



Illustrative disclosures

Guide to condensed interim financial statements

IFRS®



March 2016

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About this guide

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

The guide is intended to help preparers in the preparation and presentation of condensed consolidated interim financial statements in accordance with IAS 34 *Interim Financial Reporting* by illustrating one possible format for financial statements for a fictitious multinational corporation involved in general business activities. This 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 12th edition 2015/16 of our publication [Insights into IFRS](#).

Content

This guide assumes that the hypothetical reporting 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 financial statements;
- 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 2016 and that are required to be applied by an entity with an annual reporting period beginning on 1 January 2016 ('currently effective requirements'). The early adoption of standards that are effective for annual periods beginning after 1 January 2016 ('forthcoming requirements') has not been illustrated. Standards other than IAS 34 are not illustrated in this guide, except in the context of disclosures in the notes to the 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 other relevant interpretative guidance.

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

What's new in 2016?

[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 2016, and those with a later effective date.

As part of the *Annual Improvements to IFRSs 2012–2014 Cycle*, issued in September 2014, paragraph 16A of IAS 34 has been amended to clarify that certain disclosures, if they are not included in the notes to the interim financial statements, may be disclosed "elsewhere in the interim financial report" – i.e. incorporated by cross-reference from the interim financial statements to

another statement (e.g. 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. This amendment applies retrospectively for annual periods beginning on or after 1 January 2016.

For illustrative purposes, this guide presents relevant required disclosures within the illustrative interim financial statements and does not illustrate incorporation by cross-reference. This guide does not include illustrative examples for other statements.

Other 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 IAS 34. Although it is not exhaustive, it illustrates the disclosures required by IAS 34 for one hypothetical corporation, largely without regard to materiality.

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

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 interim period financial information, not 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 on the interim reporting date and its financial performance during the interim period.

An entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material information that is different by nature or function. Individual disclosures that are not material to the financial statements do not have to be presented – even if they are a minimum requirement of a standard. The preparer should determine the appropriate level of disclosure based on materiality for the interim period.

Step-up in the quality of financial statements

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

References and abbreviations

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

<i>IAS 34.15</i>	Paragraph 15 of IAS 34.
<i>[IFRS 2.45]</i>	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.
<i>Insights 2.3.60.10</i>	Paragraph 2.3.60.10 of the 12 th edition 2015/16 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
IU	IFRIC (now the IFRS Interpretations Committee) Update, a newsletter
NCI	Non-controlling interests
Notes	Notes to the condensed interim financial statements
OCI	Other comprehensive income

[Name of the Company]

Independent auditors' report on
review of condensed interim
financial statements

Independent auditors' report on review of condensed interim financial statements^a

[Addressee]

[Name]

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of *[name of the Company]* as at 30 June 2016, 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 statements ('the condensed consolidated interim financial statements'). Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements 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 statements 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 statements as at 30 June 2016 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 2016

Condensed consolidated statement of financial position^{a, b}

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

<i>In thousands of euro</i>	<i>Note</i>	30 June 2016	31 December 2015
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	12	12,891	-
Current assets		49,634	34,568
Total assets		96,790	86,824

IIFRS 5.38, 40

Condensed consolidated statement of financial position (continued)

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

<i>In thousands of euro</i>	Note	30 June 2016	31 December 2015
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	862
Provisions	17	1,100	400
Deferred tax liabilities		2,587	1,567
Non-current liabilities		27,081	22,881
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	768
Provisions	17	150	1,200
Liabilities held for sale ^c	12	3,650	-
Current liabilities		29,123	28,449
Total liabilities		56,204	51,330
Total equity and liabilities		96,790	86,824

The notes on pages 16 to 44 are an integral part of these condensed consolidated interim financial statements.

IFRS 5.38, 40

IAS 1.BC33, 34.8,
16A(a), 20(a),
Insights 5.9.30.22IFRS 5.30, IAS 34.10,
Insights 5.9.40.20IFRS 5.38, IAS 1.66,
69, Insights 5.4.110.30

- a. When the interim financial statements are unaudited, this fact may, in practice, be disclosed. This may also be a requirement in some jurisdictions.
- 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 in accounting policy or correction of a material prior-period error.
- 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.

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.

