanies Appendix III for further details with respect to whether a statement of financial position as of the earliest comparative period is needed in such circumstances.

Reference

Notes to the consolidated financial statements

16. Property, plant and equipment (continued)

Impairment loss and subsequent reversal[1]

During the year ended 31 December 2008, due to regulatory restrictions imposed on a new product in the American paper manufacturing and distribution division, 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 2009 €393 thousand of the loss was reversed. See note 17 for further details of the impairment loss and subsequent reversal.

Leased plant and machinery

IAS 17.31(a), (e)

The Group leases production equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price. One of the leases is an arrangement that is not in the legal form of a lease, but is accounted for as such based on its terms and conditions. The leased equipment secures lease obligations (see note 28). At 31 December 2009 the net carrying amount of leased plant and equipment was €1,646 thousand (2008: €1,972 thousand).

Security

IAS 16.74(a)

At 31 December 2009 properties with a carrying amount of €5,000 thousand (2008: €4,700 thousand) are subject to a registered debenture to secure bank loans (see note 28).

Property, plant and equipment under construction

IAS 16.74(b)

During the year ended 31 December 2009 the Group acquired land with the intention of constructing a new factory on the site. The cost of acquisition was €3,100 thousand. The Group commenced construction of the new factory; costs incurred up to the reporting date totalled €1,000 thousand (2008: nil). Such amounts are including capitalised borrowing costs.

IAS 23.26

As a result of the change in accounting policy with respect to the treatment of borrowing costs (see note 2(e(iv)), at 31 December 2009 capitalised borrowing costs related to the acquisition of the land and the construction of the new factory amounted to €194 thousand, with a capitalisation rate of 5.2 percent.[2]

Change in estimates

During the year ended 31 December 2009 the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain items of property, plant and equipment. Certain dye equipment, which management previously intended to sell after five years of use, is now expected to remain in production for twelve years from the date of purchase. As a result the expected useful lives of these assets increased and their estimated residual values decreased. The effect of these changes on depreciation expense, recognised in cost of sales, in current and future periods is as follows:[3]

Reference	*In thousands of euro*	2009	2010	2011	2012	2013	Later
IAS 16.76, 8.39	(Decrease) increase in depreciation expense	(256)	(113)	150	150	130	170

Change in classification

IAS 1.41(a), (c)

During the current year the Group modified the statement of comprehensive income classification of depreciation expense on certain office space from administrative expense to distribution expense to reflect more appropriately the way in which economic benefits are derived from the use of the office space. Comparative amounts were reclassified for

IAS 1.41(b)

consistency, which resulted in €120 thousand being reclassified from administrative to distribution expenses.[4, 5]

Note	*Reference*	**Explanatory note**
1.	*IAS 38.122*	An entity discloses the following: • for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity describes the factor(s) that played a significant role in determining that the asset has an indefinite useful life • a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements • for intangible assets acquired by way of a government grant and recognised initially at fair value: – the fair value recognised initially for these assets – their carrying amount – whether they are measured after recognition under the cost model or the revaluation model • the existence and carrying amounts of intangible assets whose title is restricted, and the carrying amounts of intangible assets pledged as security for liabilities • the amount of contractual commitments for the acquisition of intangible assets.
	IFRS 3.61, B67(d)(iii)-(v), IAS 38.118	In presenting a reconciliation of the carrying amount of intangible assets and goodwill, an entity also discloses, if applicable: • assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* and other disposals • decreases and increases in the carrying amount of intangible assets during the period resulting from impairment losses recognised or reversed in other comprehensive income • adjustments to goodwill resulting from the recognition of deferred tax assets subsequent to a business combination.
	IAS 38.124	If an entity uses the revaluation model to account for intangible assets, then it discloses: • the effective date of the revaluation for each class of the intangible assets • the carrying amount of each class of revalued intangible assets • the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model • the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the reporting period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders • the methods and significant assumptions applied in estimating the assets' fair values.
2.	*IAS 38.122(b)*	An entity discloses a description, the carrying amount and the remaining amortisation period of any individual intangible asset that is material to the financial statements.
3.	*IAS 28.23*	In our view, it is not necessary to provide the disclosures for goodwill arising in a business combination in respect of goodwill on associates. This issue is discussed in our publication *Insights into IFRS* (3.5.750.30).

Reference

Notes to the consolidated financial statements

17. Intangible assets[1, 2]

Reference	*In thousands of euro*	***Note***	**Goodwill**[3]	**Patents and trade-marks**	**Develop-ment costs**	**Service concess-ion**	**Total**
IFRS 3.61, IAS 38.118(c), (e)							
	Cost						
IFRS 3.B67(d)(i), IAS 38.118	Balance at 1 January 2008		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	Balance at 31 December 2008		3,545	1,093	4,551	-	9,189
IFRS 3.B67(d)(i), IAS 38.118	Balance at 1 January 2009		3,545	1,093	4,551	-	9,189
IFRS 3.B67(d)(ii), IAS 38.118(e)(i)	Acquisitions through business combinations	*9*	237	250	-	-	487
IAS 38.118(e)(i)	Service concession	*40*	-	-	-	95	95
IAS 38.118(e)(i)	Other acquisitions – internally developed		-	-	1,272	-	1,272
IAS 38.118(e)(vii)	Effect of movements in exchange rates		-	186	100	-	286
IFRS 3.B67(d)(viii), IAS 38.118	Balance at 31 December 2009		3,782	1,529	5,923	95	11,329
	Amortisation and impairment losses						
IFRS 3.B67(d)(i), IAS 38.118	Balance at 1 January 2008		138	552	2,801	-	3,491
IAS 38.118(e)(vi)	Amortisation for the year		-	118	677	-	795
IAS 38.118(e)(iv)	Impairment loss		-	-	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 2008		138	639	3,751	-	4,528
IFRS 3.B67(d)(i), IAS 38.118	Balance at 1 January 2009		138	639	3,751	-	4,528
IAS 38.118(e)(iv)	Amortisation for the year		-	139	641	5	785
IFRS 3.B67(d)(v)	Impairment loss		116	-	-	-	116
IAS 38.118(e)(v)	Reversal of impairment loss		-	-	(100)	-	(100)
IAS 38.118(e)(vii)	Effect of movements in exchange rates		-	61	17	-	78
IFRS 3.B67(d)(viii), IAS 38.118	Balance at 31 December 2009		254	839	4,309	5	5,407
	Carrying amounts						
IAS 38.118(c)	At 1 January 2008		3,407	712	1,310	-	5,429
IAS 38.118(c)	At 31 December 2008		3,407	454	800	-	4,661
IAS 38.118(c)	At 1 January 2009		3,407	454	800	-	4,661
IAS 38.118(c)	At 31 December 2009		3,528	690	1,614	90	5,922

Amortisation and impairment charge

IAS 38.118(d) Amortisation is allocated to the cost of inventory and is recognised in cost of sales as inventory is sold. The impairment loss is recognised in cost of sales in the statement of comprehensive income.

Note	*Reference*	**Explanatory note**
1.	*IAS 36.132*	An entity is encouraged to disclose assumptions used to determine the recoverable amount of assets and cash-generating units, and this publication illustrates the disclosure of the discount rate and terminal growth rate as if the development cost intangible asset had an indefinite useful life.
2.	*IAS 36.130(f)*	If the recoverable amount of an individual asset, including goodwill, or a cash-generating unit was determined based on its fair value less costs to sell, and a material impairment loss was recognised or, in the case of intangible assets other than goodwill (a reversal is prohibited for goodwill impairments), reversed during the period, then an entity discloses the basis used to determine fair value less costs to sell.
	IAS 36.130(c)	If a material impairment loss is recognised for an individual asset, then an entity discloses: • the nature of the asset • if the entity reports segment information in accordance with IFRS 8 *Operating Segments*, then the reportable segment to which the asset belongs.
	IAS 36.130 (d)(iii)	If a material impairment loss is recognised for a cash-generating unit, and the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of recoverable amount, then an entity describes the current and former way of aggregating assets, and the reasons for changing the way in which the cash-generating unit is identified.
	IAS 36.130(a)	If an impairment loss, or a reversal thereof, is material, then an entity discloses the events and circumstances that led to the recognition or reversal of the impairment loss.
	IAS 36.126(c), (d)	If applicable, an entity discloses the amount of impairment losses or reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.

Reference

Notes to the consolidated financial statements

17. Intangible assets (continued)

Recoverability of development costs[1]

IAS 36.132

The carrying amount of an intangible asset representing a development project for a new process in one of the Group's factories in Germany is €400 thousand. An impairment test was triggered during the year because the regulation that would allow this new process to be implemented was delayed, such that the benefit of the new process would not be realised as soon as previously expected. The recoverable amount of the cash-generating unit (the factory using the process) was estimated based on its value in use, assuming that the regulation would be passed by July 2010 and using a pre-tax discount rate of 12 percent and a growth rate of two percent from 2015. The recoverable amount was estimated to be higher than the carrying amount of the unit, and no impairment was required. Should this regulation be delayed beyond July 2010, then an impairment might arise and this could have a significant effect in 2010 on the carrying amount of the factory. Currently the Group is confident that the regulation will be passed during the second half of 2010 and that this impairment will not arise.

IAS 1.129

Management considers it reasonably possible that the new regulation will be delayed a further year to July 2011. Revenue from the unmodified process continues to decline and the effect of the further delay of a year would be an impairment of approximately €100 thousand in the carrying amount of the factory.

Impairment loss and subsequent reversal[2]

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

In 2008 regulatory restrictions on the manufacture of a new product in the American paper manufacturing and distribution segment caused the Group to assess the recoverable amount of the related product line. The product line relates to a cutting edge new product that was expected to be available for sale in 2009. However, a regulatory inspection in 2008 revealed that the product did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. As a result production was suspended and the expected launch date was delayed.

IAS 36.130(e)

The recoverable amount of the cash-generating unit (the production line that produces the product) was estimated based on its value in use, assuming that the production line would go live in August 2011. Based on the assessment in 2008, the carrying amount of the product line was determined to be €1,408 thousand lower than its recoverable amount, and an impairment loss was recognised (see below). In 2009, following certain changes to the recovery plan, the Group reassessed its estimates and €493 thousand of the initially recognised impairment was reversed.

IAS 36.130(g)

The estimate of value in use was determined using a pre-tax discount rate of 10.5 percent (2008: 9.8 percent).

IAS 36.126(a), (b), 130(b), (d)(ii)

The impairment loss and its subsequent reversal was allocated *pro rata* to the individual assets constituting the production line as follows:

In thousands of euro	**Original carrying amount**	**Loss in 2008**	**Reversal in 2009**
Plant and equipment (see note 16)	1,987	1,123	(393)
Capitalised development costs	504	285	(100)
Total	2,491	1,408	(493)

IAS 36.126(a), (b)

The impairment loss and subsequent reversal were recognised in cost of sales.

Due to the same circumstances inventory associated with this product line was written down to its net realisable value, resulting in a loss of €42 thousand in 2008. Following the change in the recovery plan and related estimates in 2009, €17 thousand of the loss was reversed (see note 23).

Note	*Reference*	**Explanatory note**
1.	*IAS 36.133*	If any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit at the reporting date, then the entity discloses the amount of the unallocated goodwill together with the reasons why that amount remains unallocated. The practical difficulties of this exception, combined with the requirement for annual impairment testing, are discussed in our publication *Insights into IFRS* (3.10.130).
2.	*IAS 36.99*	Instead of calculating recoverable amount, an entity may use its most recent previous calculation of the recoverable amount of a cash-generating unit containing goodwill, if all of the following criteria are met: • There have been no significant changes in the assets and liabilities making up the unit since the calculation. • The calculation resulted in a recoverable amount that exceeded the carrying amount of the unit by a substantial margin. • Based on an analysis of the events and circumstances since the calculation, the likelihood that the current recoverable amount would be less than the current carrying amount of the unit is remote. The disclosures illustrated here are based on the assumption that the calculation of the recoverable amount was prepared in the current period. If a calculation made in a preceding period is used, then the disclosures are adjusted accordingly.
3.	*IAS 36.134 (e)(iii)-(v)*	If fair value less costs to sell is determined using discounted cash flow projections, then an entity discloses: • the period over which cash flows were projected • the growth rate used to extrapolate the cash flow projections • the discount rate applied to the cash flow projections.
4.	*IAS 36.134(f)*	If a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount, then an entity discloses: • the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount • the value assigned to the key assumption • the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.
5.	*IAS 36.134 (d)(i), (ii)*	An entity discloses a description of management's approach to determining the value applied to each key assumption on which the cash flow projections are based. This publication also illustrates a description of the approach to determining the discount rate.

Reference

Notes to the consolidated financial statements

17. Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill[1, 2]

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in note 6.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Reference	*In thousands of euro*	**2009**	**2008**
IAS 36.134(a)			
	European paper manufacturing and distribution	2,372	2,135
	Timber products	960	1,076
		3,332	3,211
IAS 36.135	Multiple units without significant goodwill	196	196
		3,528	3,407

IAS 36.134(c), (e)

The European paper manufacturing and distribution cash-generating unit's impairment test was based on fair value less costs to sell.[3] In the past year competing businesses in the same sector and of generally similar size were bought and sold by companies in the industry as part of the ongoing industry consolidation. The sales prices for these units were used to derive a price to earnings ratio that was applied to the earnings of the unit to determine recoverable amount. Enterprise to EBITDA ratios in the industry ranged from 6 to 10; the Group used a lower range estimate of 6 to estimate the recoverable amount of the unit. Unit earnings were determined for purposes of this calculation to be €3,375 thousand, based on the unit's actual operating results, adjusted for income tax expense.

IAS 36.134(c), (d)

The recoverable amount of the Timber products cash-generating unit was based on its value in use and was determined with the assistance of independent valuers. The carrying amount of the unit was determined to be higher than its recoverable amount and an impairment loss of €116 thousand (2008: nil) was recognised. The impairment loss was allocated fully to goodwill, and is included in cost of sales.

IAS 1.125, 36.134(f)

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2009 was determined similarly as in 2008. The calculation of the value in use was based on the following key assumptions:[4]

IAS 36.134(d)(i)-(iv)

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan in both 2008 and 2009. Cash flows for a further 20-year period were extrapolated using a constant growth rate of 5 percent (2008: 5 percent), which does not exceed the long-term average growth rate for the industry.
- In the first year of the business plan revenue was projected using the same rate of growth experienced in 2009, reflecting current difficult trading conditions. The anticipated annual revenue growth included in the cash flow projections for the years 2011 to 2014 has been based on average growth levels experienced in the three years prior to 2009, reflecting an expectation of a recovery in the economy at the end of 2010.
- The timber sales price growth was assumed to be a constant small margin above inflation in the first 5 years in line with information obtained from external brokers who publish a statistical analysis of long-term market price trends.
- Significant one-off environmental costs have been assumed in 2010 reflecting various regulatory developments in a number of European countries in which the unit operates. Environmental costs are assumed to grow with inflation in other years.
- A pre-tax discount rate of 8.6 percent (2008: 9.0 percent) was applied in determining the recoverable amount of the units. The discount rate was estimated based on past experience, and industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 40 percent at a market interest rate of 7 percent.[5]

Note	*Reference*	**Explanatory note**
1.	*IAS 23.26*	An entity discloses the amount of borrowing costs capitalised during the period, and the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.
2.	*IAS 41.43*	Entities are encouraged, but not required, to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets. The basis for making such distinctions is disclosed.
	IAS 41.54 (a)-(f)	When fair value cannot be determined reliably, an entity discloses: • a description of the biological assets • an explanation of why fair value cannot be measured reliably • the depreciation method and useful lives used • if possible, the range of estimates within which fair value is highly likely to lie • the gross carrying amount and the accumulated depreciation, aggregated with accumulated impairment losses, at the beginning and end of the reporting period.
	IAS 41.55	When biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, an entity discloses separately any gain or loss recognised on the disposal of such biological assets, and a reconciliation of changes in their carrying amount at the beginning and at the end of the reporting period, including impairment losses, reversals of impairment losses and depreciation.
	IAS 41.56	If the fair value of biological assets measured previously at cost less accumulated depreciation and accumulated impairment losses becomes reliably measurable, then an entity discloses: • a description of the biological assets • an explanation of why fair value has become reliably measurable • the effect of the change.
	IAS 41.49(a)	An entity discloses the existence and carrying amounts of biological assets whose title is restricted, and the carrying amount of biological assets pledged as security for liabilities.
	IAS 41.49(b)	An entity discloses the amount of commitments for the development or acquisition of biological assets.
	IAS 41.50(e)	An entity discloses increases in biological assets due to business combinations.
	IAS 41.51	An entity is encouraged, but not required, to disclose the changes in fair value less estimated costs to sell due to price changes and due to physical changes.
	IAS 41.53	If an agricultural activity is exposed to climatic, disease and other natural risks, and an event occurs that gives rise to a material item of income and expense, then an entity discloses the nature and amount of the item of income and expense.

Reference

Notes to the consolidated financial statements

17. Intangible assets (continued)

The values assigned to the key assumptions represent management's assessment of future trends in the forestry industry and are based on both external sources and internal sources (historical data).

