Financial report 2009

Leaf International B.V.

Amsterdam, The Netherlands

FINANCIAL STATEMENTS

FOR 2009

Contents

Annual report of the directors

A copy of the annual report of the directors is available at the Leaf International office.

Consolidated financial statements

*All amounts in the Financial Statements are in EUR * 1,000 unless otherwise stated. The notes on the pages 10 to 64 form an integral part of these consolidated financial statements.*

Consolidated balance sheet

(before proposed appropriation of result)

	Ref.	31 December 2009		31 December 2008	
Assets					
Non-current assets					
Intangible assets	6	525,198		517,513	
Property, plant and equipment	7	158,322		167,788	
Deferred tax assets	8	25,167		26,229	
Financial assets	9	4,374		3,083	
			713,061		714,613
Current assets					
Inventories	11	61,527		66,505	
Trade and other receivables	12	127,798		118,868	
Current income tax receivable	8	307		1,511	
Cash and cash equivalents	13	23,899		16,189	
			213,531		203,073
TOTAL ASSETS			**926,592**		**917,686**
Shareholders' equity and liabilities					
Group equity					
Shareholders' equity	14	-43,972		-33,629	
Net result for the year		-16,434		-32,784	
			-60,406		-66,413
Non-current liabilities					
Borrowings	17	704,802		731,853	
Deferred tax liabilities	8	76,938		79,739	
Pensions and other long-term employee benefits	15	24,349		23,181	
Provisions	16	2,766		2,801	
			808,855		837,574
Current liabilities					
Trade and other payables	18	104,761		108,841	
Borrowings	17	66,296		30,493	
Provisions	16	6,422		6,987	
Current income tax liability	8	664		204	
			178,143		146,525
TOTAL EQUITY AND LIABILITIES			**926,592**		**917,686**

EUR '000 unless otherwise stated

Consolidated income statement for the year ended 31 December

	Ref.	2009	2008
Continuing operations			
Net turnover	20	**516,739**	**547,532**
Cost of sales		322,334	333,086
Gross profit		**194,405**	**214,446**
Other income	21	0	500
Selling expenses		96,011	102,807
General and administrative expenses		47,347	59,100
Total operating costs		143,358	161,907
Operating result		**51,047**	**53,039**
Finance income		248	1,173
Finance expenses		-69,773	-76,945
Finance expenses, net	27	-69,525	-75,772
Result before tax		**-18,478**	**-22,733**
Income tax	28	2,044	-8,600
Result after tax from continuing operations		**-16,434**	**-31,333**
Discontinued operations			
Result after tax from discontinued operations	10	0	-1,451
Net result for the year		**-16,434**	**-32,784**
Net result attributable to owners of the parent		-16,434	-32,784

EUR '000 unless otherwise stated

Consolidated statement of comprehensive income for the year ended 31 December

	Ref.	2009	2008
Net result for the year	14	**-16,434**	**-32,784**
Other comprehensive income:			
Currency translation difference	14	4,295	-9,054
Total comprehensive income for the year		**-12,139**	**-41,838**
Comprehensive income attributable to owners of the parent		-12,139	-41,838

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 28.

EUR '000 unless otherwise stated

Consolidated statement of changes in equity

	Ref.	Share capital	Share premium	Translation differences reserve	Retained earnings	Total equity
		Attributable to equity holders of the Company				
Balance as of 1 January 2008		**20**	**70,822**	**-220**	**-95,197**	**-24,575**
Comprehensive income						
Net result for the year		0	0	0	-32,784	-32,784
Other comprehensive income						
Currency translation difference		0	0	-9,054	0	-9,054
Total comprehensive income for 2008		**0**	**0**	**-9,054**	**-32,784**	**-41,838**
Balance as of 31 December 2008		**20**	**70,822**	**-9,274**	**-127,981**	**-66,413**
Balance as of 1 January 2009		**20**	**70,822**	**-9,274**	**-127,981**	**-66,413**
Comprehensive income						
Net result for the year		0	0	0	-16,434	-16,434
Other comprehensive income						
Currency translation difference		0	0	4,168	127	4,295
Total comprehensive income for 2009		**0**	**0**	**4,168**	**-16,307**	**-12,139**
Transactions with owners						
Proceeds from additional paid in capital issued		0	18,146	0	0	18,146
Total transactions with owners		**0**	**18,146**	**0**	**0**	**18,146**
Balance as of 31 December 2009		**20**	**88,968**	**-5,106**	**-144,288**	**-60,406**

EUR '000 unless otherwise stated

Consolidated cash flow statement

	Note	31 Dec 2009	31 Dec 2008
Cash flow from operating activities			
Operating result (including discontinued operations)		51.047	51.588
Adjustmenst in respect of:			
Amortisation of intangible assets	6,24	926	710
Depreciation of property, plant and equipment	7,24	13.557	13.236
Other net finance cost disposal of group companies			6.512
Other changes in value of intangible assets and property, plant & equipment	24	5.052	0
Adjustment for non-cash movements in pension provision		-1.395	-2.210
Addition to/(Release from) other provisions		-35	0
Changes in working capital:			
Trade and other receivables	8,12	-7.726	3.502
Inventories	11	4.978	10.213
Current liabilities		1.655	-14.162
Interest received		145	648
Interest paid		-17.617	-30.372
Corporate income tax paid		353	-1.703
Net cash generated from operating activities		**50.940**	**37.962**
Cash flow from investing activities			
Investments in Intangible assets	6	-1.950	-1.331
Investments in property, plant and equiment	7	-8.181	-9.171
Disposals of group companies, net of cash		0	-1.616
Net cash used in investing activities		**-10.131**	**-12.118**
Cash flow from financing activities			
Repayments of interest-bearing borrowings		-30.000	-48.089
Financial leases		-60	-224
Financial fixed assets	9	-1.291	-2.416
Net cash generated from/(used in) financing activities		**-31.351**	**-50.729**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		9.458	-24.885
Cash, cash equivalents and bank overdrafts at beginning of year	13	16.189	43.114
Decrease in cash and cash equivalents		9.458	-24.885
Exchange gains/(losses) on cash and bank overdrafts		-1.748	-2.040
Cash, cash equivalents and bank overdrafts at end of year	13	**23.899**	**16.189**

EUR '000 unless otherwise stated

Notes to the consolidated financial statements

1 General

These financial statements were approved for issue by the Board of Management on 23 March 2010. The financial statements are subject to adoption by the Annual General Meeting of Shareholders on 20 April 2010.

The consolidated financial statements have been prepared under the historical cost convention. Unless otherwise indicated, the consolidated financial statements are presented in euros and values are rounded to the nearest thousand.

1.1 Activities

The activities of Leaf International B.V. (the 'Company') which address of its registered office is Hoevestein 26 in Oosterhout (NB) and its group companies (together the 'Group') mainly comprise:

- the sale, marketing and production of branded sugar confectionery products;
- the trade of sugar confectionery products.

The countries of the European Union and Norway form the most important markets.

1.2 Group structure

The company was incorporated on 7 February 2005. The ultimate parent company of Leaf International B.V. is Leaf Holding S.A. in Luxemburg, Luxemburg. CVC Capital Partners and Nordic Capital have joint control over Leaf Holding SA.

The financial statements of Leaf International B.V. are included in the consolidated financial statements of its parent company Leaf Finance AB in Stockholm, Sweden.

1.3 Going concern

During 2008 and 2009 the group made a loss of EUR 32.8 million and EUR 16.4 million respectively. Accumulated deficit from acquisition date as at 7 February 2005 up and including 31 December 2009 amounts to EUR 144.3 million resulting in a negative net equity at balance sheet date of EUR 60.4 million. As a result this going concern paragraph has been added to the financial statements.

The accumulated deficit is mainly caused by restructuring and reorganisation costs, transaction related costs not qualifying for capitalization, consultancy costs and an impairment of assets of disposal group amounting in total to EUR 129.8 million. These costs were incurred mainly as a result of the disentanglement from CSM in 2005 and in relation to the restructuring program executed since 2005.

Management believes that the identified strategy is successfully being executed, amongst others evidenced by year-on-year improvement of the operating result and that the company should be able to continue financing its operations in the foreseeable future. In 2008 and 2009 the company realised a positive cash flow from operating activities of EUR 38.0 million and EUR 50.9 million respectively.

These funds were primarily used to redeem the long term loan to Svenska Handelsbanken for EUR 48.1 million and EUR 30.0 million for the years 2008 and 2009 respectively. The Group has an unused overdraft facility of 15.8 million at 31 December 2009 (2008: 25.8 million).

The significant strong cash flow evidenced in prior years in combination with the 5-years business plan will enable Leaf to make further redemptions on the loans with Svenska Handelsbanken. During 2005 until 2009 the company significantly exceeded the required repayments to Svenska Handelsbanken. The first repayment requirement to Svenska Handelsbanken is March 31, 2010. Management is of the opinion that there is no uncertainty about company's ability to timely meet future repayments and covenants with Svenska Handelsbanken as well as loans from shareholders and trade creditors. Furthermore, management is of the opinion that the risk of insufficient cash flow to repay the outstanding amounts under the facilities in full on the respective maturity dates will not be a threat to the company's ability to continue as a going concern in the foreseeable future.

Therefore, the accounting principles applied in these financial statements are based on the assumption that the company is able to continue as a going concern.

1.4 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Leaf International B.V. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The stand-alone financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code. In accordance with Article 402, Part 9, Book 2 of the Netherlands Civil Code, an abbreviated income statement is included in the Company's stand-alone financial statements.

The following standards and amendments to existing standards have been published and could be applicable and therefore mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them:

(a) New and Amended standards adopted by the group

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009.The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'nonowner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in

conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with emloyees and others providing similiar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group and company has adopted IFRS 2 (amendment) from 1 January 2009.
- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The group previously recognised all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of IAS 23, 'Borrowing costs' (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share. The group has capitalised borrowing costs with respect to intangible asset arising from internally generated software costs(see note 7).

Other new and amended standards effective as at 1 January 2009 or as from a later date will not have significant impact on the Group's basis of consolidation and disclosure requirements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The group and company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the group or company's financial statements.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The group and company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group and company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the group or company's financial statements.

- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guiance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the group's financial statements.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These judgements affect the reported amounts of assets and liabilities and the reported amounts of net turnover and expenses during the period as well as the information disclosed. Actual results may differ from those estimates and assumptions. In Note 5 the areas involving a higher degree of judgement or complexity and the areas where assumptions and estimates are significant to the consolidated financial statements are further discussed.

Foreign currency translation

Functional and presentation currency

Items included in the financial information of each of our entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of foreign entities generally is local currency. The consolidated financial information is presented in EURO, which is the presentation currency of the group.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date 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 finance income and cost line in the Consolidated Income Statement,.

Translation differences on non-monetary financial assets and liabilities are recognised in the income statement as part of the fair value gain or loss.

Translation differences in relation to intragroup long-term loans that effectively constitute an increase or decrease in net investments in foreign operations are directly recognised in equity as a component of the statutory reserve for translation differences insofar that such loans effectively hedge the exchange rate exposure on that net investment.

Group companies
The results and financial position of all the group companies (none of which has the currency of a hyperinflation economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement are translated at 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
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, unrealized exchange differences deferred in currency translation adjustments after January 1, 2006 (first time adoption IFRS) are recycled in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated as the closing rate.

Consolidation
The consolidation includes the financial information of Leaf International B.V. and its group companies. Group companies are all legal entities over which Leaf International B.V. 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 Leaf International B.V. controls another entity. Group companies are fully consolidated from the date on which control is transferred to Leaf International B.V. They are de-consolidated from the date that control ceases. As Leaf International holds all shares in its group companies, there are no minority interests.

The purchase method of accounting is used to account for the acquisition of group companies by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, 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 on intercompany transactions are eliminated as well.