Condensed consolidated statement of profit or loss and OCI^a

For the six months ended 30 June

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

<i>In thousands of euro</i>	<i>Note</i>	2016	2015 Restated ^b
Continuing operations			
Revenue	4	52,536	51,593
Cost of sales	7, 13, 17	(31,344)	(31,920)
Gross profit		21,192	19,673
Other income	8, 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, 14, 19	(826)	-
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	13	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)

For the six months ended 30 June

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

* See Note 6.

The notes on pages 16 to 44 are an integral part of these condensed consolidated interim financial statements.

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

IAS 34.11

IAS 34.11

IAS 1.99, 34.8(b), 8A, 10, 20(b)

Insights 2.8.50.110

IFRS 5.30, IAS 34.10, 15, 15C, Insights 5.9.40.20

IAS 1.91, 34.10

IAS 1.94, 34.10

Insights 5.9.50.10

- 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.
- 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.
- 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*.
- d. Alternatively, individual components of OCI may be presented net of related tax effects.
- e. Alternatively, reclassification adjustments may be presented in the notes.
- 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.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2016

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

		Attributable to owners of the Company												
<i>In thousands of euro</i>		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	
	Note													
Balance at 1 January 2016		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 2016		14,979	4,777	591	416	198	134	(269)	109	16,132	37,067	3,519	40,586	

Condensed consolidated statement of changes in equity (continued)

For the six months ended 30 June 2015

In thousands of euro	Note	Attributable to owners of the Company										Total	Non-controlling interests	Total equity
		Share capital	Share premium	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Reserve for own shares	Convertible notes (equity component)	Retained earnings				
Balance at 1 January 2015		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		-	-	-	-	-	-	-	-	2,023	2,023	88	2,111	
Other comprehensive income		-	-	248	73	62	-	-	-	(10)	373	46	419	
Total comprehensive income for the period		-	-	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 2015		14,550	3,500	119	507	79	-	-	-	10,143	28,898	2,854	31,752	

The notes on pages 16 to 44 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.

Condensed consolidated statement of cash flows

For the six months ended 30 June

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

In thousands of euro

Note

2016

2015

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)
Taxes paid		(200)	(950)
Net cash from operating activities		1,294	5,498

[IAS 7.35]

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)

Condensed consolidated statement of cash flows (continued)

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

In thousands of euro	For the six months ended 30 June		
	Note	2016	2015
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 44 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 2015).

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 2016 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}

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2015 ('last annual financial statements'). They do not include all of 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 financial statements.

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

3. Use of judgements and estimates

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.

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 2015.^d

a. Measurement of fair values

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 these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

IAS 34.10, 15, 19

IAS 34.41

IAS 34.16A(d), 28

IAS 34.16A(j),
IFRS 13.93(g)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. Even if management concludes that there were no material uncertainties but the conclusion involved significant judgements, an entity discloses these judgements under paragraph 122 of IAS 1 *Presentation of Financial Statements*.

For example disclosures for entities that require going concern disclosures, see Appendix IV to our publication [Guide to annual financial statements – Illustrative disclosures](#) (September 2015).

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.

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.

IFRS 13.95,
IAS 34.16A(j)

Notes to the condensed consolidated interim financial statements (continued)

IAS 34.8(e)

4. Operating segments**a. Information about reportable segments^a**

	Reportable segments														All other segments		
	Standard Papers		Recycled Papers		Packaging (Discontinued)** ^b		Forestry		Timber Products		Research and Development		Total reportable segments				
	30 June 2016	30 June 2015 Restated*	30 June 2016	30 June 2015 Restated*	30 June 2016	30 June 2015 Restated*	30 June 2016	30 June 2015 Restated*	30 June 2016	30 June 2015 Restated*	30 June 2016	30 June 2015 Restated*	30 June 2016	30 June 2015 Restated*			
<i>In thousands of euro</i>																	
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	

	Reportable segments														All other segments	
	Standard Papers		Recycled Papers		Packaging (Discontinued)** ^b		Forestry		Timber Products		Research and Development		Total reportable segments			
	30 June 2016	31 December 2015 Restated*	30 June 2016	31 December 2015 Restated*	30 June 2016	31 December 2015 Restated*	30 June 2016	31 December 2015 Restated*	30 June 2016	31 December 2015 Restated*	30 June 2016	31 December 2015 Restated*	30 June 2016	31 December 2015 Restated*		
<i>In thousands of euro</i>																
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 2016 (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 2015 and as at 31 December 2015.