Development costs

IAS 23.26 (a), (b) As a result of the change in accounting policy with respect to the treatment of borrowing costs (see note 2(e)(iv)), included in capitalised development costs is an amount of €37 thousand, which represents capitalised borrowing costs during the period ended 31 December 2009 using a capitalisation rate of 5.1 percent.[1]

18. Biological assets[2]

Reference	*In thousands of euro*	*Note*	Standing timber	Livestock	Total
	Balance at 1 January 2008		7,672	800	8,472
IAS 41.50(b)	Increases due to new plantations		415	-	415
IAS 41.50(b)	Increase due to acquisitions		-	22	22
IAS 41.50(c)	Decrease due to sales		-	(63)	(63)
IAS 41.50(g)	Net increase due to births (deaths)	*11*	-	15	15
IAS 41.40, 50(a)	Change in fair value less estimated costs to sell	*11*	35	15	50
IAS 41.50(d)	Harvested timber transferred to inventories		(168)	-	(168)
IAS 41.50(f)	Effect of movements in exchange rates		68	45	113
IAS 41.50	Balance at 31 December 2008		8,022	834	8,856
	Non-current		8,022	694	8,716
	Current		-	140	140
			8,022	834	8,856
	Balance at 1 January 2009		8,022	834	8,856
IAS 41.50(b)	Increases due to new plantations		294	-	294
IAS 41.50(b)	Increase due to acquisitions		-	11	11
IAS 41.50(c)	Decrease due to sales		-	(127)	(127)
IAS 41.50(g)	Net increase due to births (deaths)	*11*	-	11	11
IAS 41.40, 50(a)	Change in fair value less estimated costs to sell	*11*	481	169	650
IAS 41.50(d)	Harvested timber transferred to inventories		(2,480)	-	(2,480)
IAS 41.50(f)	Effect of movements in exchange rates		30	14	44
IAS 41.50	Balance at 31 December 2009		6,347	912	7,259
	Non-current		6,347	667	7,014
	Current		-	245	245
			6,347	912	7,259

IAS 41.41, 46(b)(i), (ii) At 31 December 2009 standing timber comprised approximately 3,270 hectares of pine tree plantations (2008: 4,360 hectares), which range from newly established plantations to plantations that are 30 years old. During the year the Group harvested approximately 74,242 tonnes of wood (2008: 5,295 tonnes), which had a fair value less costs to sell
IAS 41.48 of €2,480 thousand at the date of harvest (2008: €168 thousand).

IAS 41.41, 46(b)(i) At 31 December 2009 livestock held for sale comprised 1,875 cattle and 3,781 sheep (2008: 2,160 cattle and 4,010 sheep). During the year the Group sold 279 cattle and 286 sheep (2008: 150 cattle and 175 sheep).

Note	*Reference*	**Explanatory note**
1.	*IAS 40.79 (a)-(c), (e)*	If investment property is accounted for under the cost model, then an entity discloses: • the depreciation methods used • the useful lives or the depreciation rates used • the gross carrying amount and the accumulated depreciation, aggregated with accumulated impairment losses, at the beginning and end of the reporting period • the fair value of the investment property.
	IAS 40.78	For items for which fair value cannot be determined reliably, an entity discloses: • a description of the investment property • an explanation of why fair value cannot be measured reliably • if possible, the range of estimates within which fair value is highly likely to lie • on disposal of investment property not carried at fair value, the fact that the entity has disposed of investment property not carried at fair value, the carrying amount at the time of sale, and the gain or loss recognised.
	IAS 40.75 (f)(iv)	An entity discloses the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used.
	IAS 40.76(b), (c), (e) *IAS 40.78* *IAS 40.79(d)*	In presenting a reconciliation of carrying amounts from the beginning to the end of the reporting period, an entity discloses changes in the carrying amounts of investment property resulting from acquisitions through business combinations, amounts classified as held for sale, disposals and foreign currency differences. Items for which fair value cannot be measured reliably are presented separately in the reconciliation. A reconciliation of property accounted for under the cost model includes also depreciation and the amount of impairment losses recognised and / or reversed in accordance with IAS 36 *Impairment of Assets*.
	IAS 40.75(g), (h)	An entity discloses the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. An entity also discloses any material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.
2.		Since 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. In our view, when investment property represents a significant portion of the assets, it is preferable to disclose additional analysis, for example portfolio by type of investment property. This issue is discussed in our publication *Insights into IFRS* (3.4.270.20).

Reference

Notes to the consolidated financial statements

18. Biological assets (continued)

IAS 41.49(c) The Group is exposed to a number of risks related to its pine tree plantations:

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. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

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 to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

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 also insures itself against natural disasters such as floods and hurricanes.

19. Investment property[1, 2]

	In thousands of euro	***Note***	**2009**	**2008**
	Balance at 1 January		1,050	950
IAS 40.76(a)	Acquisitions		200	-
IAS 40.76(f)	Transfer from property, plant and equipment	*16*	700	-
IAS 40.76(d)	Change in fair value	*11*	120	100
IAS 40.76	Balance at 31 December		2,070	1,050

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. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. See note 35 for further information. One property has been transferred from property, plant and equipment (see note 16) to investment property, since the building was no longer used by the Group and as such it was decided that the building would be leased to a third party.

IAS 40.75(d) The range of yields applied to the net annual rentals to determine the fair value of property for which current prices in an active market are unavailable is as follows:

Offices	**Yields**
UK	5.1% - 7.9% (2008: 5.8% - 8.5%)
France	4.8% - 6.8% (2008: 5.2% - 7.5%)

IAS 1.122 The Group has sublet a vacated warehouse, but has decided not to treat this property as investment property because it is not the Group's intention to hold it for the long term, capital appreciation or rental. Accordingly, the property still is treated as a lease of property, plant and equipment.

Note	*Reference*	**Explanatory note**
1.	*IAS 28.37(b)*	An entity discloses summarised financial information of equity accounted investees, including the aggregated amounts of assets, liabilities, revenues and profit or loss, not adjusted for the percentage of ownership held by the entity. In these illustrative financial statements we have presented financial information for *each* of the investees, as well as in total.
	IAS 31.56	A venturer discloses a listing and description of interests in significant joint ventures and the proportion of ownership interest held. A venturer that uses equity accounting or the line-by-line reporting format for proportionate consolidation discloses the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, and income and expenses related to its interests in joint ventures. In this publication we have illustrated these disclosures together with the disclosures for associates, and have presented the financial information of joint ventures unadjusted for the percentage of ownership held by the Group. Other methods of presentation may be used.
	IAS 28.37(a)	An entity discloses the fair value of investments in associates for which there are published price quotations.
	IAS 28.37(i)	An entity discloses summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss.
	IAS 28.37(c), (d)	If an entity uses equity accounting for an investment in which it has less than a 20 percent interest, then it discloses the reasons for this. Similarly, if an entity has an interest of 20 percent or more in an investment but does not account for it as an investment in an associate, then the reasons for this are disclosed.
	IAS 28.37(e), (f)	Further disclosures are required if the entity has used financial statements of an equity accounted investee with a different reporting date to its own in preparing the consolidated financial statements, and / or there are restrictions over the ability of the investee to transfer funds to the entity.
	IAS 28.39	An entity recognises its share of changes recognised in other comprehensive income by the associate in other comprehensive income and discloses it.
	IAS 36.134(a)	If an investment in an associate is a cash-generating unit and includes goodwill that has been allocated to this unit, then the entity discloses the carrying amount of goodwill included in such an investment.
2.	*IAS 28.37(b), 31.56*	This information is not required to be disclosed for associates by paragraph 37(b) of IAS 28 *Investments in Associates*, but is required by paragraph 56 of IAS 31 *Interests in Joint Ventures* for joint ventures for which the entity uses equity accounting or the line-by-line reporting format for proportionate consolidation. A listing, description and proportion of interest held is required to be disclosed for all jointly controlled entities.
3.	*IAS 28.37(b), 31.56*	This information is not required to be disclosed for joint ventures by paragraph 56 of IAS 31, but is required for associates by paragraph 37(b) of IAS 28.

20. Equity accounted investees[1]

IAS 28.37(g) The Group's share of profit in its equity accounted investees for the year was €467 thousand (2008: €587 thousand). The Group has not recognised losses relating to Cellulose S.A., totalling €15 thousand in 2009, since the Group has no obligation in respect of these losses.

IAS 24.18(d) In 2009 and 2008 the Group did not receive dividends from any of its investments in equity accounted investees.

IAS 28.37(b), 31.56 Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

In thousands of euro	Ownership[2]	Current assets[2]	Non-current asset[2]	Total assets[3]	Current liabilities[2]	Non-current liabilities[2]	Total liabilities[3]	Revenues	Expenses[2]	Profit / (loss)[3]
2008										
Papyrus Pty Ltd (associate)	25%	1,470	1,810	3,280	670	720	1,390	27,400	(26,850)	550
Paletel AB (joint venture)	40%	1,310	3,259	4,569	1,130	1,320	2,450	21,405	(20,725)	680
Cellulose S.A. (associate)	20%	4,220	7,030	11,250	3,250	6,810	10,060	16,600	(15,715)	885
		7,000	12,099	19,099	5,050	8,850	13,900	65,405	(63,290)	2,115
2009										
Papyrus Pty Ltd (associate)	25%	-	-	-	-	-	-	4,375	(4,274)	101
Paletel AB (joint venture)	40%	1,348	5,953	7,301	543	1,716	2,259	25,796	(23,003)	2,793
Cellulose S.A. (associate)	20%	3,210	4,790	8,000	2,220	5,780	8,000	32,635	(34,810)	(2,175)
Paper Web SARL (associate)	49%	3,460	7,592	11,052	2,850	8,185	11,035	-	(521)	(521)
		8,018	18,335	26,353	5,613	15,681	21,294	62,806	(62,608)	198

During the year the Group acquired a 49 percent investment in Paper Web SARL. This investee was established together with other companies in the paper industry to develop a Web-based marketing operation. The Group provides management services to the investee (see note 38).

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.30*	If investments in unquoted equity instruments or derivatives linked to, and to be settled in, such equity instruments are measured at cost because their fair value cannot be measured reliably, then an entity discloses: • that fact • a description of the financial instruments • their carrying amount • an explanation of why fair value cannot be measured reliably.
	IFRS 7.30(c)	An entity discloses information about the market for the financial instruments.
	IFRS 7.30(e)	When the above financial assets are derecognised, an entity discloses: • the fact that they have been derecognised • their carrying amount at the time of sale • the gain or loss recognised.
	IFRS 7.13	An entity may have either transferred a financial asset or entered into the type of transaction described in IAS 39 *Financial Instruments: Recognition and Measurement* in such a way that the arrangement does not qualify as a transfer of a financial asset. If the entity either continues to recognise all of the asset, or continues to recognise the asset to the extent of the entity's continuing involvement, then the following disclosures are required: • the nature of the assets • the nature of the risks and rewards of ownership • the carrying amount, when the asset remains recognised in its entirety • the carrying amount of the original asset and the amount that is recognised, when the asset remains recognised to the extent of continuing involvement.
	IFRS 7.14	If an entity has pledged any financial asset as collateral, then it discloses: • the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities • the material terms and conditions relating to assets pledged as collateral.
	IFRS 7.15	If an entity has accepted collateral that it is permitted to sell or repledge in the absence of a default by the owner of the collateral, then it discloses: • the fair value of collateral accepted (financial and non-financial assets) • the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it • the material terms and conditions associated with its use of this collateral.
	IFRS 7.12	If the entity has reclassified a financial asset as one measured at cost or amortised cost rather than at fair value, then an entity discloses the amount of the reclassification and the reason for that reclassification.
2.		In our view, derivative assets and liabilities should be presented separately in the statement of financial position if they are significant. If derivative instruments are not significant, then they may be included within other financial assets and other financial liabilities, respectively, with additional details disclosed in the notes to the financial statements. This issue is discussed in our publication *Insights into IFRS* (5.6.520.30).

Reference Notes to the consolidated financial statements

21. Other investments[1]

Reference	*In thousands of euro*	2009	2008
	Non-current investments		
IFRS 7.8(b)	Held-to-maturity investments	2,436	2,256
IFRS 7.8(a)(i)	Financial assets designated at fair value through profit or loss	251	254
IFRS 7.8(d)	Available-for-sale financial assets	828	884
	Derivatives used for hedging[2]	116	131
		3,631	3,525
	Current investments		
	Investments held for trading	243	568
	Derivatives not used for hedging	122	89
IFRS 7.8(a)(ii)	Financial assets held for trading	365	657
	Derivatives used for hedging[2]	297	375
		662	1,032

IFRS 7.7 Interest-bearing available-for-sale financial assets, with a carrying amount of €451 thousand at 31 December 2009 (2008: €373 thousand) have stated interest rates of 5.2 to 7.0 percent (2008: 6.5 to 8.0 percent) and mature in 1 to 2 years. Held-to-maturity investments have interest rates of 6.3 to 7.8 percent (2008: 7.5 to 8.3 percent) and mature in 2 to 5 years.

IFRS 7.B5(a)(i) The financial assets designated at fair value through profit or loss are equity securities that otherwise would have been classified as available-for-sale.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 34.

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.40(a)*	The sensitivity analysis is based on changes in the risk variable that were reasonably possible at the reporting date.
	IFRS 7.40(b), (c)	An entity discloses the methods and assumptions used in preparing the sensitivity analysis, changes therein, and the reasons therefor compared to the comparative period.
	IFRS 7.41	If an entity prepares a sensitivity analysis that reflects inter-dependencies between different risk variables, e.g., a value-at-risk model, then the disclosure may be based on that model instead of the type of disclosure illustrated in this publication. In that case, an entity discloses: • an explanation of the method used, including the main parameters and assumptions • an explanation of the objective of the method used, and of its limitations.
	IFRS 7.42	When the sensitivity analysis required by IFRS 7 *Financial Instruments: Disclosures* is not representative of the underlying risks, e.g., the reporting date analysis is not representative of the position during the year, then an entity discloses that fact and the reasons therefor. For example, if for whatever reason an entity's investment portfolio at the reporting date is materially different from its usual mix of investments, then a sensitivity analysis based on the position at the reporting date would not be representative.
	IFRS 7.B17-B21, IG32-IG36	Guidance in respect of the sensitivity analysis is provided in appendix B to IFRS 7 and in the related implementation guidance.
2.	*IAS 12.81(i), 87A*	An entity discloses the amount of income tax consequences of dividends to shareholders that were proposed or declared before the financial statements were authorised for issue, but that are not recognised as a liability in the financial statements. An entity also discloses the important features of the income tax system(s) and the factors that will affect the amount of the potential income tax consequences of dividends.

Reference

Notes to the consolidated financial statements

21. Other investments (continued)

IFRS 7.40

Sensitivity analysis – equity price risk[1]

All of the Group's 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 two percent increase in the FTSE 100 plus a three percent increase in the Dow Jones Industrial Average at the reporting date would have increased equity by €98 thousand after tax (2008: an increase of €88 thousand); an equal change in the opposite direction would have decreased equity by €98 thousand after tax (2008: a decrease of €88 thousand). For such investments classified at fair value through profit or loss, the impact on profit or loss would have been an increase or decrease of €16 thousand after tax (2008: €18 thousand). The analysis is performed on the same basis for 2008.

22. Deferred tax assets and liabilities

Unrecognised deferred tax liabilities[2]

IAS 12.81(f), 87

At 31 December 2009 a deferred tax liability of €150 thousand (2008: €86 thousand) for temporary differences of €500 thousand (2008: €287 thousand) related to an investment in a subsidiary was not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

IAS 12.82A

In some of the countries in which the Group operates, local tax laws provide that gains on the disposal of certain assets are tax exempt, provided that the gains are not distributed. At 31 December 2009 the total tax exempt reserves amounted to €600 thousand (2008: €540 thousand) which would result in a tax liability of €198 thousand (2008: €178 thousand) should the subsidiaries pay dividends from these reserves.

IAS 12.81(e)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

In thousands of euro	**2009**	**2008**
Deductible temporary differences	103	200
Tax losses	272	653
	375	853

The tax losses expire in 2011. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Note	*Reference*	**Explanatory note**
1.	*IAS 12.81(g)*	An entity is required to disclose, in respect of each *type* of temporary difference, the amount of deferred tax assets and liabilities recognised in the statement of financial position. IFRSs are unclear as to what constitutes a type of a temporary difference. Disclosures presented in these illustrative financial statements are based on the statement of financial position captions related to the temporary differences. Another possible interpretation is to present disclosures based on the reason for the temporary difference, e.g., depreciation. In our view, it is not appropriate to disclose gross deductible temporary differences with the related valuation allowance shown separately because, under IFRSs, it is *recognised* temporary differences that are required to be disclosed. These issues are discussed in our publication *Insights into IFRS* (3.13.670.40 - .50).
2.	*IAS 12.82*	An entity discloses the nature of the evidence supporting the recognition of a deferred tax asset when: • utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences • the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Reference

Notes to the consolidated financial statements

22. Deferred tax assets and liabilities (continued)

IAS 1.129

In 2008 €240 thousand of previously unrecognised tax losses were recognised as management considered it probable that future taxable profits will be available against which they can be utilised. Management revised its estimates following the pilot of a new type of paper in France, which is proving popular with customers and is increasing the subsidiary's results from operating activities. An additional €50 thousand of previously unrecognised tax losses were recognised in 2009, following a further change in estimates of subsidiary's future results from operating activities. The company has assumed that the recoverability of the balance of losses in France of €200 thousand is still in doubt because a trend of profitable growth in the subsidiary is not yet fully established. If profitable growth continues for a further year, then the remaining unrecognised deferred tax asset will be recognised, resulting in additional tax income of €80 thousand.

Recognised deferred tax assets and liabilities[1]

IAS 12.81(g)(i)

Deferred tax assets and liabilities are attributable to the following:

	Assets[2]		Liabilities		Net	
In thousands of euro	2009	2008	2009	2008	2009	2008
Property, plant and equipment	(235)	(373)	2,407	843	2,172	470
Intangible assets	(61)	(94)	824	495	763	401
Biological assets	-	-	345	127	345	127
Investment property	-	-	188	148	188	148
Financial assets at fair value through profit or loss	-	-	167	73	167	73
Available-for-sale financial assets	-	-	160	115	160	115
Held-to-maturity investments	(7)	-	-	-	(7)	-
Derivatives	(9)	(4)	177	197	168	193
Inventories	(83)	(41)	-	-	(83)	(41)
Loans and borrowings	-	-	136	-	136	-
Employee benefits	-	-	99	149	99	149
Share-based payment transactions	(583)	(317)	-	-	(583)	(317)
Provisions	(557)	(528)	-	-	(557)	(528)
Other items	(68)	(213)	-	-	(68)	(213)
Tax loss carry-forwards	(436)	(386)	-	-	(436)	(386)
Tax (assets) liabilities	(2,039)	(1,956)	4,503	2,147	2,464	191
Set off of tax	1,901	580	(1,901)	(580)	-	-
Net tax (assets) liabilities	(138)	(1,376)	2,602	1,567	2,464	191

Note	*Reference*	**Explanatory note**
1.	*IAS 12.81 (g)(ii)*	When the amount of deferred tax recognised in profit or loss in respect of each type of temporary difference is apparent from the changes in the amounts recognised in the statement of financial position, this disclosure is not required.

