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IFRS

Guide to condensed interim financial statements – Illustrative disclosures

March 2015

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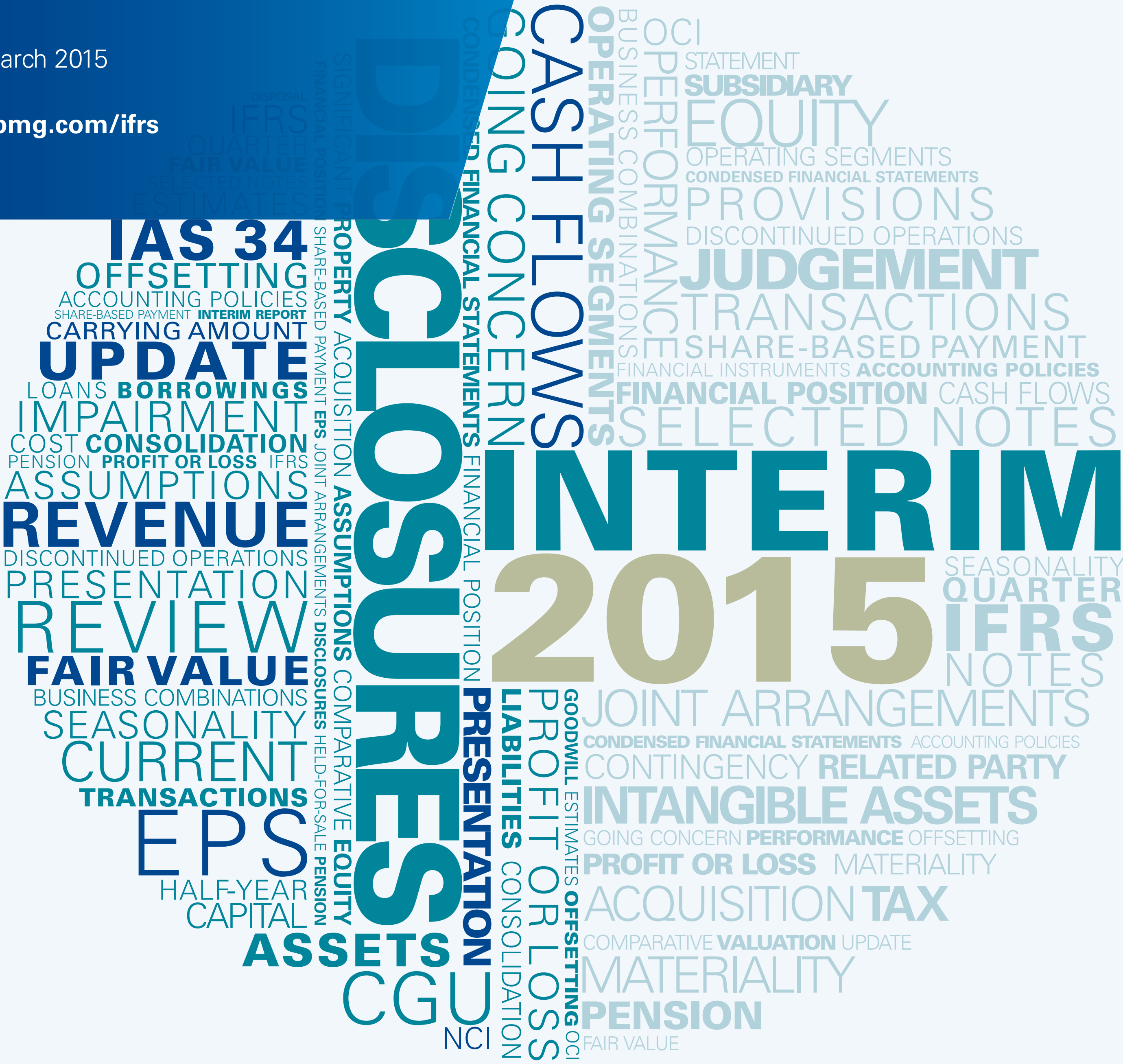

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About this guide

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

It helps you to prepare condensed interim financial statements, illustrating one possible format for financial statements for a fictitious multinational corporation involved in general business. Our hypothetical corporation has been applying IFRS for some time – i.e. it is not a first-time adopter of IFRS. For more information on adopting IFRS for the first time, see chapter 6.1 in the 11th edition 2014/2015 of our publication Insights into IFRS.

Content

This guide assumes that the example entity:

- chooses to publish a set of condensed interim financial statements;
- has previously issued annual financial statements and the users of the interim financial statements will have access to the most recent annual ones;
- provides only significant updates to the information that was reported in the notes to the most recent annual financial statements;
- prepares its interim financial statements on a consolidated basis;
- applies the same accounting policies as in its most recent annual financial statements; and
- prepares a half-yearly interim report, but does not prepare quarterly interim reports.

Standards covered

This guide reflects standards and interpretations that have been issued by the IASB as at 15 March 2015 and that are required to be applied by an entity with an annual reporting period beginning on 1 January 2015 ('currently effective requirements'). The early adoption of IFRSs that are effective for annual periods beginning after 1 January 2015 ('forthcoming requirements') has not been illustrated. Standards other than IAS 34 *Interim Financial Reporting* are not discussed in this guide, except in the context of disclosures in condensed interim financial statements.

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

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

What's new in 2015?

Appendix I provides a comprehensive list of new requirements, distinguishing between those that are effective for an entity with an annual reporting period beginning on 1 January 2015, and those with a later effective date. These new requirements do not contain specific disclosure requirements for interim financial statements, unless they are necessary to explain events that are significant to an understanding of the changes in the entity's financial position and performance since the last annual reporting date.

Need for judgement

This guide is part of our suite of publications – Guides to financial statements – and specifically focuses on compliance with IFRS. Although it is not exhaustive, it illustrates the disclosures required by IFRS for one hypothetical corporation, largely without regard to materiality. The presentation for your own financial statements requires judgement, in terms of the choice of accounting policies, how the disclosures should be tailored to reflect your specific circumstances, and the materiality of disclosures in the context of your organisation.

Materiality

Specific guidance on materiality and its application to interim financial statements is included in paragraph 23 of IAS 34. Materiality is relevant to the presentation and disclosure of items in the interim financial statements and should be assessed based on information related to the interim period and not to the full annual reporting period. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance during the interim period.

Amendment to IAS 34 – Forthcoming requirement

As a part of the *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014, paragraph 16A of IAS 34 was amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed 'elsewhere in the interim financial report' – i.e. incorporated by cross-reference from the interim financial statements to some other statement (such as the management commentary or risk report) that is available to users of the interim financial statements on the same terms and at the same time as the interim financial statements. The amendment applies retrospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

References and abbreviations

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

IAS 34.15	Paragraph 15 of IAS 34.
[IFRS 2.45]	Paragraph 45 of IFRS 2. The square brackets indicate that the paragraph relates to presentation or disclosure requirements in annual financial statements. Such presentation or disclosures are not specifically required in condensed interim financial statements, unless they are judged to be material to an understanding of the interim period.
Insights 2.3.60.10	Paragraph 2.3.60.10 of the 11th edition 2014/15 our publication Insights into IFRS.

Disclosures that apply only to entities in the scope of IFRS 8 *Operating Segments* and IAS 33 *Earnings per Share*.

Major changes since the previous edition of this guide that relate to:

- new disclosure requirements in IAS 34 (reflecting consequential amendments introduced by new or revised standards); or
- updates of information disclosed in relation to events and transactions that are considered significant to an understanding of the changes in financial position and performance of the example entity since the end of the last annual reporting period.

The following abbreviations are used often in this guide.

CGU	Cash-generating unit
EBITDA	Earnings before interest, tax, depreciation and amortisation
NCI	Non-controlling interests
Notes	Notes to the condensed interim financial statements
OCI	Other comprehensive income
IU	IFRIC (now the IFRS Interpretations Committee) Update, a newsletter

[*Name of the Company*]

Independent auditors' report on review of condensed interim financial information

Independent auditors' report on review of condensed interim financial information[a]

[*Addressee*]

[*Name*]

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of [*name of the Company*] as at 30 June 2015, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ('the condensed consolidated interim financial information'). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG
[*Date of report*]
[*Address*]

a. This example report has been prepared based on International Standards on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. Its format does not reflect the legal requirements of any particular jurisdiction.

[*Name of the Company*]

Condensed consolidated interim financial statements

30 June 2015

Condensed consolidated statement of financial position[a, b]

IAS 34.8(a), 10, 20(a)

In thousands of euro	*Note*	30 June 2015	31 December 2014
Assets			
Property, plant and equipment	*13*	**24,235**	31,049
Intangible assets and goodwill	*14*	**6,290**	4,661
Biological assets		**7,629**	8,716
Trade and other receivables	*18*	**171**	-
Investment property		**1,405**	250
Equity-accounted investees		**1,791**	1,948
Other investments, including derivatives	*18*	**3,767**	3,525
Deferred tax assets		**1,568**	1,376
Employee benefits	*10*	**300**	731
Non-current assets		**47,156**	52,256
Inventories	*7*	**12,005**	12,119
Biological assets		**156**	140
Other investments, including derivatives	*18*	**526**	1,032
Current tax assets		**-**	228
Trade and other receivables	*18*	**21,700**	17,999
Prepayments		**-**	1,200
Cash and cash equivalents	*18*	**2,356**	1,850
Assets held for sale[c] *[IFRS 5.38, 40]*	*12*	**12,891**	-
Current assets		**49,634**	34,568
Total assets		**96,790**	86,824

Condensed consolidated statement of financial position (continued)

IAS 34.8(a), 10, 20(a)

In thousands of euro	*Note*	30 June 2015	31 December 2014
Equity			
Share capital	*15*	**14,979**	14,550
Share premium	*15*	**4,777**	3,500
Reserves		**1,179**	449
Retained earnings		**16,132**	13,886
Equity attributable to owners of the Company		**37,067**	32,385
Non-controlling interests		**3,519**	3,109
Total equity		**40,586**	35,494
Liabilities			
Loans and borrowings	*16, 18*	**21,364**	19,206
Employee benefits	*10*	**606**	841
Trade and other payables	*18*	**252**	5
Deferred income/revenue		**1,172**	1,462
Provisions	*17*	**1,100**	400
Deferred tax liabilities		**2,587**	1,567
Non-current liabilities		**27,081**	23,481
Bank overdraft	*18*	**120**	282
Current tax liabilities		**323**	-
Loans and borrowings	*16, 18*	**4,413**	4,386
Trade and other payables	*18*	**20,429**	21,813
Deferred income/revenue		**38**	168
Provisions	*17*	**150**	1,200
Liabilities held for sale[c] [IFRS 5.38, 40]	*12*	**3,650**	-
Current liabilities		**29,123**	27,849
Total liabilities		**56,204**	51,330
Total equity and liabilities		**96,790**	86,824

The notes on pages 16 to 43 are an integral part of these condensed consolidated interim financial statements.

a. When the interim financial statements are unaudited, this fact may, in practice, be disclosed. This may also be a requirement in some jurisdictions.