The consolidated financial statements comprise the financials of Leaf International B.V. and the following group companies:

- Leaf Holland B.V., Oosterhout NB, the Netherlands (100%);
- Van Tienen sr. (V.T.S.) Successor B.V., Oosterhout NB, the Netherlands (100%) (dormant);
- Leaf Holland Distribution B.V., Raamsdonksveer, the Netherlands (100%), divested as per January 2, 2008;
- Driessen Chocoladefabriek B.V., Raamsdonksveer, the Netherlands (100%) divested as per January 2, 2008;
- Leaf België Production N.V., Turnhout, Belgium (100%);
- Leaf Belgique S.A., Manage (Bois d'Haine), Belgium (100%), divested as per January 16, 2008 ;
- Leaf Belgium Distribution N.V., Lier, Belgium (100%);
- Leaf Danmark ApS, Brøndby, Denmark (100%) (formerly known as Leaf Danmark Holding Aps);
- Malaco Danmark A/S, Slagelse, Denmark (100%), merged into Leaf Danmark ApS as per January 1, 2008;
- MalacoLeaf K/S, Slagelse, Denmark (100%), merged into Leaf Danmark ApS as per January 1, 2008;
- Leaf Baltics AS, Tallinn, Estonia (100%);
- Leaf Suomi Oy, Turku, Finland (100%);
- Leaf Leasing Oy (100%);
- Karikkikatu Oy, Turku, Finland (100%);
- Leaf France Holding SAS, Bondues, France (100%), divested as per January 16, 2008;
- Leaf France SAS, Bondues, France (100%), divested as per January 16, 2008;
- Leaf Deutschland GmbH, Bocholt, Germany (100%);
- Leaf Italy S.r.L., Cremona, Italy (100%);
- Saila S.p.A., Silvi Marina, Italy (100%), acquired as per February 16, 2007;
- Leaf Norge AS, Høvik, Norway (100%);
- OOO Leaf, Sint Petersburg, Russia (100%), in liquidation;
- Leaf Sverige AB, Malmö, Sweden (100%);
- Leaf United Kingdom Ltd., Southport, United Kingdom (100%), in liquidation;
- Continental Sweets (UK) Ltd., Southport, United Kingdom (100%), in liquidation;
- Famous Names (Holdings) Ltd., Southport, United Kingdom (100%), in liquidation;
- Leaf Slovakia s.r.o., Bratislava, Slovakia (100%).

1.5 Related parties

All group companies mentioned in note 1.4 are considered to be related parties. Transactions between group companies are eliminated upon consolidation. The parent company, Leaf Finance A.B., and the ultimate parent company, Leaf Holding S.A., also qualify as related parties. CVC Capital Partners and Nordic Capital qualify as related parties since they have joint control over Leaf Holding SA. Furthermore, key management is also considered as a related party.

1.6 Notes to the cash flow statement

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement comprise the balance sheet items cash at banks and in hand and the bank overdraft forming part of the current liabilities.

Cash flows in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Receipts and payments of interest, dividends received and corporate income tax are included in the cash flow from operating activities.

Investments in group companies are recognised at acquisition cost less cash and cash equivalents available in the company acquired at the time of acquisition.

2 Principles of valuation of assets and liabilities

2.1 *General*

If not specifically stated otherwise, assets and liabilities are initially recognised at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

2.2 *Intangible assets*

Research and development expenses

Research costs are recognised in the income statement as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that a project will achieve economic benefits in the future, considering its commercial and technological feasibility, and costs can be measured reliably.

Trademarks

Trademarks are shown at historical cost based upon the royalty relief method. In view of the history of the portfolio of Leaf trademarks, combined with the Leaf commitment to continue supporting these trademarks with resources, the Leaf trademarks are considered to be indefinite in nature.

Trademarks with indefinite useful lives are not amortised, but are subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Computer software

Where computer software is not an integral part or a related item of computer hardware and not integral to the operation of an item of property, plant and equipment, the software is treated as an intangible asset.

Software licences acquired are capitalised at acquisition cost and amortised over the estimated useful life, being a 3 to 5 year period.

Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software, and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. These costs are amortised over their expected useful life on a straight-line basis, with the lives reviewed annually.

Expenditure in connection with maintenance of computer software and expenses related to research activities are recognised in the income statement.

Distribution contracts

Distribution contracts acquired are capitalised at acquisition cost and amortised based upon the useful life with a maximum of the duration of the contract being 7 years.

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 at the date of acquisition. Goodwill on acquisitions of group companies is included in intangible assets.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses and less accumulated amortization related to the period before the IFRS transition. 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

For determining whether an impairment charge in respect of an intangible asset applies, reference is made to note 6.

2.3 Property, plant and equipment

Property, plant and equipment are valued at cost less depreciation and impairment. The cost includes direct costs (materials, direct labour and work contracted out) and directly attributable overhead costs. Depreciation is accounted for using the straight-line method on the basis of the estimated useful life. Investment grants are deducted from the acquisition price or the construction costs of the assets to which they relate.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows.

Buildings	30-50 years
Machinery and Equipment	10-40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

Subsequent expenditures are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

2.4 *Non-current financial assets*

The Group has financial assets only in the category "loans and receivables".

Loans, receivables, prepayments on registration fees and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in "current assets", except for maturities greater than 12 months after the balance sheet date, which are classified as "non-current assets". Loans, receivables and prepayments on registration fees are carried at amortised costs using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.5 *Impairment of non-current assets*

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. On the balance sheet date, the Group also tests whether there are any impairment indications of assets which are subject to amortisation or depreciation. If there are such indications, an impairment test is performed. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An asset is subject to impairment if its book value is higher than its recoverable value; the recoverable value is the higher of an asset's fair value less costs to sell and its value-in-use (i.e. the present value of the future cash flows to be generated by an asset from its continuing use in the business). Impairment costs are directly recognised as an expense in the income statement.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. If it is established that a previously recognised impairment no longer applies or has declined, the increased carrying amount of the asset in question is not set higher than the carrying amount that would have been determined when no asset impairment had been recognised.

2.6 *Derivative financial instruments and hedging activities*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not meet the requirements for hedge accounting and as a result all gains or losses relating to these financial instruments are recognised in the income statement.

The full fair value of a derivative is classified as a non-current asset or liability when the remaining 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.

The changes in the fair value of derivatives are recognised immediately in the income statement within 'finance expenses'.

2.7 Inventories

Raw materials are valued at the lower of purchase cost or net realisable value. Cost is determined using the FIFO method ('first in, first out').

Inventories of semi-finished and finished products are stated at the lower of cost or net realisable value. Costs represent the cash equivalent of the expenditure necessarily incurred to bring the goods acquired to the condition and location for their intended use. Cost in respect of work in progress and finished goods include the applicable materials and labour costs, other direct costs, a representative share of the fixed manufacturing overhead costs based on normal operating capacity and variable manufacturing overhead costs based on actual production during the period. Borrowing costs have not been included in the cost of inventory.

Net realisable value represents the estimated selling price in the ordinary course of business less directly attributable, applicable variable selling expenses and less costs of completion of inventory.

2.8 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents represents cash in hand, cash at banks and deposits with a maturity of less than three months. Current account overdrafts at banks are included under debts to credit institutions under the heading current liabilities.

2.10 Non current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Assets are classified as held for sale when they are available for immediate sale, in their present condition, subject only to terms that are usual and customary for sales of such assets, and the sale is considered highly probable. Assets held for sale are no longer amortised or depreciated from the time they are classified as such. Assets classified as held for sale are measured at the lower of their carrying amount, or fair value less costs to sell.

Operations that represent a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale and either have been disposed of or have been classified as held for sale, are presented as discontinued operations in the income statement.

2.11 Shareholders' equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the purchase, sale and/or issue of new shares are shown in shareholders' equity as a deduction, net of tax, from the proceeds.

2.12 Provisions

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 interest expense.

If the expenditure to settle obligations is expected to be recovered from third parties, the recovery is carried as an asset on the balance sheet if it is virtually certain to be received upon settlement of the obligation.

2.13 Employee benefits

Pension Obligations

Group companies operate various pension schemes (see note 15). The schemes are generally funded through payments to insurance companies or trustee-administered 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 pension provision carried on the balance sheet is the present value of pension benefit obligations under the defined benefit scheme net of the fair value of plan assets, against which unrecognised actuarial gains or losses and unrecognised past service costs are set off. The required pension provision is measured annually by independent actuaries using the actuarial method known as the 'Projected Unit Credit' method. The present value of the obligation is computed by discounting estimated future cash flows, using interest rates applying to 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 liability.

Actuarial gains and losses arising from changes in actuarial assumptions exceeding 10% of the higher of pension benefit obligations and the fair value of plan assets at the opening of the financial year are credited or charged to the income statement over the expected average future years of service of the employees concerned.

Unrecognised past service costs are taken directly to the income statement unless the changes in the pension scheme depend on the employees remaining in service for a specific period (the vesting period). In that case, the past service costs are recognized on a straight-line basis over the vesting period.

As the industry sector pension funds are not able to supply Leaf with company specific or reliable or timely information, Leaf has accounted for the defined benefit schemes at industry sector pension funds as though they were defined contribution schemes. In the event of a deficit at the industry sector pension fund the Company has no obligation to provide supplementary contributions, other than higher future contributions.

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.

Jubilee arrangements

For the jubilee provisions the expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience differences and changes in actuarial assumptions are charged or credited to the income statement in the period in which they arise. These obligations are valued annually by independent qualified actuaris.

Share based compensation

Management participates in the ultimate parent company Leaf Holding SA through indirect ownership via the 'Stichting Administratiekantoor Leaf Employees' and 'Stichting Adminstratiekantoor Leaf Management' (the 'Foundation') or via direct ownership in the underlying shares. This arrangement is treated as an equity-settled share based payment arrangement for IFRS 2 "Share-based Payment" purposes. This means that, Leaf determines the fair value of the shares at the grant date, being the amount for which the depositary receipts could be exchanged between knowledgeable, willing parties in an arm's length transaction and recognises immediately, if applicable, an expense for the services received with a corresponding increase in equity.

For this purpose the Company analyses whether the price paid is in line with the market price of the underlying depositary receipts. If a positive difference would exist between (i) the actual market value of the depositary receipts and (ii) the purchase price; this would result in a fair value to be reported under IFRS 2. This analysis is performed at each grant date.

2.14 Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in group companies and associates, except 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 taxes are not discounted.

2.15 Borrowings

Borrowings are recognised initially at fair value, being the amount received taking into account premium or discount, and less transaction costs. 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.

Borrowing costs paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the borrowing costs are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the borrowing costs are capitalised as a pre-payment and netted with the borrowings for liquidity services and amortised over the period of the facility to which it relates

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 balance sheet date (“non-current liabilities”).

2.16 Accounts payable

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Leases

Finance leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. When the lease contract is entered into, the assets are capitalised on the balance sheet at their fair value, or the present value of the minimum lease terms, if lower. The lease amounts payable are split on an annuity basis between a redemption and interest part, based on a fixed interest rate. The relating lease obligations, excluding the interest element, are taken up under interest-bearing borrowings. The interest component of the lease term is recognised in the income statement. The relating assets are depreciated over the remaining economic life or, if shorter, the lease term.

Operating leases

Lease contracts for which a significant part of the risks and rewards incidental to ownership of the assets does not lie with the Group, are recognised as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the contract, taking into account reimbursements received from the lessor.

3 Principles for determination of result

3.1 Revenue recognition

Net turnover is determined as income from the supply of goods, less discounts and such like, exclusive of turnover taxes and after elimination of intragroup sales. Net turnover also includes royalty income.

Net turnover is recognised as follows:
Sales of goods are recognised when a Group entity has delivered products to the customer, the risks and rewards of the ownership of the products have been substantially transferred to the customer and collectibility of the related receivables is reasonably assured.

Seasonal products in Italy are, to a limited extent and applicable to retail channels only, sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Net turnover from royalties is allocated to reporting periods in accordance with the royalty agreement.

Dividend income is recognised when the right to receive payment is established.

3.2 Cost of sales

Cost of sales represents the direct and indirect expenses attributable to sales revenue, including raw materials and consumables, cost of work contracted-out and other external expenses, personnel expenses in respect of production employees, depreciation costs relating to buildings and machinery and other operating expenses that are attributable to the cost of sales.

