



Ontex IV S.A.

Consolidated financial statements for the financial year  
ended 31 December 2013, 2012 and 2011



## **Audit report**

To the Shareholders of  
**Ontex IV S.A.**

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We have audited the accompanying consolidated financial statements of Ontex IV S.A., which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### *Board of Directors' responsibility for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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



*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Ontex IV S.A. as of 31 December 2013, and of its consolidated financial performance and its cash-flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 5 March 2014

A handwritten signature in black ink, appearing to read "P. Duren", enclosed within a simple, elongated rectangular frame.

Philippe Duren

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*The notes 1 to 28 are an integral part of these consolidated financial statements*

## **1. GENERAL INFORMATION**

### **1.1. Business activities**

The Ontex IV Group (the “Group”) is a leading manufacturer of private label and branded hygienic disposables products. The total revenue of the Group was € 1,491.9 million in the financial year 2013. The Group has 15 production facilities located in Europe, Turkey, Algeria, China, Pakistan, Russia and Australia. The Group offers a wide range of products in the baby sector (diapers and wipes), feminine hygiene (sanitary towels, panty liners and tampons) and is also a key supplier to the adult incontinence sector through its healthcare division.

Ontex IV S.A. (the “Parent”) was incorporated on 25 May 2010 for the purpose of acquiring ONV Topco NV and its subsidiaries, which occurred on 18 November 2010. Ontex IV S.A. is a public limited company incorporated and domiciled in Luxembourg. The corporate seat and principal executive office is at 2 rue du Fossé, L-1536 Luxembourg. The company is registered in Luxembourg under the number B0153359. The consolidated financial statements of the Ontex IV Group as at 31 December 2013 comprise Ontex IV S.A. and its subsidiaries as outlined in Note 6.

All shares of Ontex IV S.A. are owned by Ontex III S.A., a public limited company incorporated and domiciled in Luxembourg. The address of its registered office is 2 rue du Fossé, L-1536 Luxembourg.

In July 2010, entities established by funds managed by Goldman Sachs Capital Partners and TPG agreed to acquire Ontex. The acquisition closed during November 2010. As of 31 December 2013, these funds beneficially own and control (through wholly-owned intermediary holding companies), along with certain members of the senior management, the entire share capital. The current ownership structure is set out below:

Goldman Sachs Capital Partners and TPG Capital own each 50% of the shares of Ontex I S.à r.l.

Ontex I S.à r.l. owns 93.4710% of the shares of Ontex II S.à r.l.

The remaining 6.5290% of the shares are held by certain members of the Senior Management.

Ontex II S.à r.l. owns all of the shares of Ontex II-A S.à r.l.

Ontex II-A S.à r.l. owns all of the shares of Ontex III S.A.

Ontex III S.A. owns all of the shares of Ontex IV S.A.

### **1.2. Financial statements**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These Group consolidated financial statements were authorised for issue by the Board of Directors on 4 March 2014. The amounts in this document are presented in millions of euros (€ million), unless noted otherwise.

### 1.3. Board of Directors

The Board of Directors of Ontex IV S.A. is composed of the following members:

**NINO Maxime**

DIRECTOR

Start of mandate: 25/05/2010

End of mandate: 09/08/2013

**VANDENBOGAERDE Steven**

DIRECTOR

Start of mandate: 29/07/2011

End of mandate: 17/01/2014

**MARIELLE STIJGER**

DIRECTOR

Start of mandate: 09/08/2013

End of mandate: 28/06/2016

**LE GAL Dominique**

DIRECTOR

Start of mandate: 25/05/2012

End of mandate: 28/06/2016

**FERNANDES DAS NEVES Pedro**

DIRECTOR

Start of mandate: 28/06/2010

End of mandate: 28/06/2016

**DAVIDSON Martin**

DIRECTOR

Start of mandate: 06/01/2012

End of mandate: 17/01/2014

**JACQUES PURNODE**

DIRECTOR

Start of mandate: 17/01/2014

End of mandate: 28/06/2016

**ALEXANDRA MATIAS**

DIRECTOR

Start of mandate: 17/01/2014

End of mandate: 28/06/2016

**MARC GALLET**

DIRECTOR

Start of mandate: 04/03/2014

End of mandate: 28/06/2016

The general shareholders' meeting held on 9 August 2013 has accepted the resignation of Maxime Nino with immediate effect, and appointed Marielle Stijger with effective date as of 9 August 2013.

The general shareholders' meeting held on 17 January 2014 has accepted the resignation of Steven Vandenberghe as well as Martin Davidson with immediate effect, and appointed Jacques Purnode and Alexandra Matias as of 17 January 2014.

The general shareholders' meeting held on 4 March 2014 has appointed Marc Gallet as of 4 March 2014.

### 1.4. Statutory auditors

The statutory audit is performed by PricewaterhouseCoopers Société Coopérative (B 113620), 400, route d'Esch, L-1014 Luxembourg. The mandate ends on the General Meeting of 2016.

## 2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

<b>ASSETS</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Non-current assets</b>				
Goodwill and other intangible assets	8	864.8	845.8	846.3
Property, plant & equipment	9	282.0	267.4	246.0
Deferred tax assets	16	0.3	0.1	0.5
Receivables	10	0.1	0.1	-
		<b>1,147.2</b>	<b>1,113.4</b>	<b>1,092.8</b>
<b>Current assets</b>				
Inventories	11	182.2	171.6	139.3
Trade receivables	10	199.0	163.5	153.2
Prepaid expenses and other receivables	10	40.0	36.7	39.5
Current income tax		3.7	1.9	2.0
Derivative financial assets	4.1	1.1	5.8	17.4
Cash and cash equivalents	12	61.3	38.9	65.5
		<b>487.3</b>	<b>418.4</b>	<b>416.9</b>
<b>TOTAL ASSETS</b>		<b>1,634.5</b>	<b>1,531.8</b>	<b>1,509.7</b>
<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Equity attributable to owners of the company</b>				
Share capital	13	449.4	449.4	449.4
Cumulative translation differences		(21.3)	(7.6)	(9.0)
Retained earnings and other reserves		(66.0)	(91.4)	(81.3)
<b>TOTAL EQUITY</b>		<b>362.1</b>	<b>350.4</b>	<b>359.1</b>
<b>Non-current liabilities</b>				
Employee benefit liabilities	15	15.8	14.3	12.1
Provisions	18	0.1	-	-
Borrowings	14	896.7	818.7	814.9
Other non-current financial liabilities	7	10.0	-	-
Deferred tax liabilities	16	14.8	13.3	14.6
Other payables	17	-	-	-
		<b>937.4</b>	<b>846.3</b>	<b>841.6</b>
<b>Current liabilities</b>				
Borrowings	14	13.9	14.0	20.4
Derivative financial liabilities	4.1	1.9	-	-
Other current financial liabilities	7	8.0	-	-
Trade payables	17	243.2	222.8	220.1
Accrued expenses and other payables	17	15.7	17.4	17.1
Social liabilities	17	25.9	23.4	22.7
Current income tax liabilities		19.0	15.2	10.9
Provisions	18	7.4	42.3	17.8
		<b>335.0</b>	<b>335.1</b>	<b>309.0</b>
<b>TOTAL LIABILITIES</b>		<b>1,272.4</b>	<b>1,181.4</b>	<b>1,150.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,634.5</b>	<b>1,531.8</b>	<b>1,509.7</b>

**3. CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER**

	Note	2013	2012	2011
Revenue	5	1,491.9	1,309.0	1,217.6
Cost of sales	22	(1,094.8)	(988.3)	(941.4)
<b>Gross margin</b>		<b>397.1</b>	<b>320.7</b>	<b>276.2</b>
Distribution expenses	22	(136.3)	(108.6)	(92.4)
Sales and marketing expenses	22	(78.0)	(64.2)	(50.5)
General administrative expenses	22	(39.7)	(29.7)	(28.0)
Other operating income/(expense), net	20	0.4	1.1	(1.9)
Non-recurring expenses (*)	21	(19.6)	(50.4)	(40.2)
<b>Operating profit</b>		<b>123.9</b>	<b>68.9</b>	<b>63.2</b>
Finance income	23	17.9	18.1	25.6
Finance cost	23	(101.9)	(88.1)	(126.7)
<b>Net finance cost</b>		<b>(84.0)</b>	<b>(70.0)</b>	<b>(101.1)</b>
<b>(Loss) / Profit before income tax</b>		<b>39.9</b>	<b>(1.1)</b>	<b>(37.9)</b>
Income tax expense	24	(14.0)	(6.8)	(13.6)
<b>(Loss) / Profit of the period from continuing operations</b>		<b>25.9</b>	<b>(7.9)</b>	<b>(51.5)</b>
<b>(Loss) / Profit of the year</b>		<b>25.9</b>	<b>(7.9)</b>	<b>(51.5)</b>
<b>Additional information</b>		<b>2013</b>	<b>2012</b>	<b>2011</b>
Operating Profit		123.9	68.9	63.2
Depreciation and amortization (***)		33.8	31.1	35.6
<b>EBITDA (**)</b>		<b>157.7</b>	<b>100.0</b>	<b>98.8</b>

(\*) Non-recurring expenses is a non-GAAP measure defined in note 21.

(\*\*) EBITDA, earning before net finance cost, income taxes, depreciation and amortization is a non-GAAP measure defined in the summary of significant accounting policies (note 1)

(\*\*\*) Depreciation and amortization (D&A) include € 31.5 million of recurring D&A and € 2.3 million of non-recurring D&A in 2013 (€ 30.8 million of recurring D&A and € 0.3 million of non-recurring D&A (impairment cost) in 2012; € 30.5 million of recurring D&A and € 5.1 million of non-recurring D&A (impairment cost) in 2011)



**4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER**

	Note	2013	2012	2011
(Loss) / Profit of the period		25.9	(7.9)	(51.5)
Other comprehensive income for the period, after tax:				
Items that will not be reclassified subsequently to income statement				
Actuarial gains/(losses) on defined benefit pension plans	15	-	(2.2)	0.2
Items that will be reclassified subsequently to income statement				
Exchange differences on translating foreign operations		(13.7)	1.4	(6.6)
Cash flow hedge		(0.6)	-	-
Other		0,1		
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>(14.2)</b>	<b>(0.8)</b>	<b>(6.4)</b>
<b>Total comprehensive income/(loss) for the period (*)</b>		<b>11.7</b>	<b>(8.7)</b>	<b>(57.9)</b>

(\*) All attributable to the owners of the parent

## 5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER

		Attributable to equity holders of the Company			
	Note	Share capital	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at 31 December 2010	13	449.4	(2.4)	(30.0)	417.0
<b>Comprehensive income:</b>					
Profit for the year		-	-	(51.5)	(51.5)
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations		-	(6.6)	-	(6.6)
Actuarial gains/(losses) on defined benefit pension plans		-	-	0.2	0.2
<b>Total other comprehensive income</b>		-	(6.6)	0.2	(6.4)
Balance at 31 December 2011	13	449.4	(9.0)	(81.3)	359.1

		Attributable to equity holders of the Company			
	Note	Share capital	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at 31 December 2011	13	449.4	(9.0)	(81.3)	359.1
<b>Comprehensive income:</b>					
Profit for the year		-	-	(7.9)	(7.9)
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations		-	1.4	-	1.4
Actuarial gains/(losses) on defined benefit pension plans		-	-	(2.2)	(2.2)
<b>Total other comprehensive income</b>		-	1.4	(2.2)	(0.8)
Balance at 31 December 2012	13	449.4	(7.6)	(91.4)	350.4

		Attributable to equity holders of the Company			
	Note	Share capital	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at 31 December 2012	13	449.4	(7.6)	(91.4)	350.4
<b>Comprehensive income:</b>					
Profit for the year		-	-	25.9	25.9
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations		-	(13.7)	-	(13.7)
Actuarial gains/(losses) on defined benefit pension plans		-	-	-	-
Cash flow hedge		-	-	(0.6)	(0.6)
Other movements		-	-	0.1	0.1
<b>Total other comprehensive income</b>		-	(13.7)	(0.5)	(14.2)
Balance at 31 December 2013	13	449.4	(21.3)	(66.0)	362.1

**6. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net profit/(loss) for the year		25.9	(7.9)	(51.5)
Adjustments for:				
Income tax expense	24	14.0	6.8	13.6
Depreciation and amortisation		33.8	31.1	35.6
(Profit)/loss on disposal of property, plant and equipment		0.7	0.7	0.5
Inventory write-down		(1.0)	(0.2)	2.2
Impairment of trade receivables	10	(3.0)	(1.1)	(1.1)
Provisions (including employee benefit liabilities)		(30.4)	24.4	6.3
Unrealised F/x difference on operating activities		1.2	(0.6)	1.8
Finance costs - net (including unrealised F/x difference on financing)		84.1	70.0	101.1
Changes in working capital:				
Inventories		7.8	(32.1)	(1.4)
Trade and other receivables and prepaid expenses		(18.0)	(5.2)	(17.8)
Trade and other payables and accrued expenses		(3.5)	4.5	12.0
Social liabilities		1.4	0.7	0.8
<b>Cash from operating activities before taxes</b>		<b>113.1</b>	<b>91.1</b>	<b>102.1</b>
Income tax paid		(14.7)	(3.8)	(21.8)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>98.4</b>	<b>87.3</b>	<b>80.3</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment and intangibles	8,9	(43.0)	(55.1)	(34.2)
Loss on disposal of property, plant and equipment		-	(0.4)	(0.5)
Capital grants received		0.2	1.2	0.2
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(42.8)</b>	<b>(54.3)</b>	<b>(34.5)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from acquisition (net cash )	7	2.1	-	5.6
Proceeds from borrowings	14	77.4	2.2	835.0
Other proceeds from financing	14	36.3	-	1.3
Repayment of borrowings	14	(2.4)	(7.5)	(760.0)
Acquisition price paid	7	(73.2)	-	(14.8)
Interest paid	23	(64.3)	(61.2)	(49.9)
Interest received	23	0.5	0.2	0.8
Cost of refinancing & other costs of financing		(11.0)	(5.0)	(25.6)
Realised foreign exchange (losses)/gains on financing activities		(4.2)	1.6	(1.7)
Derivative financial assets		5.6	10.1	1.3
Capital increase		-	-	-
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(33.2)</b>	<b>(59.6)</b>	<b>(8.0)</b>
<b>NET INCREASE IN CASH,CASH EQUIVALENTS AND BANK OVERDRAFTS</b>		<b>22.4</b>	<b>(26.6)</b>	<b>37.8</b>
<b>CASH, CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>38.9</b>	<b>65.5</b>	<b>27.7</b>
<b>CASH, CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>61.3</b>	<b>38.9</b>	<b>65.5</b>

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7.1. Summary of significant accounting policies**

**7.1.1. Introduction**

The significant IFRS Group accounting policies that are applied in the preparation of these IFRS Group consolidated financial statements are set out below.