IAS 1.BC33, 34.8, 16A(a), 20(a), Insights 5.9.30.22

b. Under IAS 34, the minimum components of condensed interim financial statements do not include a statement of financial position as at the beginning of the preceding period when comparative information is restated following a retrospective change in accounting policy, correction of an error or reclassification of items. However, disclosure is required in respect of any change of accounting policy or material prior-period error.

IFRS 5.30, IAS 34.10, Insights 5.9.40.20

c. Although it is not specifically required by IAS 34, in our view non-current assets or a disposal group classified as held-for-sale or held-for-distribution at the interim reporting date should be presented separately from other assets and liabilities in the condensed statement of financial position.

IFRS 5.38, IAS 1.66, 69, Insights 5.4.110.30

In our view, the presentation of a 'three-column statement of financial position' with the headings 'Assets/Liabilities not for sale', 'Assets/Liabilities held for sale' and 'Total' would not generally be appropriate if the assets and liabilities held for sale are included in non-current line items.

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Condensed consolidated statement of profit or loss and OCI[a]

IAS 34.8(b), 10, 20(b)

For the six months ended 30 June

In thousands of euro	*Note*	2015	2014 Restated*[b]
Continuing operations			
Revenue		**52,536**	51,593
Cost of sales	*7, 13, 14, 17*	**(31,460)**	(31,920)
Gross profit		**21,076**	19,673
Other income	*13*	**620**	190
Selling and distribution expenses		**(7,698)**	(7,498)
Administrative expenses	*10, 17, 19*	**(8,474)**	(8,358)
Research and development expenses		**(605)**	(349)
Other expenses	*8, 12, 19*	**(710)**	-
Operating profit		**4,209**	3,658
Finance income	*18, 19*	**456**	345
Finance costs		**(880)**	(1,004)
Net finance costs		**(424)**	(659)
Share of profit of equity-accounted investees, net of tax		**233**	278
Profit before tax	*4*	**4,018**	3,277
Income tax expense	*11*	**(1,147)**	(744)
Profit from continuing operations		**2,871**	2,533
Discontinued operation[c]			
Profit (loss) from discontinued operation, net of tax	*6*	**379**	(422)
Profit for the period		**3,250**	2,111
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment		**200**	-
Remeasurements of the defined benefit liability (asset)		**72**	(15)
Related tax[d]		**(90)**	5
		182	(10)
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		**437**	330
Equity-accounted investees – share of other comprehensive income		**10**	-
Reclassification of foreign currency differences on loss of significant influence		**20**	-
Net investment hedge – net loss		**(3)**	(8)
Cash flow hedges – effective portion of changes in fair value		**(93)**	97
Cash flow hedges – reclassified to profit or loss[e]		**(17)**	(11)
Available-for-sale financial assets – net change in fair value		**199**	74
Available-for-sale financial assets – reclassified to profit or loss[e]		**(47)**	-
Related tax[d]		**(14)**	(53)
		492	429
Other comprehensive income for the period, net of tax		**674**	419
Total comprehensive income for the period		**3,924**	2,530

* See Note 6.

Condensed consolidated statement of profit or loss and OCI (continued)

IAS 34.8(b),10, 20(b)

For the six months ended 30 June

In thousands of euro	2015	2014 Restated*
Profit attributable to:		
Owners of the Company	**3,053**	2,023
Non-controlling interests	**197**	88
	3,250	2,111
Total comprehensive income attributable to:		
Owners of the Company	**3,703**	2,396
Non-controlling interests	**221**	134
	3,924	2,530
Earnings per share		
Basic earnings per share (euro)	**0.84**	0.52
Diluted earnings per share (euro)	**0.80**	0.51
Earnings per share – Continuing operations[f]		
Basic earnings per share (euro)	**0.72**	0.66
Diluted earnings per share (euro)	**0.69**	0.65

IAS 34.11

* See Note 6.

The notes on pages 16 to 43 are an integral part of these condensed consolidated interim financial statements.

IAS 1.99, 34.8(b), 8A, 10, 20(b) **a.** The Group has presented comprehensive income following a one-statement approach and has analysed expenses based on functions within the Group, because these are the approaches adopted in its most recent annual financial statements. Appendix II provides an illustration of the alternative two-statement approach.

Insights 2.8.50.110 **b.** In our view, although it is not specifically required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the heading 'restated' is necessary to highlight that the comparatives are not the same as the financial information published previously.

IFRS 5.30, IAS 34.10, 15, 15C, Insights 5.9.40.20 **c.** Although it is not specifically required by IAS 34, in our view operations that are discontinued at the interim reporting date or disposed of during the interim reporting period should be presented separately, following the principles in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

IAS 1.91, 34.10 **d.** Alternatively, individual components of OCI may be presented net of related tax effects.

IAS 1.94, 34.10 **e.** Alternatively, reclassification adjustments may be presented in the notes.

Insights 5.9.50.10 **f.** Although it is not specifically required by IAS 34, the Group has disclosed:

- the earnings per share from continuing operations on the face of the condensed consolidated statement of profit or loss and OCI; and
- the earnings per share from discontinued operations in the notes (see Note 6).

The appropriate level of disclosure for an interim reporting period may vary depending on materiality.

IAS 34.8(c), 10, 20(c)

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2015

In thousands of euro	*Note*	Attributable to owners of the Company											
		Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Reserve for own shares	Convertible notes (equity component)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015		**14,550**	**3,500**	**143**	**490**	**96**	**-**	**(280)**	**-**	**13,886**	**32,385**	**3,109**	**35,494**
Total comprehensive income for the period													
Profit for the period		-	-	-	-	-	-	-	-	3,053	3,053	197	3,250
Other comprehensive income		-	-	440	(74)	102	134	-	-	48	650	24	674
Total comprehensive income for the period		**-**	**-**	**440**	**(74)**	**102**	**134**	**-**	**-**	**3,101**	**3,703**	**221**	**3,924**
Transactions with owners of the Company													
Contributions and distributions													
Issue of ordinary shares related to business combinations	*19*	24	63	-	-	-	-	-	-	120	207	-	207
Issue of ordinary shares	*15*	390	1,160	-	-	-	-	-	-	-	1,550	-	1,550
Issue of convertible notes	*16*	-	-	-	-	-	-	-	109	-	109	-	109
Treasury shares sold[a]		-	19	-	-	-	-	11	-	-	30	-	30
Dividends	*15*	-	-	-	-	-	-	-	-	(1,243)	(1,243)	-	(1,243)
Equity-settled share-based payment[b]	*9*	-	-	-	-	-	-	-	-	361	361	-	361
Share options exercised	*15*	15	35	-	-	-	-	-	-	-	50	-	50
Total contributions and distributions		**429**	**1,277**	**-**	**-**	**-**	**-**	**11**	**109**	**(762)**	**1,064**	**-**	**1,064**
Changes in ownership interests													
Acquisition of non-controlling interests	*20*	-	-	8	-	-	-	-	-	(93)	(85)	(115)	(200)
Acquisition of subsidiary with NCI	*19*	-	-	-	-	-	-	-	-	-	-	304	304
Total changes in ownership interests		**-**	**-**	**8**	**-**	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**189**	**104**
Total transactions with owners of the Company		**429**	**1,277**	**8**	**-**	**-**	**-**	**11**	**109**	**(855)**	**979**	**189**	**1,168**
Balance at 30 June 2015		**14,979**	**4,777**	**591**	**416**	**198**	**134**	**(269)**	**109**	**16,132**	**37,067**	**3,519**	**40,586**

IAS 34.8(c), 10, 20(c)

Condensed consolidated statement of changes in equity (continued)

For the six months ended 30 June 2014

In thousands of euro	*Note*	Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Reserve for own shares	Convertible notes (equity component)	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to owners of the Company											
Balance at 1 January 2014		14,550	3,500	(129)	434	17	-	-	-	8,481	26,853	2,720	29,573
Total comprehensive income for the period													
Profit for the period (restated)	*24*	-	-	-	-	-	-	-	-	2,023	2,023	88	2,111
Other comprehensive income		-	-	248	73	62	-	-	-	(10)	373	46	419
Total comprehensive income for the period (restated)	*24*	-	-	248	73	62	-	-	-	2,013	2,396	134	2,530
Transactions with owners of the Company													
Contributions and distributions													
Dividends	*15*	-	-	-	-	-	-	-	-	(524)	(524)	-	(524)
Equity-settled share-based payment[b]		-	-	-	-	-	-	-	-	173	173	-	173
Total transactions with owners of the Company		-	-	-	-	-	-	-	-	(351)	(351)	-	(351)
Balance at 30 June 2014 (restated)		14,550	3,500	119	507	79	-	-	-	10,143	28,898	2,854	31,752

The notes on pages 16 to 43 are an integral part of these condensed consolidated interim financial statements.

Insights 7.3.480 **a.** IFRS does not mandate a specific method for presenting treasury shares in equity. Local laws may prescribe the presentation. In addition, depending on the applicable legislation, an entity may or may not be allowed to recognise a portion of the treasury share transaction against share premium. Therefore, an entity should take into account its legal environment when determining how to present its own shares within equity. Whichever method is selected, it should be applied consistently.

Insights 4.5.900.30 **b.** IFRS 2 *Share-based Payment* does not specifically address how share-based payment transactions are presented within equity. The Group has presented the increase in equity recognised in connection with a share-based payment transaction within retained earnings. In our view, the increase may also be presented in a separate item within equity.