3.3 Selling expenses

Selling expenses comprise the cost of brand support through direct and indirect advertising, promotionals, the cost of supporting the sales and marketing effort and amortization of related intangible assets. The Company promotes its products with advertising, consumer incentives and trade promotions. Such programs include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. Advertising costs are expensed as incurred. Consumer incentive and trade promotion activities are recorded as a reduction of net turnover based on amounts estimated as being due to customers and consumers at the end of a period, based principally on historical utilization and redemption rates.

3.4 General and administrative expenses

General and administrative expenses include the costs of General Management, Human Resources, Finance and Administration, Information Technology, and other Back Office services as well as amortization of related intangible assets.

3.5 *Personnel remuneration*

Regular payments

Salaries, wages and social security costs are charged to the income statement over the period when related services are rendered and in accordance with employment contracts and obligations.

Bonus schemes

The group has implemented a regular bonus scheme for its senior management. Senior management not being a shareholder in Leaf Holding S.A. (the ultimate holding company of the Group) furthermore has been offered the option to join a deferred bonus scheme. Participants of said scheme have the possibility to enjoy a multiplier on the part of the bonus that they defer depending on developments of the business in the future. The deferred bonus amount is taken as a charge in the year the bonus is granted including the estimated multiplier effect. Any subsequent changes in the estimated fair value of the investments in the deferred bonus scheme are recorded in the income statement. This deferred bonus plan does not qualify for IFRS 2.

3.6 *Government grants*

Grants and subsidies are recorded at fair value as income in the income statement in the period in which the relating costs are recorded, income is received, or subsidised deficits are recorded. Grants and subsidies are taken as income when there is reasonable assurance that all the conditions will be satisfied and it is probable that these will be received.

Subsidies and grants relating to investments in property, plant and equipment are deducted from the relating asset and reflected in the income statement as part of the depreciation charge.

3.7 *Tax*

The tax expense for the period comprises current and deferred tax and is recognised in the income statement.

Corporate income tax is calculated on the result before taxation in the income statement, taking into account non-deductible costs, non taxable profit and losses and/or temporary differences arising from applicable substantially enacted local tax law and other items that effect the tax charge. (e.g. changes in valuation allowances, adjustments in filing positions and tax law changes, such as tax rate changes).

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.8 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.9 Non-recurring items

Non-recurring items are those significant items which are separately disclosed in the notes to the financial statements by virtue of their size or incidence to enable a full understanding of the group's financial performance. The non-recurring items are recognised in other income and general and administrative expenses, depending on the nature of the items.

4 Financial risk management

4.1 *Market risk*

Currency risk

The Group is primarily active in the European Union and Norway. The Group's currency risk mainly relates to positions and future transactions in Swedish krona (SEK), Norwegian krone (NOK), US dollars (USD) and British pounds (GBP).

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Based on a risk analysis, the Group's Boards of Directors has decided to hedge the Swedish krona related currency risk by means of drawing part of the credit facility in Swedish krona. This hedge covers part of the currency risk in Swedish Krona. However, hedge accounting is not applied for this foreign currency hedge as the required criteria for applying hedge accounting are not met,

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

In 2008 and 2009 the group covered the main currency risk on the British Pounds (GBP) and US Dollars (USD) by means of agreed upon "Forward transactions in Foreign exchanges" on these currencies.

In the financial year 2009, if the Euro had weakened/strengthened by 1% against the Swedish krona with all other variables held constant, post-tax profit for the year would have been EUR 150 higher/lower, as a result of the foreign exchange gains/losses on translation of SEK-denominated trade in Sweden and foreign exchange losses/gains on translation of SEK-denominated borrowings.

The currency risk of the transactions in NOK is not significant as the amounts involved are not significant for the total Leaf Group.

Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing non-current and current liabilities (including loans to credit institutions).

The Group is exposed to the consequences of variable interest rates on liabilities. In relation to fixed interest liabilities, it is exposed to market values, which is not a significant risk for the group.

If the interest rate had been 1% point higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 3.4 million lower/higher.

Commodity price risk

The Group is mainly exposed to commodity price risk on its purchases of gelatine, almonds and chocolate.

At 31 December 2009, if the average gelatine, almonds and chocolate price had been 10% higher/lower with all other variables held constant, post-tax profit for the year would have been EUR 1.0 million lower/higher.

For the purchase of cacao, the Group enters into forward contracts with some of their suppliers. The quantity of cacao covered by the contracts is the quantity needed by the Group over the next 6 months (on average) based on the budgeted volumes over that period. The purchase price is fixed according to the market price of cacao at that moment.

These contracts will have a value as the market price for cacao fluctuates over the contract period. However, the Group covers only their own needs and do not trade with these contracts nor do they settle contracts in cash. The forward contracts to purchase cacao are therefore outside the scope of IAS 39 under the "own use" exemption. As a result the derivatives embedded in the contracts are not separated from the purchase contracts.

4.2 Credit risk

The Group does not have any significant concentrations of credit risk. The Group clients are subjected to a credit policy. Sales are subject to payment conditions which vary per customer. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

A provision for impairment of trade receivables is established 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Credit terms for customers are determined in individual territories. Concentrations of credit risk with respect to trade receivables are limited, due to the Group's customer base being large and diverse. Our historical experience of collecting receivables, supported by the level of default, is that credit risk is low across territories.

The group uses several banks (range varies between AA- and A+ rating) and has several overdraft facilities available.

Bank	**Rating (S&P)**	**Net Balance 2009**	**Net Balance 2008**	**Overdraft Facility 2009**	**Overdraft Facility 2008**
SHB	AA-	-385,009	-401,869	15,757	25,844
RBS	A+	12,900	3,442	0	0
Other banks		3,031	3,867	0	0
Total		-369,078	-394,560	15,757	25,844

EUR '000 unless otherwise stated

4.3 *Liquidity risk*

Cash flow forecasting is performed in the operating entities of the group in and aggregated by group finance. Group finance monitors actual cash position and 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 17) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the group treasury. Group treasury invests surplus cash in interest bearing current accounts.

The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

				31 December 2009
	Term ≤ 1 year	**Term 1 –2 years**	**Term 2 – 5 years**	**Term > 5 years**
Loans from credit institutions	76,353	50,124	142,600	169,549
Financial lease liabilities	390	443	1,958	0
Shareholder loan	0	0	0	751,108
Other debts	17	0	0	905
Trade and other payables	96,033	0	0	0
Financial guarantee contracts	1,527	231	314	2,387
Total	174,320	50,798	144,872	923,949

				31 December 2008
	Term ≤ 1 year	**Term 1 –2 years**	**Term 2 – 5 years**	**Term > 5 years**
Loans from credit institutions	48,413	88,222	297,201	65,613
Financial lease liabilities	370	379	2,082	0
Shareholder loan	0	0	0	786,292
Other debts	932	17	0	1,782
Trade and other payables	99,443	0	0	0
Financial guarantee contracts	1,561	414	362	2,024
Total	150,719	89,032	299,645	855,711

EUR '000 unless otherwise stated

4.4 Capital risk 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 returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management's priority in monitoring capital is to be compliant to the debt covenants towards the Svenska Handelsbanken. Management monitors these covenants and other ratios actively on a quarterly basis.

4.5 Fair value estimation

Equity plan

Management participates in the ultimate parent company Leaf Holding SA through indirect ownership via the 'Stichting Administratiekantoor Leaf Employees' and 'Stichting Administratiekantoor Leaf Management' (the 'Foundation') or via direct ownership in the underlying shares. This arrangement is treated as an equity-settled share based payment arrangement for IFRS 2 "Share-based Payment" purposes. This means that, Leaf determines the fair value of the shares at the grant date, being the amount for which the depositary receipts could be exchanged between knowledgeable, willing parties in an arm's length transaction and recognises immediately an expense, if applicable, for the services received with a corresponding increase in equity.

The Company has analysed at each grant date whether the price paid by management was in line with the market price of the underlying depositary receipts. Based on the estimated fair value of the shares in Leaf Holding SA, the purchase prices have in all cases been equal to the estimated fair value of the shares. Consequently, no expenses have been reported in these financial statements related to the equity participation plan.

Financial liabilities

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value derived is compared with the carrying value less impairment.

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

At 31 December 2009 the group had no financial assets and liabilities that were measured at fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

5 Critical accounting estimates and judgements

In preparing the financial statements management makes estimates and judgements that affect the reported amounts of assets and liabilities, net turnovers and expenses, and disclosures of contingent liabilities at the date of the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as critical judgements in applying the Group's accounting policies are discussed below. The accounting estimates and judgements are believed to be reasonable under the circumstances.

Impairment of intangible assets and property, plant and equipment
For the purpose of the impairment testing, assets are allocated to cash-generating units when it is not possible to assess impairment on an individual asset basis. The recoverable amount of an asset is compared to the carrying amount to determine if an asset is to be impaired. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell. The value in use is the present value of the future cash flows to be generated by an asset from its continuing use in the business.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Determining cash flows requires the use of judgements and estimates that have been included in the Group's strategic plans and long-term planning forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimates of net turnover growth rates and profit margins. The discount rate used is a pre-tax discount rate assessed to reflect the specific risks of the asset or cash-generating unit.

Changes in the assumptions and estimates used in the Group's impairment tests could result in significantly different results than those reported in these financial statements.

An increase in the WACC of 1% would decrease the value in use with EUR 50 million while a similar increase in the long-term growth rate would increase the value in use with EUR 140 million. Both a 1% decrease and an incease in the WACC will not lead to any impairment.

Accounting for income taxes
As part of the process of preparing financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Temporary differences between tax and financial reporting result in deferred tax assets and liabilities, which are included in the balance sheet. The Group must also assess the likelihood that deferred tax assets will be recovered from future taxable income. A deferred tax asset is not recognised if, and to the extent, it is probable that all or some portion of the deferred tax assets will not be realized.

Provisions
By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates as to the outcome and the amount of the potential cost of resolution. Provisions are recognized by a charge against the income statement when it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated.

Provisions for litigations, tax disputes, etc. are based on an estimate of the costs, taking into account legal advice and information currently available. Also provisions for termination benefits and exit costs involve management's judgment in estimating the expected cash outflows for severance payments and site closure or other exit costs. Should the actual outcome differ from the assumptions and estimates, revisions to the estimated provisions would be required, which could impact the Group's financial position and results from operations.

Accounting for pensions and other post-employment benefits
Pension benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations and fair values of plan assets. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made by the Group. For the calculation of the present value of the pension obligation and the net cost, actuarial assumptions are made about demographic variables (such as mortality) and financial variables (such as future increases in salaries). In determining the appropriate discount rate, the group considers the 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 the terms of the related pension liability. Changes in these key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic costs incurred. For details on key assumptions and policies, see Note 14.

It should be noted that when discount rates decline or rates of future salary increase – pension benefit obligations will increase. Net periodic pension costs might also increase, but this depends on whether an unrecognized loss is outside the corridor (10% of the greater of benefit obligations and plan assets) or not.

Capitalisation of development costs
Costs incurred on development projects are recognised as intangible assets when it is probable that a project will be a success considering its commercial and technological feasibility. Management's judgement is required in determining when the Group should start capitalising development costs. Management determined that commercial and technological feasibility is, in general, probable when the Group decides to pre-launch a product and costs can be measured reliably. However, since the development costs the Group incur after the pre-launch of a product are considered insignificant, the Group expenses all development costs in the period the expenditure is incurred. Consequently, based on management's judgement of the moment of commercial and technological feasibility, no development costs have been recognised as intangible assets in the consolidated financial statements.

Revenue recognition
The Group has recognised net turnover amounting to EUR 28.5 million for seasonal sales of goods to customers in Italy during 2009 (2008: EUR 30.9 million). The buyers have the right to return the goods if the goods are not sold to consumers. The Group believes that, based on past experience with similar sales, the return rate will not exceed 15%. The Group has therefore recognised net turnover on these transactions with a corresponding provision against net turnover for estimated returns.