**7.1.2. Basis of preparation**

These consolidated financial statements of the Group for the year ended 31 December 2013 have been drawn up in compliance with IFRS ("International Financial Reporting Standards") as adopted by the European Union. These include all IFRS standards and IFRIC interpretations issued and effective as at 31 December 2013. The Consolidated Financial Statement of the Group that are published in Luxembourg in accordance with the legal requirements, are those that will be prepared at the level of the ultimate parent company in Luxembourg, Ontex I S.à.r.l. The preparation of the Group Financial Statements at the level of Ontex IV SA in this document is required by the Bond Covenants and are hence primarily made available to the entity's bond holders.

These consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments for which fair value is used.

These financial statements are prepared on an accruals basis and on the assumption that the entity is in going concern and will continue in operation in the foreseeable future.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The following standards, amendments to standards and interpretations are applied for the first time for the financial year beginning 1 January 2013, which had an impact on the financial statements:

- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- IAS 19 (revised 2011) *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2013)

The impact of the application of the new standards and amendments is, however, not significant.

The following new standards, interpretations and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013, but are not currently relevant for the group:

- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Government Loans* (applicable for annual periods beginning on or after 1 January 2013)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual periods beginning on or after 1 January 2013)

The following new standards, amendments to standards and interpretations have been issued, but are not yet applicable for the annual period beginning on 1 January 2013:

- IFRS 9 *Financial Instruments* and subsequent amendments (not yet endorsed in EU)
- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016)
- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Improvements to IFRS (2010-2012) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)
- Improvements to IFRS (2011-2013) (normally applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- Amendments to IAS 19 *Employee Benefits – Employee Contributions* (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 – *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 21 – *Levies* (applicable for annual periods beginning on or after 1 January 2014, but not yet endorsed in EU)

Should the standards have been early adopted there would be no impact on the consolidated financial statements of the Group for the financial year ended 31 December 2013.

The amendments to IAS 36- *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset* (applicable for annual periods beginning on or after 1 January 2014) have been early adopted in the consolidated financial statements of the Group for the financial year ended 31 December 2013 and have no material impact.

**7.1.3. Consolidation**

***Subsidiaries***

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The excess of the consideration of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

***Transactions with non-controlling interests***

The Group treats the transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains and losses on disposal to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**7.1.4. Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "investments in associates" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The goodwill recognised in the statement of financial position is allocated to three Cash Generating Units (CGUs). These CGUs are Retail, Healthcare and Turkey. They represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. This is in line with the centralised business model that was implemented during 2010.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.1.5. Foreign currencies**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to interest-bearing debts and cash and cash equivalents are presented in the income statement within "Finance income" or "Finance cost". All other foreign exchange gains and losses are presented in the income statement within "other operating income/(expense), net".

For the purpose of presenting consolidated financial statements, assets and liabilities of the Group's foreign operations are translated at the closing rate at the end of the reporting period. Items of income and expense are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and equity items are translated at historical rates. The resulting exchange rate differences are recognised in other comprehensive income and accumulated in a separate component of equity.

The principal exchange rates that have been used are as follows:

	<b>31 December 2013</b>		<b>31 December 2012</b>		<b>31 December 2011</b>	
	<b>Closing Rate</b>	<b>Av Rate Year</b>	<b>Closing Rate</b>	<b>Av Rate Year</b>	<b>Closing Rate</b>	<b>Av Rate Year</b>
CZK	27,4270	25,9871	25,1510	25,1457	25,7870	24,5890
GBP	0,8337	0,8493	0,8161	0,8111	0,8353	0,8678
USD	1,3791	1,3281	1,3194	1,2856	1,2939	1,3917
TRY	2,9605	2,5329	2,3551	2,3145	2,4432	2,3351
AUD	1,5423	1,3770	1,2712	1,2413	1,2723	1,3481

**7.1.6. Other intangible assets**

An intangible asset is recognised on the statement of financial position when the following conditions are met: (1) the asset is identifiable, i.e. either separable (if it can be sold, transferred, licensed) or it results from contractual or legal rights; (2) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; (3) the Group can control the resource; and (4) the cost of the asset can be measured reliably.



**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Intangible fixed assets are carried at acquisition cost (including the costs directly attributable to the transaction) less any accumulated amortisations and less any accumulated impairment losses.

Within the Group, internally generated intangibles represent IT projects. For internal IT projects, expenses that relate to the development phase are capitalised as internally generated intangibles assets. The Group's systems allow a reliable measure of expenses directly attributable to the different IT projects.

Externally acquired software is carried at acquisition cost less any accumulated amortization and less any accumulated impairment loss.

Maintenance costs as well as the costs of minor upgrades whose objective is to maintain (rather than increase) the level of performance of the asset are expensed as incurred.

Borrowing costs that are directly attributable to the acquisition, construction and or production of a qualifying intangible asset are capitalised as part of the cost of the asset.

Intangible assets are amortised on a systematic basis over their useful life, using the straight-line method. The applicable useful lives are:

Intangible Asset	Estimated useful life
Licenses	3 to 5 years
Acquired concessions, patents, know-how, and other similar rights	5 years

Amortisation commences only when the asset is available for use.

**7.1.7. Property, plant and equipment**

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Acquisition cost includes any directly attributable cost of bringing the asset to working condition for its intended use. Borrowing costs that are directly attributable to the acquisition, construction and/or production of a qualifying asset are capitalised as part of the cost of the asset.

Expenditure on repair and maintenance which serve only to maintain, but not increase, the value of fixed assets are charged to the income statement. However, expenditure on major repair and major maintenance, which increases the future economic benefits that will be generated by the fixed asset, is identified as a separate element of the acquisition cost. The cost of property, plant and equipment is broken down into major components. These major components, which are replaced at regular intervals and consequently have a useful life that is different from that of the fixed asset in which they are incorporated, are depreciated over their specific useful lives. In the event of replacement, the component is replaced and removed from the statement of financial position, and the new asset is depreciated up until the next major repair or maintenance.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost, less residual value, if any. The applicable useful lives are:

<b>Tangible Asset</b>	<b>Estimated useful life</b>
Land	N/A
Land improvement and buildings	30 years
Plants, machinery and equipment	10 to 15 years
Furniture and vehicles	4 to 8 years
Other tangible assets	5 years
IT Equipment	3 to 5 years

The useful life of the machines is reviewed regularly. Each time a significant upgrade is performed, such upgrade extends the useful life of the machine. The cost of the upgrade is added to the carrying amount of the machine and the new carrying amount is depreciated prospectively over the remaining estimated useful life of the machine.

**7.1.8. Leases**

*Finance leases:*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment for which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

If there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset shall be depreciated over the useful life. In all other circumstances the asset is depreciated over the shorter of the useful life of the asset or the lease term.

*Operating leases:*

A lease agreement is classified as an operating lease if all of the risks and rewards of ownership have not been transferred to the lessee. Payments under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**7.1.9. Impairment of non-financial assets, other than goodwill**

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not subject to amortisation, but are tested annually for impairment.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Other assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**7.1.10. Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises the production costs, like raw materials, direct labour, and also the indirect production costs (production overheads based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Spare parts held by the Group are classified as property, plant and equipment if they are expected to be used in more than one period and if they are specific to a single machine. If they are not expected to be used in more than one period or if they can be used on several machines, they are classified as inventory. For the spare parts classified as inventory, the Group uses write-down rules based on the economic use of these spare parts.

**7.1.11. Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or supply of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue arising from the sale of goods when specific criteria have been met for each of the Group's activities. When the Group transfers the significant risks and rewards of ownership, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the collectability of the related receivable is reasonably assured. Revenue is recognised upon delivery of the products to the customer and its acceptance thereof. Products are generally sold to customers on an ex-works basis, however at their request, additional services may be offered by us in expediting delivery to customer premises or warehouses. The price for our products generally reflects an amount of delivery expenses incurred by us. Consequently, the revenue reflects this component.

The recognition criteria are applied to the separately identifiable components of a single transaction when it is necessary to reflect the substance of the transaction.

Interest income is recognised using the effective interest method. Dividends relating to year N are recognized when the shareholder's right to receive payment is established.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.1.12. Financial assets**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

***a) Financial assets at fair value through profit or loss (FVTPL)***

Financial assets are classified as at FVTPL, when the financial asset is either held for trading or is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and had a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designed effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designed as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Financial assets at fair value through profit or loss are financial assets held for trading: they are classified as current assets. Derivatives are classified as held for trading, unless hedge accounting is applied (see 1.21. below).

Assets in this category are recognised at fair value and subsequently adjusted to fair values, with any adjustments recognised immediately in the income statement.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***b) Loans, payables and receivables***

Loans, payables and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans, payables (including other and trade payables) and receivables (including trade receivables and other receivables, cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade and other receivables after and within one year are recognized initially at fair value and subsequently measured at amortised cost, i.e. at the net present value of the receivable amount, using the effective interest rate method, less allowances for impairment.

An allowance for impairment of trade receivables is accounted for when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the present value of estimated cash flows, including the proceeds of credit insurance contracts, discounted at the effective interest rate.

The amount of the allowance is deducted from the carrying amount of the asset and is recognised in the income statement within 'sales and marketing expenses'.

Trade receivables are no longer recognised when (1) the rights to receive cash flows from the trade receivables have expired, (2) the Group has transferred substantially all risks and rewards related to the receivables.

***c) Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**7.1.13. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**7.1.14. Share capital**

Ordinary shares are classified as equity. Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to owners of the company until the shares are cancelled or reissued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**7.1.15. Government grants**

Grants from governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are deducted from the acquisition cost of the assets to which they relate and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

**7.1.16. Employee benefits**

***Short-term employee benefits***

Short-term employee benefits are recorded as an expense in the income statement in the period in which the services have been rendered. Any unpaid compensation is included in 'social liabilities' in the statement of financial position.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Post-employment benefits***

Group companies operate various pension schemes. Most of the schemes are unfunded. Some schemes are funded through payments to insurance companies or pension funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income. The net interest cost relating to the defined benefit plans is recognized within financial expenses.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

***Long-term employee benefits***

Unfunded obligations arising from long-term benefits are provided for using the projected unit credit method.

***Termination benefits***

Early termination obligations are recognised as a liability when the Group is 'demonstrably committed' to terminating the employment before the normal retirement date. The Group is 'demonstrably committed' when, and only when, it has a detailed formal plan for the early termination without realistic possibility of withdrawal. Where such benefits are long term, they are discounted using the same rate as above for defined benefit obligations.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.1.17. Provisions**

Provisions are recognised when (I) the Group has a present legal or constructive obligation as a result of past events; (II) it is probable that an outflow of resources will be required to settle the obligation; (III) and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

If the Group has an onerous contract, it will be recognised as a provision. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

A provision for restructuring is only recorded if the Group demonstrates a constructive obligation to restructure at the balance sheet date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

**7.1.18. Income taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.



**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

However, the deferred tax is not recognised for:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are generally recognised for all taxable temporary differences (including unused tax losses/tax credits carried forward). Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxes are calculated at the level of each fiscal entity in the Group. The Group is able to offset deferred tax assets and liabilities only if the deferred tax balances relate to income taxes levied by the same taxation authority.

**7.1.19. Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- a) currently has a legally enforceable right to set off the recognised amounts; and
- b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**a) *Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability in the consolidated income statement.

**b) Other financial liabilities**

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

A limited part of trade payable is subject to reverse factoring. As the main risk and rewards of the trade payable remain with the Group, the financial liability is not de-recognised from trade payable.

**7.1.20. Derivative financial instruments**

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate CAP's.