IAS 34.8(d), 10, 20(d)

Condensed consolidated statement of cash flows

For the six months ended 30 June

In thousands of euro	*Note*	2015	2014
Cash flows from operating activities[a]			
Profit for the period[b]		**3,250**	2,111
Adjustments for:			
– Depreciation		**2,435**	2,490
– Amortisation		**295**	355
– (Reversal of) impairment losses on property, plant and equipment	*13*	**(393)**	1,123
– Impairment losses on intangible assets and goodwill	*14*	**16**	285
– Impairment losses on remeasurement of disposal group	*12*	**25**	-
– Change in fair value of biological assets		**67**	(30)
– Net increase in biological assets due to births		**(7)**	(8)
– Increase in fair value of investment property		**(55)**	(50)
– Net finance costs		**424**	659
– Share of profit of equity-accounted investees, net of tax		**(233)**	(278)
– Gain on sale of property, plant and equipment	*13*	**(26)**	(25)
– Gain on sale of discontinued operation, net of tax	*6*	**(516)**	-
– Equity-settled share-based payment transactions		**361**	173
– Tax expense		**1,122**	700
		6,765	7,505
Change in:			
– Inventories		**(751)**	450
– Trade and other receivables		**(7,990)**	2,126
– Prepayments		**1,200**	(1,200)
– Trade and other payables		**3,939**	(1,765)
– Provisions and employee benefits		**(329)**	132
– Deferred income/revenue, including government grant		**(420)**	-
Cash generated from operating activities		**2,414**	7,248
Interest paid[c, d]		**(920)**	(800)
[IAS 7.35] Taxes paid		**(200)**	(950)
Net cash from operating activities		**1,294**	5,498

Condensed consolidated statement of cash flows (continued)

IAS 34.8(d), 10, 20(d)

For the six months ended 30 June

In thousands of euro	*Note*	2015	2014
Cash flows from investing activities			
Interest received[c]		**116**	85
Dividends received[c]		**51**	100
Proceeds from sale of property, plant and equipment	*13*	**1,177**	406
Proceeds from sale of investments		**495**	359
Disposal of discontinued operation, net of cash disposed of[e]	*6*	**10,890**	-
Acquisition of subsidiary, net of cash acquired[f]	*19*	**(1,799)**	-
Acquisition of property, plant and equipment	*13*	**(11,983)**	(2,315)
Acquisition of investment property		**(300)**	-
Purchase of non-current biological assets		**(155)**	(219)
Acquisition of other investments		**(215)**	-
Development expenditure		**(846)**	(881)
Net cash used in investing activities		**(2,569)**	(2,465)
Cash flows from financing activities			
Proceeds from the issue of ordinary shares	*15*	**1,550**	-
Proceeds from the issue of convertible notes	*16*	**5,000**	-
Proceeds from the issue of redeemable preference shares	*16*	**2,000**	-
Proceeds from the sale of treasury shares		**30**	-
Proceeds from exercise of share options	*15*	**50**	-
Proceeds from settlement of derivatives[g]		**6**	11
Transaction costs related to loans and borrowings	*16*	**(311)**	-
Acquisition of non-controlling interests	*20*	**(200)**	-
Repayment of borrowings	*16*	**(4,811)**	(3,408)
Payment of finance lease liabilities	*16*	**(130)**	(123)
Dividends paid[c]	*15*	**(1,243)**	(524)
Net cash from (used in) financing activities		**1,941**	(4,044)
Net increase (decrease) in cash and cash equivalents		**666**	(1,011)
Cash and cash equivalents at 1 January*		**1,568**	2,226
Effect of exchange rate fluctuations on cash held		**2**	7
Cash and cash equivalents at 30 June*		**2,236**	1,222

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

The notes on pages 16 to 43 are an integral part of these condensed consolidated interim financial statements.

IAS 7.18, 34.10

a. The Group has elected to present cash flows from operating activities using the indirect method.

Alternatively, an entity may present operating cash flows using the direct method, disclosing major classes of gross cash receipts and payments related to operating activities. An example of this presentation is illustrated in Appendix III to our publication Guide to annual financial statements – Illustrative disclosures (September 2014).

IAS 7.18, 20, A, Insights 2.3.30.20

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

IAS 7.31, Insights 2.3.50.20

c. In the absence of specific guidance in IFRS, an entity should choose an accounting policy, to be applied consistently, for classifying interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities.

Insights 2.3.50.20, 50.38

d. In our view, an entity should choose an accounting policy, to be applied consistently, to classify cash flows related to capitalised interest as follows:

- as cash flows from investing activities if the other cash payments to acquire the qualifying asset are reflected as investing activities; or
- consistently with interest cash flows that are not capitalised.

IFRS 5.33, Insights 5.4.220.40

e. The Group has presented a condensed consolidated statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in the notes (see Note 6). However, in our view cash flows from discontinued operations may be presented in other ways.

Insights 2.3.20.14–18

f. In some cases, significant judgement may be needed to classify certain cash flows that relate to business combinations. In particular, an entity may need to consider:

- whether the cash flow relates to obtaining or losing control; and
- whether the expenditure results in a recognised asset in the statement of financial position.

IAS 7.16(h), Insights 2.3.60.10

g. Cash receipts from future contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements

1. Reporting entity

[*Name*] (the 'Company') is a company domiciled in [*country*]. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in manufacturing paper and paper-related products, cultivating trees and selling wood (see Note 4).

2. Basis of accounting[a, b]

IAS 34.10, 15, 19

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

These interim financial statements were authorised for issue by the Company's Board of Directors on [*date*].[c]

3. Use of judgements and estimates

IAS 34.41

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

IAS 34.16A(d), 28

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.[d]

a. Measurement of fair values

IAS 34.16A(j), IFRS 13.93(g)

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

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

Significant valuation issues are reported to the Group Audit Committee.

IAS 1.4, 25, 10.14, 34.15

a. Although it is not illustrated, an entity considers whether it is relevant to disclose the adoption of a going concern basis in its interim financial statements. Taking account of specific requirements in its jurisdiction, an entity discloses any material uncertainties related to events or conditions that may cast significant doubt on its ability to continue as a going concern, whether they arise during the period or after the reporting date. For example disclosures for entities that require going concern disclosures, see Appendix V to our publication Guide to annual financial statements – Illustrative disclosures (September 2014).

IAS 34.20, Insights 5.9.70

b. Unless an entity is a new company, condensed interim financial statements include comparative information; otherwise, the interim financial statements cannot claim to comply with IFRS or IAS 34. This is particularly important for entities that did not produce interim financial statements in prior years.

IAS 10.17–18

c. Although it is not specifically required by IAS 34, it may be relevant to a user's understanding to disclose the date of authorisation and who gave the authorisation, because any event that occurs after that date is not disclosed or adjusted in the interim financial statements of the current interim reporting period. These disclosures may also be required by local laws.

IAS 34.16A(d)

d. Although it is not illustrated, an entity discloses the nature and amount of material changes in estimates of amounts reported in prior interim reporting periods or in prior financial years.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

3. Use of judgements and estimates (continued)

a. Measurement of fair values (continued)

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

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

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

IFRS 13.95, IAS 34.16A(j)

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

Further information about the assumptions made in measuring fair values is included in Note 18 – financial instruments.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

4. Operating segments

a. Information about reportable segments[a]

IAS 34.16A(g)(i)
IAS 34.16A(g)(ii)
IAS 34.16A(g)(iii)

	Reportable segments														All other segments	
	Standard Papers		Recycled Papers		Packaging (Discontinued)**[b]		Forestry		Timber Products		Research and Development		Total			
In thousands of euro	30 June 2015	30 June 2014 Restated*	30 June 2015	30 June 2014 Restated*	30 June 2015	30 June 2014 Restated*	30 June 2015	30 June 2014 Restated*	30 June 2015	30 June 2014 Restated*	30 June 2015	30 June 2014 Restated*	30 June 2015	30 June 2014 Restated*	30 June 2015	30 June 2014 Restated*
External revenues	**34,315**	36,821	**13,656**	11,030	**7,543**	23,193	**1,984**	1,823	**1,550**	1,493	**-**	-	**59,048**	74,360	**1,031**	426
Inter-segment revenue	**-**	-	**159**	161	**940**	2,835	**1,341**	1,338	**923**	962	**438**	497	**3,801**	5,793	**444**	383
Segment profit (loss) before tax	**1,847**	2,382	**3,509**	1,101	**(162)**	(466)	**695**	490	**(120)**	640	**50**	33	**5,819**	4,180	**385**	98

IAS 34.16A(g)(iv)
IAS 34.16A(g)(iv)

	Reportable segments														All other segments	
	Standard Papers		Recycled Papers		Packaging (Discontinued)**[b]		Forestry		Timber Products		Research and Development		Total			
In thousands of euro	30 June 2015	31 December 2014 Restated*	30 June 2015	31 December 2014 Restated*	30 June 2015	31 December 2014 Restated*	30 June 2015	31 December 2014 Restated*	30 June 2015	31 December 2014 Restated*	30 June 2015	31 December 2014 Restated*	30 June 2015	31 December 2014 Restated*	30 June 2015	31 December 2014 Restated*
Segment assets[c]	**39,054**	25,267	**21,025**	16,003	**-**	13,250	**20,046**	16,942	**4,521**	3,664	**2,323**	1,946	**86,969**	77,072	**6,398**	3,683
Segment liabilities[c]	**37,399**	26,907	**9,875**	14,316	**-**	2,959	**4,769**	7,097	**1,236**	1,456	**169**	158	**53,448**	52,893	**237**	454

* As a result of the acquisition of Papyrus Pty Limited ('Papyrus') during the six months ended 30 June 2015 (see Note 19), the Group has changed its internal organisation and the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the six months ended 30 June 2014 and for the year ended 31 December 2014.

** See Note 6.

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

IAS 34.16A(g)(v) **b.** The Group has presented the Packaging segment, which is also a discontinued operation, as an operating segment. If it no longer met the definition of an operating segment, then it would not have been included in the segment disclosures; however, a description of the difference from the last annual financial statements in the basis of segmentation would have been provided.