** 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)

IAS 34.16A(g)(vi)

4. Operating segments (continued)

b. Reconciliation of reportable segment profit or loss

<i>In thousands of euro</i>	For the six months ended 30 June	
	2016	2015
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 geographic 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 2016, the Forestry segment reported revenue of €6,486 thousand (12 months ended 30 June 2015: €6,280 thousand) and profit before tax of €1,184 thousand (12 months ended 30 June 2015: €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.

Notes to the condensed consolidated interim financial statements (continued)

6. Discontinued operation^a

In February 2016, the Group sold its entire Packaging segment (see Note 4). Management committed to a plan to sell this division early in 2016, 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.

<i>In thousands of euro</i>	For the six months ended 30 June	
	2016	2015
a. Results of discontinued operation		
Revenue	7,543	23,193
Expenses	(7,705)	(23,659)
Results from operating activities	(162)	(466)
Income tax	25	44
Results from operating activities, net of tax	(137)	(422)
Gain on sale of discontinued operation	846	-
Income tax on gain on sale of discontinued operation	(330)	-
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)

The profit for the period from the discontinued operation of €379 thousand (2015: loss of €422 thousand) was attributable entirely to the owners of the Company. Of the profit from continuing operations of €2,871 thousand (2015: €2,533 thousand), an amount of €2,674 thousand was attributable to the owners of the Company (2015: €2,022 thousand).

b. Cash flows from (used in) discontinued operation

<i>In thousands of euro</i>	For the six months ended 30 June	
	2016	2015
Net cash used in operating activities	(225)	(910)
Net cash from investing activities	10,890	-
Net cash flow for the period	10,665	(910)

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

<i>In thousands of euro</i>	<i>Note</i>	2016
Property, plant and equipment	13	(7,986)
Inventories		(134)
Trade and other receivables		(3,955)
Cash and cash equivalents		(110)
Deferred tax liabilities		110
Trade and other payables		1,921
Net assets and liabilities		(10,154)
Consideration received in cash		11,000
Cash and cash equivalents disposed of		(110)
Net cash inflow		10,890

IAS 34.8(e)

IAS 34.16A(i)

[IFRS 5.33(b)(i)]

[IFRS 5.33(b)(i)]

[IFRS 5.33(b)(i)]

[IFRS 5.33(b)(ii)]

[IFRS 5.33(b)(iii)]

[IFRS 5.33(b)(iv)]

[IFRS 5.33(a)]

[IFRS 5.33(d)]

[IFRS 5.33(c), 34]

[IAS 7.40(d)]

[IAS 7.40(c)]

[IAS 7.40(a)–(b)]

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. Inventories

a. Write-down of inventories^a

During the six months ended 30 June 2016, 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 2015.

b. Transfer from biological assets^a

During the six months ended 30 June 2016, harvested timber amounting to €1,131 thousand (2015: €985 thousand) was transferred to inventories.

IAS 34.16A(c)

8. Other income/expenses

a. Government grants^b

The Group was awarded a government grant, received in 2015, amounting to €420 thousand. This grant was conditional on the Group meeting certain recycling targets. In accordance with the terms of the grant, the Group had to buy and recycle a specific volume of recycling pulp and paper.

During the six months ended 30 June 2016, when the terms attaching to the grant were complied with, the grant was recognised in 'other income' in the condensed consolidated statement of profit or loss and OCI.

b. Earthquake-related expenses^b

During the six months ended 30 June 2016, 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.

Notes to the condensed consolidated interim financial statements (continued)

9. Share-based payment arrangement^a

a. Description of share-based payment arrangements

At 30 June 2016, the Group had the following share-based payment arrangements.

i. Share option programme (equity-settled)

On 1 January 2012 and 1 January 2015, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 January 2016, a further grant on similar terms was offered to key management 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 2016 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 2016	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 2016	100	3 years' service from grant date	10 years

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](#)).

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)

On 1 January 2016, the Group offered 26 of its employees the opportunity to participate in an employee share purchase plan. To participate in the plan, the employees are required to save an amount of 5% of their gross monthly salary, up to a maximum of €300 per month, for a period of 36 months. Under the terms of the plan, at the end of the 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 historical behaviour. The adjusted fair value at grant date amounts to €4.02 per share.