Derivatives are accounted for in accordance with IAS 39. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The fair values of various derivative instruments are disclosed in note 4 “Financial instruments & financial risk management”. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

If no hedge accounting is applied, the Group recognises all gains or losses resulting from changes in fair value of derivatives in the consolidated income statement within “Other operating income/expense” to the extent that they relate to operating activities and within “Finance income” or “Finance costs” to the extent that they relate to the financing activities of the Group (e.g. interest rate swaps relating to the floating rate borrowings).

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**7.1.21. Hedge accounting**

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘other operating income/(expense)’ line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.1.22. Operating segments**

The Group's activities are in one segment. There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, review the operating results (defined as EBITDA) and operating plans, and make resource allocation decisions on a company-wide basis; therefore the Group operates as one segment.

**7.1.23. Statement of cash flows**

The cash flows of the Group are presented using the indirect method. This method reconciles the movement in cash for the reporting period by adjusting net profit of the year for any non-cash items and changes in working capital, and identifying investing and financing cash flows for the reporting period.

**7.1.24. Non-GAAP Measures**

EBITDA is defined as earnings before net finance cost, income taxes, depreciation and amortization have been deducted. This non-GAAP measure has been included in the financial statements since management believes that it is widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity.

Management also discloses non-recurring expenses. Non-recurring expenses are defined as those items that are considered by management to be non-recurring or unusual because of their nature. The non-recurring expenses relate to:

- acquisition costs;
- business restructuring costs, including costs relate to the liquidation of subsidiaries and the closure, opening or relocations of factories;
- asset impairment costs.

**7.2. Capital Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide benefits for shareholders.

The Group monitors capital on the basis of the net debt position. The Group's net debt position is calculated by adding all short and long-term interest bearing debts and by deducting the available short-term liquidity.

The net debt positions of the Group for the years ended 31 December are as follows:

	2013	2012	2011
Long-term interest bearing debt	896.7	818.7	814.9
Short-term interest bearing debt	13.9	14.0	20.4
Available short-term liquidity	(61.3)	(38.9)	(65.5)
<b>Total net debt position</b>	<b>849.3</b>	<b>793.8</b>	<b>769.8</b>

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.3. Critical Accounting Estimates and Judgments**

The amounts presented in the consolidated financial statements involve the use of estimates and assumptions about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual amounts may differ from these estimates. The estimates and assumptions that could have an impact on the consolidated financial statements are discussed below:

**7.3.1. Income taxes**

The Group has tax losses and tax credits usable to offset future taxable profits, mainly in France and Belgium, amounting to € 566.7 million at 31 December 2013 (€ 449.0 million at 31 December 2012). The Group has not fully recognised deferred tax assets in this respect. The valuation of this asset depends on a number of judgmental assumptions regarding the future probable taxable profits of different Group subsidiaries in different jurisdictions and on the outcome of tax planning strategies. These estimations are made prudently in the limit of the best current knowledge. Where circumstances should change and the final tax outcome would be different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Overall, the rationale for not recognising deferred tax assets in respect of tax losses and tax credits is based on the fact that the losses are mainly generated as a consequence of the historic financing structure, the modification of which is depending on future events. Although the Group has planned some significant tax actions, these will only be taken into account for recognising deferred tax assets upon implementation.

**7.3.2. Impairment**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1.4 "Goodwill". The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. These are summarised here below:

As at 31 December	2013	2012	2011
Pre-tax discount rate			
Retail	10.6%	10.0%	12.0%
Healthcare	10.7%	10.1%	12.0%
Turkey Region	10.9%	11.5%	16.3%

Should the estimated EBITDA at 31 December 2013 and the following 2 years decrease by 15% than the discounted cash flows used in the calculation of the recoverable amount, or should the discount rate used in the calculation done at that date increase by 15%, no impairment would be recognised. Sufficient headroom is available to support the carrying amount of goodwill.

Future cash flows are estimates that are likely to be revised in future periods as underlying assumptions changes. Key assumptions in supporting the value of goodwill include long-term interest rates and other market data. Should the assumptions vary adversely in the future, the value in use of goodwill may reduce below their carrying amounts. Based on current valuations, headroom appears to be sufficient to absorb a normal variation in the underlying assumptions.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.3.3. Expected useful lives**

The expected useful lives of the property, plant and equipment and intangible assets must be estimated. The determination of the useful lives of the assets is based on management's judgment and it is reviewed at least at each financial year-end, pursuant to IAS 16.

**7.3.4. Fair value of derivatives and other financial instruments**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. All derivative financial instruments are, in accordance with IFRS 7, level 2. This means valuation methods are used for which all inputs that have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.

**7.3.5. Employee benefits**

The carrying amount of the Group's employee benefit obligations is determined on an actuarial basis using certain assumptions. One particularly sensitive assumption used for determining the net cost of the benefits granted is the discount rate. Any change to this assumption will affect the carrying amount of those obligations.

The discount rate depends on the duration of the benefit, i.e. the average duration of the engagements, weighted with the present value of the costs linked to those engagements. According to IAS 19, the discount rate has to correspond to the rate of high-quality corporate bonds of similar term to the benefits valued and in the same currency.

Would the discount rate used be higher or lower than 1%, the impact on the financial statements would not be material.

**7.3.6. Research & Development**

Notwithstanding the detailed follow up of the R&D programs for product development per project, the administrative system of the Group does not differentiate the incurred expenses between research and development phases. Therefore, the expenses in relation to the research and development phase are charged to the statement of comprehensive income within operating results.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.4. Financial Instruments and Financial Risk Management**

**7.4.1. Overview of financial instruments**

The table below summarises all financial instruments by category in accordance with IAS 39 and discloses the fair values of each instrument and the fair value hierarchy:

Financial instruments	31 December 2011				
	Designated in hedge relationship	At fair value through profit or loss - Held for trading	Loans and receivables At amortised cost	Fair value	Fair value level
Non-current receivables			0.00	0.00	Level 2
Trade receivables			153.25	153.25	Level 2
Other receivables			18.47	18.47	Level 2
Derivative financial assets	16.40	1.00		17.40	
<i>Interest rate caps</i>		1.00		1.00	Level 2
<i>Forward foreign exchange contracts</i>	1.6			1.60	Level 2
<i>Oil Brent Call Option</i>	14.80			14.80	Level 2
Cash and cash equivalents			65.47	65.47	Level 2
<b>Total Financial Assets</b>	<b>16.40</b>	<b>1.00</b>	<b>237.19</b>	<b>254.59</b>	
<i>Interest-bearing debts - non-current</i>			814.88	695.24	
<i>Senior Secured Notes 2011 &gt; 1 Year</i>			311.41	289.60	Level 1
<i>Floating Rate Notes 2011 &gt; 1 Year</i>			272.48	238.84	Level 1
<i>Senior Unsecured Notes 2011 &gt; 1 Year</i>			228.69	164.50	Level 1
<i>Financial lease &amp; other liabilities</i>			2.30	2.30	Level 2
Derivative financial liabilities			0.00	0.00	
Other payables - non-current			0.00	0.00	Level 2
Interest-bearing debts - current			20.39	20.39	
<i>Bonds issued 31 March 2011:</i>			12.73	12.73	Level 1
<i>Financial lease &amp; other liabilities</i>			2.00	2.00	Level 2
<i>Factoring</i>			5.66	5.66	Level 2
Trade payables			220.08	220.08	Level 2
Other payables - current			13.79	13.79	Level 2
<b>Total Financial Liabilities</b>			<b>1,069.14</b>	<b>949.50</b>	

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Financial instruments	31 December 2012				
	Designated in hedge relationship	At fair value through profit or loss - Held for trading	Loans and receivables At amortised cost	Fair value	Fair value level
Non-current receivables			0.15	0.15	Level 2
Trade receivables			163.49	163.49	Level 2
Other receivables			24.22	24.22	Level 2
Derivative financial assets	5.73	0.08		5.81	
<i>Interest rate caps</i>		0.08		0.08	Level 2
<i>Oil Brent Call Option</i>	5.73			5.73	Level 2
Cash and cash equivalents			38.90	38.90	Level 2
<b>Total Financial Assets</b>	<b>5.73</b>	<b>0.08</b>	<b>226.76</b>	<b>232.57</b>	
Interest-bearing debts - non-current			818.69	865.93	
<i>Senior Secured Notes 2011 &gt; 1 Year</i>			312.71	340.80	Level 1
<i>Floating Rate Notes 2011 &gt; 1 Year</i>			273.62	275.10	Level 1
<i>Senior Unsecured Notes 2011 &gt; 1 Year</i>			229.66	247.34	Level 1
<i>Financial lease &amp; other liabilities</i>			2.70	2.70	Level 2
Derivative financial liabilities			0.00	0.00	
Other payables - non-current			0.01	0.01	Level 2
Interest-bearing debts - current			14.00	14.00	
<i>Bonds issued 31 March 2011:</i>			12.00	12.00	Level 1
<i>Financial lease &amp; other liabilities</i>			2.00	2.00	Level 2
Trade payables			222.76	222.76	Level 2
Other payables - current			13.13	13.13	Level 2
<b>Total Financial Liabilities</b>			<b>1,068.59</b>	<b>1,115.83</b>	



**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Financial instruments	31 December 2013				
	Designated in hedge relationship	At fair value through profit or loss - Held for trading	Loans and receivables At amortised cost	Fair value	Fair value level
Non-current receivables			0.10	0.10	Level 2
Trade receivables			198.99	198.99	Level 2
Other receivables			31.41	31.41	Level 2
Derivative financial assets	0.98	0.12		1.10	
<i>Interest rate caps</i>		0.12		0.12	Level 2
<i>Forward foreign exchange contracts</i>	0.98			0.98	Level 2
Cash and cash equivalents			61.29	61.29	Level 2
<b>Total Financial Assets</b>	<b>0.98</b>	<b>0.12</b>	<b>291.79</b>	<b>292.89</b>	
Interest-bearing debts - non-current			896.68	952.37	
<i>Senior Secured Notes 2011 &gt; 1 Year</i>			389.71	415.74	Level 1
<i>Floating Rate Notes 2011 &gt; 1 Year</i>			274.78	280.23	Level 1
<i>Senior Unsecured Notes 2011 &gt; 1 Year</i>			230.62	254.83	Level 1
<i>Financial lease &amp; other liabilities</i>			1.57	1.57	Level 2
Derivative financial liabilities	1.86			1.86	
<i>Forward foreign exchange contracts</i>	1.86			1.86	Level 2
Other non-current financial liabilities			10.00	10.00	Level 3
Other payables - non-current			0.00	0.00	Level 2
Interest-bearing debts - current			13.91	13.90	
<i>Bonds issued 31 March 2011:</i>			13.19	13.19	Level 1
<i>Financial lease &amp; other liabilities</i>			0.71	0.71	Level 2
Other current financial liabilities			8.00	8.00	Level 3
Trade payables			243.20	243.2	Level 2
Other payables - current			10.97	10.97	Level 2
<b>Total Financial Liabilities</b>	<b>1.86</b>		<b>1,184.62</b>	<b>1,240.35</b>	

Trading derivatives are classified as current assets or current liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. All trading derivatives fair value measurement is based on level 2 inputs as defined under IFRS 7§27, meaning inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognised on the statement of financial position or disclosed in the notes) is observable:

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

The fair values of financial assets and financial liabilities are based on mathematical models that use market observable data and are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- Level 3 liabilities: the amount has been determined based on contractual agreements.

The Group has derivative financial instruments which are subject to offsetting, enforceable master netting arrangements and similar agreements. No offsetting needed to be done per 31 December 2013.

The counterparties of the interest rate cap and FX option contracts have an A-credit rating.

**7.4.2. Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There have been no changes in the risk management department since year end or in any risk management policies. Hedge accounting was not applied in the 2012 and 2011 year-end financial statements. In 2013 hedge accounting is applied with respect to the foreign currency forward contracts.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.4.3. Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British pound (GBP) the Polish zloty (PLN) and the Turkish lira (TL) on sales, and the US dollar (USD) on procurement. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The group also has exposures to the Turkish lira (TL), Algerian dinar (DZD), Russian ruble (RUB) and the Czech krone (CZK) due to their net investments in foreign operations.

The Group monitors its foreign exchange exposure closely and will enter into hedging transactions if deemed appropriate to minimize exposure throughout the group to foreign exchange fluctuations. All hedging decisions are subject to approval of the Board of Directors. In 2013 the Group decided to enter in foreign exchange hedging contracts.

To manage their foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, the Group uses forward exchange contracts. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group treasury is responsible for optimizing the net position in each foreign currency when possible and appropriate. The Group applies hedge accounting for the hedge related transactions, the impact of the revaluation is recognised in other comprehensive income.

The Group has entered into foreign exchange forward contracts in December 2013 maturing at the latest in December 2014 in order to limit volatility in the business resulting from exposures to sales in British pound, Polish zloty, Turkish lira, Australian dollar and Russian ruble as well as purchases in USD and CZK to occur in 2014. Based on the hedge strategy, the foreign exchange forward contracts hedge the following portions of the forecasted exposures until 31 December 2014: for British pound GBP 87.4 million, for Polish zloty PLN 139.7 million, for Turkish lira TL 48.5 million, for Australian dollar AUD 27.9 million, for Russian ruble RUB 418.0 million, for Czech krone CZK 225.2 million and for US Dollar USD 96.9 million.