22. Deferred tax assets and liabilities (continued)

IAS 12.81(g)(ii)

Movement in temporary differences during the year[1]

In thousands of euro	Balance 1 Jan 2008	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 Dec 2008	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Acquired in business combinations (note 9)	Included in discontinued operations (note 7) and assets held for sale (note 8)	Balance 31 Dec 2009
Property, plant and equipment	(320)	790	-	470	1,811	-	66	35	(210)	2,172
Intangible assets	98	303	-	401	324	-	-	38	-	763
Biological assets	106	21	-	127	218	-	-	-	-	345
Investment property	115	33	-	148	40	-	-	-	-	188
Financial assets at fair value through profit or loss	47	26	-	73	94	-	-	-	-	167
Available-for-sale financial assets	84	-	31	115	-	-	45	-	-	160
Held-to-maturity investments	-	-	-	-	(7)	-	-	-	-	(7)
Derivatives	163	8	22	193	6	-	(31)	-	-	168
Inventories	-	(41)	-	(41)	(5)	-	-	3	(40)	(83)
Loans and borrowings	-	-	-	-	73	54	-	9	-	136
Employee benefits	194	(40)	(5)	149	(74)	-	24	-	-	99
Share-based payment transactions	(211)	(106)	-	(317)	(266)	-	-	-	-	(583)
Provisions	(438)	(90)	-	(528)	(23)	-	-	(6)	-	(557)
Other items	(158)	(55)	-	(213)	145	-	-	-	-	(68)
Tax loss carry-forwards	(146)	(240)	-	(386)	(50)	-	-	-	-	(436)
	(466)	609	48	191	2,286	54	104	79	(250)	2,464

Note	*Reference*	**Explanatory note**
1.	*IAS 2.39*	When an entity presents an analysis of expenses using classification based on the nature of expenses in the statement of comprehensive income, it discloses the costs recognised as an expense for raw materials and consumables, labour and other costs, together with the amount of the net change in inventories for the period.
2.		In our view, write-downs of inventory to net realisable value as well as any reversals of such write-downs should be presented in the same line item in the statement of comprehensive income as the cost of inventories sold. This issue is discussed in our publication *Insights into IFRS* (3.8.440.70).
3.	*IFRS 7.9 (a)-(d)*	When an entity has designated a loan or receivable (or group of loans or receivables) at fair value through profit or loss, an entity discloses: • the amount by which any related credit derivative or similar instrument mitigates the maximum exposure to credit risk • the amount of change during the period and cumulatively in the fair value of the loan or receivable, or group of loans or receivables, that is attributable to changes in credit risk, determined either as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk, or using an alternative method that more faithfully represents the amount of change in its fair value that is attributable to changes in credit risk • the amount of the change in the fair value of any related credit derivative or similar instrument that has occurred during the period and cumulatively since the loan or receivable was designated.
4.		There is no guidance on the presentation of assets or liabilities related to construction contracts in progress. We prefer to present assets as trade accounts receivables, or in the case of liabilities, as deferred income. This issue is discussed in our publication *Insights into IFRS* (4.2.660.20).

Reference

Notes to the consolidated financial statements

23. Inventories[1]

Reference	In thousands of euro	2009	2008
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	5,464	4,705
		12,867	12,119
IAS 2.36(c)	Inventories carried at fair value less cost to sell	1,425	985
IAS 2.36(h)	Carrying amount of inventories subject to retention of title clauses	2,450	2,090

IAS 1.104, 2.36(e), (f)
IAS 1.98(a)

In 2009 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to €41,698 thousand (2008: €44,273 thousand). In 2009 the write-down of inventories to net realisable value amounted to €345 thousand (2008: €125 thousand). The reversal of write-downs amounted to €17 thousand as discussed below (2008: nil). The write-down and reversal are included in cost of sales.[2]

IAS 2.36(g)

Due to regulatory restrictions imposed on a new product in the American paper manufacturing and distribution division in 2008, the Group tested the related product line for impairment and also wrote down the related inventories to their net realisable value, which resulted in a loss of €42 thousand. In 2009, following a change in estimates, €17 thousand of the write-down was reversed (see note 17). These amounts are included in the total amount of write-downs and reversals above.

24. Trade and other receivables[3]

Reference	In thousands of euro	Note	2009	2008
IAS 1.78(b)	Trade receivables due from related parties	*38*	1,236	642
	Loans to directors	*38*	78	32
IAS 1.78(b)	Other trade receivables		21,985	17,045
	Service concession receivables	*40*	260	-
IFRS 7.8(c)	Loans and receivables		23,559	17,719
IAS 1.78(b), 11.40(a)	Construction work in progress[4]		348	280
			23,907	17,999
	Non-current		213	-
	Current		23,694	17,999
			23,907	17,999

IAS 11.40(a), (b)

At 31 December 2009 aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to €570 thousand (2008: €530 thousand). Progress billings and advances received from customers under open construction contracts amounted to €362 thousand (2008: €380 thousand).

Advances for which the related work has not started, and billings in excess of costs incurred and recognised profits, are presented as deferred income (see note 31).

IAS 11.40(c)

At 31 December 2009 trade receivables include retentions of €200 thousand (2008: €180 thousand) relating to construction contracts in progress.

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, excluding construction work in progress, is disclosed in note 34.

Note	*Reference*	**Explanatory note**
1.	*IAS 7.48*	An entity discloses, together with a commentary from management, the amount of significant cash and cash equivalent balances not available for use by the entity.

Reference

Notes to the consolidated financial statements

IAS 7.45

25. Cash and cash equivalents[1]

In thousands of euro	2009	2008
Bank balances	51	988
Call deposits	1,454	862
Cash and cash equivalents	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

IFRS 7.40, 41

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 34.

26. Capital and reserves

Share capital and share premium

Reference		Ordinary shares		Non-redeemable preference shares		Redeemable preference shares	
IAS 1.79(a)(iv)	*In thousands of shares*	2009	2008	2009	2008	2009	2008
	On issue at 1 January	3,100	3,100	1,750	1,750	-	-
	Issued for cash	130	-	-	-	1,000	-
	Issued in business combination	8	-	-	-	-	-
	Exercise of share options	5	-	-	-	-	-
IAS 1.79(a)(ii)	On issue at 31 December	3,243	3,100	1,750	1,750	1,000	-

Issuance of ordinary shares

IAS 34.16(e)

In October 2009 the general meeting of shareholders decided on the issuance of 130 thousand ordinary shares at an exercise price of €11.92 per share (2008: nil). All issued shares are fully paid.

Additionally, 5 thousand ordinary shares were issued as a result of the exercise of vested options arising from the 2006 share option programme granted to key management (see the 2008 consolidated financial statements of the Company) (2008: nil). Options were exercised at an average price of €10 per option. All issued shares are fully paid.

Finally, 8 thousand ordinary shares were issued as a result of the acquisition of Papyrus Pty Limited (see note 9) (2008: nil).

Issuance of redeemable preference shares

During the year ended 31 December 2009 1,000 thousand redeemable preference shares were issued with a par value of €2 per share (2008: nil). All issued shares are fully paid.

The holders of redeemable preference shares are entitled to receive dividends. Redeemable preference shares do not carry the right to vote. All shares rank equally with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares. The redeemable preference shares are classified as liabilities (see note 28).

The Group also has issued share options (see note 30).

Note	*Reference*	**Explanatory note**
1.	*IAS 1.79(a)(iii)*	If shares have no par value, then an entity discloses that fact.
2.	*IAS 1.79(a)(ii)*	An entity discloses the number of shares issued but not fully paid.
	IAS 1.79(a)(vii)	An entity discloses details of shares reserved for issue under options and sales contracts, including the terms and amounts.
3.	*IAS 16.77(f)*	If items of property, plant and equipment are stated at revalued amounts, then the entity discloses the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.
4.	*IAS 1.79(a)(vi), 24.17, 32.34*	An entity discloses separately the amount of treasury shares held, either on the face of the statement of financial position or in the notes.
	IAS 32.34	If any of the shares are acquired from parties who are able to control or exercise significant influence over the Group, then an entity discloses details of the transaction.

Reference

Notes to the consolidated financial statements

26. Capital and reserves (continued)

Ordinary shares and preference shares

IFRS 7.7, IAS 1.79(a)(i), (iii)

At 31 December 2009 the authorised share capital comprised 10,000 thousand ordinary shares (2008: 10,000 thousand), 2,000 thousand non-redeemable non-cumulative preference shares (2008: 2,000 thousand) and 1,000 thousand redeemable preference shares (2008: nil). The redeemable preference shares have a par value of €2; all other shares have a par value of €3.[1] All issued shares are fully paid.[2] The non-redeemable preference shares are classified as equity and the redeemable preference shares are classified as liabilities (see note 28).

IFRS 7.7, IAS 1.79(a)(v)

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. Holders of non-redeemable preference 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. The holders of redeemable preferred shares are entitled to receive dividends as described in note 28. Preference shares (redeemable and non-redeemable) do not carry the right to vote. All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares. In respect of the Company's shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

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 from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

IAS 1.79(b)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

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 investments are derecognised or impaired.

Revaluation reserve[3]

IAS 1.79(b)

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

Reserve for own shares

IFRS 7.7, IAS 1.79(a)(vi), (b)

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2009 the Group held 48 thousand of the Company's shares (2008: 25 thousand).[4]

Note	*Reference*	**Explanatory note**
1.	*IAS 1.137(b)*	An entity discloses the amount of any cumulative preference dividends not recognised.
2.	*IAS 33.2*	An entity is required to present earnings per share if its ordinary shares or potential ordinary shares are publicly traded, or if it is in the process of issuing ordinary shares or potential ordinary shares in public securities markets.

Reference

Notes to the consolidated financial statements

26. Capital and reserves (continued)

Dividends

IAS 1.107 The following dividends were declared and paid by the Group:

For the year ended 31 December

In thousands of euro	2009	2008
24.82 cents per qualifying ordinary share (2008: 2.77 cents)	805	86
25.03 cents per non-redeemable preference share (2008: 25.03 cents)	438	438
	1,243	524

IAS 1.137(a), 10.13, 12.81(i) After the respective reporting dates the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.[1]

In thousands of euro	2009	2008
27.50 cents per qualifying ordinary share	892	805
25.03 cents per non-redeemable preference share	438	438
	1,330	1,243

27. Earnings per share[2]

Basic earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders of €5,410 thousand (2008: €3,299 thousand), and a weighted average number of ordinary shares outstanding of 3,083 thousand (2008: 3,060 thousand), calculated as follows:

IAS 33.70(a) **Profit attributable to ordinary shareholders**

	2009			2008		
In thousands of euro	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
Profit (loss) for the period	5,469	379	5,848	4,159	(422)	3,737
Dividends on non-redeemable preference shares	(438)	-	(438)	(438)	-	(438)
Profit (loss) attributable to ordinary shareholders	5,031	379	5,410	3,721	(422)	3,299

Note	*Reference*	**Explanatory note**
1.	*IAS 33.64*	When earnings per share calculations reflect changes in the number of shares due to events that happened after the reporting date, an entity discloses that fact.
2.	*IAS 33.73*	If an entity discloses, in addition to basic and diluted earnings per share, per share amounts using a reported component of profit other than profit or loss for the period attributable to ordinary shareholders, such amounts are calculated using the weighted average number of ordinary shares determined in accordance with IAS 33 *Earnings per Share*.
	IAS 33.73	If a component of profit is used that is not reported as a line item in the statement of comprehensive income, then an entity presents a reconciliation between the component used and a line item that is reported in the statement of comprehensive income.
3.		In our view, this reconciliation is not required if basic and diluted earnings per share are equal. This issue is discussed in our publication *Insights into IFRS* (5.3.370.50).
4.		In our view, the method used to determine the average market value of the entity's shares for purposes of calculating the dilutive effect of outstanding share options should be disclosed, particularly with respect to unquoted equity instruments. This issue is discussed in our publication *Insights into IFRS* (5.3.170.60 - .70).

Reference

Notes to the consolidated financial statements

27. Earnings per share (continued)

IAS 33.70(b)

Weighted average number of ordinary shares[1]

In thousands of shares	***Note***	**2009**	**2008**
Issued ordinary shares at 1 January	*26*	3,100	3,100
Effect of own shares held		(49)	(40)
Effect of share options exercised		3	-
Effect of shares issued related to a business combination	*9*	6	-
Effect of shares issued in October 2009		23	-
Weighted average number of ordinary shares at 31 December		3,083	3,060

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2009 was based on profit attributable to ordinary shareholders of €5,672 thousand (2008: €3,299 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 3,380 thousand (2008: 3,078 thousand), calculated as follows:

IAS 33.70(a)

Profit attributable to ordinary shareholders (diluted)[2]

		2009			**2008**	
In thousands of euro	**Continuing operations**	**Discontinued operation**	**Total**	**Continuing operations**	**Discontinued operation**	**Total**
Profit attributable to ordinary shareholders (basic)	5,031	379	5,410	3,721	(422)	3,299
Interest expense on convertible notes, net of tax	262	-	262	-	-	-
Profit attributable to ordinary shareholders (diluted)	5,293	379	5,672	3,721	(422)	3,299

IAS 33.70(b)

Weighted average number of ordinary shares (diluted)[3]

In thousands of shares	***Note***	**2009**	**2008**
Weighted average number of ordinary shares (basic)		3,083	3,060
Effect of conversion of convertible notes	*28*	250	-
Effect of share options on issue		47	18
Weighted average number of ordinary shares (diluted) at 31 December		3,380	3,078

IAS 33.70(c) At 31 December 2009 35 thousand options (2008: 44 thousand) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.[4]

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.8(e)*	An entity discloses the carrying amount of financial liabilities designated at fair value through profit or loss, and the carrying amount of financial liabilities held for trading (while this explanatory note is attached to the loans and borrowings disclosure, this is not meant to indicate that liabilities at fair value through profit or loss would be classified as loans and borrowings).
	IFRS 7.10, 11	An entity discloses the following if a financial liability is designated at fair value through profit or loss: • the change in fair value of the financial liability, during the period and cumulatively, that is attributable to changes in credit risk, and the method used to comply with this disclosure requirement; if the entity believes that this disclosure does not represent faithfully the change in fair value attributable to changes in credit risk, then it discloses the reasons therefor and the relevant factors • the difference between the carrying amount of the financial liability and the amount that the entity is contractually required to pay at maturity.
2.	*IFRS 7.18, 19*	For loans payable recognised at the end of the reporting period, an entity discloses information about any defaults that occurred during the period, or any other breach of the terms of a loan. When a breach of a loan agreement occurred during the period, and the breach has not been remedied or the terms of the loan payable have not been renegotiated by the reporting date, the entity determines the effect of the breach on the classification.
	IFRS 7.18	For loans payable recognised at the reporting date, an entity discloses: • details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable • the carrying amount of the loans payable in default at the reporting date • whether the default was remedied, or that the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.
3.	*IAS 1.73*	An entity continues to classify its long-term interest-bearing liabilities as non-current, even if they are due to be settled within 12 months of the reporting date, if: • the original term was for a period of more than 12 months • the entity intends and has the discretion to refinance the obligation on a long-term basis • that intention is supported by an agreement to refinance, or to reschedule payment, which is completed after the reporting date but before the financial statements are authorised for issue.
4.	*IFRS 7.7*	An entity discloses information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. These illustrative financial statements illustrate one possible method to disclose significant information relating to loans and borrowings. An entity assesses the extent of information provided throughout the financial statements to determine if it has met the disclosure requirements of IFRS 7 *Financial Instruments: Disclosures*.

Reference

Notes to the consolidated financial statements

28. Loans and borrowings[1, 2]

IFRS 7.7, 8

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 34.

In thousands of euro	2009	2008
Non-current liabilities[3]		
Secured bank loans	3,512	7,093
Unsecured bond issues	9,200	9,200
Convertible notes	4,678	-
Redeemable preference shares	1,939	-
Finance lease liabilities	1,613	1,913
IAS 1.77 Loan from associate	-	1,000
	20,942	19,206
Current liabilities		
Current portion of secured bank loans	3,500	4,000
Unsecured bank loans	500	-
Dividends on redeemable preference shares	75	-
Current portion of finance lease liabilities	315	269
Unsecured bank facility	-	117
	4,390	4,386

IFRS 7.7

Terms and debt repayment schedule[4]

Terms and conditions of outstanding loans were as follows:

In thousands of euro	Currency	Nominal interest rate	Year of maturity	31 Dec 2009 Face value	31 Dec 2009 Carrying amount	31 Dec 2008 Face value	31 Dec 2008 Carrying amount
Secured bank loan	CHF	3.90%	2013	1,260	1,260	1,257	1,257
Secured bank loan	USD	4.70%	2011	500	447	500	521
Secured bank loan	euro	4.50%	2010-2014	4,460	4,460	4,460	4,460
Secured bank loan	GBP	LIBOR+1%	2010-2011	850	845	4,850	4,855
Unsecured bank loan	USD	3.80%	2010	530	500	-	-
Unsecured bank facility	euro	5.50%	2009	-	-	117	117
Unsecured bond issues	euro	LIBOR +1/2%	2013	1,023	1,023	1,023	1,023
Unsecured bond issues	euro	LIBOR +1%	2014	5,113	5,113	5,113	5,113
Unsecured bond issues	euro	LIBOR	2011	3,064	3,064	3,064	3,064
Loan from associate	euro	4.80%	2010	-	-	1,000	1,000
Convertible notes	euro	6.00%	2012	5,000	4,678	-	-
Redeemable preference shares	euro	4.40%	2015	2,000	1,939	-	-
Dividends on redeemable preference shares	euro	-	2010	75	75	-	-
Finance lease liabilities	euro	6.5-7.0%	2009-2024	2,663	1,928	3,186	2,182
Total interest-bearing liabilities				26,538	25,332	24,570	23,592

IFRS 7.7,
IAS 16.74(a)

The bank loans are secured over land and buildings with a carrying amount of €5,000 thousand (2008: €4,700 thousand) (see note 16).