IAS 34.16A(g)(iv) **c.** The Group has disclosed measures of segment asset and segment liability for all reportable segments, although they are required only if they are regularly provided to an entity's chief operating decision maker and are materially different from the amounts disclosed in the entity's latest annual financial statements for that reportable segment.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

4. Operating segments (continued)

IAS 34.16A(g)(vi)

b. Reconciliation of reportable segment profit or loss

In thousands of euro	For the six months ended 30 June 2015	2014
Total profit before tax for reportable segments	**5,819**	4,180
Profit before tax for other segments	**385**	98
Elimination of inter-segment profit	**(1,695)**	(1,235)
Elimination of discontinued operation	**162**	466
Unallocated amounts:		
– Other corporate expenses	**(886)**	(510)
– Share of profit of equity-accounted investees, net of tax	**233**	278
Profit before tax	**4,018**	3,277

5. Seasonality of operations

IAS 34.16A(b)

The Group's Forestry segment is subject to seasonal fluctuations as a result of weather conditions. In particular, the cultivation of pine trees and the provision of related services in key geographical areas are adversely affected by winter weather conditions, which occur primarily from January to March. The Group attempts to minimise the seasonal impact by managing inventories to meet demand during this period. However, this segment typically has lower revenues and results for the first half of the year.

IAS 34.21

For the 12 months ended 30 June 2015, the Forestry segment reported revenue of €6,486 thousand (12 months ended 30 June 2014: €6,280 thousand) and profit before tax of €1,184 thousand (12 months ended 30 June 2014: €1,687 thousand).[a]

IAS 34.21

a. An entity whose business is highly seasonal is encouraged to disclose:
- financial information for the 12 months ending at the interim reporting date; and
- comparative information for the comparable 12-month period.

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IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

6. Discontinued operation[a]

IAS 34.16A(i)

In May 2015, the Group sold its entire Packaging segment (see Note 4). Management committed to a plan to sell this division early in 2015, following a strategic decision to place greater focus on the Group's key competencies – being the manufacture of paper used in the printing industry, forestry and the manufacture of timber products.

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

Reference	*In thousands of euro*	For the six months ended 30 June 2015	For the six months ended 30 June 2014
	a. Results of discontinued operation		
[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)
[IFRS 5.33(b)(ii)]	Income tax	**25**	44
	Results from operating activities, net of tax	**(137)**	(422)
[IFRS 5.33(b)(iii)]	Gain on sale of discontinued operation	**846**	-
[IFRS 5.33(b)(iv)]	Income tax on gain on sale of discontinued operation	**(330)**	-
[IFRS 5.33(a)]	**Profit (loss) for the period**	**379**	(422)
	Basic earnings per share (euro)	**0.12**	(0.14)
	Diluted earnings per share (euro)	**0.11**	(0.14)

[IFRS 5.33(d)]

The profit for the period from discontinued operation of €379 thousand (2014: loss of €422 thousand) was attributable entirely to the owners of the Company. Of the profit from continuing operations of €2,871 thousand (2014: €2,533 thousand), an amount of €2,412 thousand was attributable to the owners of the Company (2014: €2,022 thousand).

[IFRS 5.33(c), 34]

b. Cash flows from (used in) discontinued operation

In thousands of euro	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Net cash used in operating activities	**(225)**	(910)
Net cash from investing activities	**10,890**	-
Net cash flow for the period	**10,665**	(910)

[IAS 7.40(d)]

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

Reference	*In thousands of euro*	*Note*	2015
	Property, plant and equipment	13	**(7,986)**
	Inventories		**(134)**
	Trade and other receivables		**(3,955)**
[IAS 7.40(c)]	Cash and cash equivalents		**(110)**
	Deferred tax liabilities		**110**
	Trade and other payables		**1,921**
	Net assets and liabilities		**(10,154)**
[IAS 7.40(a)–(b)]	Consideration received in cash		**11,000**
	Cash and cash equivalents disposed of		**(110)**
	Net cash inflow		**10,890**

IAS 34.15C, 16A(i)

a. An entity discloses the effects of changes in its composition during an interim reporting period.

Although it is not specifically required by IAS 34, the Group has disclosed information that would be required by IFRS 5 in its annual financial statements. The appropriate level of disclosure may vary depending on the significance of the discontinued operation.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

IAS 34.15B(a)

7. Write-down of inventories[a]

During the six months ended 30 June 2015, the Group wrote down its finished goods inventory by €258 thousand. This related to paper bought for a specific customer who subsequently declared bankruptcy. The write-down is included in 'cost of sales' in the condensed consolidated statement of profit or loss and OCI. There were no inventory write-downs recognised during the six months ended 30 June 2014.

IAS 34.16A(c)

8. Earthquake-related expenses[b]

During the six months ended 30 June 2015, expenses of €359 thousand were incurred due to an earthquake near production facilities in [*country*]. The expenses relate to the survey of production facilities and the removal of damaged items. These are included in 'other expenses' in the condensed consolidated statement of profit or loss and OCI.

IAS 34.15B — a. This is an example of events and transactions for which, if they are significant, disclosures are required by IAS 34.

IAS 34.16A(c) — b. This is an example of disclosures about the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

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IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

9. Share-based payment arrangement[a]

a. Description of share-based payment arrangements

IAS 34.15

At 30 June 2015, the Group had the following share-based payment arrangements.

[IFRS 2.45(a)]

i. Share option programme (equity-settled)

On 1 January 2011 and 1 January 2014, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 January 2015, a further grant on similar terms was offered to key management and senior employees. Under these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at the grant date. Currently, these programmes are limited to key management personnel and other senior employees.

All options are to be settled by physical delivery of shares. The terms and conditions of the share option granted during the six months ended 30 June 2015 are as follows.

Grant date/employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Option grant to key management personnel on 1 January 2015	225	3 years' service from grant date and 5% increase in operating income in each of the 3 years	10 years
Option grant to senior employees on 1 January 2015	100	3 years' service from grant date	10 years

[IFRS 2.46–47(a)(i), IAS 1.125]

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model.

ii. Replacement awards (equity-settled)

In connection with the acquisition of Papyrus, the Group exchanged equity-settled share-based payment awards held by employees of Papyrus for 150,000 equity-settled share-based payment awards of the Group with a contractual life of nine years from the vesting date (see Note 19).

[IFRS 2.47(a)(i)]

The fair value of the replacement awards at grant date (business combination date of acquisition) was determined using the Black-Scholes model.

iii. Share purchase plan (equity-settled)

[IFRS 2.44–45(a)]

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

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 based on the Monte Carlo simulation. The discount has been determined by estimating the probability that the employee will stop saving based on historic behaviour. The adjusted fair value at grant date amounts to €4.02 per share.

IAS 34.15

a. Although it is not explicitly required by IAS 34, share-based payment transactions may be significant to an understanding of the current interim reporting period. The Group has provided details of share-based payment transactions in the period, even though the nature and amounts of those transactions are consistent with the most recent annual period. The appropriate level of disclosure for an interim reporting period may vary depending on the significance of the events and transactions to an understanding of the interim reporting period.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

9. Share-based payment arrangement (continued)

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

[IFRS 2.45(a)]

iv. Share appreciation rights (cash-settled)

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

[IFRS 2.47(a)(i)] The fair value of the SARs at grant date is determined using the Black-Scholes model. The fair value of the liability, classified as an employee benefit liability, is remeasured at each reporting date and at settlement date.

b. Measurement of grant date fair values

[IFRS 2.52] The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans.

	Share option programme				
	Key management personnel (see (a)(i))	Senior employees (see (a)(i))	Replacement awards (see (a)(ii))	Share purchase plan (see (a)(iii))	SARs (see (a)(iv))
Fair value at grant date	**€3.54**	**€3.14**	**€3.81**	**€4.02**	**€2.82**
Share price at grant date	**€10.10**	**€10.10**	**€10.30**	**€10.10**	**€10.10**
Exercise price	**€10.10**	**€10.10**	**€10.30**	**€8.08**	**€10.10**
Expected volatility (weighted-average volatility)	**40.1%**	**40.1%**	**42.4%**	**43.3%**	**43.3%**
Option life (expected weighted-average life)	**8.6 years**	**5.4 years**	**5.9 years**	**4.0 years**	**4.0 years**
Expected dividends	**3.2%**	**3.2%**	**3.2%**	**n/a**	**3.2%**
Risk-free interest rate (based on government bonds)	**3.9%**	**3.8%**	**3.9%**	**3.9%**	**4.4%**

[IFRS 2.47(a)]

Expected volatility is estimated taking into account historic average share price volatility.

10. Employee benefits[a]

IAS 34.15, 16A(d) As a result of a plan amendment in the pension arrangement for a number of employees in France, the Group's defined benefit pension obligation decreased by €100 thousand during the six months ended 30 June 2015 (six months ended 30 June 2014: nil). A negative past service cost of €100 thousand resulting from the plan amendment was included in 'administrative expenses' in the condensed consolidated statement of profit or loss and OCI for the six months ended 30 June 2015.

IAS 19.99, BC59, 34.B9

a. Determining whether there is a need to remeasure the net defined benefit liability (asset) for interim reporting purposes requires judgement. The Group has remeasured the net defined benefit liability during the interim reporting period due to a plan amendment, and has provided limited disclosure. The appropriate level of disclosure for an interim reporting period may vary depending on the materiality of the changes in the actuarial valuation.

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IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

IAS 34.15

11. Tax expense[a]

Tax expense is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2015 was 29% (six months ended 30 June 2014: 23%). The change in effective tax rate was caused mainly by the following factors.

- During the second quarter of 2015, a tax incentive granted in previous years in [*country*] was withdrawn and is not expected to be available in the future.
- On 31 March 2015, Papyrus, a former associate of the Group, became a subsidiary (see Note 19). The profit or loss from Papyrus had been presented as 'net of tax' under the equity method, while it operates in a tax jurisdiction with higher tax rates.
- During the six months ended 30 June 2015, the tax rate in [*country*], in which the Group generates 50% of its taxable income, increased by 3%. The effect of the change in tax rate was recognised immediately during the period.
- During the six months ended 30 June 2015, adjustments regarding transfer pricing at a subsidiary [*entity name*] caused an additional tax expense as a result of different tax rates between [*entity name*] and the Group. The Group recognised this obligation during the period.
- During the six months ended 30 June 2015, additional tax expenses were recognised. These expenses relate to tax assessments raised by tax authorities upon review of filed tax returns for open tax years in certain jurisdictions.

IAS 34.15

a. Although it is not explicitly required by IAS 34, this is an example of events and transactions for which disclosures are provided because these events and transactions are significant to an understanding of the current interim reporting period.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

12. Disposal group held for sale[a]

IAS 34.16A(i), [IFRS 5.38, 41]

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

As at 30 June 2015, the disposal group comprised assets of €12,891 thousand less liabilities of €3,650 thousand detailed as follows.