At inception of the foreign exchange contracts, those were designated as cash flow hedges. At the moment the forecasted transactions materialise, the foreign exchange forward contracts become fair value hedges.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions. The Group applies hedge accounting to the foreign currency forward contracts.

As of 31 December 2013 an unrealized gain of € 0.8 million (Turkish lira, Australian dollar, Czech krone) and an unrealized loss of € 1.4 million (British pound, Polish zloty, US dollar) has been recognized in other comprehensive income.

As of 31 December 2013 the fair value of the derivative financial asset for the foreign exchange contracts amounted to € 1 million and of the derivative financial liability amounted to € 1.9 million.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

At 31 December if the euro had weakened/strengthened by 10% against the reported currency with all other variables held constant, pre-tax profit for the year would have been € million higher (+) / lower (-) as indicated in the table below, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade receivables and payables and derivative positions as at the respective balance sheet dates.

In € million	10% weakening of the EUR			10% strengthening of the EUR				
	2013	2012	2011	2013	2012	2011		
	impact on P&L	impact on equity		impact on P&L	impact on equity			
PLN	2.7	(2.3)	3.0	2.2	(2.2)	1.9	(2.5)	(1.8)
GBP	(0.0)	(2.6)	0.0	(0.0)	0.0	2.1	0.0	0.0
USD	(1.1)	1.7	(1.5)	3.7	0.9	(1.4)	1.2	0.1
RUB	0.0	(0.6)			0.0	0.5		

#### 7.4.4. Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. These risks are managed centrally by Group treasury taking into account the expectations of the Group with respect to the evolutions of the market rates. The Group has used interest rate caps to manage these risks.

Since the Group's policy is to hedge the exposures on a group level without detailed documentation with respect to hedge accounting, the Group decided not to apply hedge accounting for these transactions.

Sensitivity of the value of the interest payments related to loans, including the impact of the related derivative financial instruments: At 31 December the Ontex debt is constituted of Senior Secured Fixed Rate Notes, Senior Secured Floating Rate Notes and Senior Unsecured Fixed Rate Notes. The loans with floating interest rates are based on EURIBOR.

*Sensitivity of the fair value of derivative financial instruments related to loans:* At 31 December 2013, if EURIBOR interest rates had been 10bps higher/lower with all other variables held constant, pre-tax profit for the year would have been respectively € 0.04 million higher / € 0.03 million lower. At 31 December 2012, if EURIBOR interest rates had been 10bp higher/lower with all other variables held constant, pre-tax profit for the year would have been respectively € 0.03 million higher/ € 0.03 million lower. At 31 December 2011, if EURIBOR interest rates had been 50 bps higher/lower with all other variables held constant, pre-tax profit for the year would have been respectively € 0.3 million higher / € 0.2 million lower. The variance in the sensitivity analysis was modified in 2012 compared to 2011 because applying a shift of 50bps in 2012 would result in negative interest rates in the short run.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Sensitivity of the fair value of loans:* At 31 December 2013, 31 December 2012 and 31 December 2011 the only Floating Rate Notes related to € 280.0 million Senior Secured Floating Rate Notes due 2018 carrying an interest of EURIBOR 3 months plus a margin of 4.125%.

The notional principal amounts of the outstanding fixed payer interest rate swap/cap contracts at 31 December 2013 are: € 150 million; 2012: € 150 million; 2011: € 150 million. At 31 December 2013, there is a CAP for € 150 million—strike 4.5%.

**7.4.5. Price risk (commodity)**

The Group has some exposure to the price of oil because certain of the raw materials used in production are manufactured from oil derivatives. These include glues, polyethylene and polypropylene.

The Group has entered into an Oil Brent Call Option for a measured quantity of oil barrels for the period through to September 2013 in the second half of 2013. The option reached its maturity on 15 September 2013 and has not been replaced. The nominal amount of the Oil Hedge outstanding at 31 December 2013 is zero (2012: € 31.5 million).

**7.4.6. Credit risk**

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to corporate customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors based on which individual risk limits are set in accordance with the limits set by business managers. Historical default rates have been below 1% in 2011, 2012 and 2013. Trade receivables are spread over different countries and counterparties and there is no large concentration with one or a few counterparties.

We refer to note 10 for the ageing of the receivables and the doubtful receivables.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

**7.4.7. Liquidity risk**

Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 14 "Borrowings") at all times so that the Group does not breach borrowing limits or covenants (where applicable) on its borrowing facilities.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below analyses the Group's financial liabilities (including interest payments) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 December 2011</b>				
Borrowings	(57.3)	(57.2)	(175.3)	(958.2)
Trade payables	(220.1)			
<b>At 31 December 2012</b>				
Borrowings	(57.2)	(57.6)	(178.3)	(897.6)
Trade payables	(222.8)			
<b>At 31 December 2013</b>				
Borrowings	(63.2)	(63.8)	(841.5)	(241.1)
Trade payables	(243.2)			

The table above does not contain finance lease liabilities. The maturity of these financial liabilities was less than one year at each balance sheet date.

### 7.5. Operating segments

According to IFRS 8, reportable operating segments are identified based on the "management approach". This approach stipulates external segment reporting based on the Group's internal organisational and management structure and on internal financial reporting to the chief operating decision maker. The Group's activities are in one segment, "Hygienic Disposable Products". There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis. Therefore the Group operates as one segment. Enterprise-wide disclosures about product sales, geographic areas and revenues from major customers are presented below:

#### 7.5.1. Information by division:

By Division	2013	2012	2011
Retail (*)	933.8	878.5	886.9
Healthcare	379.7	269.9	199.0
Turkey	178.4	160.6	131.7
<b>Ontex Group Sales</b>	<b>1,491.9</b>	<b>1,309.0</b>	<b>1,217.6</b>

(\*) Operationally, the Retail division is split into two sub-divisions: Retail Mature and Retail Growth. Since Retail Growth accounts for less than 10% of consolidated sales and consolidated assets, and since, except for the geographical focus, both sub-divisions are similar, both sub-divisions are aggregated in our reporting.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.5.2. Information by product sales:**

The key product categories are:

- Babycare products, principally baby diapers and, to a lesser extent, baby pants;
- Feminine care products, such as sanitary towels, panty liners and tampons;
- Adult incontinence products, such as adult pants, adult diapers, incontinence towels and bed protection.

By Product Group	2013	2012	2011
Baby	783.2	722.8	724.0
FemCare	197.5	187.4	188.9
Incontinence	490.6	379.6	286.5
Other (Traded goods)	20.6	19.2	18.2
<b>Ontex Group Sales</b>	<b>1,491.9</b>	<b>1,309.0</b>	<b>1,217.6</b>

**7.5.3. Information by geographic area:**

The organisational structure of the Group and its system of internal information indicates that the main source of geographical risks results from the location of its customers (destination of its sales) and not the physical location of its assets (origin of its sales). The location of Group's customers is accordingly the geographical segmentation criterion and is defined as below:

- Western Europe
- Eastern Europe
- Rest of the World

	2013	2012	2011
Western Europe	1,020.7	880.1	868.1
Eastern Europe	197.3	183.7	157.9
Rest of the World	273.9	245.2	191.6
<b>Ontex Group Sales</b>	<b>1,491.9</b>	<b>1,309.0</b>	<b>1,217.6</b>

**7.5.4. Revenues from major customers:**

The Group does not have a single significant customer. In 2013 the largest customer represents 6.4% of the revenues. The 10 largest customers represent 38.7% of 2013 revenues.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.6. List of Consolidated Companies**

Ontex has the following subsidiaries:

Name	Percentage of interest held by the group			Registered office	Company legal number
	2013	2012	2011		
Ontex Coordination Center bvba	100%	100%	100%	Spinnerijstraat 12, 9240 Zele, Belgium	0460.560.453
Eutima bvba	100%	100%	100%	Korte Moeie 53, 9900 Eeklo, Belgium	0415.412.891
Ontex Retail UK Ltd.	100%	100%	100%	Unit 5 (1st Floor), Grovelands Business Centre, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7TE, United Kingdom	N/A
Ontex Health Care UK Ltd.	100%	100%	100%	Kettering Parkway, Kettering Venture Park, Kettering, Northants, NN156XR, United Kingdom	N/A
Ontex Hygiénartikel Deutschland GmbH	100%	100%	100%	Fabrikstrasse 30, 02692 Grosspostwitz, Germany	N/A
Ontex Italia Srl	100%	100%	100%	Via Delle Grazie 6, 25122 Brescia, Italy	N/A
Ontex CZ Sro	100%	100%	100%	Vesecko 491, 51101 Turnov, Czech Republic	N/A
Ontema bvba	100%	100%	100%	Genthof 12, 9255 Buggenhout, Belgium	0453.081.852
Ontex Romania Srl	100%	100%	100%	5 Str. Caderea Bastilieri, et. 1, ap. 10, sector 1, Bucharest, Romania	N/A
Ontex Polska sp. z o.o.	100%	100%	100%	ul. Legionów 93/95, lok 26, 91-072 Lodz, Poland	N/A
Ontex Peninsular SAU	100%	100%	100%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	N/A
Ontex Mayen GmbH	100%	100%	100%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	N/A
Hygiène Medica SA	100%	100%	100%	625 Avenue de la Saladelle, 34130 Saint-Aunes, France	N/A
Ontex OOO	100%	100%	100%	11A Derbenevskaya naberezhnaya, Moscow 115114, the Russian Federation	N/A
Ontex Logistics GmbH	100%	100%	100%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	N/A
Ontex Tuk. Urn. San. ve Tic. AS	100%	100%	100%	Yenibosna, Merkez Mh. Asena Sk. No 2, Bahçelievler, Istanbul, Turkey (as from 01/01/2013 address is Selimpasa Merkez Mahallesi 5000, Sokak N10 34590 Silivri, Istanbul, Turkey)	N/A
Ontex Vertrieb GmbH & Co. KG	100%	100%	100%	Robert Bosch Str 8, 56727 Mayen, Germany	N/A



**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Name	Percentage of interest held by the group			Registered office	Company legal number
	2013	2012	2011		
Ontex France SAS	100%	100%	100%	586 Boulevard Albert Camus, 694000 Villefranche-sur-Saone France	N/A
Moltex Baby-Hygiene Beteiligungs GmbH	100%	100%	100%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	N/A
WS Windel-Shop GmbH	100%	100%	100%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	N/A
Ontex Health Care France SA	100%	100%	100%	18 Rue de Croix, 59290 Wasquehal, France	N/A
Ontex ID SAU	100%	100%	100%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	N/A
Ontex Healthcare Deutschland GmbH	100%	100%	100%	Hansaring 6, Lotte 49504, Germany	N/A
Hycos GmbH	0%	0%	100%	Ringstrasse 14, 09569 Oederan, Germany	N/A
Ontex bvba	100%	100%	100%	Genthof 5, 9255 Buggenhout, Belgium	0419.457.296
Ontex Recklinghausen GmbH	100%	100%	100%	Blitzkuhlenstrasse 205, 45659 Recklinghausen, Germany	N/A
ONV Middleco bvba	0%	100%	100%	Spinnerijstraat 12, 9240 Zele, Belgium	0479.340.346
ONV Topco NV	100%	100%	100%	Spinnerijstraat 12, 9240 Zele, Belgium	0479.340.742
Ontex International bvba	100%	100%	100%	Spinnerijstraat 12, 9240 Zele, Belgium	0478.866.432
Ontex Beteiligungsgesellschaft GmbH	100%	100%	100%	Robert Bosch Str. 8, 56727 Mayen, Germany	N/A
Ontex RU LLC	100%	100%	100%	11A Derbenevskaya naberezhnaya, Moscow 115114, the Russian Federation	N/A
Ontex Hygienic Disponables (Yangzhou) Co.TD	100%	100%	100%	Hangji industrial park, Hanjiang Dictrict, 225111 Yangzhou, China	N/A
Ontex ES Holdco SL	100%	100%	100%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	N/A
Can Hygiene SPA	100%	100%	100%	Haouch Sbaat Nord, Zone Industrielle de Rouiba, Voie H, lot 83B, 16012 Rouiba, Alger, Algeria	N/A
Ontex Healthcare bvba	0%	100%	100%	Genthof 5, 9255 Buggenhout, Belgium	0893.417.906
Ontex Inko Deutschland GmbH	100%	100%	100%	Robert Bosch Str. 8, 56727 Mayen, Germany	N/A
CR-Med Hygieneartikel GmbH	0%	0%	100%	Giesbert-Bergerhoff-Str. 56, 49076 Osnabrück, Germany	N/A

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Name	Percentage of interest held by the group			Registered office	Company legal number
	2013	2012	2011		
Ontex Manufacturing Pty Ltd (former Ontex Australia Pty Ltd)	100%	100%	100%	Wonderland Drive 5, Eastern Creek, NSW, 2766, Australia	N/A
LLC Ontex Ukraine	100%	100%	100%	Building 7(C), 13 M. Pymonenka Street, 04050 Kyiv, Ukraine,	37728333
Ontex Pakistan	100%	100%	100%	Office No 705, 7th Floor, Park Avenue, Main Sharh-e-Faisal, Karachi Sindh 7400, Pakistan	N/A
Ontex Santé France SAS	100%	100%	100%	Rue de Croix 18, 59290 Wasquehal, France	N/A
Lille Healthcare Sprl	0%	0%	100%	Chaussée de Nivelles 167, 7181 Arquennes, Belgium	0809.895.956
Lille Healthcare SL	0%	0%	100%	21, 4-1a Calle Bruc, 0810 Barcelona, Spain	N/A
Lille Healthcare GmbH	0%	0%	100%	138 Torstraße, 10119 Berlin, Germany	N/A
Ontex Australia Pty Ltd	100%	100%	100%	Suite 10, 27 Mayneview Street, Milton, QLD 4064, Australia	ABN 59 130 076 283
Lille Healthcare Ltd	0%	0%	100%	61-62 Gosport Business Center, Aerodrome Road, Hampshire, PO13 0FQ	06550768
Ontex Central Asia LLP	100%	100%	0%	Almaty, Bostandyk district, Al-Farabi Avenue 5, Business Center Nurly Tau, Blok 1A, Suite 502, Kazakhstan	N/A
Ontex Hygiene Sarlau	100%	100%	0%	Angle rue Al Kadi Lass et reu Ahmen Majjati Mâarif, 5ième étage, Casablanca, Morocco	N/A
Serenity Holdco S.r.l.	100%	0%	0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti)	
Ontex Manufacturing Italy S.r.l.	100%	0%	0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti)	
Serenity Spa	100%	0%	0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti)	

The voting rights equal the percentage of interest held.