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.17*	If an entity has issued an instrument that contains both a liability and an equity component and the instrument has multiple embedded derivative features, the values of which are interdependent (such as a callable convertible debt instrument), then an entity discloses the existence of those features.
2.	*IFRIC 2.13*	When a change in prohibition against redemption of a financial instrument leads to a transfer between financial liabilities and equity, the entity discloses separately the amount, timing and reason for the transfer.
3.	*IAS 17.31(d)*	An entity discloses the total minimum lease payments expected to be received under non-cancellable subleases at the reporting date.
	IAS 17.31(e)(iii)	An entity discloses any restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

Reference

Notes to the consolidated financial statements

28. Loans and borrowings (continued)

Breach of loan covenant

IFRS 7.19

The Group has a secured bank loan that amounts to €4,460 thousand at 31 December 2009. According to the terms of the agreement, this loan would be repayable in 5 years. However, the loan contains a debt covenant stating that at the end of each quarter the Group's debt (in the covenant defined as the Group's loans and borrowings and trade and other payables) cannot exceed 2.5 times the Group's quarterly revenue from continuing operations.

The Group has experienced a further decrease in demand in a number of operating segments especially in the second half of 2009, and as such the Group exceeded its maximum leverage threshold in the third quarter of 2009. Management has been in a process of continuous negotiations with the bank and obtained waiver in October 2009, so that the bank loan is not payable upon demand at 31 December 2009.

IFRS 7.17

Convertible notes[1]

In thousands of euro

Proceeds from issue of convertible notes	5,000
Transaction costs	(250)
Net proceeds	4,750
Amount classified as equity	(163)
Accreted interest	91
Carrying amount of liability at 31 December 2009	4,678

IFRS 7.17

The amount of the convertible notes classified as equity of €163 thousand is net of attributable transaction costs of €9 thousand.

The notes are convertible into 250 thousand ordinary shares in June 2012 at the option of the holder, which is a rate of one share for every five convertible notes; unconverted notes become repayable on demand.

Convertible notes become repayable on demand if the Group exceeds a debt to equity ratio of 75 percent, in which debt comprises loans and borrowings.

IFRS 7.17

Redeemable preference shares

In thousands of euro

Proceeds from issue of redeemable preference shares	2,000
Transaction costs	(61)
Carrying amount at 31 December 2009	1,939

The rights of redeemable preference shareholders are discussed in note 26.[2]

Finance lease liabilities

IAS 17.31(b)

Finance lease liabilities are payable as follows:[3]

In thousands of euro	Future minimum lease payments 2009	Interest 2009	Present value of minimum lease payments 2009	Future minimum lease payments 2008	Interest 2008	Present value of minimum lease payments 2008
Less than one year	550	235	315	531	262	269
Between one and five years	1,128	343	785	1,124	385	739
More than five years	1,000	172	828	1,531	357	1,174
	2,678	750	1,928	3,186	1,004	2,182

Note	*Reference*	**Explanatory note**
1.	*IAS 19.118*	Entities are not required to split post-employment benefit assets and liabilities into current and non-current classifications.
	IAS 19.122	When an entity has more than one defined benefit plan, the disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful; for example, the entity may distinguish groupings by criteria such as geographical location or the risks related to the plans. Criteria used to distinguish groupings may be the geographical locations of the plans or types of risk associated with the plans.
	IAS 19.30	For any multi-employer defined benefit plans for which sufficient information is not available to use defined benefit accounting, an entity discloses that fact and the reason why sufficient information is not available. To the extent that a surplus or deficit in the plan may affect the amount of future contributions, an entity discloses any available information about that surplus or deficit, the basis used to determine that surplus or deficit, and the implications, if any, for the entity.
2.	*IAS 19.120A (f)(i)-(iv)*	If applicable, an entity discloses the following in the reconciliation of defined benefit obligations and plan assets to the liability (asset) recognised in the statement of financial position: • net actuarial gains and losses not recognised • past service cost not recognised • any amount not recognised as an asset because of the limit in paragraph 58(b) of IAS 19 *Employee Benefits*, which is the total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan • the fair value at the reporting date of any reimbursement right recognised as an asset, with a brief description of the link between the reimbursement right and the related obligation.

Reference

Notes to the consolidated financial statements

28. Loans and borrowings (continued)

IAS 17.31(c),(e)(i), (ii) Certain leases provide for additional payments that are contingent upon changes in the market rental rate. Contingent rents recognised in profit or loss under finance leases amounted to €17 thousand (2008: €15 thousand).

IAS 1.122, 17.31(e) During the year ended 31 December 2008 the Group entered into an arrangement whereby a supplier built a set of equipment, which the supplier will use to provide a specific chemical used in manufacturing a new product in the American paper manufacturing and distribution division for a minimum period of 16 years. 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. The Group pays a fixed annual fee over the term of the arrangement, plus a variable charge based on the quantity of chemical delivered.

Although the arrangement is not in the legal form of a lease, the Group concluded that the arrangement contains a lease of the equipment, because fulfilment of the arrangement is economically dependent on the use of the equipment, and it is unlikely that any parties other than the Group will receive more than an insignificant part of the output. The lease was classified as a finance lease. The Group could not estimate reliably the relative fair values of the lease element and other elements of the required payments. Therefore, at inception of the lease the Group recognised an asset and a liability at an amount equal to the estimated fair value of the equipment (see note 16). The imputed finance costs on the liability were determined based on the Group's incremental borrowing rate (4.85 percent).

29. Employee benefits[1]

Reference	*In thousands of euro*	**2009**	**2008**
IAS 19.120A(d), (f)	Present value of unfunded obligations	335	280
IAS 19.120A(d), (f)	Present value of funded obligations	1,721	1,759
	Total present value of obligations	2,056	2,039
IAS 19.120A(d)	Fair value of plan assets	(2,356)	(2,490)
IAS 19.120A(f)	Recognised asset for defined benefit obligations[2]	(300)	(451)

Reference	*In thousands of euro*	***Note***	**2009**	**2008**
	Liability for long-service leave		207	181
IFRS 2.51(b)(i)	Cash-settled share-based payment liability	*30*	440	380
	Total employee benefit liabilities		647	561

IAS 19.120A(b) The Group makes contributions to two non-contributory defined benefit plans that provide pension and medical benefits for employees upon retirement. Plans entitle a retired employee to receive an annual payment equal to 1/60 of final salary for each year of service that the employee provided, and to the reimbursement of certain medical costs.

IFRIC 14.10 The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (such as minimum funding requirements) of 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. As such, no decrease in the defined benefit asset is necessary at 31 December 2009 (31 December 2008: no decrease in defined benefit asset).

Note	*Reference*	**Explanatory note**
1.	*IAS 19.120A (c)(iii), (v), (vii)-(x)*	If applicable, an entity discloses the following in the reconciliation of the opening and closing balances of the defined benefit obligations: ● effect of movements in exchange rates ● past service cost ● contributions by plan participants ● business combinations ● curtailments ● settlements.
2.	*IAS 19.120A (e)(iii), (v), (vii), (viii)*	If applicable, an entity discloses the following in the reconciliation of the opening and closing balances of plan assets: ● effect of movements in exchange rates ● contributions by plan participants ● business combinations ● settlements.
3.	*IAS 19.120A*	If applicable, an entity discloses the following:
	(g)(iv)	● expected return on any reimbursement right recognised as an asset
	(g)(v)	● actuarial gains and losses recognised in profit or loss
	(g)(vi)	● past service cost recognised in profit or loss
	(g)(vii)	● the effect of any curtailment or settlement on amounts recognised in profit or loss
	(g)(viii)	● the effect of the limit in paragraph 58(b) of IAS 19 *Employee Benefits* on amounts recognised in profit or loss
	(m)	● the actual return on any reimbursement right recognised as an asset.

Reference

Notes to the consolidated financial statements

29. Employee benefits (continued)

IAS 19.120A(j) Plan assets comprise:

Reference	In thousands of euro	2009	2008
	Equity securities	990	1,167
	Government bonds	1,160	1,110
IAS 19.120A(k)(ii)	Property occupied by the Group	153	162
IAS 19.120A(k)(i)	Company's own ordinary shares	53	51
		2,356	2,490

IAS 19.120A(c)

Movement in the present value of the defined benefit obligations[1]

Reference	In thousands of euro	2009	2008
	Defined benefit obligations at 1 January	2,039	1,913
IAS 19.120A(c)(vi)	Benefits paid by the plan	(474)	(544)
IAS 19.120A(c)(i), (ii)	Current service costs and interest (see below)	673	652
IAS 19.120A(c)(ix)	Curtailment gain	(100)	-
IAS 19.120A(c)(iv)	Actuarial (gains) losses in other comprehensive income (see below)	(82)	18
	Defined benefit obligations at 31 December	2,056	2,039

IAS 19.120A(e)

Movement in the present value of plan assets[2]

Reference	In thousands of euro	2009	2008
	Fair value of plan assets at 1 January	2,490	2,500
IAS 19.120A(e)(iv)	Contributions paid into the plan	299	379
IAS 19.120A(e)(vi)	Benefits paid by the plan	(474)	(544)
IAS 19.120A(e)(i)	Expected return on plan assets	51	152
IAS 19.120A(e)(ii)	Actuarial (losses) gains in other comprehensive income (see below)	(10)	3
	Fair value of plan assets at 31 December	2,356	2,490

IAS 19.120A(g)

Expense recognised in profit or loss[3]

Reference	In thousands of euro	2009	2008
IAS 19.120A(g)(i)	Current service costs	463	478
IAS 19.120A(g)(ii)	Interest on obligation	210	174
IAS 19.120A(g)(vii)	Curtailment gain	(100)	-
IAS 19.120A(g)(iii)	Expected return on plan assets	(51)	(152)
		522	500

As a result of a curtailment in the pension arrangement for a number of employees in France, the Group's defined benefit pension obligation decreased by €100 thousand (31 December 2008: nil). A corresponding curtailment gain is included in the Group's statement of comprehensive income at 31 December 2009.

IAS 19.120A(g) The expense is recognised in the following line items in the statement of comprehensive income:

Reference	In thousands of euro	2009	2008
	Cost of sales	313	297
	Distribution expenses	109	154
	Administrative expenses	100	49
		522	500
IAS 19.120A(m)	Actual return on plan assets	42	144

Note	*Reference*	**Explanatory note**
1.	*IAS 19.120A (n)(iii)*	If applicable an entity discloses the expected rate of return for periods presented on any reimbursement right recognised as an asset.
2.	*IAS 19.120A(n)*	Principal actuarial assumptions are disclosed in absolute terms and not, for example, as a margin between different percentages or other variables.
3.	*IAS 19.120A (n)(vi)*	If mortality rates are considered a principal actuarial assumption in measuring a defined benefit plan, an entity discloses the mortality assumptions used as at the reporting date. Mortality rates may be significant when, for example, pension benefits are paid as annuities over the lives of participants, rather than as lump sum payments on retirement.

Reference Notes to the consolidated financial statements

29. Employee benefits (continued)

Actuarial gains and losses recognised in other comprehensive income

Reference	*In thousands of euro*	2009	2008
IAS 19.120A(i)	Cumulative amount at 1 January	(103)	(88)
IAS 19.120A(h)(i)	Recognised during the period	72	(15)
IAS 19.120A(i)	Cumulative amount at 31 December	(31)	(103)

IAS 1.125 **Actuarial assumptions**[1]

IAS 19.120A(n) Principal actuarial assumptions at the reporting date (expressed as weighted averages):[2]

Reference		2009	2008
IAS 19.120A(n)(i)	Discount rate at 31 December	5.1%	4.8%
IAS 19.120A(n)(ii)	Expected return on plan assets at 1 January	5.8%	5.9%
IAS 19.120A(n)(iv)	Future salary increases	2.5%	2.5%
IAS 19.120A(n)(v)	Medical cost trend rate	4.5%	4.0%
IAS 19.120A(n)(vi)	Future pension increases	3.0%	2.0%

IAS 19.120A(n)(vi) Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plans are as follows:[3]

31 December 2009	Europe	America	Other regions
Longevity at age 65 for current pensioners			
Males	19.0	18.5	18.2
Females	22.0	21.0	19.0
Longevity at age 65 for current member aged 45			
Males	19.7	19.2	19.0
Females	23.4	22.9	20.5

31 December 2008	Europe	America	Other regions
Longevity at age 65 for current pensioners			
Males	19.0	18.3	18.0
Females	22.0	21.0	18.8
Longevity at age 65 for current member aged 45			
Males	19.5	19.0	18.7
Females	23.1	22.9	20.0

Note	*Reference*	**Explanatory note**
1.	*IAS 19.122*	When an entity has more than one defined benefit plan, the disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful; for example, the entity may distinguish groupings by criteria such as geographical location or the risks related to the plans. Criteria used to distinguish groupings may be the geographical locations of the plans or types of risk associated with the plans.
2.	*IFRS 2.56*	IFRS 2 *Share-based Payment* is not required, or permitted, to be applied for all equity-settled share-based payment transactions (e.g., grants made before 7 November 2002 in which the fair value was not disclosed at that time). However, the disclosure requirements in paragraphs 44 and 45 of IFRS 2 apply to equity-settled grants whether or not they are accounted for in accordance with IFRS 2.
	IFRS 2.52	An entity provides additional disclosures if the required disclosures in IFRS 2 are not sufficient to enable the user to understand the nature and extent of the share-based payment arrangements, how the fair value of services have been determined for the period, and the effect on profit or loss.

Reference

Notes to the consolidated financial statements

29. Employee benefits (continued)

Actuarial assumptions (continued)

IAS 1.129 The calculation of the defined benefit obligation is sensitive to the mortality assumptions set out above. As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the employee benefit liability by €300 thousand.

IAS 19.120A(l) The overall expected long-term rate of return on assets is 5.75 percent. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

IAS 19.120A(o) Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate service and interest cost	20	(14)
Effect on defined benefit obligation	380	(250)

IAS 19.120A(p)

Historical information[1]

Reference	*In thousands of euro*	**2009**	**2008**	**2007**	**2006**	**2005**
IAS 19.120A(p)(i)	Present value of the defined benefit obligation	2,056	2,039	1,913	2,101	2,040
IAS 19.120A(p)(i)	Fair value of plan assets	2,356	2,490	2,500	2,483	2,475
IAS 19.120A(p)(i)	Deficit / (surplus) in the plan	(300)	(451)	(587)	(382)	(435)
IAS 19.120A(p)(ii)(A)	Experience adjustments arising on plan liabilities	(110)	(50)	32	(10)	49
IAS 19.120A(p)(ii)(B)	Experience adjustments arising on plan assets	(8)	10	(9)	(12)	(13)

IAS 19.120A(q) The Group expects €350 thousand in contributions to be paid to its defined benefit plans in 2010.

30. Share-based payment[2]

IFRS 2.44

Description of the share-based payment arrangements

At 31 December 2009 the Group has the following share-based payment arrangements:

Share option programme (equity-settled)

IFRS 2.45(a) On 1 January 2006 and 1 January 2008 the Group established a share option programme that entitles key management personnel to purchase shares in the Company. On 1 January 2009 a further grant on similar terms was offered to key management personnel and senior employees. In accordance with these programmes options are exercisable at the market price of the shares at the date of grant.

Share appreciation rights (cash-settled)

IFRS 2.45(a) On 1 January 2006 and 1 January 2009 the Group granted share appreciation rights (SARs) to other employees that entitle the employees to a cash payment. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and vesting date.

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Reference

Notes to the consolidated financial statements

30. Share-based payment (continued)

Share purchase plan (equity-settled)

IFRS 2.44, 45(a)

On 1 January 2009 the Group offered all of its 80 holding company employees the opportunity to participate in an employee share purchase plan. To participate in the plan, the employees must save an amount of 5 percent of their gross monthly salary, with a maximum of €300 per month, for a period of 36 months. Under the terms of the plan, immediately after the three-year period the employees are entitled to invest their savings to purchase shares at a price 20 percent below the market price as at the grant date. Only employees that remain in service and save 5 percent of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. Employees, who cease their employment or refrain from investing 5 percent of their gross monthly salary in a certain month before the 36-month period expires, will be refunded for their invested amounts.

Replacement awards (equity-settled)

The Group has granted 150 thousand replacement awards to employees of Papyrus in connection with a business combination. See note 9 for further details.

Terms and conditions of share option programme and SARs

The terms and conditions relating to the grants of the share option programme and the share appreciation rights are as follows; all options are to be settled by physical delivery of shares, while SARs are settled in cash:

IFRS 2.45(a)

Grant date / employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Option grant to key management on 1 January 2006	400	3 years' service and 5 percent increase in operating income in each of the 3 years	7 years
Option grant to key management on 1 January 2008	200	3 years' service and 5 percent increase in operating income in each of the 3 years	10 years
Option grant to key management on 1 January 2009	100	3 years' service and 5 percent increase in operating income in each of the 3 years	10 years
Option grant to senior employees on 1 January 2009	100	3 years' service	10 years
Total share options	800		
SARs granted to other employees on 1 January 2006	100	3 years' service	-
SARs granted to other employees on 1 January 2009	300	3 years' service	-
Total SARs	400		

Note	*Reference*	**Explanatory note**
1.	*IFRS 2.45 (b)(v)*	An entity discloses the number and the weighted average exercise price of options that expired unexercised during the period.
2.	*IFRS 2.B13*	Expectations about the future, for example saving behaviour, do not follow the past if the future is reasonably expected to differ from the past. If, for example, a high rate of stopping saving has occurred in the past due to the share-based payment award becoming out-of-the-money (e.g., a significant share price fall), then the entity determines a realistic expectation of future share price trends in selecting the rate of stopping saving that it will rely upon for the discount to the model valuation.
3.		If a share-based payment arrangement with a non-vesting condition had existed at 1 January 2009, then the accounting for such non-vesting condition, as a result of the *Amendments to IFRS 2 – Vesting Conditions and Cancellations*, effective 1 January 2009, might be a change in accounting policy, depending on how a non-vesting condition was accounted for previously. As the amendments are to be applied retrospectively, in such cases the fair value of the awards is recalculated, comparative figures are restated and related disclosures are provided, if the effect of such a change is material. See Appendix III for the illustration of a prior-year adjustment. Further details with respect to the application of a change in accounting policy are discussed in our publication *Insights into IFRS* (2.8).