IAS 34.8(e)

IAS 34.15

[IFRS 2.45(a)]

[IFRS 2.46–47(a)(i), IAS 1.125]

[IFRS 2.47(a)(ii)]

[IFRS 2.44–45(a)]

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 2016, 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.

(IFRS 2.47(a))

	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%

Expected volatility is estimated taking into account historical 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 2016 (six months ended 30 June 2015: 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 2016.

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.

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 2016 was 29% (six months ended 30 June 2015: 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 2016, 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 2016, 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 2016, 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 2016, additional tax expenses were recognised. These expenses relate to tax assessments raised by tax authorities on 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 the 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

In June 2016, management committed to a plan to sell part of a manufacturing facility within the Standard Papers segment. Accordingly, part of that facility is presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected by April 2017.

As at 30 June 2016, the disposal group comprised assets of €12,891 thousand less liabilities of €3,650 thousand detailed as follows.

<i>In thousands of euro</i>	<i>Note</i>	
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 34.16A(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 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 IV to our publication [Guide to annual financial statements – Illustrative disclosures](#) (September 2015).

IAS 34.15B

- ^{b.} This is an example of events and transactions for which, if they are significant, disclosures are required by IAS 34.

Notes to the condensed consolidated interim financial statements (continued)

13. Property, plant and equipment

a. Acquisitions and disposals^a

During the six months ended 30 June 2016, the Group acquired assets with a cost of €12,156 thousand (six months ended 30 June 2015: €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 2015: 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 2016 (six months ended 30 June 2015: €381 thousand), resulting in a gain on disposal of €26 thousand (six months ended 30 June 2015: 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 2015: nil).

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

In 2015, regulatory restrictions on the manufacture of a new product in the Standard Papers 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 2016. However, a regulatory inspection in 2015 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.

Accordingly, management estimated the recoverable amount of the CGU (the production line) in 2015. The recoverable amount was estimated based on its value in use, assuming that the production line would go live in August 2017. Based on the assessment in 2015, 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 2015. €1,123 thousand of the loss related to property, plant and equipment and €285 thousand related to capitalised development costs (see Note 14).

During the six months ended 30 June 2016, 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 capitalised development costs.

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

The estimate of value in use was determined using a pre-tax discount rate of 9.5% (2015: 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 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 disclosure 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 published 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)

c. Transfer to investment property^a

During the six months ended 30 June 2016, a building with a carrying amount of €600 thousand was transferred to investment property, because it was no longer used by the Group and it was decided that the building would be leased to a third party.

Immediately before transfer, the Group remeasured the property to fair value and recognised a gain of €200 thousand in OCI.

IAS 34.15B(e)

d. Capital commitments

During the six months ended 30 June 2016, the Group entered into a contract to buy property, plant and equipment for €1,465 thousand (six months ended 30 June 2015 and year ended 31 December 2015: nil). Delivery is expected in March 2017.

14. Intangible assets and goodwill

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

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 2015. During the six months ended 30 June 2016, €100 thousand of the loss was reversed.

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

b. Impairment loss in relation to Timber Products

Following a loss in the Timber Products segment during the six months ended 30 June 2016 (see Note 4), the Group assessed the recoverable amount of the group of CGUs that comprise that operating segment.

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

The carrying amount of the group of CGUs was determined to be higher than its recoverable amount of €3,654 thousand and an impairment loss of €116 thousand (six months ended 30 June 2015: 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 'other expenses' in the condensed consolidated statement of profit or loss and OCI.

IAS 36.130(e)

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

IAS 36.134(c)

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the group of CGUs. Value in use as at 30 June 2016 was determined similarly to the 31 December 2015 goodwill impairment test, and was based on the following key assumptions.

IAS 1.125, 36.134(d)]

- 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 2.0% (2015: 2.5%), 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 forestry and related businesses.
- 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 2016 to 2020.

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 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

14. Intangible assets and goodwill (continued)

b. Impairment loss in relation to Timber Products (continued)

- 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 20 years.
- Environmental cost growth, based on past experience, was estimated to be 12% in 2017 and in line with inflation thereafter. This represents an increase over the 10% estimate used in the impairment testing in 2015, and reflects various regulatory developments in a number of European countries in which the group of CGUs operate.
- A pre-tax discount rate of 10.5% (2015: 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%.