The most significant Group subsidiaries are Ontex bvba, Ontex Mayen GmbH, Ontex Czech Republic Sro, Ontex Tuketim AS and Serenity Spa.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.7. Business Combinations**

On 4 April 2013 the Group acquired all the shares and voting rights of Serenity S.p.a. (former Artsana SUD S.p.a.) and its subsidiaries. The acquisition provides the Group with an established platform for operations in the Italian incontinence market, a segment and geography in which the Group had limited presence, as well as the opportunity to develop the babycare business in Italy. Furthermore the Group gained access to an extensive and efficient distribution network and “made in Italy” credentials through the acquisition of the manufacturing plant.

Serenity has been consolidated as from 1 April 2013.

The Group paid a consideration of € 49.2 million, repaid € 24.0 of debt to the former shareholders and has agreed on certain earn-out payments totalling no more than € 18 million. The cash impact in 2013 amounted to € 73,2 million. The net assets acquired amount to € 48.6 million. As a consequence, the Group recognized a goodwill of € 18.6 million in the statement of financial position. As of 31 December 2013 the Group has finalised the purchase price allocation.

We have also agreed to certain earn-out payments (contingent consideration) totalling no more than € 18 million (the “Earn-out Payments”) and consisting of: (a) up to € 8 million and € 5 million in 2014 and 2015, respectively, depending on Serenity’s year end EBITDA in 2013 and 2014, respectively; and (b) a final payment of up to € 5 million on the third anniversary of the Acquisition Closing Date, based on improvements to Serenity’s DSO (“Days of Sales Outstanding”) with respect to its Public Tender Contracts. These future earn out payments have been recognised in the statement of financial position under the non-current (€ 10 million) and the current other financial liabilities (€ 8 million) at fair value. These financial liabilities are non-interest bearing.

The full amount of the earn-out payments has been taken into account for the determination of the goodwill.

The goodwill of € 18.6 million arising from the acquisition is attributable to acquired workforce, scale and geographical spread of the operations, expected from acquiring the operations of the group.

None of the goodwill recognised is expected to be deductible for income tax purposes.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the consideration paid for Serenity S.p.a. and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

**Consideration at 4 April 2013 (in € million)**

**Recognised amounts of identifiable assets acquired and liabilities assumed**

Cash and cash equivalents	2.1
Property, plant, and equipment	27.3
Intangible assets (excluding goodwill)	0.1
Inventories	17.4
Trade and other receivables	54.2
Deferred tax assets	0.0
Trade and other payables	(21.7)
Employee benefit obligations	(1.9)
Borrowings	(24.0)
Other assets and liabilities acquired	(2.7)
Deferred tax liabilities	(2.3)
<b>Total identifiable net assets acquired</b>	<b>48.6</b>
Allocation to Goodwill	18.6
<b>Total consideration</b>	<b>67.2</b>

**Purchase price:**

Cash	49.2
Contingent consideration	18.0
Fair value of shares exchanged	0.0
<b>Total consideration transferred</b>	<b>67.2</b>

As a result of the acquisition and fair values (to land, buildings and PPE) assigned by the appraisal specialist, the consolidated statement of financial position as of 31 December 2013 reflect adjustments made in accordance with IFRS 3, Business Combinations, for a total amount of € 27.3 million.

The acquisition related costs in the period ended 31 December 2013 amounted to € 8.2 million and are included in non-recurring expenses in the income statement. Since acquisition date, Serenity generated revenues and net result of respectively €108.6 million and € 5.4 million in 2013. Had this business combination been effected at 1 January 2013, the revenue of Serenity from continuing operations would have been € 146.8 million and the net result would have been € 8.2 million. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of Serenity on an annualised basis and to provide a reference point for comparison in future periods.

The gross contractual amounts receivable amount to EUR 54,2 million. The best estimate is that at the acquisition date, all contractual cash flows are expected to be collected. There are no contingent arrangements or indemnification assets.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.8. Goodwill and Other Intangible Assets**

	Goodwill	IT implementation costs	Other intangibles	Total
<b>Year ended 31 December 2011</b>				
Opening net book amount	831.3	4.8	0.6	836.7
Additions	-	2.1	-	2.1
Amortization charge	-	(2.5)	(0.1)	(2.6)
Other movements (*)	10.2	-	-	10.2
<b>Closing net book amount</b>	<b>841.5</b>	<b>4.4</b>	<b>0.5</b>	<b>846.4</b>
<b>At 31 December 2011</b>				
Cost or valuation	841.5	14.4	0.9	856.8
Accumulated amortization and impairment	-	(10.0)	(0.4)	(10.4)
<b>Net book amount</b>	<b>841.5</b>	<b>4.4</b>	<b>0.5</b>	<b>846.4</b>
<b>Year ended 31 December 2012</b>				
Opening net book amount	841.5	4.4	0.5	846.4
Additions	-	1.7	-	1.7
Amortization charge	-	(2.2)	(0.1)	(2.3)
Other movements	-	-	-	-
<b>Closing net book amount</b>	<b>841.5</b>	<b>3.9</b>	<b>0.4</b>	<b>845.8</b>
<b>At 31 December 2012</b>				
Cost or valuation	841.5	16.1	0.9	858.5
Accumulated amortisation and impairment	-	(12.2)	(0.5)	(12.7)
<b>Net book amount</b>	<b>841.5</b>	<b>3.9</b>	<b>0.4</b>	<b>845.8</b>
<b>Period ended 31 December 2013</b>				
Opening net book amount	841.5	3.9	0.4	845.8
Additions	-	3.0	-	3.0
Disposals	-	(0.2)	-	(0.2)
Amortization charge	-	(2.4)	(0.1)	(2.5)
Exchange differences	-	-	-	-
Other movements	-	-	-	-
Acquisitions through business combination	18.6	0.1	-	18.7
<b>Closing net book amount</b>	<b>860.1</b>	<b>4.4</b>	<b>0.3</b>	<b>864.8</b>
<b>At 31 December 2013</b>				
Cost or valuation	860.1	13.1	0.9	874.1
Accumulated amortization and impairment	-	(8.7)	(0.6)	(9.3)
<b>Net book amount</b>	<b>860.1</b>	<b>4.4</b>	<b>0.3</b>	<b>864.8</b>

(\*) This movement should be considered as a movement in opening balance sheet (final purchase price allocation).

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Capitalised IT implementation costs represent internally developed and externally purchased software for own use. Other intangibles represent acquired customer relationships.

The amortization cost is included in the captions of the consolidated statement of comprehensive income as follows:

	2013	2012	2011
Cost of sales	0.0	0.0	0.1
Distribution expenses	0.0	0.0	0.0
Sales and marketing expenses	0.3	0.5	0.5
General and administrative expenses	2.1	1.7	2.0
<b>Total depreciation and amortization</b>	<b>2.5</b>	<b>2.3</b>	<b>2.6</b>

As indicated in note 14.1 "Borrowings", the Group's current and future intangible assets are pledged as security for the Group's borrowings.

The Group incurred € 4.5 million of research and development expenses in 2013 (2012: € 3.7 million; 2011: € 3.3 million) that has been recorded under the caption "General and administrative expenses".

**Goodwill impairment**

For the purpose of performing impairment reviews, the Group has identified three cash generating units (CGUs): Retail, Healthcare and Turkey Region. Annual impairment reviews are performed as at 31 December for all CGUs. These reviews compare the carrying value of each CGU with the recoverable amount of the CGU's assets calculated using a discounted cash flow model. If the recoverable amount is less than the carrying value of the CGU, an impairment loss is recognised immediately in the income statement.

Goodwill allocated to the CGUs as at 31 December was as follows:

	2013	2012	2011
Retail	757.7	757.7	757.7
Healthcare	60.4	41.8	41.8
Turkey	42.0	42.0	42.0
	<b>860.1</b>	<b>841.5</b>	<b>841.5</b>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Ontex' Board of Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 2% for Retail and Healthcare and 3% for Turkey. The growth rate does not exceed the current market expectations in which the three CGUs are currently operating.

The Group has performed a sensitivity analysis by reducing the risk-adjusted cash flow projections and by increasing the pre-tax discount rate as disclosed in note 3.2 "Impairment".

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.9. Property, Plant and Equipment**

	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
<b>Year ended 31 December 2011</b>						
Opening net book amount	99.7	120.6	0.4	3.2	18.7	242.6
Additions	0.6	10.8	0.3	1.5	14.3	27.5
Transfers	(0.8)	6.2	-	0.9	(6.3)	(0.0)
Disposals	-	-	(0.1)	-	-	(0.1)
Depreciation charge	(6.7)	(24.7)	(0.2)	(1.0)	(0.4)	(33.0)
Exchange differences	(0.5)	(1.1)	-	0.1	(0.3)	(1.8)
Other movements	(3.7)	(0.1)	-	-	(0.1)	(3.9)
Additions through business combinations	2.3	2.5	0.1	5.3	4.5	14.7
<b>Closing net book amount</b>	<b>90.9</b>	<b>114.2</b>	<b>0.5</b>	<b>10.0</b>	<b>30.4</b>	<b>246.0</b>

<b>At 31 December 2011</b>						
Cost	103.1	164.8	0.9	14.2	30.8	313.8
Accumulated depreciation	(12.2)	(50.6)	(0.4)	(4.2)	(0.4)	(67.8)
<b>Net book amount</b>	<b>90.9</b>	<b>114.2</b>	<b>0.5</b>	<b>10.0</b>	<b>30.4</b>	<b>246.0</b>

	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
<b>Year ended 31 December 2012</b>						
Opening net book amount	90.9	114.2	0.5	10.0	30.4	246.0
Additions	0.5	23.5	0.3	2.8	23.6	50.7
Transfers	0.9	21.0	-	0.1	(21.9)	0.1
Disposals	-	(0.2)	-	-	-	(0.2)
Depreciation charge	(3.3)	(24.2)	(0.2)	(1.5)	0.4	(28.8)
Exchange differences	0.4	0.3	-	-	-	0.7
Other movements	-	(0.4)	-	-	(0.7)	(1.1)
<b>Closing net book amount</b>	<b>89.4</b>	<b>134.2</b>	<b>0.6</b>	<b>11.4</b>	<b>31.8</b>	<b>267.4</b>

<b>At 31 December 2012</b>						
Cost	103.1	208.1	1.1	17.1	31.8	361.2
Accumulated depreciation	(13.7)	(73.9)	(0.5)	(5.7)	-	(93.8)
<b>Net book amount</b>	<b>89.4</b>	<b>134.2</b>	<b>0.6</b>	<b>11.4</b>	<b>31.8</b>	<b>267.4</b>

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
<b>Year ended 31 December 2013</b>						
Opening net book amount	89.4	134.2	0.6	11.4	31.8	267.4
Additions	1.3	21.0	0.2	0.8	9.7	33.0
Transfers	0.6	21.0	0.0	(0.0)	(22.4)	(0.9)
Disposals	-	(4.0)	(0.0)	0.0	(0.8)	(4.8)
Depreciation charge	(3.9)	(25.9)	(0.2)	(1.3)	-	(31.3)
Exchange differences	(1.3)	(5.8)	(0.1)	(0.8)	(0.6)	(8.8)
Other movements	0.0	(0.1)	(0.0)	-	0.5	0.4
Addition through business combinations	12.5	14.6	0.0	-	0.2	27.3
<b>Closing net book amount</b>	<b>98.6</b>	<b>154.6</b>	<b>0.6</b>	<b>10.1</b>	<b>18.2</b>	<b>282.0</b>
<b>At 31 December 2013</b>						
Cost	116.0	239.0	1.2	16.5	18.2	390.8
Accumulated depreciation	(17.5)	(84.4)	(0.6)	(6.4)	-	(108.8)
<b>Net book amount</b>	<b>98.6</b>	<b>154.6</b>	<b>0.6</b>	<b>10.1</b>	<b>18.2</b>	<b>282.0</b>

The following annual operating lease payments have been included in the income statement for the years ended 31 December.