Reference

Notes to the consolidated financial statements

30. Share-based payment (continued)

Disclosure of share option programme and replacement awards

IFRS 2.45(b) The number and weighted average exercise prices of share options is as follows:[1]

	In thousands of options	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
IFRS 2.45(b)(i)	Outstanding at 1 January	€9.9	550	€9.5	400
IFRS 2.45(b)(iii)	Forfeited during the period	€9.5	(50)	€9.5	(50)
IFRS 2.45(b)(iv)	Exercised during the period	€10.0	(5)	-	-
IFRS 2.45(b)(ii)	Granted during the period	€10.6	350	€10.5	200
IFRS 2.45(b)(vi)	Outstanding at 31 December	€10.2	845	€9.9	550
IFRS 2.45(b)(vii)	Exercisable at 31 December	€10.0	295	€9.5	350

IFRS 2.45(d) The options outstanding at 31 December 2009 have an exercise price in the range of €10.0 to €10.9 (2008: €10.0 to €10.5) and a weighted average contractual life of 6.8 years (2008: 7.1 years).

IFRS 2.45(c) The weighted average share price at the date of exercise for share options exercised in 2009 was €10.50 (2008: no options exercised).

IFRS 2.47(b)(iii)

Incorporating non-vesting conditions into fair value of share purchase plan

The requirement that the employee has to save in order to purchase shares under the share purchase plan is a non-vesting condition. This feature has been incorporated into the fair value at grant date by applying a discount to the valuation obtained from the Monte Carlo Sampling model using the assumptions disclosed below. The discount has been determined by estimating the probability that the employee will stop saving based on expected future trends in the share price and employee behaviour.[2, 3]

At 31 December 2009 a total amount of €223 thousand was invested by the participants to the share purchase plan (see note 38) and has been recognised as trade and other payables due to related parties (see note 33).

Note	*Reference*	**Explanatory note**
1.	*IFRS 2.10, 11*	For equity-settled share-based payment transactions, other than transactions with employees and others providing similar services, an entity measures the goods or services received directly at the fair value of goods and services, unless that fair value cannot be estimated reliably.
	IFRS 2.48	If the entity has measured the fair value of goods or services received during the period directly, then the entity discloses how that fair value was determined, e.g., whether fair value was measured at a market price for those goods or services.
	IFRS 2.49	If goods and services received in transactions, other than with employees and others providing similar services, were measured at the fair value of equity instruments granted because the fair value of the goods and services could not be estimated reliably, then the entity discloses that fact and discloses why the fair value could not be measured reliably.
	IFRS 2.47(b), (c)	If the fair value of goods and services received was measured based on the fair value of equity instruments granted, then an entity discloses the number and weighted average fair value at the measurement date of any equity instruments other than share options, as well as the nature and incremental fair value of any modifications made to share-based payment arrangements during the period.

Reference

Notes to the consolidated financial statements

30. Share-based payment (continued)

Inputs for measurement of grant date fair values

The grant date fair value of the rights granted through the employee share purchase plan was measured based on Monte Carlo sampling. The grant date fair value of all other share-based payment plans was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:[1]

Reference		Share option programme Key management personnel	Share option programme Key management personnel	Senior employees	Replacement awards	Share purchase plan	SARs
IFRS 2.52		**2009**	**2008**	**2009**	**2009**	**2009**	**2009**
	Fair value of share options and assumptions						
IFRS 2.47(a)	Fair value at grant date	€5.6	€3.8	€5.5	€3.8	€1.9	€4.4
	Share price at grant date	€10.1	€10.5	€10.1	€10.1	€10.1	€10.1
	Exercise price	€10.1	€10.5	€10.1	€10.1	€10.1	€10.1
	Expected volatility (weighted average volatility)	40.1%	40.9%	40.1%	44.2%	43.3%	40.3%
	Option life (expected weighted average life)	8.6 years	8.8 years	5.4 years	5.9 years	n/a	n/a
	Expected dividends	3.2%	3.2%	3.2%	3.2%	n/a	3.2%
	Risk-free interest rate (based on government bonds)	3.9%	3.8%	3.8%	3.9%	n/a	4.4%

Employee expenses

	In thousands of euro	***Note***	**2009**	**2008**
IFRS 2.51(a)	Share options granted in 2008	*13*	250	250
IFRS 2.51(a)	Share options granted in 2009	*13*	370	-
IFRS 2.51(a)	Employee share purchase plan granted in 2009	*13*	35	-
IFRS 2.51(a)	Replacement awards 2009	*9, 13*	100	-
IFRS 2.51(a), (b)	Expense arising from SARs granted in 2006	*13*	-	280
IFRS 2.51(a), (b)	Expense arising from SARs granted in 2009	*13*	300	-
IFRS 2.51(a), (b)	Effect of changes in the fair value of SARs	*13*	140	70
IFRS 2.51(a)	Total expense recognised as employee costs		1,195	600
IFRS 2.51(b)(i)	Total carrying amount of liabilities for cash-settled arrangements		440	380
IFRS 2.51(b)(ii)	Total intrinsic value of liability for vested benefits		-	380

The carrying amount of the liability at 31 December 2008 was settled during 2009.

Note	*Reference*	**Explanatory note**
1.		Deferred income relating to a government grant generally is classified as a non-current liability. The portion that will be recognised as income in the next year is shown as a current liability. This issue is discussed in our publication *Insights into IFRS* (4.3.130.60).
2.	*IAS 20.39(c), 41.57(b), (c)*	An entity discloses any unfulfilled condition and other contingencies attaching to government grants. For government grants related to agricultural activity, an entity also discloses significant decreases expected in the level of the grants.
3.	*IAS 37.92*	In extremely rare cases, disclosure of some or all of the information required in respect of provisions can be expected to seriously prejudice the position of the entity in a dispute with other parties. In such cases only the following is disclosed:
		• the general nature of the dispute
		• the fact that the required information has not been disclosed
		• the reason why.
	IAS 37.85	An entity discloses the following for each class of provision:
	IAS 37.85(a)	• a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits
	IAS 37.85(b)	• an indication of the uncertainties about the amount or timing of those outflows; when necessary to provide adequate information, the major assumptions made concerning future events
	IAS 37.85(c)	• the amount of any expected reimbursement, stating the amount of any asset that has been recognised in that regard.
	IAS 37.84	There is no requirement to disclose comparative information in the reconciliation of provisions.
4.		Provisions that will be utilised within one year are classified as current liabilities. This issue is discussed in our publication *Insights into IFRS* (3.12.770.10).
5.		In our view, the reversal of a provision should be presented in the same statement of comprehensive income line item as the original estimate. This issue is discussed in our publication *Insights into IFRS* (3.12.850).
	IAS 1.98(f), (g)	An entity discloses separately items of income and expense related to reversals of provisions and litigation settlements.
6.	*IAS 37.9*	IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* applies to provisions for restructuring, including in the context of discontinued operations. When a restructuring meets the definition of a discontinued operation, additional disclosures may be required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Reference

Notes to the consolidated financial statements

31. Deferred income

Deferred income classified as current consists of customer advances for construction work in progress, granted but not yet redeemed credit awards from the Group's customer loyalty programme (see note 10) and the portion of deferred government grants that will be recognised as income in the next year.[1] Deferred income classified as non-current consists of the non-current portion of deferred government grants.

Advances for which the related work has not started, and billings in excess of costs incurred and recognised profits, amounted to €90 thousand at 31 December 2009 (2008: €130 thousand).

IAS 20.39(b)
IAS 41.57(a)

The Group has been awarded two government grants.[2] One of the grants, received in 2008, amounted to €1,500 thousand and was conditional upon the construction of a factory on a specified site. The factory has been in operation since the beginning of 2009 and the grant, recognised as deferred income, is being amortised over the useful life of the building. At 31 December 2009 the amount recognised as deferred income in the statement of financial position amounts to €1,462 thousand, of which €1,424 thousand is classified as non-current. The second grant, received in 2009, was unconditional, amounted to €200 thousand and related to pine trees. It was recognised as other income when it became receivable.

32. Provisions[3]

Reference	*In thousands of euro*	Warranties[4]	Restructuring[4]	Site restoration	Onerous contracts[4]	Legal[4]	Total
IAS 37.84(a)	Balance at 1 January 2009	200	500	900	-	-	1,600
IFRS 3.23	Assumed in a business combination	-	-	-	-	20	20
IAS 37.84(b)	Provisions made during the period	280	400	750	160	-	1,590
IAS 37.84(c)	Provisions used during the period	(200)	(500)	(500)	-	-	(1,200)
IAS 37.84(d)	Provisions reversed during the period[5]	-	-	(400)	-	-	(400)
IAS 37.84(e)	Unwind of discount	-	-	60	-	-	60
IAS 37.84(a)	Balance at 31 December 2009	280	400	810	160	20	1,670
IAS 1.78(d)	Non-current	100	-	810	100	-	1,010
IAS 1.78(d)	Current	180	400	-	60	20	660
		280	400	810	160	20	1,670

Restructuring costs expensed as incurred amounted to €68 thousand in 2009 and were recognised in administrative expenses (2008: nil).[6]

Warranties

IAS 37.85(a), (b)

The provision for warranties relates mainly to paper sold during the years ended 31 December 2008 and 2009. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur most of the liability over the next year.

Note	*Reference*	**Explanatory note**
1.	*IAS 37.9*	IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* applies to provisions for restructuring, including in the context of discontinued operations. When a restructuring meets the definition of a discontinued operation, additional disclosures may be required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
2.	*IFRIC 5.11*	An entity discloses its interest in and the nature of any decommissioning, restoration and environmental rehabilitation funds, as well as any restrictions on access to the funds' assets.
	IAS 37.85(c), IFRIC 5.13	If a right to receive reimbursement from the fund has been recognised as an asset, then an entity discloses the amounts of the asset and expected reimbursement.
	IAS 37.86, IFRIC 5.12	If an obligation to make contributions to the fund has not been recognised as a liability, then an entity discloses the estimated financial effect of the obligation, a description of uncertainties related to the amount or timing of contributions, and any possible reimbursement.

Reference

Notes to the consolidated financial statements

32. Provisions (continued)

Restructuring[1]

IAS 1.98(b), 125, 37.85(a), (b)

During the year ended 31 December 2008 the Group committed to a plan to restructure one of the product lines in the American paper manufacturing and distribution division due to a decrease in demand as a result of deteriorated economic circumstances. Following the announcement of the plan the Group recognised a provision of €500 thousand for expected restructuring costs, including contract termination costs, consulting fees and employee termination benefits. Estimated costs were based on the terms of the relevant contracts. An amount of €500 thousand was charged against the provision in 2009. The restructuring was completed in 2009.

During the year ended 31 December 2009 a provision of €400 thousand was made to cover the costs associated with restructuring part of a manufacturing facility within the Standard Paper segment that will be retained when the remainder of the facility is sold (see note 8). Estimated restructuring costs mainly include employee termination benefits and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be complete by June 2010.

IAS 1.125

Site restoration[2]

IAS 37.85(a)

A provision of €900 thousand was made during the year ended 31 December 2008 in respect of the Group's obligation to rectify environmental damage in France. The required work was completed during 2009 at a cost of €500 thousand. The unused provision of €400 thousand was reversed.

IAS 37.85(a), (b)

In accordance with Romanian law, land contaminated by the Group's subsidiary in Romania must be restored to its original condition before the end of 2013. During the year ended 31 December 2009 the Group provided €750 thousand for this purpose. Because of the long-term nature of the liability, the biggest 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 available currently. The Group has been provided with a range of reasonably possible outcomes of the total cost which range from €650 thousand to €850 thousand, reflecting different assumptions about changes in technology and pricing of the individual components of the cost. The provision has been calculated using a discount rate of 10 percent. The rehabilitation is expected to occur progressively over the next four years.

IAS 1.129

IAS 34.26

The provision has increased as compared to the amount of €650 thousand reported in the Company's interim report as at and for the six months ended 30 June 2009 due to a change in estimated costs. At the time of preparing the interim report the extent of restoration work required was uncertain, as the inspection report by the Romanian authorities had not yet been finalised. The estimates were revised subsequently based on the final report.

Onerous contracts

IAS 37.85(a), (b)

In 2008 the Group entered into a non-cancellable lease for office space which, due to changes in its activities, the Group had ceased to use by 31 December 2009. The lease expires in 2012. The facilities have been sublet 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.

IAS 1.125, 37.85(a), (b)

Legal

As a result of the acquisition of Papyrus Pty Limited (see note 9), the Group assumed a contingent liability of €20 thousand.

Note	*Reference*	**Explanatory note**
1.		In our view, derivative assets and liabilities should be presented separately in the statement of financial position if they are significant. If derivative instruments are not significant, then they may be included within other financial assets and other financial liabilities, respectively, with additional details disclosed in the notes to the financial statements. This issue is discussed in our publication *Insights into IFRS* (5.6.520.30).

Reference Notes to the consolidated financial statements

IFRS 7.8(f)

33. Trade and other payables

In thousands of euro	*Note*	2009	2008
Trade and other payables due to related parties	*38*	319	351
Other trade payables		22,850	23,525
Derivatives used for hedging[1]	*34*	8	7
Non-trade payables and accrued expenses		582	487
		23,759	24,370

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 34.

Note	*Reference*	**Explanatory note**
1.		Accounting for financial instruments is complex, and appropriate disclosures will depend on the circumstances of the individual entity. In these illustrative financial statements the disclosures in respect of financial instruments have been presented to illustrate different potential scenarios and situations that an entity may encounter in practice. An entity tailors its respective disclosures for the specific facts and circumstances relative to its business and risk management practices, and also takes into account the significance of exposure to risks from the use of financial instruments. Issues related to the accounting for financial instruments are discussed in our publication *Insights into IFRS* (3.6, 3.7).
2.	*IFRS 7.34*	IFRS 7 *Financial Instruments: Disclosures* requires the disclosure of risk information based on the information provided internally to key management personnel of the entity, as defined in IAS 24 *Related Party Disclosures*, e.g., the entity's board of directors or chief executive.
	IFRS 7.35, IG20	If the quantitative data at the reporting date are not representative of an entity's risk exposure during the year, then an entity provides further information that is representative, e.g., the entity's average exposure to risk during the year. For example, if an entity's business is seasonal and the balance of loans and receivables fluctuates materially during the year, then a sensitivity analysis based solely on the position at the reporting date would not be representative.
3.	*IFRS 7.36(a)*	An entity discloses information about the nature and extent of its exposure to credit risk. The disclosure of the maximum exposure to credit risk ignores any collateral held or other credit enhancement.
	IFRS 7.B9, 10	The maximum credit risk exposure typically is the gross carrying amount of the financial asset, net of any amounts offset in accordance with IAS 32 *Financial Instruments: Presentation* and any impairment losses recognised in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.
	IFRS 7.36, B1-B3	The disclosures in respect of credit risk apply to each "class" of financial asset, which is not defined in IFRS 7. Classes are distinct from the categories of financial instruments specified in IAS 39. In determining classes of financial instruments an entity at a minimum distinguishes instruments measured at amortised cost from those measured at fair value, and treat as a separate class or classes those financial instruments outside the scope of IFRS 7.
	IFRS 7.IG 21-29	The IFRS 7 implementation guidance provides additional guidance on the disclosures without specifying a minimum standard disclosure.
4.	*IFRS 7.B8, IG18, 19*	The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. For example, concentrations of credit risk may arise from industry sectors, credit rating or other measures of credit quality, geographical distribution or a limited number of individual counterparties. Therefore the disclosure of risk concentrations includes a description of the shared characteristics.

Reference

Notes to the consolidated financial statements

34. Financial instruments[1]

Credit risk[2]

Exposure to credit risk

IFRS 7.36(a)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:[3]

		Carrying amount	
In thousands of euro	***Note***	**2009**	**2008**
Available-for-sale financial assets	*21*	828	884
Held-to-maturity investments	*21*	2,436	2,256
Financial assets designated at fair value through profit or loss	*21*	251	254
Financial assets classified as held-for-trading	*21*	243	568
Loans and receivables	*24*	23,559	17,719
Cash and cash equivalents	*25*	1,505	1,850
Interest rate swaps used for hedging:			
Assets	*21*	116	131
Forward exchange contracts used for hedging:			
Assets	*21*	297	375
Other forward exchange contracts	*21*	122	89
		29,357	24,126

IFRS 7.34(a)

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:[4]

	Carrying amount	
In thousands of euro	**2009**	**2008**
Domestic	5,918	4,332
Euro-zone countries	6,195	4,450
United Kingdom	3,029	2,590
Other European countries	431	367
United States	7,939	5,938
Other regions	47	42
	23,559	17,719

IFRS 7.34(a)

The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty was:[4]

	Carrying amount	
In thousands of euro	**2009**	**2008**
Wholesale customers	16,504	11,231
Retail customers	6,478	5,600
End-user customers	239	856
Other	338	32
	23,559	17,719

IFRS 7.34(a)

The Group's most significant customer, a European wholesaler, accounts for €8,034 thousand of the loans and receivables carrying amount at 31 December 2009 (2008: €4,986 thousand).

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.37(a)*	An entity discloses an ageing analysis of financial assets that are past due at the end of the reporting period, but not impaired. There are several ways in which this disclosure requirement can be met. This table discloses gross amounts of financial assets as well as the accumulated impaired amounts, so that the balance reflects financial assets that are not impaired. Such disclosure has been given for both financial assets that are past due and financial assets that are not past due. Disclosure of the latter is not required by IFRSs.
2.	*IFRS 7.37(c)*	An entity discloses a description of the amounts past due but not impaired, and an analysis of financial assets that are individually determined to be impaired, including a description of collateral held by the entity as security and other credit enhancements, and, unless impracticable, an estimate of their fair value.
3.	*IFRS 7.36(c)*	An entity discloses information about the credit quality of financial assets that are neither past due nor impaired.
4.	*IFRS 7.38*	An entity discloses: • the nature and carrying amount of any collateral or other credit enhancements obtained • its policy for disposing of collateral that is not readily convertible into cash.