6 Intangible assets

	Trademarks	Goodwill	Software	Distribution contracts	Total
1 January 2008					
Acquisition or production costs	311,433	225,779	6,676	2,990	546,878
Accumulated amortization and impairment	0	-9,073	-5,795	-262	-15,130
Book value as of 1 January 2008	**311,433**	**216,706**	**881**	**2,728**	**531,748**
Movements 2008					
Additions	0	0	1,331	0	1,331
Exchange differences	-14,354	-496	0	0	-14,850
Divestments	0	0	-6	0	-6
Amortization	0	0	-411	-299	-710
	-14,354	**-496**	**914**	**-299**	**-14,235**
31 December 2008					
Acquisition or production costs	297,079	225,249	7,990	2,990	533,308
Accumulated amortization and impairment	0	-9,039	-6,195	-561	-15,795
Book value as of 31 December 2008	**297,079**	**216,210**	**1,795**	**2,429**	**517,513**
Movements 2009					
Additions	0	0	1,950	0	1,950
Exchange differences	5,660	1,669	0	0	7,329
Divestments	0	-356	0	0	-356
Impairments	0	0	-311	0	-311
Amortization	0	0	-453	-474	-927
	5,660	**1,313**	**1,186**	**-474**	**7,685**
31 December 2009					
Acquisition or production costs	302,739	226,806	9,630	2,990	542,165
Accumulated amortization and impairment	0	-9,283	-6,649	-1,035	-16,967
Book value as of 31 December 2009	**302,739**	**217,523**	**2,981**	**1,955**	**525,198**
Estimated economic useful life	**indefinite**	**indefinite**	**3 – 5 years**	**7 years**	

EUR '000 unless otherwise stated

Capitalized software relates primarily to external fees for software implementation and the purchase price of the software itself. Software amortisation of EUR 453 (2008: 411) is included in the cost of sales.

The total bookvalue of software includes an amount for software under construction of EUR 1,424 (2008: 898).

The capitalised distribution contract relates to the distribution of third party products in Italy.
The amortisation of the distribution contract of EUR 474 (2008: 299 EUR) has been charged in selling expenses.

Significant parts of trademarks are pledged as security for borrowings from Svenska Handelsbanken A.B. (see Note 17).

Impairment tests for goodwill and trademarks
Goodwill and trademarks are allocated to the Group's cash-generating unit (CGU). Some assets (e.g. Brands) are capitalised in one entity while the cashflows of those assets are partly generated in another entity. To match the assets and the cash flows generated with those assets the Group is to be considered one CGU.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. These assumptions have been used for the analysis of the CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. For the year 2008 and 2009, no impairment of goodwill and trademarks was identified.

The key assumptions used for value-in-use calculations are as follows:

Description	**Assumptions used**
Growth rate coming 5 year projection period	Varies between 2% and 4% per business segment
Growth rate after the 5 year projection period	2%
Budgeted gross margin	40% based upon past performance and its expectations of market development
Weighted average growth rates used	Consistent with the forecasts included in industry reports.
Discount rates used	9.07% based upon pre-tax rates reflecting specific risks relating to the relevant segments

EUR '000 unless otherwise stated

7 Property, plant and equipment

	Land and buildings	Machinery and equipment	Assets under construction	Total
1 January 2008				
Acquisition or production costs	118,108	224,140	3,235	345,483
Accumulated impairments and depreciation	-43,013	-127,436	0	-170,449
Book value as of 1 January 2007	**75,095**	**96,704**	**3,235**	**175,034**
Other movements 2008				
Additions	33	1,063	8,200	9,296
Transfers	411	7,876	-8,287	0
Disposals	-1	-687	0	-688
Exchange differences	-842	-1,679	-97	-2,618
Depreciation	-2,332	-10,904	0	-13,236
	-2,731	**-4,331**	**-184**	**-7,246**
31 December 2008				
Acquisition or production costs	113,993	210,818	3,051	327,862
Accumulated impairments and depreciation	-41,629	-118,445	0	-160,074
Book value as of 31 December 2008	**72,364**	**92,373**	**3,051**	**167,788**
Other movements 2009				
Additions	109	1,718	6,354	8,181
Transfers	518	5,610	-6,128	0
Disposals	-125	-85	-239	-449
Exchange differences	353	711	36	1,100
Impairments	-840	-3,901	0	-4,741
Depreciation	-2,376	-11,181	0	-13,557
	-2,361	**-7,128**	**23**	**-9,466**
31 December 2009				
Acquisition or production costs	115,170	216,595	3,074	334,839
Accumulated impairments and depreciation	-45,167	-131,350	0	-176,517
Book value as of 31 December 2009	**70,003**	**85,245**	**3,074**	**158,322**
Estimated economic useful life	30 – 50 years	10 – 40 years	N/A	

Property, plant and equipment acquired under finance leases relate to buildings and equipment and have a book value of EUR 2.6 million. Finance lease mainly relates to a warehouse in Slagelse, Denmark. Leased assets are pledged as security for the related finance lease liabilities. Leaf Denmark ApS has a purchase option until 2010 to buy the leased warehouse in Slagelse for an amount of EUR 2.8 million.

EUR '000 unless otherwise stated

Significant parts of land and buildings are secured with mortgages for the benefit of Svenska Handelsbanken A.B.

Depreciation expense of EUR 13,557 (2008: 13,236 EUR) has been charged in cost of sales and G&A costs.

8 Deferred and Current Income Tax

Deferred tax assets and liabilities

	Tax losses carried forward	Unused tax credits	Property Plant & Equipment	Intangibles	Provisions (incl pensions)	Other current assets and liabilities	Total
1 January 2008	**16,413**	**3,329**	**-16,282**	**-52,517**	**504**	**1,145**	**-47,408**
Income statement (charge)/credit for the year	2,142	-2,569	1,517	-8,297	-313	505	-7,015
Return to accrual	320	0	52	-1,968	-42	-90	-1,728
Acquisition of subsidiary	0	0	0	-140	0	-19	-159
Effect of rate changes	-240	0	-50	1,172	-81	34	835
Exchange differences/ Other	-634	0	-6	2,670	2,109	-2,174	1,965
31 December 2008	**18,001**	**760**	**-14,769**	**-59,080**	**2,177**	**-599**	**-53,510**
Income statement (charge)/credit for the year	4,433	4,153	165	-2,891	218	381	6,459
Return to accrual	-6,790	0	-312	3,782	261	-840	-3,899
Effect of rate changes	238	0	0	-225	0	-13	0
Exchange differences/ Other	650	0	-4	-1,480	56	-43	-821
31 December 2009	**16,532**	**4,913**	**-14,920**	**-59,894**	**2,712**	**-1,114**	**-51,771**

The split between the deferred tax assets and liabilities can be made as follows:

	31 Dec 2009	31 Dec 2008
Deferred tax assets	25,167	26,229
Deferred tax liabilities	-76,938	-79,739
	-51,771	-53,510

EUR '000 unless otherwise stated

Deferred tax assets

Deferred tax assets refer to, amongst others, the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements.

The amounts are as follows:

	31 Dec 2009	31 Dec 2008
Deferred tax asset to be realised after more than 12 months	21,307	15,493
Deferred tax asset to be realised within 12 months	3,860	10,736
	25,167	26,229

The composition of deductible temporary differences (recognised as well as unrecognised) and unutilised tax losses carried forward is as follows:

	31 December 2009		31 December 2008	
	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	3,722	0	7,468	0
Unused tax credits	4,913	5,029	760	9,182
Tax losses carried forward	16,532	22,639	18,001	17,326
	25,167	27,668	26,229	26,508

For the unrecognised deductible temporary differences, unused tax credits and tax losses carried forward it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities within the same tax group or tax jurisdiction. While judging this probability management took into account all intended tax planning strategies, financial forecast figures as well as prior year taxable income.

The unused tax credits relate to a tax holiday granted by the Slovakian government. This tax holiday means that a total amount of some EUR 10 million of future income tax payables will be waived by the Slovakian government. Leaf is able to make use of this tax holiday until the financial year 2018. Before 31 December 2011 several conditions have to be fulfilled in order to receive the tax holiday. As per 31 December 2009 it is reasonably certain that the required conditions will be fulfilled.

Deferred tax liabilities

The deferred tax liability is recognised to account for the taxable temporary differences between the tax base of intangible assets, property, plant and equipment, work in progress, stocks, receivables and provisions and its carrying amounts.

EUR '000 unless otherwise stated

The Group has taxable temporary differences for which a deferred tax liability is recognised as the Group will be able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will be reversed in the foreseeable future.

	31 Dec 2009	31 Dec 2008
Deferred tax liability to be recovered after more than 12 months	75,512	79,023
Deferred tax liability to be recovered within 12 months	1,426	716
	76,938	79,739

Current income tax

	31 Dec 2009	31 Dec 2008
Current income tax receivables	307	1,511
Current income tax payables	-664	-204
	-357	1,307

9 Non-current financial assets

Other non-current receivables

	31 Dec 2009	31 Dec 2008
Registration fees	713	663
Deposits	74	90
Other receivables related parties	3,546	2,290
Other	41	40
	4,374	3,083

The fair values of other non-current receivables approximate their carrying value.

None of the different classes of non-current receivables contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

See note 30 for an elaboration on the other receivables related parties.

EUR '000 unless otherwise stated

10 Non-current assets held for sale and discontinued operations

Due to the significant deviation from the overall Leaf strategy and envisaged resource allocation over the various Leaf geographies, a decision was taken to divest Leaf France Holdings SAS, Leaf France SAS, Leaf Belgique SA and Leaf Holland Distribution BV.

Discontinued operations

The assets and liabilities related to group company Leaf France Holdings SAS, Leaf France SAS,and Leaf Belgique SA have been presented as disposal group held for sale following the approval of the group's management and shareholders on 24 October 2007 to sell these group companies. As at January 16, 2008 Leaf International BV sold its 100% shares in Leaf France Holdings SAS, Leaf France SAS and Leaf Belgique SA.

The operations of Leaf France Holdings SAS, Leaf France SAS and Leaf Belgique SA represent a separate major line of business and geographical area of operations and therefore have been presented as discontinued operations in the income statement.

The cash flows from discontinued operations are as follows:

	31 Dec 2009	31 Dec 2008
Operating cash flows	0	-751
Investing cash flows	0	0
Financing cash flows	0	0
Total cash flows	0	-751

Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows:

	31 Dec 2009	31 Dec 2008
Net turnover	0	3,034
Expenses	0	-4,485
Loss before tax of discontinued operations	0	-1,451
Tax	0	0
Loss after tax of discontinued operations	0	-1,451
Pre-tax loss recognised on the remeasurement of assets of disposal group	0	0
Tax	0	0
After tax loss recognised on the remeasurement of assets of disposal group	0	0
Loss for the year from discontinued operations	0	-1,451

EUR '000 unless otherwise stated

11 Inventories

	31 Dec 2009	31 Dec 2008
Stocks for own use and resale		
Raw materials and consumables	16,820	20,099
Semi-manufactures	5,521	5,815
Finished products and goods for resale	39,186	40,591
	61,527	66,505

As of 31 December 2009 the provision for obsolete stock amounts to EUR 1.7 million (2008: EUR 1.7 million) and the carrying amount of inventories carried at fair value less costs to sell amounts to EUR 63,182 (2008: EUR 68,193)

The carrying amount of inventories sold in 2009 recognised as expense and included in cost of sales amounted to EUR 302,210 (2008: EUR 318,970).

The Group recognised as an expense in 2009 write-down of inventories amounting to EUR 443 (2008: EUR 581). Furthermore, in 2009 the Group reversed EUR 482 (2008: EUR 459) of a previous inventory write-down. These amounts have been included in cost of sales in the income statement. The reversal of a previous inventory write down was mainly due to the sale of nearly-due-date goods to discounters and usage of written down semi-manifactures in production.

Stocks are pledged as security for borrowings from Svenska Handelsbanken A.B. (see Note 17).