	2013	2012	2011
Land and buildings	18.1	15.3	11.3
Machinery and equipment	6.4	6.8	4.6
Rent of pallets	4.3	3.7	3.7
Furniture and vehicles	4.7	4.5	4.2
Other lease rentals	1.2	1.3	1.1
<b>Total operating lease payments</b>	<b>34.8</b>	<b>31.6</b>	<b>24.9</b>

The depreciation charge is included in the captions of the consolidated statement of comprehensive income as follows:

	2013	2012	2011
Cost of sales	25.1	24.9	24.2
Distribution expenses	1.2	1.2	1.3
Sales and marketing expenses	2.2	2.1	1.9
General administrative expenses	0.5	0.5	0.3
Other operating income	0.0	(0.2)	0.2
<b>Total depreciation and amortization</b>	<b>29.0</b>	<b>28.5</b>	<b>27.9</b>
Non-recurring costs	2.3	0.3	5.1
<b>Total depreciation and impairment</b>	<b>31.3</b>	<b>28.8</b>	<b>33.0</b>

The Group did not have material finance lease arrangements during the reporting period.

As indicated in note 14.1 "Borrowings", the Group's current and future items of property, plant and equipment are pledged as security for the Group's borrowings.



**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.10. Trade Receivables, Prepaid Expenses and Other Receivables**

<b>Year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Trade receivables	203.0	170.7	161.5
Less: allowance for impairment of trade receivables	(4.1)	(7.2)	(8.3)
Trade receivables – net	199.0	163.5	153.2
Prepayments	8.7	12.5	21.0
Other amounts receivable	31.4	24.2	18.5
Prepaid expenses and other receivables	40.0	36.7	39.5
<b>Trade and other receivables - Current</b>	<b>239.0</b>	<b>200.2</b>	<b>192.7</b>

“Other amounts receivable” include recoverable VAT for an amount of € 25.2 million for 2013 (2012: € 19.7 million; 2011: € 13.8 million). The fair value of the current receivables approximates their carrying amounts.

The aging of the receivables at 31 December is as follows:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Not due	160.1	140.9	127.2
0 to 30 days	18.7	16.3	18.6
31 to 60 days	8.5	3.2	2.9
61 to 90 days	5.4	0.4	0.5
Over 90 days	6.3	2.7	4.0
<b>Total</b>	<b>199.0</b>	<b>163.5</b>	<b>153.2</b>

The Group doesn't apply systematically external credit rating. An impairment analysis of trade receivables is done on an individual level, but there are no individual significant impairments.

The carrying amount of the Group's trade receivables are denominated in the following currencies:

<b>Year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
EUR	98.3	74.0	81.7
GBP	40.3	30.9	27.8
PLN	24.4	27.2	19.6
TRY	12.7	17.0	17.1
AUD	6.6	5.5	4.4
RUB	8.5	8.9	6.0
Other	12.2	7.2	4.9
<b>Total</b>	<b>203.0</b>	<b>170.7</b>	<b>161.5</b>

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During the course of the year, the payment terms for the receivables have neither deteriorated nor been renegotiated. The maximum credit risk exposure at the end of the reporting period is the carrying value of each caption of receivables mentioned above. The Group does not hold any collateral as security. Movements on the Group allowance for impairment of trade receivables are as follows:

	2013	2012	2011
Opening Balance	7.2	8.3	3.4
Assets Acquired	0.1	-	3.1
Allowance for receivable impairment	0.8	0.6	2.5
Receivables written off during the year as uncollectible	(0.3)	(1.4)	(0.3)
Unused amounts reversed	(3.6)	(0.3)	(0.3)
Foreign exchange differences	(0.1)	-	(0.1)
<b>At 31 December</b>	<b>4.1</b>	<b>7.2</b>	<b>8.3</b>

The creation and the release of the allowance for impaired receivables have been included in 'Sales and marketing expense' in the income statement.

The Group has entered into a non-recourse factoring agreement in 2008 and this agreement is still in place. This factoring agreement is an off-balance sheet arrangement. The agreement provides a credit facility up to € 125 million.

Linked to the acquisition of Serenity in April 2013, the Group also entered into a factoring agreement with Ifitalia and one with Mediofactoring, both non-recourse. These agreements provide an additional credit facility up to € 46.5 million for the year ended 31 December 2013.

As indicated in note 14.1 "Borrowings", the Group's Trade Receivables are pledged as security for the Group's borrowings.

#### **7.11. Inventories**

Inventories can be split as follows:

<b>Year ended 31 December</b>	2013	2012	2011
Raw materials	78.3	75.4	60.5
Work in progress	1.0	0.9	0.8
Finished goods	101.0	89.1	74.1
Other	9.9	9.6	7.7
Write-down on inventories	(8.0)	(3.4)	(3.8)
<b>Inventories</b>	<b>182.2</b>	<b>171.6</b>	<b>139.3</b>

The Group mainly uses fluff, super-absorbers and non-woven fabrics. Other raw materials used by the Group for its production include polyethylene, adhesives and tapes as basic raw materials. The finished products are baby diapers, baby pants, towels, tampons, panty liners, wipes, incontinence products and trade goods.

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The cost of inventories recognised as an expense and included under 'Cost of sales' amounted to € 1,094.8 million in 2013 (€ 988.3 million in 2012; 2011: € 941.4 million).

As indicated in note 14.1 "Borrowings", the Group's Inventories are pledged as security for the Group's borrowings.

### 7.12. Cash and Cash Equivalents

The net cash position as presented in the consolidated statement of cash flows is as follows:

Year ended 31 December	2013	2012	2011
Short-term bank deposits (no longer than 3 months)	2.8	4.4	2.8
Cash at bank and on hand	58.5	34.5	62.7
<b>Total</b>	<b>61.3</b>	<b>38.9</b>	<b>65.5</b>

The carrying amount of the cash and cash equivalents is a reasonable approximation of their fair value.

The credit quality of the banks and financial institutions the Group is working with is mentioned in the following table:

Cash at bank and short term bank deposits	2013	2012	2011
AA	8.5	7.0	41.1
A	51.3	31.6	24.3
BBB	1.2	0.1	-
BB	0.2	0.1	-
No credit rating	0.1	0.1	0.1
<b>Total</b>	<b>61.3</b>	<b>38.9</b>	<b>65.5</b>

As indicated in note 14.1 "Borrowings", the Group's Bank Accounts are pledged as security for the Group's borrowings.

### 7.13. Share Capital

	Number of shares	Ordinary shares	Share premium	Total
<b>Opening balance at 1 January 2011</b>	<b>224,470,867</b>	<b>2.3</b>	<b>447.1</b>	<b>449.4</b>
Capital increase/reduction	-	-	-	-
Other movements	-	-	-	-
<b>Closing balance at 31 December 2011</b>	<b>224,470,867</b>	<b>2.3</b>	<b>447.1</b>	<b>449.4</b>
Capital increase/reduction	-	-	-	-
Other movements	-	-	-	-
<b>Closing balance at 31 December 2012</b>	<b>224,470,867</b>	<b>2.3</b>	<b>447.1</b>	<b>449.4</b>
Capital increase/reduction	-	-	-	-
Other movements	-	-	-	-
<b>Closing balance at 31 December 2013</b>	<b>224,470,867</b>	<b>2.3</b>	<b>447.1</b>	<b>449.4</b>

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**7.14. Borrowings**

<b>Year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Non-current</b>			
Borrowings:			
Bonds:			
- Senior Secured Notes 2011 > 1 Year	389.7	312.7	311.4
- Floating Rate Notes 2011 > 1 Year	274.8	273.6	272.5
- Senior Unsecured Notes 2011 > 1 Year	230.6	229.7	228.7
Financial lease & other liabilities	1.6	2.7	2.3
<b>Borrowings non-current</b>	<b>896.7</b>	<b>818.7</b>	<b>814.9</b>
<b>Current</b>			
Borrowings:			
Bonds:	13.2	12.0	12.7
Financial lease & other liabilities	0.7	2.0	2.0
Factoring	-	-	5.7
<b>Borrowings current</b>	<b>13.9</b>	<b>14.0</b>	<b>20.4</b>
<b>Total financial liabilities</b>	<b>910.6</b>	<b>832.7</b>	<b>835.3</b>

**Reconciliation to statement of cash flows**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Repaid borrowings			
- Shareholder Loan - Senior loan notes (Nov 2010)	-	-	(600.0)
- Vendor loan notes (November 2010)	-	-	(160.0)
Financial lease & other liabilities	(2.4)	(1.8)	-
Factoring (non recourse)	36.3	(5.7)	-
<b>Impact on statement of cash flows</b>	<b>33.9</b>	<b>(7.5)</b>	<b>(760.0)</b>
Newly contracted loans			
- Bonds	77.4		835.0
- Financial lease & other liabilities		2.2	
<b>Impact on statement of cash flows</b>	<b>77.4</b>	<b>2.2</b>	<b>835.0</b>

All borrowings are denominated in euro.

As of 31 March 2011 the Company has issued high yield bonds replacing a € 600.0 million Senior Loan and a € 160.0 million Vendor Loan Notes.

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On 14 February 2013, Ontex closed the offering of € 75 million 7.5% Senior Secured Notes due 2018 for an issue price of 103.25% plus an amount equal to the accrued interest on the Notes from 15 October 2012. The gross proceeds of this successful offering, together with cash on hand, were used to (i) purchase the issued and outstanding capital stock of Serenity and (ii) pay certain fees and expenses associated with the acquisition of Serenity and the offering of the Notes.

The Senior secured Notes are accounted for at amortized cost.

The high yield bonds consist of € 235.0 million 9.000% Senior Notes due 2019, € 395.0 million 7.500% Senior Secured Notes due 2018 and € 280.0 million Senior Secured Floating Rate Notes due 2018.

The high yield bonds are accounted for at amortized cost.

The carrying amounts and fair value of the new financing is as follows:

	Carrying Value	Fair Value
Bonds	895.1	950.8
	<b>895.1</b>	<b>950.8</b>

(\*) The fair value of the bonds is that as quoted on the market

As of 31 December 2013, € 75 million of the Revolving Credit Facility is undrawn.

**7.14.1. Collateral for bank borrowings**

Security agreements have been entered into which collectively secure the borrowings for the entire amount outstanding and accrued interest on the bank borrowings. The Group is subject to regular bank reporting, and certain financial ratios are monitored. The Group retains full ownership and operating rights for the assets pledged. In the event of a default of repayment of the bank borrowings and related interest payments, the bank may enforce against the pledged assets.

**7.14.2. Other information**

HSBC Turkey has granted a line of credit to Ontex Tuketim A.S. for USD 4.4 million. Over this line of credit nothing has been utilized.

Isbank Turkey has also granted a line of credit to Ontex Tuketim A.S. for USD 10.0 million. Over this line of credit USD 3.5 million has been utilized for non-cash loan (letter of guarantees given to Customs).

Yapi Kredi Turkey has granted a line of credit to Ontex Tuketim A.S. for USD 3.0 million. Over this line of credit 1.2 million has been utilized for non-cash loan (letter of guarantees given to Customs).

Akbank Turkey has granted a line of credit to Ontex Tuketim A.S. for USD 2.8 million. Over this line of credit 0.5 million has been utilized for non-cash loan (letter of guarantees given to Customs).

Garanti Turkey has granted a line of credit to Ontex Tuketim A.S. for USD 1.5 million. Over this line of credit 0.1 million has been utilized for non-cash loan (letter of guarantees given to Customs).

Ontex Tuketim A.S. signed a guarantee letter in favour of HSBC Algeria at an amount of USD 7.5 million. HSBC Algeria has been using this guarantee letter to grant a line of credit to Can Hygiene SPA for drawing Letter of Credits to raw material suppliers and grant loan for BD line purchase.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.15. Employee Benefit Liabilities**

The Group grants its working and retired personnel post-employment benefits, long-term benefits, and termination benefits. These benefits have been valued in conformity with IAS 19. The related IAS 19 liability recognized in the balance sheet can be analysed as follows:

<b>Year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Post-employment benefits	13.2	11.1	8.3
Long-term benefits	2.0	2.1	2.2
Termination benefits*	0.6	1.1	1.6
<b>Employee benefit liabilities</b>	<b>15.8</b>	<b>14.3</b>	<b>12.1</b>
Short-term employee benefits and other benefits	25.9	23.4	22.7
<b>Net liability</b>	<b>41.7</b>	<b>37.7</b>	<b>34.8</b>

\*Prepension included in termination benefits.

The calculation of the debt is based on actuarial assumptions that have been determined on the various balance sheet dates. They are based not only on macro-economic factors valid for the dates in question but also on the specific characteristics of the various schemes evaluated. They represent the Group's best estimate for the future. They are periodically reviewed in accordance with the evolution of the markets and available statistics.

**Post-employment benefits:**

We make payments on a defined contribution basis to both state and private pension arrangements across our operations. In addition, we operate a defined benefit insurance scheme in Belgium and we also have an obligation to make severance payments to employees upon their retirement in France and Turkey.

We also operate several unfunded pension arrangements in respect of our German operations. The German operations do not fund the pension arrangements but reflect pension scheme liabilities in company accounts on an IAS 19 revised basis. The pension benefits are paid by the relevant company as they fall due.