In thousands of euro	**Note**	
Property, plant and equipment	*13*	**8,756**
Inventories		**2,750**
Trade and other receivables		**1,385**
Trade and other payables		**(3,650)**
		9,241

IAS 34.15B(b)

An impairment loss of €25 thousand writing down the carrying amount of the disposal group to its fair value less costs to sell has been included in 'other expenses' in the condensed consolidated statement of profit or loss and OCI.[b]

IAS 34.16(i) a. An entity discloses the effects of changes in its composition during an interim reporting period. Although it is not specifically required by IAS 34, the Group has disclosed details of non-current assets and non-current liabilities held for sale that would be required in its annual financial statements. The appropriate level of disclosure may vary depending on the significance of the non-current assets and non-current liabilities held for sale. For example disclosures for the distribution of non-cash assets to owners, see Appendix V to our publication Guide to annual financial statements – Illustrative disclosures (September 2014).

IAS 34.15B b. This is an example of events and transactions for which, if they are significant, disclosures are required by IAS 34.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

13. Property, plant and equipment

IAS 34.15B(d)

a. Acquisitions and disposals[a]

During the six months ended 30 June 2015, the Group acquired assets with a cost of €12,156 thousand (six months ended 30 June 2014: €2,315 thousand). This amount excludes capitalised borrowing costs, but includes assets acquired through a business combination (see Note 19) of €1,955 thousand (six months ended 30 June 2014: nil). In addition, the Group acquired a piece of land with the intention of constructing a new factory on the site. The cost of acquisition was €1,100 thousand. The Group commenced construction of the new factory, and costs incurred up to the reporting date totalled €682 thousand.

Assets with a carrying amount of €7,986 thousand were disposed of as part of the discontinued operation (see Note 6). Other assets with a carrying amount of €1,151 thousand were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: €381 thousand), resulting in a gain on disposal of €26 thousand (six months ended 30 June 2014: gain of €25 thousand), which was included in 'other income' in the condensed consolidated statement of profit or loss and OCI. Assets with a carrying amount of €8,756 thousand were transferred to held for sale (see Note 12) (six months ended 30 June 2014: nil).

IAS 34.15B(b), 16A(d)

b. Reversal of impairment loss in relation to a new product[a]

[IAS 36.130(a)–(d)]

In 2014, regulatory restrictions on the manufacture of a new product in the standard paper segment caused the Group to assess the recoverable amount of the related production line.

The production line relates to a cutting-edge new product that was expected to be available for sale in 2015. However, a regulatory inspection in 2014 revealed that the product did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. As a result, production was deferred and the expected launch date was delayed.

[IAS 36.130(e)]

Accordingly, management estimated the recoverable amount of the CGU (the production line) in 2014. The recoverable amount was estimated based on its value in use, assuming that the production line would go live in August 2016. Based on the assessment in 2014, the carrying amount of the production line was determined to be higher than its recoverable amount of €1,083 thousand and an impairment loss of €1,408 thousand was recognised for the year ended 31 December 2014. €1,123 thousand of the loss related to property, plant and equipment and €285 thousand related to capitalised development costs (see Note 14).

[IAS 36.130(a)–(e)]

During the six months ended 30 June 2015, following certain changes to its plans, the Group reassessed its estimates. The recoverable amount was determined to be €1,576 thousand. As a result, €493 thousand of the initially recognised impairment has been reversed; of this amount, €393 thousand relates to property, plant and equipment and €100 thousand related to capitalized development costs.

[IAS 36.126(a)–(b)]

The impairment loss and subsequent reversal have been included in 'cost of sales' in the condensed consolidated statement of profit or loss and OCI.[b]

[IAS 36.130(g)]

The estimate of value in use was determined using a pre-tax discount rate of 9.5% (2014: 9.8%).

IAS 34.15B(b), 15C, 16A(d), B35–B36

a. IAS 34 requires disclosure of the nature and amount of changes in estimates. In addition, impairment losses and reversals of such impairment losses are examples of disclosures that, if they are significant, are required by IAS 34. Although it is not specifically required by IAS 34, the Group has disclosed information that would be required by IAS 36 *Impairment of Assets* in annual financial statements in respect of the indicator-based impairment testing carried out during the interim reporting period. The appropriate level of disclosures may vary depending on the circumstances of the individual entity.

IAS 36.126, Insights 3.10.430.20–30

b. If an entity classifies expenses based on their function, then any loss should be 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' as a separate line item if it is significant – e.g. impairment of goodwill – with additional information given in a note. In our view, an impairment loss that is recognised in interim financial statements should be presented in the same line item as in the annual financial statements, even if:

- the asset is subsequently sold; and
- the gain or loss on disposal is included in a line item that is different from impairment losses in the annual financial statements.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

13. Property, plant and equipment (continued)

IAS 34.15B(e)

c. Capital commitments

During the six months ended 30 June 2015, the Group entered into a contract to buy property, plant and equipment for €1,465 thousand (six months ended 30 June 2014 and year ended 31 December 2014: nil). Delivery is expected in March 2016.

14. Intangible assets and goodwill

a. Reversal of impairment loss in relation to a new product

IAS 34.15B(b), 16A(d), [IAS 36.126(a)–(b)]

As described in Note 13, the Group recognised an impairment loss of €285 thousand in respect of capitalised development costs related to the affected production line in the year ended 31 December 2014. During the six months ended 30 June 2015, €100 thousand of the loss was reversed.

b. Impairment loss in relation to timber products

IAS 34.15B(b), 16A(d)

Following a loss in the timber products segment during the six months ended 30 June 2015 (see Note 4), the Group assessed the recoverable amount of the group of CGUs that comprise that operating segment.

[IAS 36.130(e)]

The carrying amount of the CGU was determined to be higher than its recoverable amount of €960 thousand and an impairment loss of €116 thousand (six months ended 30 June 2014: nil) was recognised. The impairment loss was allocated fully to goodwill, reducing the goodwill included in the timber products segment to €960 thousand; and is included in 'cost of sales' in the condensed consolidated statement of profit or loss and OCI.

[IAS 36.134(c)]

The recoverable amount of the group of CGUs was based on value in use and was determined with the assistance of independent valuers.

[IAS 1.125, 36.134(d)]

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the units. Value in use as at 30 June 2015 was determined similarly to the 31 December 2014 goodwill impairment test, and was based on the following key assumptions.

- Cash flows were forecast based on past experience, actual operating results and the five-year business plan. Cash flows for a further 20-year period were extrapolated using a constant growth rate of 4% (2014: 5%), which does not exceed the long-term average growth rate for the industry. Management believe that this 25-year forecast period was justified due to the long-term nature of the forestry business.
- Revenue was forecast based on past experience in the first year of the business plan. The anticipated annual revenue growth included in the cash flow projections was 5% to 7% for the years 2015 to 2019.
- The timber price growth was forecast to be 1% per annum above inflation in the first five years, which is in line with information obtained from external sources. The estimate was based on statistical analysis of long-term market price trends. Prices were assumed to be in line with inflation for the next five years.
- Environmental cost growth, based on past experience, was estimated to be 25% in 2016 and in line with inflation thereafter. This represents an increase over the 20% estimate used in the impairment testing in 2014, and reflects various regulatory developments in a number of European countries in which the unit operates.
- A pre-tax discount rate of 10.5% (2014: 9.8%) was applied in determining the recoverable amount of the group of CGUs. The discount rate was estimated based on an industry average weighted-average cost of capital, which was based on a possible range of debt leveraging of 40% at a market interest rate of 7%.

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14. Intangible assets and goodwill (continued)

b. Impairment loss in relation to timber products (continued)

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

Following the impairment loss in the timber products CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse change in a key assumption may result in a further impairment.

Other CGUs were not tested for impairment because there were no impairment indicators at 30 June 2015.

IFRS 3.B67(d), IAS 34.16A(i)

c. Reconciliation of carrying amount of goodwill

In thousands of euro	***Note***	**30 June 2015**
Cost		
Balance at beginning of period		**3,545**
Acquisition through business combination	*19*	**541**
Balance at end of period		**4,086**
Impairment losses		
Balance at beginning of period		**138**
Impairment loss		**116**
Balance at end of period		**254**
Carrying amounts		
Balance at beginning of period		**3,407**
Balance at end of period		**3,832**

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

15. Capital and reserves

a. Issues of ordinary shares

IAS 34.16A(e)

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

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

8,000 ordinary shares were also issued as a result of the acquisition of Papyrus (see Note 19).

b. Dividends

IAS 34.16A(f)

The following dividends were declared and paid by the Company.

	For the six months ended 30 June	
In thousands of euro	**2015**	**2014**
25.25 cents per qualifying ordinary share (2014: 4.28 cents)	**805**	86
25.03 cents per non-redeemable preference share (2014: 25.03 cents)	**438**	438
	1,243	524

16. Loans and borrowings[a]

IAS 34.16A(e)

In thousands of euro	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Balance at 1 January 2015					**23,592**
New issues					
Convertible notes (see (a))	EUR	3.00%	2017	**5,000**	**4,596**
Redeemable preference shares (see (b))	EUR	4.40%*	2020	**2,000**	**1,939**
Unsecured bank loan assumed (see Note 19)	USD	3.80%	2015	**510**	**500**
Repayments					
Loan from associate	EUR	4.80%	-	**(1,000)**	**(1,000)**
Secured bank loan	GBP	LIBOR+1%	-	**(3,694)**	**(3,694)**
Unsecured bank loans	EUR	5.5%	-	**(117)**	**(117)**
Finance lease liabilities	EUR	6.5–7.0%	-	**(130)**	**(130)**
Other movements			-	**-**	**91**
Balance at 30 June 2015					**25,777**

* Dividend rate for redeemable preference shares.

IAS 34.16A(e)

a. Although IAS 34 only requires the disclosure of issues and repayments of debt securities, the Group has provided additional disclosure by reconciling the opening and closing balance of total loans and borrowings. The appropriate level of disclosure for an interim reporting period may vary depending on the significance of these transactions.