12 Trade and other receivables

	31 Dec 2009	31 Dec 2008
Trade debtors	105,717	111,421
Less: provision for impairment of trade debtors	-1,215	-1,267
Trade debtors – net	104,502	110,154
Forward foreign exchange contracts	0	386
Other receivables	5,764	2,912
Receivables from related parties	13,206	1,439
Prepayments and accrued income	4,326	3,977
	127,798	118,868

All receivables are due within one year.

Trade and other receivables with a book value of EUR 104,502 (2008: EUR 110,154) are typically pledged as security for borrowings from Svenska Handelsbanken A.B. (see Note 17).

EUR '000 unless otherwise stated

As of 31 December 2009, trade debtors of EUR 1.2 million (2008: EUR 1.3 million) were impaired and provided for. It was assessed that a portion of the receivables is expected to be recovered and as a result the amount of the provision for impairment of trade debtors as of 31 December 2009 was EUR 1.2 million (2008: EUR 1.3 million). The individually impaired receivables mainly relate to uncollectible receivables.

Movements on the provision for impairment of trade debtors are as follows:

	31 Dec 2009	31 Dec 2008
At 1 January	1,267	1,260
Provision for receivables impairment	1,197	786
Receivables written off during the year as uncollectible	-1,015	-730
Unused amounts reversed	-234	-29
Provision related to assets held for sale	0	-20
At 31 December	1,215	1,267

The ageing of these receivables is as follows:

	31 Dec 2009	31 Dec 2008
Up to 60 days	75	193
60 to 90 days	164	2
Over 90 days	976	1,072
	1,215	1,267

The other classes within trade and other receivables do not contain impaired assets.

As of 31 December 2009, trade debtors of EUR 18.3 million (2008: EUR 29.4 million) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	31 Dec 2009	31 Dec 2008
Up to 60 days	13,160	20,312
60 to 90 days	1,815	4,891
Over 90 days	3,275	4,167
	18,250	29,370

The carrying values are assumed to approximate the fair values of trade receivables and other receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

EUR '000 unless otherwise stated

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	31 Dec 2009	31 Dec 2008
Euro	87,047	92,591
US Dollar	258	411
Great Britain Pound	1,540	3,191
Swedish Krona	8,788	7,275
Norwegian Krone	2,593	1,795
Danish Krone	3,860	3,924
Other currencies	416	967
Other	104,502	110,154

13 Cash and cash equivalents

The item cash and cash equivalents in the cash flow statement comprises the following:

	31 Dec 2009	31 Dec 2008
Cash at bank and in hands	23,899	16,189
	23,899	16,189

All cash and bank balances are available on demand.

14 Shareholders' equity

Share capital

The authorised share capital of the company as of 31 December 2009 amounts to EUR 100,000 (EUR *1) and consists of 100,000 ordinary shares of EUR 1 each.

Issued and paid in share capital amounts to EUR 20,000 (EUR *1) and consists of 20,000 ordinary shares with a nominal value of EUR 1 each.

At 10 December 2009 a loan from Leaf Finance AB amounting to EUR 11.8 million and a loan from Leaf Holding S.A. amounting to EUR 6.3 million have been contributed into equity as share premium.

EUR '000 unless otherwise stated

The movements in the number of shares are as follows:

	2009	2008
1 January	20,000	20,000
Issue of ordinary shares	0	0
31 December	20,000	20,000

The movements in shareholders' equity are as follows:

	Issued share capital	Share premium	Translation differences reserve	Accumulated deficit	Result for the year	Total
Book value as of 1 January 2008	**20**	**70,822**	**-220**	**-63,408**	**-31,789**	**-24,575**
Movements						
Translation of foreign participations	0	0	-9,054	0	0	-9,054
Appropriation of net result	0	0	0	-31,789	31,789	0
Result current year	0	0	0	0	-32,784	-32,784
Total movements	0	0	-9,054	-31,789	-995	-41,838
Book value as of 31 December 2008	**20**	**70,822**	**-9,274**	**-95,197**	**-32,784**	**-66,413**
Movements						
Translation of foreign participations	0	0	4,168	127	0	4,295
Capital contribution	0	18,146	0	0	0	18,146
Appropriation of net result	0	0	0	-32,784	32,784	0
Result current year	0	0	0	0	-16,434	-16,434
Total movements	0	18,146	4,168	-32,784	16,350	6,007
Book value as of 31 December 2009	**20**	**88,968**	**-5,106**	**-127,854**	**-16,434**	**-60,406**

The Company has no other legal and statutory reserves as of 31 December 2009 than the translation differences reserve since development costs are expensed as incurred and there are no undistributable reserves for positive results of participations.

EUR '000 unless otherwise stated

15 Pensions and other long-term employee benefits

Obligations are recognised for the defined benefit schemes on the basis of the accounting policies described in 2.13. The schemes refer to pension schemes and long-term benefit schemes.

The Group has accounted for the defined benefit schemes at industry sector pension funds as though they were defined contribution schemes since sufficient information is not available to enable the Group to account for the plan as a defined benefit plan. The Group is applying the same pension scheme together with other legal entities outside the Group. In the event of a deficit at the industry sector pension fund the Group has no obligation to provide supplementary contributions, other than higher future contributions.

The main benefit plans for the Group are:

Sweden ITP plan:
The ITP plan cover employees born before 1979. Beneftis provided in the old defined benefit plan include a final pay based retirement pension.
The ITP plan benefit formula gives pension benefits in percentage of salary bands according to the table overleaf. Beneftis will be reduced proportionally if expected service time, within the plan and irrespective of employer, is less than 30 years. ITP plan beneftis vested with former employers are indexed according to consumer price index.

Finland Leaf/Merijal plan:
The plan is an insured voluntary final salary pension plan. It is established at 31 December 2005 when liabilities and assets of Merijal Pension Fountadion and Leaf Pension Foundation were transferred to Pohjola Life Insurance Company.

Norway
There is one plan, which is insured in a life insurance company.This funded plan gives, together with the national pension scheme, an old age pension of 66% of final salary. Included is widow(er)s pension of 60% of the old age pension and childrens pension of 50% of the old age pension. Members who become disabled will get a disability pension equal to the old age pension they would have got with their present salary.

Italy – TFR plan
The Trattamento di Fine Rapporto (TFR) benefit is a deferred compensation item established by Italian law. Employers are required to provide a benefit to employees when, for any reason, their employment is terminated, i.e. in the case of retirement, death, disability and turnover.

The total pensions and other long-term employee benefits can be analysed as follows:

	31 Dec 2009	**31 Dec 2008**
Obligations for:		
Pension benefits	23,032	21,975
Other long-term employee benefits (for jubilee payments) ('OLEB')	1,317	1,206
	24,349	23,181

EUR '000 unless otherwise stated

Movements in the pension provision for defined benefit schemes are as follows:

	2009	2008
1 January	21,975	23,883
Acquisitions / Transfer in	78	0
Attributed pension costs for defined benefit schemes	2,768	1,819
Pension contributions paid	-2,597	-1,984
Translation differences	808	-1,743
31 December	23,032	21,975

The pension benefits as of 31 December can be analysed as follows:

	31 Dec 2009	31 Dec 2008
Present value of pension benefit obligation funded by plan assets	11,042	10,109
Fair value of plan assets	-8,783	-7,647
	2,259	2,462
Present value of pension benefit obligation not funded by plan assets	20,991	22,744
Unrecognised actuarial (gains)/losses	-218	-3,231
Net pension benefit obligation	23,032	21,975

The movement in the defined benefit obligation over the year is as follows:

	2009	2008
1 January	34,060	32,920
Transfer in	200	0
Pension benefits accrued in the year	1,401	906
Interest attributed	1,440	1,599
Actuarial gains due to change in assumptions	-2,158	4,383
Actuarial losses due to experience	-579	-423
Translation differences	1,433	-3,039
Benefits paid	-2,459	-2,105
Acquisitions/Divestments	0	-140
Curtailments/Settlement/Termination benefits/Other	14	-41
31 December	33,352	34,060

EUR '000 unless otherwise stated

The movement in the fair value of plan assets of the year is as follows:

	2009	2008
1 January	7,647	8,092
Pension contributions paid by employer and employee	2,762	2,207
Benefits paid	-2,333	-2,105
Expected return on plan assets	419	414
Actuarial gains	-38	-423
Translation differences	381	-532
Curtailments/Settlements/Other	-55	-6
31 December	8,783	7,647

Plan assets are comprised as follows:

	2009 %	2008 %
Equity securities	0	0
Debt securities	0	0
Insurance contracts	100	100
Total	100	100

Expected employer contributions to defined benefit schemes for the year ending 31 December 2010 are EUR 1,762 (2009: EUR 1,708).

The five-year record of the pension obligations based on IFRS can be analysed as follows:

	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
Present value of defined benefit obligation	32,032	34,060	32,920	32,650	40,244
Fair value of plan assets	-8,783	-7,647	-8,092	-4,474	-7,943
Deficit	23,249	26,413	24,828	28,176	32,301
Experience adjustments on plan liabilities	-2,826	4,051	3,765	1,896	0
Experience adjustments on plan assets	-38	-423	-3,036	-239	0

EUR '000 unless otherwise stated

Pension cost in the income statement can be analysed as follows:

	2009	2008
Pension benefits accrued in the year	1,146	679
Interest attributed	1,374	1,540
Expected return on plan assets	-419	-414
Recognised actuarial gains attributed	604	119
Gains from curtailments or discontinuation of scheme	1	-84
Termination benefits	60	44
	2,767	1,884

Total pension costs in the income statement		
Pension costs of defined benefit scheme	2,767	1,822
Pension contributions to defined contribution scheme	4,589	5,493
Total pension (costs)/benefits	7,356	7,315

The total pension costs amounting to EUR 7,356 (2008: EUR 7,315) are included in the general and administrative expenses, costs of sales and selling expenses in the income statement, except for the interest expenses of EUR 1,441 (2008: EUR 1,599) which are included in the financial income or expense.

The main actuarial assumptions regarding the pension obligations are as follows:

	2009	2008
	%	%
Discount rate	4.56	4.08
Expected return on plan assets	5.04	5.20
Expected salary increases	2.23	2.02
Expected indexation of pensions	1.44	1.38
Inflation	2.08	1.96

The pension scheme currently provides that pensions in payment are indexed on the basis of inflation.

The actual return on plan assets amounted to EUR 381 in 2009 (2008: EUR -8).
To develop the expected long-term rate of return on assets assumption, the company considered historical returns and future expectations, and uses the weighted average of the expected return on the target asset mix of the fund if available.

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

EUR '000 unless otherwise stated

Movements in the OLEB provision for defined benefit schemes are as follows:

	2009	2008
1 January	1,206	1,408
Attributed OLEB costs for defined benefit schemes	237	-62
OLEB contributions paid	-125	-70
Translation differences	0	-70
31 December	1,317	1,206

Other long term employee benefit cost in the income statement can be analysed as follows:

	2009	2008
OLEB benefits accrued in the year	90	73
Interest attributed	67	59
Recognised actuarial gains/(losses) attributed	89	-194
Gains from curtailments or discontinuation of scheme	-8	0
OLEB costs of defined benefit scheme	238	-62

The main actuarial assumptions for the long-term employee benefit obligations are as follows:

	2009	2008
	%	%
Discount rate	5.00	5.75
Expected salary increases	2.48	2.48
Inflation	2.00	2.00

Share based compensation

As part of the acquisition of the Leaf Group, senior management of the Leaf Group (the 'Management') has been offered the opportunity to participate in the ordinary share capital of Leaf Holding SA (the 'Management Participation').

According to IFRS 2, the grant date for the initial awards immediately following the acquisition should be set at March 7, 2005 being the date when the Company and the Participant had a shared understanding of the terms and conditions applicable to the Management Participation against fair market value.

Under defined circumstances, the Board of Directors of Leaf Holding SA may decide to request the resale and retransfer of part or all of the ordinary share capital acquired, to the parties designated by the Board of Directors of Leaf Holding SA. In the event of an exit the Management is obliged to cooperate with the transfer or sale of the ordinary share capital.

EUR '000 unless otherwise stated

According to IFRS 2, the Group operates an equity settled share based compensation plan which means that the fair value of the employee services received in exchange of the ordinary share capital is recognised as an expense at the date of grant. Given that the employees have paid the fair market value of the ordinary share capital, the fair value of the services received in exchange of the ordinary share capital is nil.