The Group has DC plans for which they paid € 0.1 million in 2013. In Belgium the DC plans are subject to a minimum guaranteed rate of return by law. In practice this guarantee is mainly covered by insurance companies. As there is no deficit as per 31 December 2013, no liability has been recognised. The accumulated reserves of these plans are equal to the assets.

There are no risks to which the plan exposes the entity, focusing on any unusual, entity-specific or plan specific risks, and of any significant concentrations of risk.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.15.1. Reconciliation of the employee benefit liabilities**

<b>Post Employment Benefits</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>RECOGNITION OF THE OBLIGATION</b>			
Defined benefit obligation (DBO) at end of period	(14.5)	(12.3)	(9.5)
Fair value of plan assets at end of period	1.3	1.2	1.2
<b>Funded status</b>	<b>(13.2)</b>	<b>(11.1)</b>	<b>(8.3)</b>
<b>NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION</b>	<b>(13.2)</b>	<b>(11.1)</b>	<b>(8.3)</b>
<b>DEFINED BENEFIT COST</b>			
Current service cost	0.4	0.3	0.4
Past service cost	0.0	0.0	(1.4)
<b>Service cost (note 19) recognised in P&amp;L</b>	<b>0.4</b>	<b>0.3</b>	<b>(1.0)</b>
Interest expense on DBO	0.5	0.5	0.4
Interest income on plan assets	0.0	(0.1)	0.0
<b>Net interest cost recognised in P&amp;L</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>
<b>PENSION (EXPENSE)/PROFIT (EMPLOYER)</b>	<b>0.9</b>	<b>0.7</b>	<b>(0.6)</b>
Re-measurements recognised in OCI	0.0		
<b>RECONCILIATION OF THE OBLIGATION</b>			
<b>Defined benefit obligation (DBO) at beginning of year</b>	<b>(12.3)</b>	<b>(9.5)</b>	<b>(9.9)</b>
Business combination	(1.7)	0.0	(0.5)
Current service cost	(0.4)	(0.3)	(0.4)
Past service cost	0.0	0.0	1.4
Service cost	(0.4)	(0.3)	1.0
Interest expense on DBO	(0.5)	(0.5)	(0.5)
Benefit payments from plan	0.0	0.2	0.0
Benefit payments from employer	0.3	0.4	0.3
		0.0	0.0
Participant contributions	0.0	0.0	0.0
Administrative expenses included in the DBO	0.0	0.0	0.0
Taxes included in the DBO	0.0	0.0	0.0
Insurance premiums for risk benefits	0.0	0.0	0.0
Effect of changes in financial assumptions	0.1	(1.8)	(0.1)
Effect of experience adjustments:	(0.2)	(0.8)	0.0
Effect of changes in foreign exchange rates	0.1	0.0	0.1
<b>Defined benefit obligation (DBO) at end of year</b>	<b>(14.5)</b>	<b>(12.3)</b>	<b>(9.5)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

<b>Post Employment Benefits</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>RECONCILIATION OF PLAN ASSETS AT FAIR VALUE</b>			
Fair value of plan assets at beginning of year	1.2	1.2	1.0
Interest income	0.0	0.1	0.0
Employer contribution	0.4	0.5	0.4
Plan participants' contributions	0.0	0.0	0.0
Benefit payments from plan	-	(0.2)	0.0
Benefit payments from employer	(0.3)	(0.4)	(0.3)
Administrative expenses paid from plan assets	0.0	0.0	0.0
Taxes paid from plan assets	0.0	0.0	0.0
Insurance premiums for risk benefits	0.0	0.0	0.0
Return on plan assets (excluding interest income)	0.0	0.0	0.2
Fair value of plan assets at end of period	1.3	1.2	1.2
<b>RECONCILIATION OF NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION</b>			
Net (liability)/asset at start of year	(11.1)	(8.3)	(8.9)
Business combination	(1.7)	0.0	(0.5)
Defined benefit cost included in the income statement	(0.9)	(0.7)	0.6
Total re-measurements included in OCI	0.0	(2.6)	0.1
Employer contributions	0.4	0.5	0.4
Effect of changes in foreign exchange rates	0.1	0.0	0.0
<b>Net (liability)/asset at end of year</b>	<b>(13.2)</b>	<b>(11.1)</b>	<b>(8.3)</b>
<b>Post Employment Benefits</b>			
<b>UNFUNDED versus FUNDED</b>			
Part of DBO from plans that are wholly unfunded	(13.3)	(11.1)	(8.3)
<b>EXPECTED CONTRIBUTIONS IN NEXT ANNUAL PERIOD</b>	<b>(0.6)</b>	<b>(0.4)</b>	<b>(0.2)</b>

The plan assets consist of insurance contracts.



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**7.15.2. Material actuarial assumptions 2011**

	COUNTRY			
<b>As at 31 December 2011</b>	<b>Belgium</b>	<b>Germany</b>	<b>France</b>	<b>Turkey</b>
Discount rate	4.8%	4.8%	4.75%	10.0%
Expected long-term rate of return on plan assets	3.3%	-	-	-
Salary increase rate (on top of inflation)	4.0%	3.0%	2.5%	-
Rate of inflation	2.0%	-	2.0%	-
Mortality table	-	Heubeck 2005 G	INSEE 2006-2008	-
Turnover table/rates	0.0%	0.0%	-	0.0%
Disability table/rates	-	Heubeck 2005 G	-	-

**7.15.3. Material actuarial assumptions 2012**

	COUNTRY			
<b>As at 31 December 2012</b>	<b>Belgium</b>	<b>Germany</b>	<b>France</b>	<b>Turkey</b>
Discount rate	3.3%	1% - 3.25% - 3.70%	3.8%	8.8%
Expected long-term rate of return on plan assets	3.3%	-	-	-
Salary increase rate (on top of inflation)	3.5%	0.0%	2.5%	5.0%
Rate of inflation	2.0%	2.0%	2.0%	5.0%
Mortality table	MR/FR age corr minus 3 y	Heubeck 2005 G	INSEE 2006-2008	C.S.O. 1980
Turnover table/rates	0.0%	0.0%	-	0.0%
Disability table/rates	-	Heubeck 2005 G	-	-

**7.15.4. Material actuarial assumptions 2013**

	COUNTRY				
<b>As at 31 December 2013</b>	<b>Belgium</b>	<b>Germany</b>	<b>France</b>	<b>Turkey</b>	<b>Italy</b>
Discount rate	3.3%	0.5% - 3.25%	3.8%	10.5%	3.5%
Expected long-term rate of return on plan assets	3.3%	-	-	-	-
Salary increase rate (on top of inflation)	3.5%	0.0%	2.5%	5.0%	n/a
Rate of inflation	2.0%	2.0%	2.0%	5.0%	2.0%
Mortality table	MR FR with age correction minus 3years	Heubeck 2005 G	INSEE 2006-2008	C.S.O. 1980	RG48 Italian tables
Turnover table/rates	None	n/a	table1/table 2	company specific	3% flat
Disability table/rates	-	Heubeck 2005 G	-	-	-
Weighted average duration	13.83	14.79	11.84	N/A	12.32

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There are no unusual entity-specific or plan specific risks to which the plan exposes the entity, neither are there any significant concentrations of risk.

The sensitivity analyses below have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period'

<b>As at 31 December 2013</b>	<b>Belgium</b>	<b>Germany</b>	<b>France</b>	<b>Turkey</b>	<b>Italy</b>
<b>Sensitivity analysis</b>					
Discount rate - 0,25bp	2.0	8.5	2.4	0.4	1.7
Discount rate + 0.25bp	1.9	8.0	2.1	0.4	1.6
Salary increase - 0.25bp	1.9	no impact	2.4	0.4	no impact
Salary increase + 0.25bp	1.8	no impact	2.4	0.4	no impact

**7.15.5. Post Employment Benefits by Country**

	<b>Germany</b>	<b>Turkey</b>	<b>2011 France</b>	<b>Belgium</b>	<b>Total</b>
<b>Post Employment Benefits</b>					
<b>RECOGNITION OF THE OBLIGATION</b>					
Defined benefit obligation (DBO) at end of period	(6.4)	(0.5)	(1.2)	(1.4)	(9.5)
Fair value of plan assets at end of period	-	-	-	1.2	1.2
<b>NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION</b>	<b>(6.4)</b>	<b>(0.5)</b>	<b>(1.2)</b>	<b>(0.2)</b>	<b>(8.3)</b>

	<b>Germany</b>	<b>Turkey</b>	<b>2012 France</b>	<b>Belgium</b>	<b>Total</b>
<b>Post Employment Benefits</b>					
<b>RECOGNITION OF THE OBLIGATION</b>					
Defined benefit obligation (DBO) at end of period	(7.8)	(0.6)	(2.1)	(1.8)	(12.2)
Fair value of plan assets at end of period	-	-	-	1.2	1.2
<b>NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION</b>	<b>(7.8)</b>	<b>(0.6)</b>	<b>(2.1)</b>	<b>(0.6)</b>	<b>(11.1)</b>

	<b>Germany</b>	<b>Turkey</b>	<b>2013 France</b>	<b>Belgium</b>	<b>Italy</b>	<b>Total</b>
<b>Post Employment Benefits</b>						
<b>RECOGNITION OF THE OBLIGATION</b>						
Defined benefit obligation (DBO) at end of period	(8.2)	(0.4)	(2.2)	(1.9)	(1.7)	(14.5)
Fair value of plan assets at end of period	0.0	0.0	0.0	1.3	0.0	1.3
Funded status	(8.2)	(0.4)	(2.2)	(0.6)	(1.7)	(13.2)
<b>NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION</b>	<b>(8.2)</b>	<b>(0.4)</b>	<b>(2.2)</b>	<b>(0.6)</b>	<b>(1.7)</b>	<b>(13.2)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.16. Deferred Income Tax**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same fiscal authority. The deferred tax assets and liabilities are attributable to the following items:

Ontex Group—Net total DTA (+) / DTL (-)

	31 December 2013		31 December 2012		31 December 2011	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Intangible assets	1.2		1.8		2.2	
Property, plant and equipment		(27.7)		(24.7)		(25.9)
Materials & consumables		(0.1)		(0.3)		(0.3)
Financial instruments		(4.6)		(4.4)		(7.4)
Employee benefits	1.4		0.9		1.0	
Accrued expenses and other payables	0.7			(0.9)		(2.8)
Others		(2.9)		(2.0)		(0.5)
Tax losses	198.6		148.9		159.0	
Tax credit	8.0		6.5		6.5	
<b>Total deferred tax assets &amp; liabilities related to temporary differences</b>	<b>209.8</b>	<b>(35.3)</b>	<b>158.1</b>	<b>(32.3)</b>	<b>168.7</b>	<b>(36.9)</b>
Net deferred tax assets not recognised	(189.1)		(139.2)		(145.9)	
Reclass (net deferred tax position by company)	(20.5)	20.5	(18.9)	18.9	(22.3)	22.3
<b>Total deferred tax assets &amp; liabilities</b>	<b>0.3</b>	<b>(14.8)</b>	<b>0.1</b>	<b>(13.3)</b>	<b>0.5</b>	<b>(14.6)</b>

Deferred income tax assets are recognised on temporary differences, tax credits carried forward and tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of € 189.1 million (2012: € 139.2 million; 2011: € 145.9 million) in respect of losses amounting to (tax effected) € 198.6 million (2012: € 148.9 million; 2011: € 159.0 million). The tax losses carried forward mainly relate to France and Belgium. In both countries tax losses can in principle be carried forward indefinitely. Furthermore, the Group did not recognise deferred income tax assets of € 8.0 million (2012: € 6.5 million; 2011: € 6.5 million) in respect of tax credits carried forward. These tax credits carried forward almost entirely relate to excess-dividends received deduction in the hands of the Belgian company Ontex bvba. Excess-dividends received deduction can be carried forward in principle for an indefinite period of time.

The Group did not recognise deferred taxes associated with investments in subsidiaries. There is currently no policy or detailed plan in relation to the payment of dividends to shareholders.