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16. Loans and borrowings (continued)

a. Convertible notes

In thousands of euro

Proceeds from issue of convertible notes (1,250,000 notes at €4 par value)	**5,000**
Transaction costs	**(250)**
Net proceeds	**4,750**
Amount classified as equity (net of transaction costs of €9 thousand)	**(163)**
Accrued interest	**9**
Carrying amount of liability at 30 June 2015	**4,596**

The notes are convertible into 250 thousand ordinary shares of the Group in June 2018 at the option of the holder, which is a rate of one share for every five convertible notes; unconverted notes become repayable on demand.

b. Redeemable preference shares

In thousands of euro

Proceeds from issue of redeemable preference shares	**2,000**
Transaction costs	**(61)**
Carrying amount at 30 June 2015	**1,939**

During the six months ended 30 June 2015, 1,000,000 redeemable preference shares were issued as fully paid with a par value of €2 per share (2014: nil). The redeemable preference shares do not carry the right to vote. The holders of the redeemable preference shares participate in the Company's residual assets only to the extent of the face value of the shares.

The redeemable preference shares are mandatorily redeemable at par on 31 May 2021. The Group is obliged to pay holders of redeemable preference shares annual dividends of 4.4% of the par amount on 31 May each year until and on maturity.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

17. Provisions

a. Restructuring

IAS 34.15B(c)

A provision of €600 thousand was recognised during the year ended 31 December 2014 in respect of the Group's committed restructuring of the manufacturing and distribution division of Paper Pabus Co. This was due to a decrease in demand as a result of deteriorating economic circumstances. The restructuring was completed during the six months ended 30 June 2015 at a cost of €500 thousand. The unused provision of €100 thousand was reversed, and has been included in 'cost of sales' in the condensed consolidated statement of profit or loss and OCI.

b. Site restoration

i. Romania

In accordance with Romanian law, the Group's subsidiary in Romania is required to restore contaminated land to its original condition before the end of 2018. During the six months ended 30 June 2015, the Group provided €500 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 currently available. The provision has been calculated using a discount rate of 5.9%, which is the risk-free rate in Romania. The rehabilitation is expected to occur progressively over the next four years.

ii. Acquisition of Papyrus

As part of the acquisition of Papyrus, the Group recognised provisional environmental provisions of €150 thousand, measured on a provisional basis (see Note 19).

c. Levies

The Group recognised a liability to pay environmental taxes imposed by legislation in full at the end of the tax year (31 March), when the obligating event in the legislation occurs. At 30 June 2015, no liability for environmental taxes has been recognised and a corresponding administrative expense of €30 thousand has been recognised in profit or loss for the six months ended 30 June 2015 (2014: €30 thousand).

IAS 34.8(e)

18. Financial instruments

a. Carrying amounts and fair values[a]

IFRS 7.25–26, 29–30, 13.93(a)–(b), 94, 97, 99, IAS 34.16A(j)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount						Fair value			
	Non-current assets		Current assets							
In thousands of euro	Trade and other receivables	Other investments, including derivatives	Trade and other receivables	Other investments, including derivatives	Cash and cash equivalents	Total	Level 1	Level 2	Level 3	Total
30 June 2015										
Financial assets measured at fair value										
Interest rate swaps used for hedging	**-**	**116**	**-**	**-**	**-**	**116**	**-**	**116**	**-**	**116**
Forward exchange contracts used for hedging	**-**	**-**	**-**	**227**	**-**	**227**	**-**	**227**	**-**	**227**
Other forward exchange contracts	**-**	**-**	**-**	**86**	**-**	**86**	**-**	**86**	**-**	**86**
Sovereign debt securities	**-**	**-**	**-**	**213**	**-**	**213**	**213**	**-**	**-**	**213**
Corporate debt securities	**-**	**118**	**-**	**-**	**-**	**118**	**78**	**40**	**-**	**118**
Equity securities	**-**	**961**	**-**	**-**	**-**	**961**	**961**	**-**	**-**	**961**
Financial assets not measured at fair value[b]										
Trade and other receivables*	**171**	**-**	**21,393**	**-**	**-**	**21,564**				
Cash and cash equivalents	**-**	**-**	**-**	**-**	**2,356**	**2,356**				
Corporate debt securities	**-**	**2,572**	**-**	**-**	**-**	**2,572**				**2,581**
	171	**3,767**	**21,393**	**526**	**2,356**	**28,213**				
31 December 2014										
Financial assets measured at fair value										
Interest rate swaps used for hedging	-	131	-	-	-	131	-	131	-	131
Forward exchange contracts used for hedging	-	-	-	375	-	375	-	375	-	375
Other forward exchange contracts	-	-	-	89	-	89	-	89	-	89
Sovereign debt securities	-	-	-	568	-	568	568	-	-	568
Corporate debt securities	-	373	-	-	-	373	373	-	-	373
Equity securities	-	765	-	-	-	765	540	-	225	765
Financial assets not measured at fair value[b]										
Trade and other receivables*	-	-	17,719	-	-	17,719				
Cash and cash equivalents	-	-	-	-	1,850	1,850				
Corporate debt securities	-	2,256	-	-	-	2,256				2,263
	-	3,525	17,719	1,032	1,850	24,126				

* Other receivables that are not financial assets (construction contracts in progress – 2015: €307 thousand, 2014: €280 thousand) are not included.

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

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

18. Financial instruments (continued)

a. Carrying amounts and fair values (continued)

	Carrying amount						Fair value			
	Non-current liabilities		Current liabilities							
In thousands of euro	Trade and other payables	Loans and borrowings	Bank overdraft	Trade and other payables	Loans and borrowings	Total	Level 1	Level 2	Level 3	Total
30 June 2015										
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	(20)	-	-	-	-	(20)	-	(20)	-	(20)
Forward exchange contracts used for hedging	-	-	-	(8)	-	(8)	-	(8)	-	(8)
Contingent consideration	(232)	-	-	-	-	(232)	-	-	(232)	(232)
Financial liabilities not measured at fair value[a]										
Bank overdrafts	-	-	(120)	-	-	(120)				
Secured bank loans	-	(7,108)	-	-	(481)	(7,589)				(8,325)
Unsecured bank loans	-	-	-	-	(501)	(501)				(502)
Unsecured bond issues	-	(5,948)	-	-	(3,064)	(9,012)				(9,491)
Convertible notes – liability component	-	(4,596)	-	-	-	(4,596)				(4,592)
Redeemable preference shares	-	(1,939)	-	-	-	(1,939)				(1,936)
Dividends payable on redeemable shares	-	-	-	-	(20)	(20)				
Finance lease liabilities	-	(1,773)	-	-	(347)	(2,120)				(1,976)
Trade and other payables	-	-	-	(20,421)	-	(20,421)				
	(252)	(21,364)	(120)	(20,429)	(4,413)	(46,578)				
31 December 2014										
Financial liabilities measured at fair value										
Interest rate swaps used for hedging	(5)	-	-	-	-	(5)	-	(5)	-	(5)
Forward exchange contracts used for hedging	-	-	-	(7)	-	(7)	-	(7)	-	(7)
Financial liabilities not measured at fair value[a]										
Bank overdrafts	-	-	(282)	-	-	(282)				
Secured bank loans	-	(8,093)	-	-	(3,000)	(11,093)				(12,113)
Unsecured bank loans	-	-	-	-	(117)	(117)				(118)
Unsecured bond issues	-	(9,200)	-	-	-	(9,200)				(9,612)
Loan from associate	-	-	-	-	(1,000)	(1,000)				
Finance lease liabilities	-	(1,913)	-	-	(269)	(2,182)				(2,016)
Trade and other payables	-	-	-	(21,806)	-	(21,806)				
	(5)	(19,206)	(282)	(21,813)	(4,386)	(45,692)				

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

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

18. Financial instruments (continued)

b. Measurement of fair values

i. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values at 30 June 2015 and 31 December 2014, as well as the significant unobservable inputs used.

IFRS 13.91(a), 92, 93(d), (h)(i), 99, IAS 34.16A(j)

Financial instruments measured at fair value

IFRS 3.B67(b)(iii)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	• Forecast annual revenue growth rate (2015: 3–8%, 2014: 4–10%). • Forecast EBITDA margin (2015: 8%, 2014: 9%). • Risk-adjusted discount rate (2015: 5.5%, 2014: 6.5%).	The estimated fair value would increase (decrease) if: • the annual revenue growth rate were higher (lower); • the EBITDA margin were higher (lower); or • the risk-adjusted discount rate were lower (higher). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.
Equity securities	*Market comparison technique:* The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities.	• Forecast annual revenue growth rate (2015: 2–6%, 2014: 3–6%). • Forecast EBITDA margin (2015: 4%, 2014: 4.5%). • Adjusted market multiple (2015: 4–6, 2014: 4–7%).	The estimated fair value would increase (decrease) if: • the annual revenue growth rate were higher (lower); • the EBITDA margin were higher (lower); or • the adjusted market multiple were higher (lower). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.
Corporate debt securities/ Forward exchange contracts and interest rate swaps	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.	Not applicable.

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Notes to the condensed consolidated interim financial statements (continued)

18. Financial instruments (continued)

b. Measurement of fair values (continued)

ii. Transfers between Levels 1 and 2

IFRS 13.93(c), IAS 34.15B(k), 16A(j)

At 30 June 2015, available-for-sale corporate debt securities with a carrying amount of €40 thousand were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities were no longer regularly available. To determine the fair value of such debt securities, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers from Level 2 to Level 1 during the six months ended 30 June 2015 and no transfers in either direction during the six months ended 30 June 2014.

iii. Level 3 fair values

Reconciliation of Level 3 fair values

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

	In thousands of euro	*Note*	Equity securities – available-for-sale	Contingent consideration
	Balance at 1 January 2014		-	-
IFRS 13.93(e)(ii), IAS 34.16A(j)	**Gain included in OCI**			
	– Net change in fair value (unrealised)		6	-
IFRS 13.93(e)(iii), IAS 34.16A(j)	Purchases		212	-
	Balance at 30 June 2014		218	-
IFRS 13.93(e)(iii), IAS 34.16A(j)	Balance at 1 January 2015		**225**	**-**
	Assumed in a business combination	19	**-**	**(250)**
IFRS 13.91(b), 92, 93(e)(i), (f), IAS 34.16A(j)	**Gain included in 'finance income'**			
	– Net change in fair value (unrealised)		**-**	**18**
IFRS 13.91(b), 92, 93(e)(ii), IAS 34.16A(j)	**Gain included in OCI**			
	– Net change in fair value (unrealised)		**18**	**-**
IFRS 13.93(e)(iv)	Transfers out of Level 3		**(243)**	**-**
	Balance at 30 June 2015		**-**	**(232)**

IFRS 13.93(e)(iv), IAS 34.15B(k)

Transfer out of Level 3

The Group holds an investment in equity shares of MSE Limited, which is classified as available-for-sale, with a fair value of €243 thousand at 30 June 2015. The fair value of the investment was previously categorised as Level 3 at 31 December 2014 (for information on the valuation technique, see (i) above). This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares.