With respect to the ordinary share capital subject to IFRS 2, the essential features of these awards are described below.

Arrangement	Ordinary shares awarded to key management in 2008 and 2009 respectively	
	2009	**2008**
Nature of the arrangement	Award of ordinary share capital	Award of ordinary share capital
Date of grant	May 2009 and December 2009	February 2008
Number of instruments awarded	79,236 ordinary shares	936 ordinary shares

The transactions can be summarised as follows:

	2009	**2008**
Outstanding ordinary shares at 1 January:	205,067	204,131
Awarded during the year:	97,100	27,464
Transferred during the year:	-17,864	-26,528
Outstanding ordinary shares at 31 December:	284,303	205,067

The amounts recognised in the financial statements (before taxes) for share based payment transactions with Managers can be summarised as follows:

Expense	**2009**	**2008**
equity settled arrangements:	0	0
Management participation plan	0	0
other expenses	0	0
Total expense	0	0

EUR '000 unless otherwise stated

16 Provisions

Movements in provisions are specified as follows:

	Reorgani-sation	Sales returns	Other	Total
1 January 2008	2,277	5,894	2,120	10,291
Additions	1,219	5,840	1,428	8,487
Utilisations	-1,534	-5,894	-881	-8,309
Releases	-277	0	-227	-504
Exchange differences	-177	0	0	-177
31 December 2008	1,508	5,840	2,440	9,788
Analysis of total provisions:				
Non-current				2,801
Current				6,987
Total				9,788
1 January 2009				
Additions	108	7,636	297	8,041
Utilisations	-743	-7,233	-180	-8,156
Releases	-9	0	-485	-494
Addition/release discount	-122	0	29	-93
Exchange differences	102	0	0	102
31 December 2009	844	6,243	2,101	9,188
Analysis of total provisions:				
Non-current				2,766
Current				6,422
Total				9,188

In 2008 the reorganisation provision mainly related to restructuring in Scandinavia.

A provision for an amount of EUR 6,243 (2008: EUR 5,840) has been established relating to returns of seasonal products in Italy. The total provision for sales returns as of 31 December 2009 is expected to be utilised during the first half year of 2010.

Other provisions mainly relate to agents' indemnity costs costs and deferred bonus plan within the group.

EUR '000 unless otherwise stated

17 Borrowings

	Remaining term ≤ 1 year	Remaining term 1 – 5 years	Remaining term ≥ 5 years	Total Remaining term > 1 year
				31 December 2008
Loans from credit institutions	29,191	319,176	61,680	380,856
Financial lease liabilities	370	2,461	0	2,461
Shareholder loan	0	0	346,737	346,737
Other debts	932	17	1,782	1,799
	30,493	321,654	410,199	731,853

	Remaining term ≤ 1 year	Remaining term 1 – 5 years	Remaining term ≥ 5 years	Total Remaining term > 1 year
				31 December 2009
Loans from credit institutions	65,889	155,084	167,496	322,580
Financial lease liabilities	390	2,401	0	2,401
Shareholder loan	0	0	378,916	378,916
Other debts	17	0	905	905
	66,296	157,485	547,317	704,802

Repayment liabilities within 12 months of the end of the financial year, as set out above, are included under current liabilities.

The following table shows Leaf's contractually agreed cash flows payable under financial liabilities. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Remaining term ≤ 1 year	Remaining term 1 –2 years	Remaining term 2 – 5 years	Remaining term > 5 years
				31 December 2009
Loans from credit institutions	76,353	50,124	142,600	169,549
Financial lease liabilities	390	443	1,958	2,401
Shareholder loan	0	0	0	751,108
	76,743	50,567	144,558	923,058

EUR '000 unless otherwise stated

The carrying amounts and fair value of the non-current borrowings are as follows:

	Fair value		Carrying amount	
	31 Dec 2009	**31 Dec 2008**	**31 Dec 2009**	**31 Dec 2008**
Borrowings from credit institutions	322,580	380,856	322,580	380,856
Financial lease liabilities	2,189	2,283	2,401	2,461
Shareholder loan	378,916	346,737	378,916	346,737
	703,685	729,876	703,897	730,054

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant.

The exposure of the group's borrowings to interest rate changes and the repricing dates at the balance sheet dates are as follows:

	31 Dec 2009	**31 Dec 2008**
6 months or less	392,976	405,251
6-12 months	905	2,005
1-5 years	0	0
Over 5 years	0	0
	393,881	407,256

Amounts owed to lease institutions

The financial lease liabilities are specified as follows:

	Fair value		Carrying amount	
	31 Dec 2009	**31 Dec 2008**	**31 Dec 2009**	**31 Dec 2008**
Liabilities < 1 year	385	365	390	370
Liabilities 1-5 year	2,189	2,283	2,401	2,461
Liabilities > 5 years	0	0	0	0
	2,574	2,648	2,791	2,831
Less: future interest	463	616	520	646
	2,111	2,032	2,271	2,185

EUR '000 unless otherwise stated

The Group mainly leases one building (a finished goods warehouse in Slagelse, Denmark) and has, substantially all, the risks and rewards incidental to ownership of the asset.

Currency

All loans are denominated in euros, except for a loan in Swedish krona of SEK 363 million (EUR 35 million) (2008: SEK 363 million (EUR 33 million)).

Loans from credit institutions

In January 2005 Svenska Handelsbanken A.B. issued a credit facility of EUR 695 million with a term of 9 years and 325 days. In February 2007 and March 2007 Svenska Handelsbanken A.B. issued additional credit facilities of respectively EUR 10 and EUR 5 million with the same maturity date as the original credit facility.

The credit facility of EUR 695 million relates to:

- Term A loan of EUR 225 million which bears interest at 3 months EURIBOR/STIBOR plus a margin which varies between 1,5% and 2.0% (fully repaid at year end 2008)
- Term B loan of EUR 430 million which bears interest at 3 months EURIBOR/STIBOR plus a margin of 2,55%
- Guarantee facility of EUR 13.4 million
- Overdraft facility of maximum EUR 40 million which bears interest at Svenska Handelsbanken Base rate + 1.5%. At 31 December 2009 15.8 million of this facility was unused (2008: 25.8 million)

Under the guarantee facility 0.375% is paid annually as a commitment fee, the respective percentage for the overdraft facility is 0.4%.

The following securities have been pledged to Svenska Handelsbanken A.B.:

- Shares of all group companies except for Leaf Baltics, OOO Leaf, Continental Sweets UK and Famous Names Holding
- First ranking security interest in any intercompany debt
- First ranking security interest in any insurance proceeds
- First ranking security interest in any hedging agreements
- First ranking security interest in any registered intellectual property rights
- First ranking security interest in any security interest in real property
- First ranking security interest in assets by way of business mortgage.

Shareholder loan

Leaf Finance AB has facilitated Leaf International B.V. with EUR 205.4 million loan, the interest rate is 14% per annum payable at the end of the term. The term of the loan is 9 years and 362 days starting 2 March 2005 (205.4 million EUR). This loan is subordinated to the financing by Svenska Handelsbanken A.B.

All group companies are jointly and severally liable towards Svenska Handelsbanken A.B.

Effective interest rates

The effective interest rates at the balance sheet date are as follows:

- Loan from credit institutions: 3.02%.
- Shareholder loan: 14%.

18 Trade and other payables

	31 Dec 2009	31 Dec 2008
Trade payables	40,915	50,230
Payables to related parties (see Note 30)	0	0
Other taxes and social securities	8,728	9,398
Pension liabilities	321	198
Other liabilities	5,898	4,851
Accruals and deferred income	48,899	44,164
	104,761	108,841

The remaining term of the trade and other payables is less than one year.
Other liabilities include other creditors, not being trade creditors. Accruals and deferred income mainly relate to invoices to receive, direct discounts and payroll related accruals like holiday pay and holiday days.

19 Commitments and contingencies not included in the balance sheet

Liability undertaking

Leaf International B.V. issued a parent company guarantee pursuant to article 403, Book 2 of the Civil Code in respect of Leaf Holland B.V. and Leaf Holland Distribution B.V. (until the divestment as per January 2, 2008).

Fiscal unity

Leaf International B.V. forms a fiscal unity with Leaf Holland B.V. and Leaf Holland Distribution B.V. for corporate income tax purposes. Under the Tax Collection Act, the company is jointly and severally liable for taxation payable by the group. The tax expense recognised in the financial statements of Leaf Holland B.V. and Leaf Holland Distribution B.V. is based on its profit for financial reporting purposes. Leaf International B.V. settles its intercompany balances with Leaf Holland B.V. and Leaf Holland Distribution B.V. based on the subsidiary profit for financial reporting purposes. Due to the sale of the shares of Leaf Holland Distribution BV by Leaf International as per January 2, 2008, Leaf Holland Distribution BV is not part of the fiscal unity anymore from that point of time.

Pension obligations

In relation to the pension plan of Leaf Holland B.V. the company has made use of the option to account for a defined benefit scheme as a defined contribution scheme. Therefore, the liability relating to this pension scheme is not reflected in the balance sheet.

Contingent liabilities

Group companies are jointly and severally liable to group bank accounts.

EUR '000 unless otherwise stated

Commitments and guarantees

The commitments and guarantees not included in the balance sheet are as follows:

	31 Dec 2009	31 Dec 2008
Guarantee	4,459	4,361
Investments commitments	1,477	2,029
Operating lease commitments < 1 year	5,076	5,277
Operating lease commitments 1-5 year	7,361	8,535
Operating lease commitments > 5 year	0	0
	18,373	20,202

Guarantees

The guarantees relate to:	31 Dec 2009	31 Dec 2008
Real estate rental	123	154
Customs & Export	2,812	2,578
Letters of credit	966	1.150
Bank guarantees	558	479
	4,459	4,361

The operation lease commitments mainly consist out of the lease of buildings and warehouses with an average contract term of 4 years and of car lease contracts with an average contract term of 4 years.

20 Net turnover

	2009	2008
The Netherlands	79,628	82,593
Other EU countries	400,074	427,643
Other	37,037	37,296
	516,739	547,532

Net turnover is generated in relation to trade activities only.

21 Other income

	2009	2008
Gains on disposal of intangible assets	0	0
Gains on disposal of property, plant and equipment	0	0
Government grants	0	500
	0	500

EUR '000 unless otherwise stated

22 Expenses by nature

	2009	2008
Raw materials and consumables used including change in inventory of finished goods and work in progress	196,973	213,806
Employee benefits (see Note 23)	122,416	121,656
Depreciation, amortisation and impairment charges (Note 24)	19,535	13,946
Transportation expenses	14,367	16,360
Operating lease payments	7,003	7,143
Advertising and promotion	41,359	44,821
Selling and marketing	10,587	14,210
Other operating expenses	53,452	63,051
Total cost of sales, selling, general and administrative expenses and other expenses	465,692	494,993

23 Employee benefits

	2009	2008
Wages and salaries, including restructuring costs and other termination benefits.	91,995	90,788
Pension costs – defined benefit plans	1,326	223
Pension costs – defined contribution plans	4,589	5,493
Other labour costs	5,141	4,794
Other social security costs	19,365	20,358
	122,416	121,656

Above-mentioned wages, salaries and social security costs are taken up in the cost of sales, selling expenses and general and administrative expenses, depending on the activities of the employees concerned.

EUR '000 unless otherwise stated

24 Amortisation of intangible assets, depreciation of property, plant and equipment and other changes in values

The cost of sales and general and administrative expenses captions include amortisation, depreciation and impairment of property, plant and equipment and intangible assets. These can be broken down as follows:

	2009	2008
Depreciation & Amortization		
Amortisation of intangible assets (note 6)	926	710
Gain on sale of intangible assets (see note 22)	0	0
Depreciation of property, plant and equipment (note 7)	13,557	13,236
(Gain)/loss on sale of property, plant and equipment (see note 22)	0	0
	14,483	13,946

Other changes in value

	2009	2008
Impairments:		
Intangible assets (note 6)	311	0
Property, plant and equipment (note 7)	4,741	0
	5,052	0

25 Non-recurring items

The following non-recurring items have been included in the results:

	2009	2008
Restructuring and reorganisation related charges	8,851	13,113
Impairments	5,052	0
Consultancy and legal cost	802	3,655
	14,705	16,768

The non-recurring items are recognised in cost of goods sold, other income, selling expenses and general and administrative expenses, depending on the nature of the items.