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 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 2016.

c. Reconciliation of carrying amount of goodwill

<i>In thousands of euro</i>	<i>Note</i>	30 June 2016
Cost		
Balance at beginning of period		3,545
Acquisition through business combination	<i>19</i>	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

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

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

Additionally, 5,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2012 share option programme by key management personnel (2015: 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.

<i>In thousands of euro</i>	For the six months ended 30 June	
	2016	2015
25.25 cents per qualifying ordinary share (2015: 4.28 cents)	805	86
25.03 cents per non-redeemable preference share (2015: 25.03 cents)	438	438
	1,243	524

16. Loans and borrowings^a

IAS 34.16A(e)

<i>In thousands of euro</i>	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Balance at 1 January 2016					23,592
New issues					
Convertible notes (see (a))	EUR	3.00%	2018	5,000	4,596
Redeemable preference shares (see (b))	EUR	4.40%*	2021	2,000	1,939
Unsecured bank loan assumed (see Note 19)	USD	3.80%	2016	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 2016					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.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

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 2016	4,596

The notes are convertible into 250 thousand ordinary shares of the Group in May 2019 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 2016	1,939

During the six months ended 30 June 2016, 1,000,000 redeemable preference shares were issued as fully paid with a par value of €2 per share (2015: nil). The redeemable preference shares 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 2022. 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 2015 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 2016 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 2016, 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 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 2016, no liability for environmental taxes has been recognised and a corresponding administrative expense of €30 thousand, representing the levy for the year ended 31 March 2016, has been recognised in profit or loss for the six months ended 30 June 2016 (2015: €30 thousand).

Notes to the condensed consolidated interim financial statements (continued)

18. Financial instruments

a. Carrying amounts and fair values^a

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			Level 1	Level 2	Level 3	Total
	Trade and other receivables	Other investments, including derivatives	Trade and other receivables	Other investments, including derivatives	Cash and cash equivalents				
<i>In thousands of euro</i>									
30 June 2016									
Financial assets measured at fair value									
Interest rate swaps used for hedging	-	116	-	-	-	116	-	-	116
Forward exchange contracts used for hedging	-	-	-	227	-	227	-	-	227
Other forward exchange contracts	-	-	-	86	-	86	-	-	86
Sovereign debt securities	-	-	-	213	-	213	-	-	213
Corporate debt securities	-	118	-	-	-	78	40	-	118
Equity securities	-	961	-	-	-	961	-	-	961
Financial assets not measured at fair value^b									
Trade and other receivables*	171	-	21,393	-	-	21,564	-	-	21,555
Cash and cash equivalents	-	-	-	-	2,356	2,356	-	-	2,356
Corporate debt securities	-	2,572	-	-	-	2,572	-	-	2,572
	171	3,767	21,393	526	2,356	28,213	-	-	28,213
31 December 2015									
Financial assets measured at fair value									
Interest rate swaps used for hedging	-	131	-	-	-	131	-	-	131
Forward exchange contracts used for hedging	-	-	-	375	-	375	-	-	375
Other forward exchange contracts	-	-	-	89	-	89	-	-	89
Sovereign debt securities	-	-	-	568	-	568	-	-	568
Corporate debt securities	-	373	-	-	-	373	-	-	373
Equity securities	-	765	-	-	-	765	-	-	765
Financial assets not measured at fair value^b									
Trade and other receivables*	-	-	17,719	-	-	17,719	-	-	17,719
Cash and cash equivalents	-	-	-	-	1,850	1,850	-	-	1,850
Corporate debt securities	-	2,256	-	-	-	2,256	-	-	2,256
	-	3,525	17,719	1,032	1,850	24,126	-	-	24,126

* Other receivables that are not financial assets (construction contracts in progress – 2016: €307 thousand, 2015: €280 thousand) are not included.

IAS 34.8(e)

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

Notes to the condensed consolidated interim financial statements (continued)