Reference

Notes to the consolidated financial statements

34. Financial instruments (continued)

Impairment losses

IFRS 7.37(a)

The aging of loans and receivables at the reporting date was:[1, 2]

In thousands of euro	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Not past due	16,719	-	15,057	-
Past due 0-30 days	6,470	100	2,612	-
Past due 31-120 days	440	20	100	50
More than one year	130	80	-	-
	23,759	200	17,769	50

IFRS 7.16

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

In thousands of euro	2009	2008
Balance at 1 January	50	20
Impairment loss recognised	150	30
Balance at 31 December	200	50

IFRS 7.37(b), (c)

At 31 December 2009 an impairment loss of €60 thousand relates 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. At 31 December 2009 an impairment loss of €20 thousand relates to trade receivables acquired as part of the acquisition of Papyrus Pty Limited (see note 9). The Group does not have any specific recourse on these trade receivables. The remainder of the impairment loss as at 31 December 2009 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analyses of the underlying customers' credit ratings.

IFRS 7.36(c)

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days; 80 percent of the balance, which includes the amount owed by the Group's most significant customer (see above), relates to customers that have a good payment record with the Group.

IFRS 7.36(d)

During 2009 the Group renegotiated the terms of a trade receivable of €500 thousand from a long-standing customer. If it had not been for this renegotiation, the receivable would have been overdue by 60 days. No impairment loss was recognised (2008: no instances).[3]

IFRS 7.16

The movement in the allowance for impairment in respect of held-to-maturity investments during the year was as follows:

In thousands of euro	2009	2008
Balance at 1 January	20	20
Impairment loss recognised	60	-
Balance at 31 December	80	20

IFRS 7.37(b), (c)

An impairment loss of €60 thousand in respect of held-to-maturity investments was recognised during the current year owing to significant financial difficulties being experienced by the issuer of some of these securities. The Group has no collateral in respect of this investment.[4]

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.B10A*	An entity discloses summary quantitative data about its exposure to liquidity risk, based on information that is provided internally to key management personnel. An entity explains how those data are determined.
	IFRS 7.B11	In preparing the maturity analyses for financial liabilities an entity uses its judgement to determine an appropriate number of time bands. This issue is further discussed in our publication *Insights into IFRS* (5.6.770.40).
	IFRS 7.B11B	An entity discloses a quantitative maturity analysis for derivative financial liabilities that shows remaining contractual maturities if the contractual maturities are essential for an understanding of the timing of the cash flows. This would, for example, be the case for all loan commitments, and for an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability.
	IFRS 7.B11D	Contractual cash flows are undiscounted and therefore may not agree with the carrying amounts in the statement of financial position.
	IFRS 7.B11E	An entity discloses how it manages liquidity risk inherent in its maturity analyses for derivative and non-derivative financial liabilities. An entity also discloses a maturity analysis of financial assets that it holds for managing liquidity risk, if such information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.
2.		IFRS 7 does not define contractual maturities. It therefore leaves open to interpretation the amounts that need to be included in the analysis for certain types of financial liabilities, such as derivatives and perpetual instruments. It is our preference that both the interest and principal cash flows be included in the analysis, as this best represents the liquidity risk being faced by the entity. As a minimum, the principal amount is disclosed and sufficient appropriate narrative disclosures are provided in order to present a meaningful picture of the entity's liquidity exposures. This issue is discussed in our publication *Insights into IFRS* (5.6.770.30).
3.		In these illustrative financial statements derivative assets are disclosed separately when the Group settles its derivative contracts on a gross basis; this is in order to show the contractual outflow.

Reference

Notes to the consolidated financial statements

34. Financial instruments (continued)

Impairment losses (continued)

IFRS 7.B5(d), 16, IAS 39.64

The allowance accounts in respect of loans and receivables and held-to-maturity investments are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2009 the Group does not have any collective impairments on its loans and receivables or its held-to-maturity investments (2008: nil).

Liquidity risk

IFRS 7.39(a)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:[1, 2]

31 December 2009

In thousands of euro	**Carrying amount**	Contractual cash flows[3]	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
IFRS 7.39(a), 7.B11A-B11D **Non-derivative financial liabilities**							
Secured bank loans	7,012	(7,298)	(4,401)	(60)	(1,527)	(1,310)	-
Unsecured bond issues	9,200	(10,631)	(230)	(230)	(3,524)	(6,647)	-
Convertible notes	4,678	(5,750)	(150)	(150)	(300)	(5,150)	-
Redeemable preference shares	1,939	(2,528)	(44)	(44)	(88)	(264)	(2,088)
Dividend on redeemable preference shares	75	(75)	(75)	-	-	-	-
Finance lease liabilities	1,928	(2,663)	(267)	(268)	(450)	(678)	(1,000)
Unsecured bank loan	500	(523)	(523)	-	-	-	-
Trade and other payables*	23,751	(23,751)	(23,751)	-	-	-	-
Bank overdraft	334	(334)	(334)	-	-	-	-
IFRS 7.39(b), 7.B11A-B11D **Derivative financial liabilities**[3]							
Interest rate swaps used for hedging	20	(21)	-	(21)	-	-	-
Forward exchange contracts used for hedging:							
Outflow	8	(10)	(3)	(7)	-	-	-
Inflow	(297)	326	150	176	-	-	-
Other forward exchange contracts:							
Outflow	-	(989)	-	-	(989)	-	-
Inflow	(122)	1,110	-	-	1,110	-	-
	49,026	(53,147)	(29,638)	(604)	(5,768)	(14,049)	(3,088)

* Excludes derivatives (shown separately).

IFRS 7.B10A

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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Reference

Notes to the consolidated financial statements

34. Financial instruments (continued)

IFRS 7.39(a)

31 December 2008

In thousands of euro	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities (*IFRS 7.39(a) 7.B11A-B11D*)							
Secured bank loans	11,093	(12,133)	(5,105)	(140)	(3,780)	(3,108)	-
Unsecured bond issues	9,200	(12,420)	(230)	(230)	(460)	(4,444)	(7,056)
Finance lease liabilities	2,182	(3,186)	(265)	(266)	(458)	(666)	(1,531)
Loan from associate	1,000	(1,960)	(240)	(240)	(1,480)	-	-
Unsecured bank facility	117	(120)	(120)	-	-	-	-
Trade and other payables*	24,363	(24,363)	(24,363)	-	-	-	-
Bank overdraft	282	(290)	(290)	-	-	-	-
Derivative financial liabilities (*IFRS 7.39(b) 7.B11A-B11D*)							
Interest rate swaps used for hedging	5	(5)	-	(5)	-	-	-
Forward exchange contracts used for hedging:							
Outflow	7	(9)	(5)	(4)	-	-	-
Inflow	(375)	405	185	220	-	-	-
Other forward exchange contracts:							
Outflow	-	(861)	-	-	(861)	-	-
Inflow	(89)	950	-	-	950	-	-
	47,785	(53,992)	(30,433)	(665)	(6,089)	(8,218)	(8,587)

* Excludes derivatives (shown separately).

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.23(b)*	An entity also describes any forecast transaction for which hedge accounting has been used previously, but which is no longer expected to occur.

34. Financial instruments (continued)

IFRS 7.23(a) The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.[1]

In thousands of euro	2009 Carrying amount	2009 Expected cash flows	2009 6 months or less	2009 6-12 months	2009 1-2 years	2009 2-5 years	2009 More than 5 years	2008 Carrying amount	2008 Expected cash flows	2008 6 months or less	2008 6-12 months	2008 1-2 years	2008 2-5 years	2008 More than 5 years
Interest rate swaps														
Assets	116	140	12	36	27	54	11	131	155	15	24	33	59	24
Liabilities	(20)	(21)	-	(21)	-	-	-	(5)	(5)	-	(5)	-	-	-
Forward exchange contracts														
Assets	297	326	150	176	-	-	-	375	405	185	220	-	-	-
Liabilities	(8)	(10)	(3)	(7)	-	-	-	(7)	(9)	(5)	(4)	-	-	-
	385	435	159	184	27	54	11	494	546	195	235	33	59	24

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss.

In thousands of euro	2009 Carrying amount	2009 Expected cash flows	2009 6 months or less	2009 6-12 months	2009 1-2 years	2009 2-5 years	2009 More than 5 years	2008 Carrying amount	2008 Expected cash flows	2008 6 months or less	2008 6-12 months	2008 1-2 years	2008 2-5 years	2008 More than 5 years
Interest rate swaps														
Assets	116	140	12	36	27	54	11	131	155	15	24	33	59	24
Liabilities	(20)	(21)	-	(21)	-	-	-	(5)	(5)	-	(5)	-	-	-
Forward exchange contracts														
Assets	297	326	105	123	98	-	-	375	405	175	178	52	-	-
Liabilities	(8)	(10)	(4)	(3)	(3)	-	-	(7)	(9)	(5)	(3)	(1)	-	-
	385	435	113	135	122	54	11	494	546	185	194	84	59	24

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.34*	IFRS 7 *Financial Instruments: Disclosures* requires the disclosure of risk information to be based on the information provided internally to the entity's key management personnel, as defined in IAS 24 *Related Party Disclosures*, e.g., the entity's board of directors or chief executive.
	IFRS 7.35, IG20	If the quantitative data at the reporting date are not representative of an entity's risk exposure during the year, then an entity provides further information that is representative, e.g., the entity's average exposure to risk during the year. For example, the IFRS 7 implementation guidance indicates that if an entity typically has a large exposure to a particular currency but unwinds that position at the reporting date, then it might present a graph that shows the currency exposure at various times during the period, or disclose the highest, lowest and average exposures.
		IFRS 7 deals only with risks arising from financial instruments. Consequently, purchase and sale contracts for non-financial items which are to be settled in a foreign currency, highly probable forecasted transactions etc. are excluded from the scope of IFRS 7, even though they may give rise to financial risk for the entity. If an entity manages its financial risk based on its total exposure, i.e., including risk arising from those items not included within the scope of IFRS 7, and such exposures are included in reports to key management personnel, then in our view IFRS 7 does not prohibit an entity from providing additional disclosures about its total financial risk exposure rather than just the risk arising from financial instruments. However, all such additional disclosures are clearly separated from those required by IFRS 7. This issue is discussed in our publication *Insights into IFRS* (5.6.700.30).
2.		This disclosure is not required by IFRS 7, since estimated forecast sales and purchases are not financial instruments. However, in these illustrative financial statements it is assumed that such information is relevant to an understanding of the Group's exposure to currency risk and that such information is provided internally to the Group's key management personnel.
3.		This disclosure is not required by IFRSs but illustrates an example disclosure that may be significant for certain entities.
4.	*IFRS 7.40(a)*	An entity discloses how profit or loss and equity would have been affected by changes in a relevant risk variable that were reasonably possible at the end of the reporting period. Such a sensitivity analysis is disclosed for each type of market risk to which the entity is exposed at the end of the reporting period.

Reference

Notes to the consolidated financial statements

34. Financial instruments (continued)

Currency risk[1]

IFRS 7.34(a)

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	euro	USD	GBP	CHF	euro	USD	GBP	CHF
	31 December 2009				31 December 2008			
Trade receivables	4,477	8,365	2,367	-	3,099	6,250	1,780	-
Secured bank loans	-	(500)	(850)	(1,260)	-	(500)	(4,850)	(1,257)
Unsecured bank loan	-	(530)	-	-	-	-	-	-
Trade payables	(3,376)	(7,980)	(4,347)	-	(5,411)	(10,245)	(2,680)	-
Gross statement of financial position exposure[1]	1,101	(645)	(2,830)	(1,260)	(2,312)	(4,495)	(5,750)	(1,257)
Next month's forecast sales[2]	9,000	11,000	8,000	-	18,700	8,000	12,000	-
Next month's forecast purchases[2]	(10,000)	(10,000)	(4,000)	-	(9,800)	(3,000)	(7,000)	-
Gross exposure	(1,000)	1,000	4,000	-	8,900	5,000	5,000	-
Forward exchange contracts	-	(950)	(946)	-	-	(1,042)	(870)	-
Net exposure	101	(595)	224	(1,260)	6,588	(537)	(1,620)	(1,257)

IFRS 7.31

The following significant exchange rates applied during the year:[3]

euro	Average rate 2009	Average rate 2008	Reporting date spot rate 2009	Reporting date spot rate 2008
USD 1	0.760	0.679	0.711	0.710
GBP 1	1.113	1.256	1.108	1.027
CHF 1	0.674	0.631	0.664	0.672

IFRS 7.40

Sensitivity analysis[4]

A strengthening of the euro, as indicated below, against the USD, GBP and CHF at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

Effect in thousands of euros	Equity	Profit or loss
31 December 2009		
USD (10 percent strengthening)	740	(25)
GBP (8 percent strengthening)	510	(17)
CHF (3 percent strengthening)	4	-
31 December 2008		
USD (12 percent strengthening)	880	(85)
GBP (10 percent strengthening)	670	(92)
CHF (5 percent strengthening)	3	-

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.40(a)*	An entity discloses how profit or loss and equity would have been affected by changes in a relevant risk variable that were reasonably possible at the end of the reporting period. The estimation of a reasonably possible change in a relevant risk variable depends on an entity's circumstances.
2.		In these illustrative financial statements, this sensitivity analysis relates to fixed rate instruments classified as available-for-sale (see note 21).

Reference

Notes to the consolidated financial statements

34. Financial instruments (continued)

Currency risk (continued)

A weakening of the euro against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

IFRS 7.34(a)

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of euro	Carrying amount 2009	2008
Fixed rate instruments		
Financial assets	4,392	4,479
Financial liabilities	(15,621)	(9,819)
	(11,229)	(5,340)
Variable rate instruments		
Financial assets	535	595
Financial liabilities	(10,073)	(14,067)
	(9,538)	(13,472)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and 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.

A change of 100 basis points[1] in interest rates would have increased or decreased equity by €15 thousand (2008: €6 thousand).[2]

IFRS 7.40(a)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points[1] 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 rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss		Equity	
Effect in thousands of euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2009				
Variable rate instruments	(100)	100	-	-
Interest rate swap	61	(61)	310	(302)
Cash flow sensitivity (net)	(39)	39	310	(302)
31 December 2008				
Variable rate instruments	(142)	142	-	-
Interest rate swap	61	(61)	280	(275)
Cash flow sensitivity (net)	(81)	81	280	(275)

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.25, B1-B3*	The disclosures in respect of fair values apply to each "class" of financial asset, which is not defined in IFRS 7 *Financial Instruments: Disclosures*. Classes are distinct from the categories of financial instruments specified in IAS 39 *Financial Instruments: Recognition and Measurement*. In determining classes of financial instruments an entity at a minimum distinguishes instruments measured at amortised cost from those measured at fair value, and treat as a separate class or classes those financial instruments outside the scope of IFRS 7.
2.	*IFRS 7.8(f)*	An entity discloses the carrying amounts of financial liabilities measured at amortised cost either in the statement of financial position or in the notes. In these illustrative financial statements, derivatives with a credit balance are included in the same line item as trade and other payables, which are carried at amortised cost. In this table, assets and liabilities carried at amortised cost have been presented separately from those carried at fair value, in order to meet the disclosure requirements of IFRS 7. Different presentation methods are possible, also depending on the information that is provided internally to key management personnel.

Reference

Notes to the consolidated financial statements

34. Financial instruments (continued)

Fair values

IFRS 7.25

Fair values versus carrying amounts[1]

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Reference	*In thousands of euro*	*Note*	31 December 2009 Carrying amount	31 December 2009 Fair value	31 December 2008 Carrying amount	31 December 2008 Fair value
	Assets carried at fair value					
IFRS 7.8(d)	Available-for-sale financial assets	*21*	828	828	884	884
IFRS 7.8(a)(i)	Financial assets designated at fair value through profit or loss	*21*	251	251	254	254
IFRS 7.8(a)(ii)	Financial assets held for trading	*21*	243	243	568	568
IFRS 7.22(b)	Interest rate swaps used for hedging	*21*	116	116	131	131
IFRS 7.22(b)	Forward exchange contracts used for hedging	*21*	297	297	375	375
IFRS 7.22(b)	Other forward exchange contracts	*21*	122	122	89	89
			1,857	1,857	2,301	2,301
	Assets carried at amortised cost					
IFRS 7.8(b)	Held-to-maturity investments	*21*	2,436	2,450	2,256	2,265
IFRS 7.8(c)	Loans and receivables	*24*	23,559	23,559	17,719	17,719
	Cash and cash equivalents	*25*	1,505	1,505	1,850	1,850
			27,500	27,514	21,825	21,834
IFRS 7.8(e)	**Liabilities carried at fair value**					
	Interest rate swaps used for hedging		(20)	(20)	(5)	(5)
	Forward exchange contracts used for hedging	*33*	(8)	(8)	(7)	(7)
			(28)	(28)	(12)	(12)
IFRS 7.8(f)	**Liabilities carried at amortised cost**[2]					
	Secured bank loans	*28*	(7,012)	(7,239)	(11,093)	(10,984)
	Unsecured bond issues	*28*	(9,200)	(8,739)	(9,200)	(9,346)
	Convertible notes – liability component	*28*	(4,678)	(5,216)	-	-
	Redeemable preference shares	*28*	(1,939)	(1,936)	-	-
	Finance lease liabilities	*28*	(1,928)	(1,856)	(2,182)	(2,078)
	Loan from associate	*28*	-	-	(1,000)	(1,040)
	Dividends on redeemable preference shares	*28*	(75)	(75)	-	-
	Unsecured bank loan	*28*	(500)	(500)	(117)	(117)
	Trade and other payables*	*33*	(23,751)	(23,751)	(24,363)	(24,363)
	Bank overdraft	*25*	(334)	(334)	(282)	(282)
			(49,417)	(49,646)	(48,237)	(48,210)

* Excludes derivatives (shown separately).

The basis for determining fair values is disclosed in note 4.

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.27B*	For fair value measurements recognised in the statement of financial position, an entity discloses the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.
2.	*IFRS 7.27B (c)-(e)*	An entity discloses, for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from beginning balances to the ending balances, disclosing separately changes during the period attributable to: • total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income • total gains or losses recognised in other comprehensive income • purchases, sales, issues and settlements, each type of which disclosed separately • transfers into or out of Level 3 and the reasons for those transfers. For significant transfers, transfers into Level 3 are disclosed separately from transfers out of Level 3. In addition, an entity discloses for fair value measurements in Level 3: • total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income, for assets and liabilities held at the reporting date • a sensitivity analysis disclosing the effect of fair value changes, if significant, that would result if one or more of the inputs would be changed to a reasonably possible alternative assumption, including how the effect was calculated.
3.	*IFRS 7.44G*	In the first year of application of the amendments to IFRS 7 *Financial Instruments: Disclosures*, issued in March 2009 and effective for annual periods beginning on or after 1 January 2009, an entity need not provide comparative information for the disclosures required by the amendments.