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.17. Current and Non-current Liabilities**

Other current liabilities (excluding provisions, income tax liabilities, financial liabilities and liabilities directly associated with non-current assets intended for sale) can be presented as follows:

<b>Year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Accrued expenses and other payables	15.7	17.4	17.1
Less: Non-current portion	(0.0)	(0.0)	0.0
<b>Current accrued expenses and other payables</b>	<b>15.7</b>	<b>17.4</b>	<b>17.1</b>
Trade payables	243.2	222.8	220.1
Social liabilities	25.9	23.4	22.7
<b>Total current liabilities</b>	<b>284.8</b>	<b>263.6</b>	<b>259.9</b>

The aging of the trade payables is as follows:

<b>Year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Not due	208.4	172.4	190.2
0 to 30 days	30.9	44.1	28.0
31 to 60 days	1.7	3.5	1.9
61 to 90 days	0.1	1.1	-
Over 90 days	2.1	1.7	-
<b>Total</b>	<b>243.2</b>	<b>222.8</b>	<b>220.1</b>

**ONTEX GROUP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.18. Provisions – Current Liabilities**

	<b>Legal claims</b>	<b>Restructuring</b>	<b>Other</b>	<b>Total</b>
<b>Opening Balance</b>	<b>2.5</b>	<b>-</b>	<b>1.8</b>	<b>4.3</b>
Additional provisions	1.5	15.5	0.2	17.2
Unused amounts reversed	(0.5)	-	(0.8)	(1.3)
Used during the year	(0.1)	(2.6)	-	(2.7)
Other changes	0.3	-	-	0.3
<b>At 31 December 2011</b>	<b>3.7</b>	<b>12.9</b>	<b>1.2</b>	<b>17.8</b>
<b>Opening Balance</b>	<b>3.7</b>	<b>12.9</b>	<b>1.2</b>	<b>17.8</b>
Additional provisions	2.1	35.4	-	37.5
Unused amounts reversed	(0.8)	0.0	(0.9)	(1.7)
Used during the year	(0.8)	(10.4)	0.1	(11.1)
Other changes	-	-	(0.2)	(0.2)
<b>At 31 December 2012</b>	<b>4.2</b>	<b>37.9</b>	<b>0.2</b>	<b>42.3</b>
<b>Opening Balance</b>	<b>4.2</b>	<b>37.9</b>	<b>0.2</b>	<b>42.3</b>
Liabilities incurred	-	-	-	-
Additional provisions	0.1	3.7	0.2	4.0
Unused amounts reversed	(0.6)	(0.1)	(0.1)	(0.9)
Used during the year	(1.7)	(36.2)	0.0	(37.9)
Other changes	(0.1)	0.0	0.0	(0.1)
<b>At 31 December 2013</b>	<b>1.9</b>	<b>5.3</b>	<b>0.2</b>	<b>7.4</b>

The main part of the provision as per 31 December 2012 relates to the closure of a production site in Recklinghausen, Germany, whereof main part was settled in 2013.

The Group recognises a provision for certain legal claims brought against the Group by customers, suppliers or former employees. The provision charge is recognised in profit and loss within the line 'Other operating income/ (expense)' in the consolidated income statement. There have been no significant developments in respect of claims compared to prior year end

The Group had non-current other provisions under the reporting period for € 0.1 million.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.19. Employee Benefit Expenses**

<b>For the year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Wages and salaries	(135.0)	(127.2)	(111.2)
Social security costs	(38.5)	(36.1)	(34.3)
Defined contribution cost - post employment benefits (note 15)	0.4	(0.3)	0.4
Pension cost	(4.2)	(3.5)	(3.8)
Other personnel expenses	(9.7)	(7.8)	(7.4)
<b>Total employee benefit expenses</b>	<b>(187.0)</b>	<b>(174.9)</b>	<b>(156.3)</b>

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Average number of total employees (in Full time Equivalents)	4,981	4,682	4,527
Of which:			
- workers	3,569	3,343	3,035
- employees	1,344	1,291	1,463
- management	68	48	28

**7.20. Other Operating Income / (Expense), Net**

<b>For the year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Gain on disposal of assets	0.7	0.5	0.1
Foreign exchange difference on operating activities	0.7	1.3	(1.1)
Losses on disposal of assets	(1.1)	(0.4)	(0.1)
Other expenses	0.1	(0.3)	(0.8)
<b>Total other operating income/(expense), net</b>	<b>0.4</b>	<b>1.1</b>	<b>(1.9)</b>

**7.21. Non-recurring Expenses**

<b>For the year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Acquisition costs related to Group ONV Topco	-	-	(0.2)
Factory Closure	(4.2)	(39.9)	(31.7)
Business restructuring	(1.0)	(6.0)	(1.6)
Acquisition related expenses	(8.2)	(0.6)	(1.5)
Impairment losses	(4.3)	(0.3)	(3.8)
Other	(1.8)	(3.6)	(1.4)
<b>Total non-recurring expenses</b>	<b>(19.6)</b>	<b>(50.4)</b>	<b>(40.2)</b>

Items classified under the heading non-recurring expenses are those items that are considered by management to be non-recurring or unusual because of their nature. The Group has adopted this classification to allow a better understanding of its recurring financial performance.

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**Acquisition of the ONV Topco Group:** The costs incurred primarily comprise payments to the previous owners in connection with the acquisition including professional fees and financial advisors fees.

**Factory closure:** The Group closed its factories in Villefranche, France (2011) and in Recklinghausen, Germany (2012). The costs primarily comprised redundancy and other similar payments together with professional fees. The non-recurring items in 2013 relate to costs incurred in respect of the past factory closures but which could not be accrued for at the time. These costs include, but are not limited to, some litigations in respect of past restructurings.

**Business restructuring:** The Group conducted a number of projects to optimise the management of its business, in 2012, mainly concentrated on the integration of the acquired Lille Healthcare Group in the Group. The costs comprise professional fees, costs related to breach of contract and costs to enhance the Group systems to realize the business integration.

**Acquisition related expenses:** In 2011 the Group has made expenses in relation to the acquisition of the Lille Healthcare Group and to potential acquisitions that have not been contracted and has recognized € 3 million negative goodwill in respect of the acquisition of Lille Healthcare. In 2013 the Group has made expenses in relation of the acquisition of Serenity Spa.

**Asset Impairment:** The asset impairment charge is a non cash item and relates in 2013 to the write off and amortization of idle production equipment and in 2011 to the impairment of a building.

**Other:** In 2011 other items comprise a number of non-recurring costs including professional costs in relation to start up of new production facilities and liquidation expenses of a former subsidiary. In 2012 main costs incurred related to the move into and start-up of a new production facility in Turkey. In 2013 the non-recurring is related to reorganisation of the group.

## 7.22. Expenses by Nature

Expenses by nature represent an alternative disclosure for amounts included in the Consolidated Income Statement. There are classified under "Cost of Sales", "Distribution Expenses", "Sales and Marketing Expenses" and "General Administrative Expenses" in respect of the years ended 31 December:

	2013	2012	2011
Changes in inventories	(3.3)	59.1	0.0
Raw materials and consumables used	(880.8)	(848.0)	(754.8)
Employee benefit expenses (note 19)	(187.0)	(174.9)	(156.3)
Depreciation and amortisation (notes 8 and 9)	(31.5)	(30.8)	(30.4)
Rendered services	(211.5)	(164.6)	(145.8)
Operating lease payments (note 9)	(34.8)	(31.6)	(24.9)
Other gain / (charges) (note 20)	0.4	1.1	(1.9)
<b>Total cost of sales, distribution expenses, sales and marketing expenses and general administrative expenses</b>	<b>(1,348.5)</b>	<b>(1,189.7)</b>	<b>(1,114.1)</b>

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**7.23. Net Finance Result**

The various items comprising the financial result are as follows:

	2013	2012	2011
Interest income on current assets	0.5	0.2	0.8
Exchange rate differences	11.3	7.8	12.5
Gains on derivatives	5.6	10.1	12.3
Other	0.4	0.0	(0.0)
<b>Finance income</b>	<b>17.9</b>	<b>18.1</b>	<b>25.6</b>
Interest expense on initial financing structure			
- Senior Loan Notes	-	-	(54.5)
- Revolver Loan Notes	(0.6)	-	-
- Vendor Loan Notes	-	-	(2.4)
Interest expense on bonds	(68.9)	(63.3)	(48.3)
Interest expense on other loans	(2.9)	(2.3)	(2.8)
<b>Interest expense</b>	<b>(72.4)</b>	<b>(65.6)</b>	<b>(108.0)</b>
Exchange rate differences	(17.7)	(6.5)	(14.2)
Banking cost	(4.2)	(3.0)	(1.3)
Factor fee	(1.9)	(1.4)	(1.1)
Losses on derivatives	(5.7)	(11.6)	(2.1)
<b>Finance cost</b>	<b>(101.9)</b>	<b>(88.1)</b>	<b>(126.7)</b>
Finance income as per income statement	17.9	18.1	25.6
Finance expense as per income statement	(101.9)	(88.1)	(126.7)
<b>Net finance cost as per income statement</b>	<b>(84.0)</b>	<b>(70.0)</b>	<b>(101.1)</b>

**Reconciliation to Statement of Cash flows**

	2013	2012	2011
Total interest expense	(65.5)	(60.5)	(60.2)
Movement in accrued interest and accreting interest	1.2	(0.7)	10.3
<b>Interest paid</b>	<b>(64.3)</b>	<b>(61.2)</b>	<b>(49.9)</b>
Total interest income	0.5	0.2	0.8
Movement in accrued interest	-	-	-
<b>Interest received</b>	<b>0.5</b>	<b>0.2</b>	<b>0.8</b>

Net gain or losses on derivatives relate to the fluctuation of the fair value of the derivative financial liabilities or assets.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.24. Income Tax Expense**

The income tax (charged)/credited to the income statement during the year is as follows:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Current tax - (charge)/credit	(15.0)	(7.6)	(11.9)
Deferred tax - (charge)/credit	1.0	0.8	(1.7)
<b>Total tax (charge)/credit</b>	<b>(14.0)</b>	<b>(6.8)</b>	<b>(13.6)</b>

**Ontex Group—Income tax (expense) / credit**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Profit before income taxes	39.9	(1.1)	(37.9)
Income tax (expense) / credit calculated at domestic tax rates	(12.5)	(11.7)	9.4
Permanent items	0.7	9.0	(8.1)
Deferred tax movement in consolidation	(3.1)	(4.9)	20.6
Non recognition on deferred tax assets (movement)		8.7	(33.6)
Other	0.9	(7.9)	(1.9)
<b>Total income tax (expense) / credit</b>	<b>(14.0)</b>	<b>(6.8)</b>	<b>(13.6)</b>

**7.25. Contingencies**

The Group is involved in a number of environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business.

The Group currently believes that the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

**7.26. Commitments****7.26.1. Capital commitments**

The Group has contracted expenditures for the acquisition of property, plant and equipment at 31 December 2013 of € 2.2 million, 2012: € 7.3 million, 2011: € 6.4 million.

**7.26.2. Capital commitments resulting from operating lease contracts—in which the Group is the lessee**

The Group has also contracted a number of property leases that can be terminated by respecting the notice period which is different in each jurisdiction.

The Group leases machinery used in the production. The typical lease terms vary depending upon which country the lease agreement is entered into. The majority of lease agreements are renewable at the end of the lease period at market rate.

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The lease expenditure charged to the income statement during the respective years is disclosed in note 9 "Property, Plant and Equipment". Commitments in respect of future minimum lease payments that may be claimed under simple non-cancellable leases break down as follows:

	2013	2012	2011
Within one year	13.0	7.4	9.6
From 1 to 5 years	28.6	22.8	24.9
Beyond 5 years	11.8	11.8	6.9
	<b>53.4</b>	<b>42.0</b>	<b>41.4</b>

**7.26.3. Bank guarantees**

As indicated in note 14 "Borrowings", the Group's main current and future lease assets are pledged as security for these borrowings. The entire amount of the Group's bank borrowings and accrued interest are secured according to collective pledge agreements.

The Group has given bank guarantees for an amount of € 20 million in order to participate in public tenders.

**7.27. Related Party Transactions**

**7.27.1. Consolidated companies**

A list of subsidiaries together with a brief description of their business activities, is given in note 6 "List of Consolidated Companies".

**7.27.2. Relations with the shareholders**

For the year ended 31 December	2013	2012	2011
<b>Balance</b>			
Trade payable	1.9	0.5	3.2
	<b>1.9</b>	<b>0.5</b>	<b>3.2</b>
<b>Income statement</b>			
Fees	4.9	2.4	2.8
	<b>4.9</b>	<b>2.4</b>	<b>2.8</b>

**7.27.3. Relations with non-executive members of the Board of Directors**

For the year ended 31 December	2013	2012	2011
Remuneration	0.0	0.1	0.1
	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**7.27.4. Relations with the key management personnel**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management for the Group are till 30 April 2014 all the members of the Senior Management Team, comprising also the executive members of the Board of Directors. Since 1 May, a new Executive Team replaced the Senior Management Team.

**7.27.5. Key management compensation**

<b>Remuneration of the CEO</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Fixed remuneration	1.7	0.1	0.1
<b>Remuneration of the Senior Management Team</b>	<b>2013*</b>	<b>2012</b>	<b>2011</b>
(excluding the CEO)			
Fixed remuneration	0.7	2.2	2.0
Variable remuneration	0.1	0.2	0.4
Other remuneration	0.0	0.1	0.1
Total	0.8	2.5	2.5

\*Senior management was in place until 30 April 2013

From 1 May 2013 the new Executive Team was put in place. The remuneration for the year ended 31 December 2013 amounts to € 2.2 million.

<b>For the year ended 31 December</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Rural Bridge fees	2.7	4.2	3.6

Rural Bridge is the management company through which key management operates.

The Group has purchased directors' and officers' insurance coverage.

**7.27.6. Other**

In 2011, British Vita supplied goods at 'arm's length' to the Ontex Group through its subsidiary Libeltex. The 2012 revenue was € 9.7 million (2011: € 13.4 million) and at the 31 December 2012 Ontex owed the Group € 2.1 million (2011: € 3.3 million). British Vita was owned by a fund managed by TPG Capital, L.P. and delivered goods to Ontex for over ten years. In September 2012, British Vita was sold to the TWE Group.

In 2013, the Ontex group sold goods at 'arm's length' to Lenta, where TPG is a shareholder. The 2013 revenue was € 4.7 million.

**7.28. Events after the end of the reporting period**

There are no events after the end of the reporting period.