18. Financial instruments (continued)**a. Carrying amounts and fair values (continued)**

	Carrying amount					Fair value			
	Non-current liabilities		Current liabilities			Level 1	Level 2	Level 3	Total
	Trade and other payables	Loans and borrowings	Bank overdraft	Trade and other payables	Loans and borrowings				
<i>In thousands of euro</i>									
30 June 2016									
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	(20)	-	-	-	-	-	(20)	-	(20)
Forward exchange contracts used for hedging	-	-	-	(8)	-	-	(8)	-	(8)
Contingent consideration	(232)	-	-	-	-	-	-	(232)	(232)
Financial liabilities not measured at fair value^b									
Bank overdrafts	-	-	(120)	-	-	-	-	-	(120)
Secured bank loans	-	(7,108)	-	-	(481)	-	-	-	(8,325)
Unsecured bank loans	-	-	-	-	(501)	-	-	-	(502)
Unsecured bond issues	-	(5,948)	-	-	(3,064)	-	-	-	(9,491)
Convertible notes – liability component	-	(4,596)	-	-	-	-	-	-	(4,596)
Redeemable preference shares	-	(1,939)	-	-	-	-	-	-	(1,939)
Dividends payable on redeemable shares	-	-	-	-	(20)	-	-	-	(20)
Finance lease liabilities	-	(1,773)	-	-	(347)	-	-	-	(1,976)
Trade and other payables	-	-	-	(20,421)	-	-	-	-	(20,421)
	(252)	(21,364)	(120)	(20,429)	(4,413)	-	-	-	(46,578)
31 December 2015									
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	(5)	-	-	-	-	-	(5)	-	(5)
Forward exchange contracts used for hedging	-	-	-	(7)	-	-	(7)	-	(7)
Financial liabilities not measured at fair value^b									
Bank overdrafts	-	-	(282)	-	-	-	-	-	(282)
Secured bank loans	-	(8,093)	-	-	(3,000)	-	-	-	(11,093)
Unsecured bank loans	-	-	-	-	(117)	-	-	-	(118)
Unsecured bond issues	-	(9,200)	-	-	-	-	-	-	(9,612)
Loan from associate	-	-	-	-	(1,000)	-	-	-	(1,000)
Finance lease liabilities	-	(1,913)	-	-	(269)	-	-	-	(2,182)
Trade and other payables	-	-	-	(21,806)	-	-	-	-	(21,806)
	(5)	(19,206)	(282)	(21,813)	(4,386)	-	-	-	(45,692)

- IFRS 7B1–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 those measured at fair value.
- IFRS 7.29 b. The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, 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 2016 and 31 December 2015 for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in Note 3.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	<i>Discounted cash flows:</i> The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	<ul style="list-style-type: none"> – Forecast annual revenue growth rate (30 June 2016: 3–8%). – Forecast EBITDA margin (30 June 2016: 8%). – Risk-adjusted discount rate (30 June 2016: 5.5%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> – the annual revenue growth rate were higher (lower); – the EBITDA margin were higher (lower); or – the risk-adjusted discount rate were lower (higher). <p>Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.</p>
Equity securities	<i>Market comparison technique:</i> The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities.	<ul style="list-style-type: none"> – Forecast annual revenue growth rate (30 June 2016: 2–6%, 31 December 2015: 3–6%). – Forecast EBITDA margin (30 June 2016: 4%, 31 December 2015: 4.5%). – Adjusted market multiple (30 June 2016: 4–6, 31 December 2015: 4–7). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> – the annual revenue growth rate were higher (lower); – the EBITDA margin were higher (lower); or – the adjusted market multiple were higher (lower). <p>Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.</p>
Corporate debt securities	<i>Market comparison/discounted cash flow:</i> The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable.	Not applicable.

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

IFRS 3.B67(b)(iii)

NOTES

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

18. Financial instruments (continued)

b. Measurement of fair values (continued)

i. Valuation techniques and significant unobservable inputs (continued)

Financial instruments measured at fair value (continued)

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

ii. Transfers between Levels 1 and 2

At 30 June 2016, available-for-sale corporate debt securities with a carrying amount of €40 thousand were transferred from Level 1 to Level 2 because quoted prices in the market for these debt securities were no longer regularly available. To determine the fair value of the 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 2016 and no transfers in either direction during the six months ended 30 June 2015.

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

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

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

18. Financial instruments (continued)

b. Measurement of fair values (continued)

iii. Level 3 fair values

Reconciliation of Level 3 fair values

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

<i>In thousands of euro</i>	<i>Note</i>	Equity securities – Available-for-sale	Contingent consideration
Balance at 1 January 2015		-	-
Gain included in OCI			
– Net change in fair value (unrealised)		6	-
Purchases		212	-
Balance at 30 June 2015		218	-
Balance at 1 January 2016		225	-
Assumed in a business combination	19	-	(250)
Gain included in 'finance income'			
– Net change in fair value (unrealised)		-	18
Gain included in OCI			
– Net change in fair value (unrealised)		18	-
Transfers out of Level 3		(243)	-
Balance at 30 June 2016		-	(232)

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 2016. The fair value of this investment was categorised as Level 3 at 31 December 2015 (for information on the valuation technique, see (i) above). This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares.