During the six months ended 30 June 2015, MSE Limited listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at 30 June 2015.

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18. Financial instruments (continued)

b. Measurement of fair values (continued)

iii. Level 3 fair values (continued)

IFRS 13.93(h)(ii)

Sensitivity analysis

For the fair values of contingent consideration and equity securities – available-for-sale, reasonably possible changes at 30 June 2015 and 31 December 2014 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Contingent consideration

	Profit or loss	
Effect in thousands of euro	**Increase**	**Decrease**
30 June 2015		
Annual revenue growth rate (0.5% movement)	**(80)**	**78**
EBITDA margin (0.3% movement)	**(60)**	**59**
Risk-adjusted discount rate (1% movement)	**(90)**	**85**

Equity securities – Available-for-sale

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

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

IAS 34.16A(i)

19. Acquisition of subsidiary[a]

IFRS 3.B64(a)–(c)

On 31 March 2015, the Group acquired 65% of the shares and voting interests in Papyrus. As a result, the Group's equity interest in Papyrus increased from 25 to 90%, obtaining control of Papyrus.

IFRS 3.B64(d)

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

IFRS 3.B64(q)

In the three months to 30 June 2015, Papyrus contributed revenue of €4,500 thousand and profit of €90 thousand to the Group's results. If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been €58,480 thousand, and consolidated profit for the period would have been €3,427 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

a. Consideration transferred

IFRS 3.B64(f)

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

[IAS 7.40(a)–(b)]

In thousands of euro	*Note*	
Cash		**2,500**
Equity instruments (8,000 ordinary shares)	*15*	**87**
Replacement share-based payment awards	*9*	**120**
Contingent consideration	*18*	**250**
Settlement of pre-existing relationship		**(326)**
Total consideration transferred		**2,631**

i. Equity instruments issued

IFRS 3.B64(f)(iv)

The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2015 of €10.88 per share.

ii. Replacement share-based payment awards

IFRS 3.B64(l)

In accordance with the terms of the acquisition agreement, the Group exchanged equity-settled share-based payment awards held by employees of Papyrus (the acquiree's awards) for equity-settled share-based payment awards of the Company (the replacement awards). The details of the acquiree's awards and replacement awards are as follows.

	Acquiree's awards	**Replacement awards**
Terms and conditions	Grant date 1 April 2014 Vesting date 31 March 2018 Service condition	Vesting date 31 March 2018 Service condition
Market-based measure at date of acquisition	€527 thousand	€571 thousand

IFRS 3.59, 61, 63, IAS 34.16A(i)

a. An entity discloses the effects of changes in its composition as a result of business combinations during an interim reporting period by providing information required by IFRS 3 *Business Combinations*.

If the specific disclosures under the requirements of IFRS 3 and other standards are not sufficient to enable evaluation of 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 additional information necessary to meet these objectives is disclosed.

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19. Acquisition of subsidiary (continued)

a. Consideration transferred (continued)

ii. Replacement share-based payment awards (continued)

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

iii. Contingent consideration

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

The Group has agreed to pay the selling shareholders in three years' time additional consideration of €600 thousand if acquiree's cumulative EBITDA over the next three years exceeds €10,000 thousand. The Group has included €250 thousand as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition based on a discount rate of 11%. At 30 June 2015, the contingent consideration had decreased to €232 thousand (see Note 18).

iv. Settlement of pre-existing relationship

IFRS 3.B64(l)

The Group and Papyrus were parties to a long-term supply contract under which Papyrus supplied the Group with timber at a fixed price. Under the contact, the Group could terminate the agreement early by paying Papyrus €326 thousand. This pre-existing relationship was effectively terminated when the Group acquired Papyrus.

The Group has attributed €326 thousand of the consideration transferred to the extinguishment of the supply contract, and has included the amount in 'other expenses' in the condensed consolidated statement of profit or loss and OCI. This amount is the lower of the termination amount and the value of the off-market element of the contract. The fair value of the agreement at the date of acquisition was €600 thousand, of which €400 thousand related to the unfavourable aspect of the contract to the Group relative to market prices.

b. Acquisition-related costs

IFRS 3.B64(m)

The Group incurred acquisition-related costs of €50 thousand relating to external legal fees and due diligence costs. These costs have been included in 'administrative expenses' in the condensed consolidated statement of profit or loss and OCI.

c. Identifiable assets acquired and liabilities assumed

IFRS 3.B64(i), [IAS 7.40(c)–(d)]

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

In thousands of euro	**Note**	
Property, plant and equipment	*13*	**1,955**
Intangible assets		**250**
Inventories		**825**
Trade and other receivables (IFRS 3.B64(h))		**848**
Cash and cash equivalents ([IAS 7.40(c)])		**375**
Loans and borrowings	*16*	**(500)**
Deferred tax liabilities		**(79)**
Contingent liabilities		**(20)**
Site restoration provision	*17*	**(150)**
Trade and other payables		**(460)**
Total identifiable net assets acquired		**3,044**

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

19. Acquisition of subsidiary (continued)

c. Identifiable assets acquired and liabilities assumed (continued)

IFRS 3.B64(h)(ii)–(iii)

Trade and other receivables comprised gross contractual amounts due of €900 thousand, of which €52 thousand was expected to be uncollectible at the date of acquisition.

Fair values measured on a provisional basis

IFRS 3.B67(a)(i)–(ii)

The following fair values have been determined on a provisional basis.

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

IFRS 3.B64(j), B67(c), [IAS 37.85]

- Papyrus's contingent liability relates to a claim for contractual penalties made by one of Papyrus's customers. Although the Group acknowledges responsibility, it disputes the amount claimed by the customer of €100 thousand. The claim is expected to go to arbitration in April 2016. The recognised fair value of €20 thousand is based on the Group's interpretation of the underlying contract, taking into account the range of possible outcomes of the arbitration process, and is supported by independent legal advice.
- Papyrus's operations are subject to specific environmental regulations. The Group had conducted a preliminary assessment of the site restoration provisions arising from these regulations and has recognised a provisional amount. The Group will continue to review these matters during the measurement period.

d. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

In thousands of euro		*Note*	
	Total consideration transferred		**2,631**
IFRS 3.B64(o)(i)	NCI, based on their proportionate interest in the recognised amounts of the asset and liabilities of Papyrus		**304**
IFRS 3.B64(p)(i)	Fair value of existing interest in Papyrus		**650**
	Fair value of identifiable net assets		**(3,044)**
	Goodwill	14	**541**

IFRS 3.B64(p)(ii)

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

IFRS 3.B64(e), (k)

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

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IAS 34.8(e)

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IAS 34.16A(i)

20. Acquisition of NCI

In June 2015, the Group acquired an additional 15% interest in Swissolote AG for €200 thousand in cash, increasing its ownership from 60% to 75%. The Group recognised:

- a decrease in NCI of €115 thousand;
- a decrease in retained earnings of €93 thousand; and
- an increase in the translation reserve of €8 thousand.

The carrying amount of Swissolote's net assets in the Group's financial statements on the date of the acquisition was €767 thousand.

[IFRS 12.18]

The following table summarises the effect of changes in the Company's ownership interest in Swissolote.

In thousands of euro

Company's ownership interest at 1 January	**392**
Effect of increase in Company's ownership interest	**115**
Share of comprehensive income	**290**
Company's ownership interest at 30 June 2015	**797**

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

21. Contingencies[a]

IAS 34.15B(m)

Since 2011, a subsidiary has been defending an action brought by an environmental agency in Europe. The Group initially recognised a provision of €100 thousand in relation to this action because it appeared probable that settlement of the obligation would be enforced by law. However, in July 2015 the Group successfully defended the claim and has derecognised the provision in the current period. The counterparty will appeal the claim and if the appeal is successful, then fines and legal costs could amount to €450 thousand, of which €350 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.

IAS 34.15B

a. This is an example of events and transactions for which, if they are significant, disclosures are required by IAS 34.

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IAS 34.8(e)

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IAS 34.15B(j)

22. Related parties[a, b, c]

a. Parent and ultimate controlling party

During the six months ended 30 June 2015, a majority of the Company's shares were acquired by Cameron Paper Co from Brown Products Corporation. As a result, the new ultimate controlling party of the Group is AJ Pennypacker.

b. Transactions with key management personnel

i. Loans to directors

Unsecured loans advanced to directors during the six months ended 30 June 2015 were €65 thousand (six months ended 30 June 2014: €35 thousand). No interest is payable by the directors, and the loans are repayable in full 12 months after the issue date. As at 30 June 2015, the balance outstanding was €15 thousand (six months ended 30 June 2014: €8 thousand) and is included in 'trade and other receivables'.

[IAS 19.171, 24.17(d)]

ii. Key management personnel compensation[a]

As a result of the termination of the employment of one of the Group's executives in France, the executive received an enhanced retirement entitlement. Accordingly, the Group has recognised an expense of €25 thousand for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

[IAS 24.18]

c. Other related party transactions

	Transactions for the six months ended		Balance outstanding	
In thousands of euro	**30 June 2015**	**30 June 2014**	**30 June 2015**	**31 December 2014**
Sale of goods and service				
Parent of the Group – Cameron Paper Co (2014: Brown Products Corporation)	**128**	165	**110**	150
Joint venture	**328**	67	**156**	121
Associate	**208**	71	**157**	119
Purchase of goods				
Joint venture	**518**	416	**-**	-
Others				
Associate – Loan and related interest	**2**	3	**-**	1,000

During the six months ended 30 June 2015, the Group repaid a loan of €1,000 thousand received from one of its associates (see Note 16).

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

23. Subsequent event

IAS 34.16A(h)

On 22 July 2015, the Group announced its intention to acquire all of the shares of ABC Company for €6,500 thousand. The transaction still has to be approved by the Group's shareholders and by regulatory authorities. Approvals are not expected until late in 2015 or early in 2016.