EUR '000 unless otherwise stated

26 Other notes to the income statement

Operating lease

During the financial year the Group recognised operating lease payments to the amount of EUR 7,003 (2008: EUR 7,143) in general and administration expenses the income statement.

Government grants

The Group recognised government grants amounting to EUR 0 (2008: EUR 500).

The realised government grant is mainly due to the grants received in Slovakia. During the year an amount of some EUR 0 (2008: EUR 500) has been recognised for the grant related to the creation of working places in Slovakia. As per the end of 2010 a total number of 477 employees should be employed by Leaf Slovakia to fulfil all grant conditions. The total amount which has been granted by the Slovakian government on the creation of working places is EUR 1,900.

The tax holiday which has also been granted by the Slovakian government has been disclosed in the note 7.

Research and development expenses

The cost charged to the 2009 result relating to research and development amounted to EUR 3.7 million (2008: EUR 4.0 million).

27 Finance income and costs

	2009	2008
Finance income		
Interest income third parties	145	648
Unrealised gains on foreign currency hedge contracts	0	386
Interest income related parties	103	139
Exchange differences borrowings and cash and cash equivalents in foreign currencies, net	0	0
Total finance income	**248**	**1,173**
Finance expense		
Exchange differences borrowings and cash and cash equivalents in foreign currencies, net	-5,963	-2,810
Interest expenses third parties SHB borrowings	-11,764	-26,892
Interest expenses third parties pensions	-1,451	-1,599
Interest expenses third parties leases	-170	-205
Other interest expenses third parties	-1,313	-2,019
Interest expenses related parties	-49,112	-43,420
Total Finance expenses	-69,773	-76,945
Total Finance expenses	**-69,525**	**-75,772**

EUR '000 unless otherwise stated

28 Income tax

	2009	2008
Current income tax	750	530
Deferred income tax	-2,794	8,070
Tax expense / (income)	-2,044	8,600

The tax on the Group's result before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2009	2008
Taxable (Profit)/Loss from ordinary activities	18,478	22,733
Tax calculated at applicable tax rate for the holding company	-4,712	-5,797
International rate differences	51	951
State and local taxes	735	1,312
Result divestments non-taxable	-800	0
Income/(loss) not subject to tax	149	333
Expenses not deductible for tax purposes	1,218	1,683
Adjustments recognised in the period for tax of prior periods	226	694
Tax losses contributed from related parties	-4,204	0
Effect of rate changes	0	-1,252
Tax losses for which no deferred income tax asset was recognised	5,124	11,376
Other	169	-700
Tax (benefit)/expense	-2,044	8,600
Effective tax rate	11.1%	37.8%
Applicable weighted average tax rate	25.8%	26.4%

The applicable tax rate is based on the current enacted tax rate for the holding company, which is the Dutch current tax rate of 25.5% for 2008 and 2009.

The effective tax rate differs from the applicable tax rate due to fiscally non-deductible expenses and amortization as well as the state and local taxes that relate to trade taxes in Germany and Italy that for reporting purposes are treated as a corporate income tax.

The weighted average applicable tax rate is based on the relative proportion of the group companies' contribution to the result and the tax rates ruling in the countries concerned.

Leaf Sverige AB uses a facility in Swedish tax ruling which makes it possible for Leaf Sverige AB to make a contribution to the parent company Leaf Finance AB to reduce the current tax for the Swedish entities 2009

EUR '000 unless otherwise stated

29 Employees

During 2009 the average of 2,309 employees (2008: 2,392, which included employees from discontinued operations) calculated on a full-time-equivalent basis employed by entities, included in the consolidation can be specified as follows:

	2009	2008
Employed:		
In the Netherlands	353	369
Outside the Netherlands	1,956	2,023
Total	2,309	2,392
Production	1,469	1,514
Marketing & Sales	575	609
General/ management	265	269
Total	2,309	2,392

30 Related parties

All group companies mentioned in note 1.5 are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

In the context of this financial report Leaf Finance AB (the parent company owning 100% of the shares in Leaf International BV), Leaf Holding SA (the ultimate parent company owning 100% of the shares in Leaf Finance AB), and CVC Capital Partners and Nordic Capital (investors with joint control over Leaf Holding SA) are considered to be related parties. As of 31 December 2009 the Group has receivables on and liabilities to Leaf Finance A.B. and Leaf Holding S.A which have been disclosed in the relevant sections of these financial statements.

The transactions carried out with related parties and the year-end balances are as follows:

Sales and/or Purchase of services
The Group did not sell nor purchase any goods/services from related parties during 2008 and 2009.

Key management compensation

	2009	2008*
Salaries and other short-term employee benefits	2,845	3,085
Termination benefits	2,385	731
Post-employment benefits	458	419
Total	5,688	4,235

** the 2008 figures are adjusted for comparison purposes*

EUR '000 unless otherwise stated

Year-end balances arising from related parties transactions

	2009	2008
Receivables/(Payables) from related parties:		
Leaf Holding SA (ultimate parent company)	4,544	3,480
Leaf Finance AB (parent company)	11,303	-630
Total	15,847	2,850

The receivables from related parties are unsecured in nature and bear an annual average interest rate based on EURIBOR. The nature of the transactions resulting in the balances above mainly relate to funding of Leaf Holding S.A as this company is not able to generate cash and to some minor settlements with Leaf Finance AB.

Loans from related parties

	2009	2008
Leaf Finance AB (parent company):		
1 January	342,265	299,619
Converted into equity	-11,858	0
Interest expense	48,509	42,646
31 December	378,916	342,265

	2009	2008
Leaf Holding SA:		
1 January	5,599	4,910
Converted into equity	-6,206	0
Interest expense	607	689
31 December	0	5,599

Leaf Finance AB has facilitated Leaf International B.V. with a EUR 205.4 million loan. The interest rate is 14% per annum payable at the end of the term. The term of the loan is 10 years starting 7 March 2005. As per 10 December 2009 an amount of EUR 11.8 million has been contributed to equity.

In addition, Leaf Holding S.A. has facilitated Leaf International B.V. with a EUR 3.2 million loan with an interest rate of 14% per annum payable at the end of the term. The term of the loan is 10 years starting from 7 December 2005. As per 10 December 2009 the total outstanding loan has been contributed to equity.

EUR '000 unless otherwise stated

Company financial statements

Balance sheet as of 31 December 2009

(before proposed appropriation of result)

	Ref.	31 December 2009		31 December 2008	
Assets					
Non-current assets					
Intangible assets	32	115,299		114,266	
Financial assets	33	469,980		449,324	
			585,279		563,590
Current assets					
Receivables	34	37,113		25,345	
Cash and cash equivalents	35	18,874		10,547	
			55,987		35,892
TOTAL ASSETS			**641,266**		**599,482**
Shareholders' equity and liabilities					
Shareholders' equity	36				
Shareholders' equity		20		20	
Share premium		88,968		70,822	
Translation difference reserve		-5,106		-9,274	
Accumulated deficit		-127,854		-95,197	
Result for the year		-16,434		-32,784	
			-60,406		-66,413
Non-current liabilities					
Provisions and deferred tax liabilities	37	36,527		49,493	
Borrowings	38	569,604		515,770	
			606,131		565,263
Current liabilities	39		95,541		100,632
TOTAL EQUITY AND LIABILITIES			**641,266**		**599,482**

EUR '000 unless otherwise stated

Income statement for the year ended 31 December

	2009	2008
Result from group companies after taxation	18,266	1,255
Other income and expenses after taxation	-34,700	-34,039
Result after taxation	**-16,434**	**-32,784**

Notes to the balance sheet and income statement

31 General

Accounting policies

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company-only financial statements, Leaf International B.V. makes use of the option provided in Section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result of the company-only financial statements of Leaf International B.V. are the same as those applied for the consolidated IFRS financial statements. The consolidated IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and as adopted by the European Union.

With reference to the income statement of Leaf International BV use has been made of the exemption pursuant to section 402 of Book 2 of the Dutch Civil Code.

For the principles of valuation of assets and liabilities and for the determination of result reference is made to notes 1 and 2 of the consolidated balance sheet.

Group companies

Group companies in which the company exercises significant influence are stated at net asset value. The company is considered to exercise significant influence if it holds at least 20% of the voting rights.

Net asset value is calculated using the accounting policies applied in these financial statements. Participating interests whose financial information cannot be aligned to these policies are valued based on their own accounting policies.

Group companies with an equity deficit are carried at nil. A provision is formed if and when Leaf International B.V. is fully or partially liable for the debts of the participating interest, or has the firm intention to allow the group company to pay its debts.

Group companies acquired are initially measured at the fair value of the identifiable assets and liabilities upon acquisition. Any subsequent valuation is based on the accounting policies that apply to these financial statements, taking into account the initial valuation.

Going concern

During 2008 and 2009 the group made a loss of EUR 32.8 million and EUR 16.4 million respectively. Accumulated deficit from acquisition date as at 7 February 2005 up and including 31 December 2009 amounts to EUR 144.3 million resulting in a negative net equity at balance sheet date of EUR 60.4 million. As a result this going concern paragraph has been added to the financial statements.

The accumulated deficit is mainly caused by restructuring and reorganisation costs, transaction related costs not qualifying for capitalization, consultancy costs and an impairment of assets of disposal group amounting in total to EUR 129.8 million. These costs were incurred mainly as a result of the disentanglement from CSM and in relation to the restructuring program executed in 2005, 2006, 2007, 2008 and 2009.

Management believes that the identified strategy is successfully being executed, amongst others evidenced by year-on-year improvement of the operating result and that the company should be able to continue financing its operations in the foreseeable future. In 2008 and 2009 the company realised a positive cash flow from operating activities of EUR 38.0 million and EUR 50.9 million respectively. These funds were primarily used to redeem the long term loan to Svenska Handelsbanken for EUR 48.1 million and EUR 30.0 million for the years 2008 and 2009 respectively.

The forecasted positive cash flow for 2010 will enable Leaf to make further redemptions on the loans with Svenska Handelsbanken. During 2005 until 2009 the company significantly exceeded the required repayments to Svenska Handelsbanken. The first repayment requirement to Svenska Handelsbanken is March 31, 2010. Management is of the opinion that there is no uncertainty about company's ability to timely meet future repayments and covenants with Svenska Handelsbanken as well as loans from shareholders and trade creditors. Furthermore, management is of the opinion that the risk of insufficient cash flow to repay the outstanding amounts under the facilities in full on the respective maturity dates will not be a threat to the company's ability to continue as a going concern in the foreseeable future.

Therefore, the accounting principles applied in these financial statements are based on the assumption that the company is able to continue as a going concern.

Receivables on group companies

Receivables on group companies are stated at the fair value of the amount owed, which normally consists of its face value net of any provisions considered necessary.

32 Intangible assets

	Goodwill	Software	Total
Book value as of 1 January 2008	**113,309**	**133**	**113,442**
Movements			
Acquisitions	0	928	928
Amortization	0	-104	-104
	0	824	824
31 December 2008			
Acquisition or production costs	113,309	1,228	1,228
Accumulated impairments, amortization and revaluations	0	-271	-271
Book value as of 31 December 2008	**113,309**	**957**	**114,266**
Movements			
Acquisitions	0	1,434	1,434
Amortization	0	-90	-90
Impairment	0	-311	-311
	0	1,033	1,033
31 December 2009			
Acquisition or production costs	113,309	2,351	115,660
Accumulated impairments, amortization and revaluations	0	-361	-361
Book value as of 31 December 2009	**113,309**	**1,990**	**115,299**
Estimated economic useful life	N/A	3 – 5 years	

EUR '000 unless otherwise stated

The total bookvalue of software includes an amount for software under construction of EUR 116 (2008: EUR 898).