During the six months ended 30 June 2016, MSE Limited listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at 30 June 2016.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

18. Financial instruments (continued)

b. Measurement of fair values (continued)

iii. Level 3 fair values (continued)

Sensitivity analysis

For the fair values of contingent consideration and equity securities – available-for-sale, reasonably possible changes at 30 June 2016 and 31 December 2015 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Contingent consideration

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

Equity securities – Available-for-sale

Effect in thousands of euro	OCI, net of tax	
	Increase	Decrease
31 December 2015		
Annual revenue growth rate (0.5% movement)	70	(69)
EBITDA margin (0.2% movement)	79	(71)
Adjusted market multiple (5% movement)	81	(81)

c. Concentration of credit risk^a

The Group's strategy to generate an increasing proportion of its revenue from its wholesale customers has resulted in an increase in trade receivables outstanding (because wholesale customers are entitled to more favourable credit terms than other customers). As at 30 June 2016, wholesale customers comprised €15,757 thousand or approximately 72% of trade receivables (2015: €10,799 thousand or approximately 60%).

IFRS 13.93(h)(ii)

IAS 34.15B

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

Notes to the condensed consolidated interim financial statements (continued)

IAS 34.8(e)

IAS 34.16A(i)

IFRS 3.B64(a)–(c)

IFRS 3.B64(d)

IFRS 3.B64(q)

IFRS 3.B64(f)

[IAS 7.40(a)–(b)]

IFRS 3.B64(f)(iv)

IFRS 3.B64(l)

19. Acquisition of subsidiary^a

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

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.

In the three months to 30 June 2016, 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 2016, 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 2016.

a. Consideration transferred

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

<i>In thousands of euro</i>	<i>Note</i>	
Cash		2,500
Equity instruments (8,000 ordinary shares)	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

The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2016 of €10.88 per share.

ii. Replacement share-based payment awards

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 2015 Vesting date 31 March 2019 Service condition	Vesting date 31 March 2019 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.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

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 the acquiree's cumulative EBITDA over the next three years exceeds €10,000 thousand. The Group has included €250 thousand as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At 30 June 2016, 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 contract, the Group could terminate the agreement early by paying Papyrus €326 thousand. This pre-existing relationship was effectively terminated when the Group acquired Papyrus.

The Group has attributed €326 thousand of the consideration transferred to the extinguishment of the supply contract, and has included the amount in 'other expenses' 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 740(c)-(d)]

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

<i>In thousands of euro</i>	<i>Note</i>	
Property, plant and equipment	13	1,955
Intangible assets		250
Inventories		825
Trade and other receivables		848
Cash and cash equivalents		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

IFRS 3.B64(h)

[IAS 740(c)]

Notes to the condensed consolidated interim financial statements (continued)

19. Acquisition of subsidiary (continued)

c. Identifiable assets acquired and liabilities assumed (continued)

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

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.
- Papyrus is a defendant in legal proceedings brought by a customer that alleges Papyrus supplied defective goods. Management's assessment, based on its interpretation of the underlying sales contract and independent legal advice, is that the basis for the customer's claim has little merit and it is not probable that an outflow will be required to settle the claim. Management's assessment of the fair value of this contingent liability, taking into account the range of possible outcomes of the judicial process, is €20 thousand.
- 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.

<i>In thousands of euro</i>	<i>Note</i>	
Total consideration transferred	<i>(a)</i>	2,631
NCl, based on their proportionate interest in the recognised amounts of the asset and liabilities of Papyrus		304
Fair value of existing interest in Papyrus		650
Fair value of identifiable net assets	<i>(c)</i>	(3,044)
Goodwill	<i>14</i>	541

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

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

IAS 34.8(e)

IFRS 3.B64(h)(ii)–(iii)

IFRS 3.B67(a)(i)–(ii)

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

IFRS 3.B64(p)(ii)

IFRS 3.B64(e), (k)

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

IAS 34.16A(i)

20. Acquisition of NCI

In June 2016, 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 2016	392
Effect of increase in Company's ownership interest	115
Share of comprehensive income	290
Company's ownership interest at 30 June 2016	797

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

21. Contingencies^a

IAS 34.15B(m)

Since 2012, 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 2016 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.