Reference

Notes to the consolidated financial statements

34. Financial instruments (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2009	2008
Derivatives	2.5% - 4.5%	3.0% - 4.5%
Loans and borrowings	4.0% - 7.5%	4.0% - 7.0%
Leases	6.0% - 10.0%	5.5% - 9.0%
Service concession receivables	5.2%	-

IFRS 7.27A, B, BC39C

Fair value hierarchy[1]

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within 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).

In thousands of euro	Level 1	Level 2	Level 3[2]	Total
31 December 2009				
Available-for-sale financial assets	628	200	-	828
Financial assets designated at fair value through profit or loss	251	-	-	251
Financial assets held for trading	243	-	-	243
Derivative financial assets	-	535	-	535
	1,122	735	-	1,857
Derivative financial liabilities	-	(28)	-	(28)
	1,122	707	-	1,829
31 December 2008[3]				
Available-for-sale financial assets	884	-	-	884
Financial assets designated at fair value through profit or loss	254	-	-	254
Financial assets held for trading	568	-	-	568
Derivative financial assets	-	595	-	595
	1,706	595	-	2,301
Derivative financial liabilities	-	(12)	-	(12)
	1,706	583	-	2,289

IFRS 7.27B(b)

During the financial year ended 31 December 2009 available-for-sale financial assets with a carrying amount of €200 thousand were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities became no longer regularly available. In order 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 have been no transfers from Level 2 to Level 1 in 2009 (2008: no transfers in either direction).

Note	*Reference*	**Explanatory note**
1.	*SIC 27.10*	If an entity has any arrangement that is in the legal form of a lease but to which lease accounting is not applied because it does not, in substance, involve a lease, then it provides appropriate disclosures in order for users of the financial statements to understand the arrangement and the accounting treatment, including at least the following: • the significant terms of the arrangement including its life, the underlying asset and any restrictions on its use, and the transactions that are linked together, including any options • the amount recognised as income in the period and the line item of the statement of comprehensive income in which it is included.
	IFRIC 4.13, 15	In a case of an arrangement that is not in the legal form of a lease but to which lease accounting is applied because it contains a lease, payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements, on the basis of their relative fair values. If an entity concludes, in the case of an operating lease, that it is impracticable to separate the payments reliably, then it: • treats all payments as future minimum lease payments for disclosure purposes • discloses those payments separately from the minimum lease payments of other arrangements that do not include payments for non-lease elements • states that the disclosed payments also include payments for non-lease elements in the arrangement.
2.	*IAS 17.35(d)(iii)*	An entity discloses any restrictions imposed by lease agreements, such as restrictions on dividends, additional debt and further leasing.
3.	*IAS 17.47*	If an entity is a lessor in a finance lease, then it discloses: • a reconciliation between the total gross investment in the lease at the reporting date, and the present value of minimum lease payments receivable at the reporting date • the total gross investment in the lease and the present value of minimum lease payments receivable at the reporting date grouped as follows: not later than one year; later than one year but not later than five years; and later than five years • unearned finance income • the unguaranteed residual values accruing to the benefit of the lessor • the accumulated allowance for uncollectible minimum lease payments receivable • contingent rents recognised as income in the period • a general description of the entity's material leasing arrangements.
	IAS 17.48	It also is useful to disclose the gross investment less unearned income in new business added during the accounting period, after deducting the relevant amounts for cancelled leases.
4.	*IAS 17.56(b)*	An entity also discloses the amount of contingent rents recognised as income during the period.

Reference

Notes to the consolidated financial statements

35. Operating leases[1]

Leases as lessee

IAS 17.35(a) Non-cancellable operating lease rentals are payable as follows:

In thousands of euro	2009	2008
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

IAS 17.35(d)(i), (ii) The Group leases a number of warehouse and factory facilities under operating leases.[2] The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

IAS 17.35(b) One of the leased properties has been sublet by the Group. The lease and sublease expire in 2011. Sublease payments of €50 thousand are expected to be received during the following financial year. The Group has recognised a provision of €160 thousand in respect of this lease (see note 32).

IAS 17.35(c) During the year ended 31 December 2009 an amount of €435 thousand was recognised as an expense in profit or loss in respect of operating leases (2008: €447 thousand). Contingent rent recognised as an expense amounted to €40 thousand (2008: €30 thousand). An amount of €50 thousand was recognised as other income in respect of subleases (2008: €50 thousand).

IAS 1.122 The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord of the building is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.

Leases as lessor[3]

IAS 17.56(a) The Group leases out its investment property held under operating leases (see note 19). The future minimum lease payments under non-cancellable leases are as follows:

In thousands of euro	2009	2008
Less than one year	740	170
Between one and five years	3,890	1,050
More than five years	3,550	951
	8,180	2,171

IAS 40.75(f)(i), (ii) During the year ended 31 December 2009 €810 thousand was recognised as rental income in profit or loss (2008: €212 thousand).[4] Repairs and maintenance expense, recognised in cost of sales, was as follows:

In thousands of euro	2009	2008
Income-generating property	190	70
Vacant property	55	15
	245	85

Note	*Reference*	**Explanatory note**
1.	*IAS 38.122(e), 40.75(h), 41.49(b)*	An entity also discloses the amount of contractual commitments for the acquisition of intangible assets, development or acquisition of biological assets, and for the purchase, construction, development, repairs and maintenance of investment property.
2.	*IAS 37.89*	In respect of a contingent asset, an entity discloses a brief description of its nature and, when practicable, an estimate of its financial effect.
	IAS 37.91	When it is not practicable to estimate the potential financial effect of a contingent liability or an asset, an entity discloses that fact.
	IAS 37.92	In extremely rare cases, disclosure of some or all of the information required in respect of contingencies can be expected to seriously prejudice the position of the entity in a dispute with other parties. In such cases an entity need disclose only the following: ● the general nature of the provision ● the fact that the required information has not been disclosed ● the reason why.
	IAS 28.40	An entity discloses its share of the contingent liabilities of an associate incurred jointly with other investors, and those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.
	IAS 31.54 (a)-(c)	An entity discloses: ● any contingencies that the entity has incurred in relation to its investments in joint ventures, and its share in each of the contingencies that have been incurred jointly with other venturers ● the entity's share of the contingencies of joint ventures for which it is contingently liable ● those contingencies that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.
	IAS 19.125	An entity may be required to disclose information about contingent liabilities arising from post-employment benefits plans, and about termination benefits when there is uncertainty over the number of employees who will accept the offer of termination benefits and the possibility of an outflow in settlement is not remote.

Reference Notes to the consolidated financial statements

36. Capital commitments[1]

IAS 16.74(c)
IAS 31.55(a), (b)

During the year ended 31 December 2009 the Group entered into a contract to purchase property, plant and equipment for €1,465 thousand (2008: nil).

In respect of its interest in a joint venture (see note 20), the joint venture is committed to incur capital expenditure of €23 thousand (2008: €11 thousand), of which the Group's share of this commitment is €9 thousand (2008: €4 thousand). The Group is itself committed to incur capital expenditure of €150 thousand (2008: €45 thousand). These commitments are expected to be settled in the following financial year.

37. Contingencies[2]

IAS 37.86(a)-(c),
1.125

A subsidiary is defending an action brought by an environmental agency in Europe. While liability is not admitted, if 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, the directors do not expect the outcome of the action to have a material effect on the Group's financial position.

The Group has guaranteed to an unrelated party the performance of a subsidiary in relation to a contract for the supply of paper products. In the event of default, the terms of the contract contain a minimum compensation payment to the unrelated party of €600 thousand. The contract is due to be fulfilled by 30 June 2010.

Note	*Reference*	**Explanatory note**
1.	*IAS 24.12*	If the entity's parent does not produce financial statements available for public use, then the entity discloses the name of the next controlling party that does so.
2.	*IAS 24.22*	Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of the related party transactions on the financial statements of the entity.
3.		In our view, materiality considerations cannot be used to override the explicit requirements of IAS 24 *Related Party Disclosures* for the disclosure of elements of key management personnel compensation. This issue is discussed in our publication *Insights into IFRS* (5.5.110.20).

Reference

Notes to the consolidated financial statements

38. Related parties

Parent and ultimate controlling party

IAS 1.138(c), 24.12 During the year ended 31 December 2009 a majority of the Company's shares were acquired by [name of new parent] from [name of old parent]. As a result the new ultimate controlling party of the Group is [name].[1]

Transactions with key management personnel

IAS 24.17

Loans to directors

Unsecured loans to directors issued during the year ended 31 December 2009 amounted to €85 thousand (2008: €32 thousand). No interest is payable by the directors, and the loans are repayable in cash in full twelve months after the issue date. At 31 December 2009 the balance outstanding was €78 thousand (2008: €32 thousand) and is included in trade and other receivables (see note 24).[2]

Key management personnel compensation

IAS 19.124(b) In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, directors and executive officers retire at age 60 and are entitled to receive annual payments equivalent to 70 percent of their salary at the date of retirement until the age of 65, at which time their entitlement falls to 50 percent of their salary at the date of retirement.

Executive officers also participate in the Group's share option programme (see note 30). Furthermore, all employees of the holding company are entitled to participate in a share purchase programme (see note 30) if they meet certain criteria such as investing a percentage of each month's salary for a period of 36 months. Consequently, the Group has deducted €223 thousand from the salaries of all employees concerned, which is included in trade and other payables due to related parties (see note 33), and includes an amount of €37 thousand that relates to key management personnel.

IAS 24.16(d), 17(a)-(d) Certain executive officers are subject to a mutual term of notice of 12 months. Upon resignation at the Group's request, they are entitled to termination benefits up to 24 months' gross salary, depending on the number of years completed as an executive officer.

IAS 24.16 Key management personnel compensation comprised:[3]

In thousands of euro	**2009**	**2008**
Short-term employee benefits	510	420
Post-employment benefits	475	450
Termination benefits	25	-
Other long-term benefits	420	430
Share-based payments	508	133
	1,938	1,433

Key management personnel and director transactions

Directors of the Company control 12 percent of the voting shares of the Company. A relative of a director of a subsidiary has a 10 percent share in the Group's joint venture (see note 20).

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

Note	*Reference*	**Explanatory note**
1.	*IAS 24.18*	The entity is required to disclose the related party information about the transactions and outstanding balances for each category of the related parties, as listed in IAS 24.18, including key management personnel. The level of disclosure illustrated by this publication is not required specifically by IAS 24 *Related Party Disclosures*. Disclosure about individual transactions could be combined without this level of detail.
2.		Payments by an entity may relate to services provided by the recipients to third parties. If an entity acts as an agent and makes payments to an individual on behalf of another party, then in our view, the entity is required to disclose only compensation paid as consideration for services rendered *to the entity*. In our view, an entity is required to disclose the portions of transactions with joint ventures or associates that are not eliminated in the consolidated financial statements. These issues are discussed in our publication *Insights into IFRS* (5.5.110.40 and .120.30).
3.	*IAS 24.17(c), (d)*	An entity also discloses provisions for doubtful debts and the expense recognised during the period in respect of bad or doubtful debts related to the amount of outstanding balances from related parties.
	IAS 24.18, 19.124(a)	Disclosure of the nature and amounts of transactions with related parties are provided separately for each category of related parties, including the parent, entities with joint control or significant influence over the entity, subsidiaries, associates, joint ventures, key management personnel of the entity or its parent, post-employment benefit plans, and any other related parties.
	IAS 24.20	Examples of transactions that are disclosed if they are with a related party include: • purchases or sales of goods (finished or unfinished) • purchases or sales of property and other assets • rendering or receiving of services • leases • transfers of research and development • transfers under licence agreements • transfers under finance arrangements (including loans and equity contributions in cash or in kind) • provision of guarantees or collateral • settlement of liabilities on behalf of the entity or by the entity on behalf of another party • participation by a parent or subsidiary in a defined benefit plan that shares risks between Group entities
	IAS 32.34	• reacquisition of the entity's own shares from related parties.

Reference

Notes to the consolidated financial statements

38. Related parties (continued)

IAS 24.17(b)(i) A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

IAS 24.17(a), (b)(i) The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:[1]

In thousands of euro			Transaction value Year ended 31 December		Balance outstanding As at 31 December	
Director	**Transaction**	***Note***	**2009**	**2008**	**2009**	**2008**
F D Adair	Legal fees	*(i)*	12	13	-	-
H W James	Repairs and maintenance	*(ii)*	176	-	45	-
B Q Barton I	Inventory purchases – paper	*(iii)*	66	-	-	-

IAS 24.17(b)(i)

(i) The Group used the legal services of Mr F D Adair 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.

(ii) The Group entered into a two-year contract with On Track Limited, a company, which is controlled by Mr H W James, to provide repairs and maintenance services on production equipment. The total contract value is €370 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.

(iii) The Group purchased various paper supplies from Alumfab Limited, a company that is significantly influenced by Mr B Q Barton. 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 purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

IAS 24.17

Other related party transactions[2]

In thousands of euro	Transaction value Year ended 31 December 2009	Transaction value Year ended 31 December 2008	Balance outstanding As at 31 December 2009	Balance outstanding As at 31 December 2008
IAS 24.17(a), (b) **Sale of goods and services**[3]				
Parent B of the Group	350	320	220	250
Associate	1,145	400	1,016	392
Other				
Associate – administrative services	623	678	96	339
Associate – interest expense	16	25	-	12

Note	*Reference*	**Explanatory note**
1.	*IAS 24.21*	Related party transactions are described as having been made on an arm's length basis only if such terms can be substantiated.
2.	*IAS 24.17 (b)(ii)*	An entity also discloses details of any guarantees given or received in respect of outstanding balances with related parties.
3.	*IAS 24.12*	IAS 24 *Related Party Disclosures* requires a disclosure of the relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties.
	IAS 27.41	The explicit requirement to include a list of significant investments in subsidiaries in the consolidated financial statements was deleted from IAS 27 *Consolidated and Separate Financial Statements* when it was amended in 2003; however, no consequential amendments were made to IAS 24 in this respect. Although not explicitly required by IAS 24, in practice many entities include a list of significant subsidiaries in their consolidated financial statements, either to follow the requirements of a local law or regulator, or as a legacy of a previous GAAP. These illustrative financial statements include a list of significant subsidiaries to reflect this practice.
4.	*IAS 27.41(d)*	An entity discloses the nature and extent of any significant restrictions, e.g., resulting from borrowing arrangements or regulatory requirements, on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances.
5.	*IAS 27.41(b)*	An entity discloses the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control.

Reference

Notes to the consolidated financial statements

38. Related parties (continued)

IAS 24.17(b)(i)

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date.[1] None of the balances is secured.[2] During the financial year there were no transactions and outstanding balances with Parent A of the Group.

In addition, during the year ended 31 December 2009 the Group repaid a loan of €1,000 thousand received from one of its associates (see note 28).

IAS 19.143

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 recorded an expense of €25 thousand during period ended 31 December 2009 (31 December 2008: nil).

The joint venture makes the results of its research and development activities available to the Group as well as to one of the other joint venturers. No amount is paid by any of the venturers. From time to time, to support the activities of the joint venture, the venturers increase their investment in the joint venture.

39. Group entities

IAS 24.12

Significant subsidiaries[3, 4]

	Note	Country of incorporation	Ownership interest 2009	Ownership interest 2008
Baguette S.A.		France	100	100
Mermaid A / S		Denmark	100	100
Lei Sure Limited		Romania	100	100
Papier GmbH		Germany	100	100
Oy Kossu AB		Switzerland	90	90
Windmill N.V.	*9*	Netherlands	75	60
Papyrus Pty Limited	*9*	Australia	100	25
Maple-leaf Inc		Canada	48	48
Sloan Bio-Research Co		U.K.	-	-
MayCo		U.S.	-	-

IAS 27.41(a)

Although the Company does not hold any ownership interests in Sloan Bio-Research Co and MayCo, it receives substantially all of the benefits related to their operations and net assets based on the terms of agreements under which these entities were established. Consequently, the Company consolidates these entities.

IAS 27.40(c)

Although the Group owns less than half of the voting power of Maple-leaf Inc, it is able to govern the financial and operating policies of the company by virtue of an agreement with the other investors of Maple-leaf Inc. Consequently, the Group consolidates its investment in the company.[5]

Note	*Reference*	**Explanatory note**
1.	*IFRIC 12.5(a), (b)*	Accounting for service concession arrangements is complex, and appropriate disclosures will depend on the circumstances of the individual entity. Issues related to the accounting for service concession arrangements are discussed in our publication *Insights into IFRS* (5.12).
2.	*SIC 29.7*	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 arrangements. A class is a grouping of service concession arrangements involving services of a similar nature.
3.	*IFRIC 12.21*	If the operator in a service concession arrangement has the obligation to maintain or restore the infrastructure to a specified standard, then the operator would recognise and measure any contractual obligations to maintain or restore the infrastructure in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, except for any upgrade element for which the operator recognises revenue and costs in accordance with IAS 11 *Construction Contracts*.

Reference

Notes to the consolidated financial statements

40. Service concession arrangement[1, 2]

SIC 29.6

On 1 February 2009 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 commenced in February 2009 and was completed and available for use on 30 September 2009. 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 2009. The Group will be responsible for any maintenance services required during the concession period.[3] The Group does not expect major repairs to be necessary during the concession period.

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 becomes 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 standard 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 standard 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 which would render it impossible for the Group to fulfil its requirements under the agreement.

SIC 29.6(e), 6A

The Group has recorded 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 recorded 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 2009 represents the fair value of the construction services provided in constructing the toll road. The Group has recognised a service concession receivable of €260 thousand representing the present value of the guaranteed annual minimum payments to be received from the grantor, discounted at a rate of five percent, of which €11 thousand represents accrued interest. The Group has recognised an intangible asset of €95 thousand, of which €5 thousand has been amortised in 2009. The intangible asset represents the right to charge users a fee for usage of the toll road. Capitalised

IAS 23.26(a), (b), IFRIC 12.22

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 percent.