33 Financial assets

An overview of the movements of the non-current financial assets is stated below:

	Investments in group companies	Other receivables group companies	Deferred tax assets	Other receivables related parties	Other	Total
Book value as of 1 January 2008	**141,766**	**262,788**	**3,839**	**0**	**0**	**408,393**
Movements						
Additions/releases	0	16,867	-1,902	2,290	386	17,641
Divestments	-1,499	0	0	0	0	-1,499
Capital contributions	32,857	0	0	0	0	32,857
Exchange differences	-8,828	1,414	0	0	0	-7,414
Transfer from provisions	-1,909	0	0	0	0	-1,909
Result participations	1,255	0	0	0	0	1,255
Book value as of 31 December 2008	**163,642**	**281,069**	**1,937**	**2,290**	**386**	**449,324**
Movements						
Additions/releases	-2,565	2,371	607	1,256	-386	1,283
Capital contributions	7,263	0	0	0	0	7,263
Exchange differences	3,474	0	0	0	0	3,474
Transfer from provisions	0	0	0	0	0	0
Result participations	8,636	0	0	0	0	8,6361
Book value as of 31 December 2009	**180,450**	**283,440**	**2,544**	**3,546**	**0**	**469,980**

List of participations

Participations directly held by Leaf International B.V. are:

		Share in equity
		%
–	Leaf Holland B.V., Oosterhout NB, the Netherlands	100
–	Leaf Holland Distribution B.V., Raamsdonksveer, the Netherlands, divested as per January 2, 2008	100
–	Leaf België Production N.V., Turnhout, Belgium	100
–	Leaf Belgique S.A., Manage (Bois d'Haine), Belgium, divested as per January 16, 2008	100
–	Leaf Belgium Distribution N.V., Lier, Belgium	100
–	Leaf Baltics AS, Tallinn, Estonia	100
–	Leaf Suomi Oy, Turku, Finland	100
–	Leaf France Holding SAS, Bondues, France, divested as per January 16, 2008	100

EUR '000 unless otherwise stated

- Leaf Deutschland GmbH, Bocholt, Germany 100
- OOO Leaf, St Petersburg, Russia, in liquidation 100
- Leaf United Kingdom Ltd., Southport, United Kingdom, in liquidation 100
- Leaf Slovakia s.r.o., Bratislava, Slovakia 100

Deferred tax assets

Deferred tax assets refer to, amongst others, the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements.

The composition of deductible temporary differences (recognised as well as unrecognised) and unutilised tax losses carried forward is as follows:

	31 December 2009		31 December 2008	
	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	234	0	0	0
Tax losses carried forward	2,306	10,955	1,937	11,823
	2,540	10,955	1,937	11,823

In respect of the items disclosed in the column 'recognised' a deferred tax asset is included in financial fixed assets.

It is not expected that a significant part of the recognised deductible temporary differences and tax losses carried forward will be utilised within one year.

For the unrecognised deductible temporary differences and tax losses carried forward it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities within the same tax group or tax jurisdiction. While judging this probability management took into account all intended tax planning strategies, financial forecast figures as well as prior year taxable income.

34 Receivables

	31 Dec 2009	31 Dec 2008
Amounts due from group companies	23,303	22,663
Amounts due from shareholders, holders of bearer shares and related parties	12,430	1,207
Other receivables	0	32
Current income tax assets	0	820
Prepayments and accrued income	1,380	623
	37,113	25,345

EUR '000 unless otherwise stated

35 Cash and cash equivalents

	31 Dec 2009	31 Dec 2008
Cash at bank and in hands	18,874	10,547
	18,874	10,547

All cash and bank balances are available on demand.

36 Shareholders' equity

Share capital

The authorised share capital of the company as of 31 December 2009 amounts to EUR 100,000 (EUR *1) and consists of 100,000 ordinary shares of EUR 1 each.

Issued and paid in share capital amounts to EUR 20,000 (EUR *1) and consists of 20,000 ordinary shares with a nominal value of EUR 1 each.

The movements in the number of shares in 2009 are as follows:

	2009	2008
1 January	20,000	20,000
Issue of ordinary shares	0	0
31 December	20,000	20,000

At 10 December 2009 a loan from Leaf Finance AB amounting to EUR 11.8 million and a loan from Leaf Holding S.A. amounting to EUR 6.3 million have been contributed into equity as share premium.

EUR '000 unless otherwise stated

The movements in shareholders' equity are as follows:

	Issued share capital	Share premium	Translation differences reserve	Accumulated deficit	Result for the year	Total
Book value as of 1 January 2008	**20**	**70,822**	**-220**	**-63,408**	**-31,789**	**-24,575**
Movements						
Capital contribution	0	0	0	0	0	0
Translation of foreign participations	0	0	-9,054	0	0	-9,054
Appropriation of net result	0	0	0	-31,789	31,789	0
Result current year	0	0	0	0	-32,784	-32,784
Total movements	0	0	-9,054	-31,789	-995	-41,838
Book value as of 31 December 2008	**20**	**70,822**	**-9,274**	**-95,197**	**-32,784**	**-66,413**
Movements						
Translation of foreign participations	0	0	4,168	127	0	4,295
Capital contribution	0	18,146	0	0	0	18,146
Appropriation of net result	0	0	0	-32,784	32,784	0
Result current year	0	0	0	0	-16,434	-16,434
Total movements	0	18,146	4,168	-32,657	16,350	6,007
Book value as of 31 December 2009	**20**	**88,968**	**-5,106**	**-127,854**	**-16,434**	**-60,406**

The Company has no other legal and statutory reserves as of 31 December 2009 than the translation differences reserve since development costs are expensed as incurred and there are no undistributable reserves for positive results of participations.

EUR '000 unless otherwise stated

37 Provisions and deferred tax liabilities

	31 Dec 2009	31 Dec 2008
Deferred tax liabilities	22,523	22,312
Other provisions	14,004	27,181
	36,527	49,493

Movement schedule deferred taxes and provisions	**Deferred tax**	**Other Provisions**	**Negative participations**	**Total**
1 January 2008	23,211	423	27,843	51,477
Additions	0	904	0	904
Utilisations	0	-64	0	-64
Releases	-899	-16	-1,909	-2,824
31 December 2008	22,312	1,247	25,934	49,493
1 January 2009				
Additions	306	169	0	475
Utilisations	-95	-33	0	-128
Divestments	0	0	-5,795	-5,795
Result participations	0	0	-6,399	-6,399
Translation differences	0	0	-824	-824
Releases	0	-295	0	-295
31 December 2009	22,523	1,088	12,916	36,527

Deferred tax liabilities

The provision for deferred tax liabilities is mainly formed with respect to timing differences between the valuation for annual account purposes of the intangible non-current assets, property, plant and equipment, provisions and fiscal purposes.

Provision for negative participations

This provision has been made due to the negative equity value of the investment in group company Leaf Suomi Oy (as at 31 December 2008 the provision also included the negative equity value of the investment in Leaf UK Ltd., and OOO Leaf).

EUR '000 unless otherwise stated

38 Borrowings

	31 Dec 2008			
	Term ≤ 1 year	Term 1 – 5 years	Term ≥ 5 years	Total term > 1 year
Loans from related parties	0	0	348,519	348,519
Intercompany loans	0	120,253	0	120,253
Loans from credit institutions SHB	14,156	46,998	0	46,998
	14,156	167,251	348,519	515,770

	31 Dec 2009			
	Term ≤ 1 year	Term 1 – 5 years	Term ≥ 5 years	Total term > 1 year
Loans from related parties	0	0	379,821	379,821
Intercompany loans	0	142,840	0	142,840
Loans from credit institutions SHB	24,243	46,943	0	46,943
	24,243	189,783	379,821	569,604

The following securities have been pledged to Svenska Handelsbanken A.B.:

- Shares of all group companies except for Leaf Baltics, OOO Leaf, Continental Sweets UK and Famous Names Holding
- First ranking security interest in any intercompany debt
- First ranking security interest in any insurance proceeds
- First ranking security interest in any hedging agreements
- First ranking security interest in any registered intellectual property rights
- First ranking security interest in any security interest in real property
- First ranking security interest in assets by way of business mortgage.

Effective interest rates

The effective interest rates at the balance sheet date are as follows:

- Loan from credit institutions: 3.02%.
- Shareholder loan: 14%.

39 Current liabilities

	31 Dec 2009	31 Dec 2008
Trade creditors	773	560
Group companies	66,040	76,465
Related parties	0	223
Loans from credit institutions	24,243	14,156
Other liabilities	4,485	9,228
	95,541	100,632

EUR '000 unless otherwise stated

Other liabilities	31 Dec 2009	31 Dec 2008
Interest third parties	2,592	6,678
Other accruals	1,893	2,550
	4,485	9,228

40 Remuneration of members of the Board of Management

The remuneration of members of the Board of Management amounts to EUR 5,688 (2008: 4,235) which comprises periodically paid emoluments such as salaries, holiday allowance and social security contributions, deferred emoluments such as pension charges, end-of-service benefits and profit shares and bonus payments.

41 Employees

During 2009 the average number of employees employed by Leaf International B.V. was 19 (2008: 28). From this total, during 2008, 1 employee has been working outside the Netherlands.

42 Auditor's fees

The auditor's fees can be summarised as follows:

Services	31 Dec 2009	31 Dec 2008
Audit services	431	417
Audit related services	25	0
Tax related services	3	1
Other	0	25
	459	443

43 Commitments not included in the balance sheet

Liability undertaking

The company issued a parent company guarantee pursuant to article 403, Book 2 of the Netherlands Civil Code in respect of four of its consolidated group companies. The liability statement concerns:

- Leaf Holland B.V., Oosterhout NB, the Netherlands (100%);
- Van Tienen sr. (V.T.S.) Successor B.V., Oosterhout NB, the Netherlands (100%) (dormant);
- Leaf Holland Distribution B.V. Raamsdonksveer, the Netherlands (100%, divested as per January 2, 2008);
- Driessen Chocoladefabriek B.V., Raamsdonksveer, the Netherlands (100%), divested as per January 2, 2008.

EUR '000 unless otherwise stated

For corporate income tax purposes the company forms a fiscal unity with:

- Leaf Holland B.V., Oosterhout NB, the Netherlands (100%);
- Van Tienen sr. (V.T.S.) Successor B.V., Oosterhout NB, the Netherlands (100%) (dormant);
- Leaf Holland Distribution B.V., Raamsdonksveer, the Netherlands (100%) till January 2, 2008
- Driessen Chocoladefabriek B.V., Raamsdonksveer, the Netherlands (100%) (dormant), till January 2, 2008.

In accordance with standard conditions, the company, along with the group companies that are part of the fiscal entity, are wholly and severally liable for taxation payable by the fiscal unity.

Tax effect within fiscal unity

The financial statements of Leaf Holland Distribution B.V. and Leaf Holland B.V., both group companies, recognise a tax liability based on its profit for financial reporting purposes. Leaf International B.V. settles its intercompany balances with Leaf Holland Distribution B.V. and Leaf Holland B.V. based on the subsidiary's result for financial reporting purposes. The entire tax position of the fiscal unity is reflected on the balance sheet of Leaf International B.V.

Amsterdam, 23 March 2010,

Board of Directors,

B. Baron
A.W. Tholens

Leaf International B.V.
Hoevestein 26
4903 SC Oosterhout NB
The Netherlands

Other information

Profit appropriation according to the Articles of Association

In accordance with article 21 of the Articles of Association, the 2008 result is proposed to be allocated to the accumulated deficit.

Auditors' report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Accountants N.V.
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To: the Board of Directors and the Shareholders of Leaf International B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2009 of Leaf International B.V., Amsterdam as set out on pages 4 to 76. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement, the statement of comprehensive income, the consolidated changes in equity and consolidated cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2009, the company income statement for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Leaf International B.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Leaf International B.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

PRICEWATERHOUSECOOPERS

Amsterdam, 23 March 2010
PricewaterhouseCoopers Accountants N.V.

drs. P.C. Dams RA