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

IAS 34.15B(j)

22. Related parties^{a, b}

a. Parent and ultimate controlling party

During the six months ended 30 June 2016, a majority of the Company's shares were acquired by Cameron Paper Co from Brown Products Corporation. As a result, the new ultimate controlling party of the Group is AJ Pennypacker.

b. Transactions with key management personnel

i. Loans to directors

Unsecured loans advanced to directors during the six months ended 30 June 2016 were €65 thousand (six months ended 30 June 2015: €35 thousand). No interest is payable by the directors, and the loans are repayable in full three months after the issue date. As at 30 June 2016, the balance outstanding was €15 thousand (six months ended 30 June 2015: €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 2016 (six months ended 30 June 2015: nil).

IAS 24.18

c. Other related party transactions

In thousands of euro	Transactions for the six months ended		Balance outstanding	
	30 June 2016	30 June 2015	30 June 2016	31 December 2015
Sale of goods and service				
Parent of the Group – Cameron Paper Co (2015: 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 2016, 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 is secured.

23. Subsequent event

IAS 34.16A(h)

On 22 July 2016, 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 2016 or early in 2017.

 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 IV to our publication [Guide to annual financial statements – Illustrative disclosures](#) (September 2015).

IAS 34.8(e)

Notes to the condensed consolidated interim financial statements (continued)

24. Significant accounting policies^a

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 2015.

- ^{a.} Amendments to standards and interpretations that are effective for annual periods beginning on 1 January 2016 and may impact on significant accounting policies:
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)* prohibits the use of a revenue-based method of depreciation and limits the use of revenue-based amortisation; and
 - *Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)* requires bearer plants to be accounted for in accordance with IAS 16 *Property, Plant and Equipment*, rather than IAS 41 *Agriculture*. As a result, an entity can elect to measure bearer plants under the cost model or fair value model.
- Although it is not illustrated in this guide, an entity discloses a description of the nature and effects of any change in accounting policies resulting from the application of these amendments.

Appendix I

New standards or amendments for 2016 and forthcoming requirements

Since the March 2015 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 the IASB as at 15 March 2016, and 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 2016.
- **Forthcoming requirements:** This table lists the recent changes to IFRS that are required to be applied for an annual period beginning after 1 January 2016 and that are available for early adoption in annual periods beginning on 1 January 2016. These requirements are not included in this guide.

The tables also include references to further KPMG guidance, as appropriate.

New currently effective requirements

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

Forthcoming requirements

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

Appendix II

Presentation of comprehensive income – Two-statement approach

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

Condensed consolidated statement of profit or loss^a

In thousands of euro	For the six months ended 30 June		
	Note	2016	2015 Restated*
Continuing operations			
Revenue	4	52,536	51,593
Cost of sales	7, 13, 17	(31,344)	(31,920)
Gross profit		21,192	19,673
Other income	8, 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, 14, 19	(826)	-
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)		0.84	0.52
Diluted earnings per share (euro)		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 34.11A

IAS 34.11A

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.

Condensed consolidated statement of profit or loss and OCI

For the six months ended 30 June

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

<i>In thousands of euro</i>	<i>Note</i>	2016	2015 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	13	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		For the six months ended 30 June	
		2016	2015 Restated*	2016	2015 Restated*
Continuing operations					
Revenue	4	27,826	26,425	52,536	51,593
Cost of sales	7, 13, 17	(15,405)	(16,118)	(31,344)	(31,920)
Gross profit		12,421	10,307	21,192	19,673
Other income	8, 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, 14, 19	(384)	-	(826)	-
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.

IAS 34.20(b)

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

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2016	2015 Restated*	2016	2015 Restated*
<i>In thousands of euro</i>					
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Revaluation of property, plant and equipment	13	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)

	For the three months ended 30 June		For the six months ended 30 June	
	2016	2015 Restated*	2016	2015 Restated*
<i>In thousands of euro</i>				
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				
Basic earnings per share (euro)	0.51	0.32	0.84	0.52
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.

IAS 34.11

IAS 34.11

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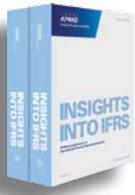
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