IAS 34.15B(j), Insights 5.9.60.50

a. In respect of related party transactions, care should be taken in determining the level of disclosure that is necessary in the condensed interim financial statements. If related party transactions are significant, then disclosure may be necessary, even though the nature and amounts of those transactions are consistent with previous periods.

b. For example disclosures for government-related entities that apply the exemption in paragraph 25 of IAS 24 *Related Party Disclosures*, see Appendix VI to our publication Guide to annual financial statements – Illustrative disclosures (September 2014).

IAS 24(b)(viii)

c. The entity, or any member of the group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity is a related party to a reporting entity.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

24. Significant accounting policies

IAS 34.16A(a)

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2014.

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Appendix I

New standards or amendments for 2015 and forthcoming requirements

Since the April 2014 edition of this guide, a number of standards, amendments and interpretations have been issued. This Appendix lists those new requirements that have been issued by IASB as at 15 March 2015, and it contains two tables, as follows.

- **New currently effective requirements:** This table lists the recent changes to IFRS that are required to be applied by an entity with an annual reporting period beginning on 1 January 2015.
- **Forthcoming requirements:** This table lists the recent changes to IFRS that are required to be applied for an annual period beginning after 1 January 2015 and that are available for early adoption in annual periods beginning on 1 January 2015. These requirements are not included in this guide.

The tables include further KPMG guidance, as appropriate.

New currently effective requirements

Effective date	New amendments or interpretations	KPMG guidance
1 July 2014	*Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*	In the Headlines – Issue 2013/20
	Annual Improvements to IFRSs 2010–2012 Cycle – various standards	IFRS Newsletter: The Balancing Items – Issue 6
	Annual Improvements to IFRSs 2011–2013 Cycle – various standards	IFRS Newsletter: The Balancing Items – Issue 6

Forthcoming requirements

Effective date	New standards or amendments	KPMG guidance
1 January 2016	IFRS 14 *Regulatory Deferral Accounts*	In the Headlines – Issue 2014/01
	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	In the Headlines – Issue 2014/07
	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	In the Headlines – Issue 2014/08
	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	In the Headlines – Issue 2014/12
	Equity Method in Separate Financial Statements (Amendments to IAS 27)	In the Headlines – Issue 2014/14
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	In the Headlines – Issue 2014/17
	Annual Improvements to IFRSs 2012–2014 Cycle – various standards	IFRS Newsletter: The Balancing Items – Issue 7
	Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	IFRS Breaking News
	Disclosure Initiative (Amendments to IAS 1)	IFRS Breaking News
1 January 2017	IFRS 15 *Revenue from Contracts with Customers*	In the Headlines – Issue 2014/09
1 January 2018	IFRS 9 *Financial Instruments*	*Insights into IFRS* (Chapter 7A), In the Headlines – Issue 2014/13, In the Headlines – Issue 2013/19

Appendix II

Presentation of comprehensive income – Two-statement approach

Condensed consolidated statement of profit or loss[a]

IAS 34.8(b), 8A, 10, 20(b)

In thousands of euro	Note	For the six months ended 30 June 2015	2014 Restated*
Continuing operations			
Revenue		**52,536**	51,593
Cost of sales	*7, 13, 14, 17*	**(31,460)**	(31,920)
Gross profit		**21,076**	19,673
Other income	*13*	**620**	190
Selling and distribution expenses		**(7,698)**	(7,498)
Administrative expenses	*10, 17, 19*	**(8,474)**	(8,358)
Research and development expenses		**(605)**	(349)
Other expenses	*8, 12, 19*	**(710)**	-
Operating profit		**4,209**	3,658
Finance income	*18, 19*	**456**	345
Finance costs		**(880)**	(1,004)
Net finance costs		**(424)**	(659)
Share of profit of equity-accounted investees, net of tax		**233**	278
Profit before tax	*4*	**4,018**	3,277
Income tax expense	*11*	**(1,147)**	(744)
Profit from continuing operations		**2,871**	2,533
Discontinued operation			
Profit (loss) from discontinued operation, net of tax	*6*	**379**	(422)
Profit for the period		**3,250**	2,111
Profit attributable to:			
Owners of the Company		**3,053**	2,023
Non-controlling interests		**197**	88
		3,250	2,111
Earnings per share			
Basic earnings per share (euro) *(IAS 34.11A)*		**0.84**	0.52
Diluted earnings per share (euro) *(IAS 34.11A)*		**0.80**	0.51
Earnings per share – Continuing operations			
Basic earnings per share (euro)		**0.72**	0.66
Diluted earnings per share (euro)		**0.69**	0.65

* See Note 6.

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

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Condensed consolidated statement of profit or loss and OCI

In thousands of euro	For the six months ended 30 June 2015	 2014 Restated*
Profit for the period	**3,250**	2,111
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Revaluation of property, plant and equipment	**200**	-
Remeasurements of the defined benefit liability (asset)	**72**	(15)
Related tax	**(90)**	5
	182	(10)
Items that are or may be reclassified subsequently to profit or loss		
Foreign operations – foreign currency translation differences	**437**	330
Equity-accounted investees – share of other comprehensive income	**10**	-
Reclassification of foreign currency differences on loss of significant influence	**20**	-
Net investment hedge – net loss	**(3)**	(8)
Cash flow hedges – effective portion of changes in fair value	**(93)**	97
Cash flow hedges – reclassified to profit or loss	**(17)**	(11)
Available-for-sale financial assets – net change in fair value	**199**	74
Available-for-sale financial assets – reclassified to profit or loss	**(47)**	-
Related tax	**(14)**	(53)
	492	429
Other comprehensive income for the period, net of tax	**674**	419
Total comprehensive income for the period	**3,924**	2,530
Total comprehensive income attributable to:		
Owners of the Company	**3,703**	2,396
Non-controlling interests	**221**	134
	3,924	2,530

* See Note 6.

Appendix III

Condensed consolidated statement of profit or loss and OCI – Quarterly reporter[a]

IAS 34.20(b)

In thousands of euro	*Note*	For the three months ended 30 June 2015	For the three months ended 30 June 2014 Restated*	For the six months ended 30 June 2015	For the six months ended 30 June 2014 Restated*
Continuing operations					
Revenue		**27,826**	26,425	**52,536**	51,593
Cost of sales	*7, 13, 14, 17*	**(15,405)**	(16,118)	**(31,460)**	(31,920)
Gross profit		**12,421**	10,307	**21,076**	19,673
Other income	*13*	**370**	101	**620**	190
Selling and distribution expenses		**(4,337)**	(3,802)	**(7,698)**	(7,498)
Administrative expenses	*10, 17, 19*	**(5,508)**	(4,098)	**(8,474)**	(8,358)
Research and development expenses		**(260)**	(155)	**(605)**	(349)
Other expenses	*8, 12, 19*	**(384)**	-	**(710)**	-
Operating profit		**2,302**	2,353	**4,209**	3,658
Finance income	*18, 19*	**212**	129	**456**	345
Finance costs		**(496)**	(622)	**(880)**	(1,004)
Net finance costs		**(284)**	(493)	**(424)**	(659)
Share of profit of equity-accounted investees, net of tax		**112**	155	**233**	278
Profit before tax	*4*	**2,130**	2,015	**4,018**	3,277
Income tax expense	*11*	**(596)**	(487)	**(1,147)**	(744)
Profit from continuing operations		**1,534**	1,528	**2,871**	2,533
Discontinued operation					
Profit (loss) from discontinued operation, net of tax	*6*	**481**	(220)	**379**	(422)
Profit for the period		**2,015**	1,308	**3,250**	2,111

* See Note 6.

IAS 34.20

a. This Appendix illustrates a condensed consolidated statement of profit or loss and OCI for an entity that publishes quarterly financial statements. The statement of financial position, statement of changes in equity and statement of cash flows for a quarterly interim reporter will be the same as those illustrated for the example entity that publishes a half-year interim report only.

Condensed consolidated statement of profit or loss and OCI – Quarterly reporter (continued)

IAS 34.20(b)

In thousands of euro	For the three months ended 30 June 2015	For the three months ended 30 June 2014 Restated*	For the six months ended 30 June 2015	For the six months ended 30 June 2014 Restated*
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Revaluation of property, plant and equipment	**75**	-	**200**	-
Remeasurements of the defined benefit liability (asset)	**72**	(15)	**72**	(15)
Related tax	**(49)**	5	**(90)**	5
	98	(10)	**182**	(10)
Items that are or may be reclassified subsequently to profit or loss				
Foreign operations – foreign currency translation differences	**245**	153	**437**	330
Equity-accounted investees – share of other comprehensive income	**10**	-	**10**	-
Reclassification of foreign currency differences on loss of significant influence	**-**	-	**20**	-
Net investment hedge – net loss	**(3)**	(5)	**(3)**	(8)
Cash flow hedges – effective portion of changes in fair value	**(72)**	32	**(93)**	97
Cash flow hedges – reclassified to profit or loss	**(5)**	(11)	**(17)**	(11)
Available-for-sale financial assets – net change in fair value	**89**	32	**199**	74
Available-for-sale financial assets – reclassified to profit or loss	**(23)**	-	**(47)**	-
Related tax	**2**	(26)	**(14)**	(53)
	243	175	**492**	429
Other comprehensive income for the period, net of tax	**341**	165	**674**	419
Total comprehensive income for the period	**2,356**	1,473	**3,924**	2,530

* See Note 6.

Condensed consolidated statement of profit or loss and OCI – Quarterly reporter (continued)

IAS 34.20(b)

In thousands of euro	For the three months ended 30 June 2015	For the three months ended 30 June 2014 Restated*	For the six months ended 30 June 2015	For the six months ended 30 June 2014 Restated*
Profit attributable to:				
Owners of the Company	**1,895**	1,253	**3,053**	2,023
Non-controlling interests	**120**	55	**197**	88
	2,015	1,308	**3,250**	2,111
Total comprehensive income attributable to:				
Owners of the Company	**2,214**	1,394	**3,703**	2,396
Non-controlling interests	**142**	79	**221**	134
	2,356	1,473	**3,924**	2,530
Earnings per share				
IAS 34.11 Basic earnings per share (euro)	**0.51**	0.32	**0.84**	0.52
IAS 34.11 Diluted earnings per share (euro)	**0.49**	0.32	**0.80**	0.51
Earnings per share – Continuing operations				
Basic earnings per share (euro)	**0.43**	0.41	**0.72**	0.66
Diluted earnings per share (euro)	**0.41**	0.40	**0.69**	0.65

* See Note 6.

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