Note	*Reference*	**Explanatory note**
1.	*IAS 10.21(b)*	If the financial effect of a material non-adjusting event after the reporting date cannot be estimated, an entity discloses that fact.
2.	*IFRS 3.59(b), 5.41, IAS 10.21, 22, 33.70(d)*	For each material category of non-adjusting event after the reporting date, an entity discloses the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made. Paragraph 22 of IAS 10 *Events after the Reporting Period* provides examples of non-adjusting events that normally would require disclosure.
3.	*IFRS 3.59(b), B66*	For each business combination effected after the reporting date but before the financial statements are authorised for issue, an entity discloses the information pursuant to the requirements of IFRS 3 *Business Combinations* (2008) to enable users of its financial statements to evaluate the nature and financial effect of each business combination. The disclosure requirements are similar to those required for business combinations effected during the period. If disclosure of any information is impracticable, then an entity discloses this fact and the reasons therefor.

Reference

Notes to the consolidated financial statements

IAS 10.21

41. Subsequent events[1, 2, 3]

Restructuring

At the end of January 2010 the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to today's market conditions and the effects of the global recession, it is intended to reduce the Group's workforce by 400 positions worldwide by the end of 2010, by means of non-replacement wherever possible. The Group expects the restructuring associated with the reduction in positions to cost €600 thousand to €850 thousand in 2010.

Other

Subsequent to 31 December 2009 one of the Group's major trade debtors went into liquidation following a natural disaster in February 2010 that damaged its operating plant. Of the €100 thousand owed by the debtor, the Group expects to recover less than €10 thousand. No provision has been made in the consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.		The auditors' report illustrated in these financial statements is based on International Standard on Auditing (ISA) 700 *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*. If the audit is carried out under local laws and standards, then the form of the report will conform to those laws and standards.

Independent auditors' report[1]

[Appropriate Addressee]
[Name of entity]

We have audited the accompanying consolidated financial statements of [name of entity] and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Name of firm signing]
[Date of report]
[Address]

Note	*Reference*	**Explanatory note**
1.	*IAS 1.10, 81(b)*	This analysis is based on two statements: a separate income statement displaying profit or loss, and a second statement displaying the components of other comprehensive income.
	IAS 1.12	An entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. When an entity elects to present two statements, the separate income statement is part of a complete set of financial statements and is presented immediately before the statement of comprehensive income.

Appendix I

Consolidated income statement[1]

For the year ended 31 December

In thousands of euro	*Note*	2009	2008 Re-presented*
Continuing operations			
Revenue	10	100,160	96,636
Cost of sales		(55,805)	(56,186)
Gross profit		44,355	40,450
Other income	11	1,345	315
Distribution expenses		(17,984)	(18,012)
Administrative expenses		(17,142)	(15,269)
Research and development expenses		(1,109)	(697)
Other expenses	12	(710)	-
Results from operating activities		8,755	6,787
Finance income		911	480
Finance costs		(1,760)	(1,676)
Net finance expense	14	(849)	(1,196)
Share of profit of equity accounted investees (net of income tax)	20	467	587
Profit before income tax		8,373	6,178
Income tax expense	15	(2,528)	(1,800)
Profit from continuing operations		5,845	4,378
Discontinued operation			
Profit (loss) from discontinued operation (net of income tax)	7	379	(422)
Profit for the period		6,224	3,956
Profit attributable to:			
Owners of the Company		5,848	3,737
Non-controlling interest		376	219
Profit for the period		6,224	3,956
Earnings per share			
Basic earnings per share (euro)	27	1.75	1.08
Diluted earnings per share (euro)	27	1.68	1.07
Continuing operations			
Basic earnings per share (euro)	27	1.63	1.22
Diluted earnings per share (euro)	27	1.57	1.21

* See discontinued operation – note 7.

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

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Consolidated statement of comprehensive income

For the year ended 31 December

In thousands of euro	***Note***	**2009**	**2008**
Profit for the period		6,224	3,956
Other comprehensive income			
Foreign currency translation differences for foreign operations	*14*	501	330
Net loss on hedge of net investment in foreign operation	*14*	(3)	(8)
Revaluation of property, plant and equipment	*16*	200	-
Effective portion of changes in fair value of cash flow hedges	*14*	(93)	77
Net change in fair value of cash flow hedges transferred to profit or loss	*14*	-	(11)
Net change in fair value of available-for-sale financial assets	*14*	199	94
Net change in fair value of available-for-sale financial assets transferred to profit or loss	*14*	(64)	-
Defined benefit plan actuarial gains (losses)	*19*	72	(15)
Income tax on other comprehensive income	*15*	(104)	(48)
Other comprehensive income for the period, net of income tax		708	419
Total comprehensive income for the period		6,932	4,375
Attributable to:			
Owners of the Company		6,529	4,134
Non-controlling interest		403	241
Total comprehensive income for the period		6,932	4,375

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

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Appendix II

Consolidated statement of cash flows (direct method)

For the year ended 31 December *In thousands of euro*	*Note*	2009	2008
Cash flows from operating activities			
Cash receipts from customers		96,049	97,976
Cash paid to suppliers and employees		(89,518)	(86,245)
Cash generated from operating activities		6,531	11,731
Interest paid		(1,367)	(1,509)
Income tax paid		(400)	(1,400)
Net cash from operating activities		4,764	8,822
Cash flows from investing activities			
Interest received		211	155
Dividends received		369	330
Proceeds from sale of property, plant and equipment		1,177	481
Proceeds from sale of investments		987	849
Disposal of discontinued operation, net of cash disposed of	7	10,890	-
Acquisition of subsidiary, net of cash acquired	9	(2,125)	-
Acquisition of property, plant and equipment	16	(16,051)	(2,408)
Acquisition of investment property	19	(200)	-
Plantations and acquisitions of non-current biological assets	18	(305)	(437)
Acquisition of other investments		(325)	(2,411)
Development expenditure	17	(1,272)	(515)
Net cash used in investing activities		(6,644)	(3,956)
Cash flows from financing activities			
Proceeds from issue of share capital	26	1,550	-
Proceeds from issue of convertible notes	28	5,000	-
Proceeds from issue of redeemable preference shares	28	2,000	-
Proceeds from sale of own shares	26	30	-
Proceeds from exercise of share options	26	50	-
Proceeds from settlement of derivatives		5	11
Payment of transaction costs related to loans and borrowings	28	(311)	-
Acquisition of non-controlling interest	9	(200)	-
Repurchase of own shares	26	-	(280)
Repayment of borrowings		(5,132)	(4,492)
Payment of finance lease liabilities	28	(254)	(214)
Dividends paid	26	(1,243)	(524)
Net cash from (used in) financing activities		1,495	(5,499)
Net decrease in cash and cash equivalents		(385)	(633)
Cash and cash equivalents at 1 January		1,568	2,226
Effect of exchange rate fluctuations on cash held		(12)	(25)
Cash and cash equivalents at 31 December	25	1,171	1,568

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Note	*Reference*	**Explanatory note**
1.		Paragraph 10(f) of IAS 1 *Presentation of Financial Statements* requires an additional statement of financial position to be presented as at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The standard provides no further guidance in terms of how the above requirement should be interpreted. We believe that the requirement to present a third statement of financial position should be interpreted having regard to materiality based on the particular facts and circumstances. Accordingly, we believe, for example, that the reclassification of expenses in the statement of comprehensive income may not require a third statement of financial position to be presented. If there has been a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements, but a third statement of financial position is not presented on the basis that it is not judged to be material, then we recommend considering whether this fact should be disclosed. Paragraph 39 of IAS 1 refers to the presentation of "related notes" when a third statement of financial position is presented. In our view, this requirement should be interpreted as requiring disclosure of those notes that are relevant to the reason why the third statement of financial position is presented, i.e., not all notes are required in every circumstance.

Appendix III

Consolidated statement of financial position as at the beginning of the earliest comparative period[1]

As at 31 December

In thousands of euro	2009	2008 Re-presented*	2007 Re-presented*
Assets			
Property, plant and equipment	26,686	31,049	34,937
Intangible assets	5,922	4,661	5,429
Biological assets	7,014	8,716	8,070
Trade and other receivables	213	-	-
Investment property	2,070	1,050	950
Investments in equity accounted investees	2,025	1,558	1,140
Other investments, including derivatives	3,631	3,525	3,212
Deferred tax assets	138	1,376	1,902
Employee benefits	300	451	587
Total non-current assets	47,999	52,386	56,227
Inventories	12,867	12,119	12,716
Biological assets	245	140	402
Other investments, including derivatives	662	1,032	821
Current tax assets	81	228	90
Trade and other receivables	23,694	17,999	16,311
Prepayments	330	1,200	780
Cash and cash equivalents	1,505	1,850	2,529
Assets classified as held for sale	14,410	-	-
Total current assets	53,794	34,568	33,649
Total assets	101,793	86,954	89,876

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Note *Reference* **Explanatory note**

1. *IAS 1.106* When a change in accounting policy, either voluntarily or as a result of the initial application of a standard, has an effect on the current period or any prior period, an entity is required to present the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in the statement of changes in equity. The illustrative examples to IAS 1 *Presentation of Financial Statements* (2007) demonstrate this in relation to a change in accounting policy, as does our publication *Insights into IFRS* (2.8.40.90) in relation to an error. An example of presentation for a change in accounting policy, displaying the changes to retained earnings only for the three statements of financial position illustrated is shown below:

In thousands of euro

Retained earnings	
Balance at 1 January 2008 as reported previously	10,153
Changes in accounting policy	400
Balance at 1 January 2008 (restated)	10,553
Changes in retained earnings for 2008 (restated)	
Total comprehensive income for the year	3,727
Changes in ownership interest	(274)
Balance at 31 December 2008 (restated)	14,006
Balance at 31 December 2008 as reported previously	13,206
Changes in accounting policy	800
Balance at 31 December 2008 (restated)	14,006

Consolidated statement of financial position as at the beginning of the earliest comparative period (continued)

As at 31 December

In thousands of euro	**2009**	**2008** Re-presented*	**2007** Re-presented*
Equity[1]			
Share capital	14,979	14,550	14,550
Share premium	4,875	3,500	3,500
Reserves	1,104	449	322
Retained earnings	19,329	14,006	10,553
Total equity attributable to equity holders of the Company	40,287	32,505	28,925
Non-controlling interest	1,130	842	601
Total equity	41,417	33,347	29,526
Liabilities			
Loans and borrowings	20,942	19,206	21,478
Derivatives	20	5	-
Employee benefits	647	561	2,204
Deferred income	1,424	1,462	-
Provisions	1,010	400	682
Deferred tax liabilities	2,602	1,567	1,436
Total non-current liabilities	26,645	23,201	25,800
Bank overdraft	334	282	303
Loans and borrowings	4,390	4,386	2,017
Trade and other payables, including derivatives	23,759	24,370	30,627
Deferred income	178	168	203
Provisions	660	1,200	1,400
Liabilities classified as held for sale	4,410	-	-
Total current liabilities	33,731	30,406	34,550
Total liabilities	60,376	53,607	60,350
Total equity and liabilities	101,793	86,954	89,876

The notes on pages 27 to 209 are an integral part of these consolidated financial statements.

Appendix IV

Currently effective requirements

Below is a list of standards and interpretations in issue at 1 June 2009 that are effective for annual reporting periods beginning on 1 January 2009. Effective amendments to these standards and interpretations are not identified separately below.

IFRS 1	*First-time Adoption of International Financial Reporting Standards* Issue date: June 2003 Effective date: 1 January 2004
IFRS 2	*Share-based Payment* Issue date: February 2004 Effective date: 1 January 2005
IFRS 3	*Business Combinations* Issue date: March 2004 Effective date: 31 March 2004
IFRS 4	*Insurance Contracts* Issue date: March 2004 Effective date: 1 January 2005 Not covered; see About this publication
IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations* Issue date: March 2004 Effective date: 1 January 2005
IFRS 6	*Exploration for and Evaluation of Mineral Resources* Issue date: December 2004 Effective date: 1 January 2006 Not covered; see About this publication
IFRS 7	*Financial Instruments: Disclosures* Issue date: August 2005 Effective date: 1 January 2007
IFRS 8	*Operating Segments* Issue date: November 2006 Effective date: 1 January 2009
IAS 1	*Presentation of Financial Statements* Issue date: revised in September 2007 Effective date: 1 January 2009
IAS 2	*Inventories* Issue date: revised in December 2003 Effective date: 1 January 2005
IAS 7	*Statement of Cash Flows* Issue date: December 1992 Effective date: 1 January 1994
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors* Issue date: revised in December 2003 Effective date: 1 January 2005

IAS 10 *Events after the Reporting Period*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 11 *Construction Contracts*
Issue date: December 1993
Effective date: 1 January 1995

IAS 12 *Income Taxes*
Issue date: October 1996
Effective date: 1 January 1998

IAS 16 *Property, Plant and Equipment*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 17 *Leases*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 18 *Revenue*
Issue date: December 1993
Effective date: 1 January 1995

IAS 19 *Employee Benefits*
Issue date: February 1998
Effective date: 1 January 1999

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*
Issue date: April 1983
Effective date: 1 January 1984

IAS 21 *The Effects of Changes in Foreign Exchange Rates*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 23 *Borrowing Costs*
Issue date: revised in March 2007
Effective date: 1 January 2009

IAS 24 *Related Party Disclosures*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 26 *Accounting and Reporting by Retirement Benefit Plans*
Not covered; see About this publication

IAS 27 *Consolidated and Separate Financial Statements*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 28 *Investments in Associates*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 29 *Financial Reporting in Hyperinflationary Economies*
Issue date: July 1989
Effective date: 1 January 1990

IAS 31 *Interests in Joint Ventures*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 32 *Financial Instruments: Presentation*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 33 *Earnings per Share*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 34 *Interim Financial Reporting*
Issue date: February 1998
Effective date: 1 January 1999
Not covered; see About this publication

IAS 36 *Impairment of Assets*
Issue date: revised in March 2004
Effective date: 31 March 2004

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
Issue date: September 1998
Effective date: 1 July 1999

IAS 38 *Intangible Assets*
Issue date: revised in March 2004
Effective date: 31 March 2004

IAS 39 *Financial Instruments: Recognition and Measurement*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 40 *Investment Property*
Issue date: revised in December 2003
Effective date: 1 January 2005

IAS 41 *Agriculture*
Issue date: February 2001
Effective date: 1 January 2003

IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
Issue date: May 2004
Effective date: 1 September 2004

IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*
Issue date: November 2004
Effective date: 1 January 2005

IFRIC 4 *Determining whether an Arrangement contains a Lease*
Issue date: December 2004
Effective date: 1 January 2006

IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
Issue date: December 2004
Effective date: 1 January 2006

IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
Issue date: September 2005
Effective date: 1 December 2005

IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*
Issue date: November 2005
Effective date: 1 March 2006

IFRIC 8 *Scope of IFRS 2*
Issue date: January 2006
Effective date: 1 May 2006

IFRIC 9 *Reassessment of Embedded Derivatives*
Issue date: March 2006
Effective date: 1 June 2006

IFRIC 10 *Interim Financial Reporting and Impairment*
Issue date: July 2006
Effective date: 1 November 2006

IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*
Issue date: November 2006
Effective date: 1 March 2007

IFRIC 12 *Service Concession Arrangements*
Issue date: November 2006
Effective date: 1 January 2008

IFRIC 13 *Customer Loyalty Programmes*
Issue date: June 2007
Effective date: 1 July 2008

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
Issue date: July 2007
Effective date: 1 January 2008

IFRIC 15 *Agreements for the Construction of Real Estate*
Issue date: July 2008
Effective date: 1 January 2009

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
Issue date: July 2008
Effective date: 1 October 2008

IFRIC 18	*Transfers of Assets from Customers* Issue date: January 2009 Effective date: (transfers on or after) 1 July 2009
SIC–7	*Introduction of the Euro* Issue date: May 1998 Effective date: 1 June 1998
SIC–10	*Government Assistance – No Specific Relation to Operating Activities* Issue date: July 1998 Effective date: 1 August 1998
SIC–12	*Consolidation – Special Purpose Entities* Issue date: December 1998 Effective date: 1 July 1999
SIC–13	*Jointly Controlled Entities – Non-Monetary Contributions by Venturers* Issue date: December 1998 Effective date: 1 January 1999
SIC–15	*Operating Leases – Incentives* Issue date: December 1998 Effective date: 1 January 1999
SIC–21	*Income Taxes – Recovery of Revalued Non-Depreciable Assets* Issue date: July 2000 Effective date: 15 July 2000
SIC–25	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders* Issue date: July 2000 Effective date: 15 July 2000
SIC–27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease* Issue date: December 2001 Effective date: 31 December 2001
SIC–29	*Service Concession Arrangements: Disclosures* Issue date: December 2001 Effective date: 31 December 2001
SIC–31	*Revenue – Barter Transactions Involving Advertising Services* Issue date: December 2001 Effective date: 31 December 2001
SIC–32	*Intangible Assets – Web Site Costs* Issue date: March 2002 Effective date: 25 March 2002

Appendix V

Forthcoming requirements

Below is a list of standards and interpretations in issue at 1 June 2009 that are effective for annual reporting dates beginning after 1 January 2009. The list highlights the effective date of the requirements. Subsequent amendments to these standards and interpretations are not identified separately below.

Revised IFRS 1	*First-time Adoption of International Financial Reporting Standards* Issue date: November 2008 Effective date: 1 July 2009
Revised IFRS 3	*Business Combinations* Issue date: January 2008 Effective date: 1 July 2009
Amended IFRS 5	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as a result of *Improvements to International Financial Reporting Standards 2008* Issue date: May 2008 Effective date: 1 July 2009
Amended IAS 27	*Consolidated and Separate Financial Statements* Issue Date: January 2008 Effective date: 1 July 2009
Amended IAS 39	*Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items* Issue Date: July 2008 Effective date: 1 July 2009
IFRIC 17	*Distributions of Non-cash Assets to Owners* Issue date: November 2008 Effective date: 1 July 2009
Various	*Improvements to International Financial Reporting Standards 2009* Issue date: April 2009 Effective date: Dealt with on a standard by standard basis; generally 1 January 2010

Cover design: Mytton Williams

Publication name: Illustrative financial statements

Publication no: 906003

Publication date: July 2009

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